Q3 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended September 30, 2010

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

September 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.

Richards Packaging delivered another solid quarter with third quarter organic revenue growth of 1.2% over the same period in 2009. Overall revenue decreased by $0.8 million, or 1.7%, due to the translation of Richards Packaging US revenue with the Canadian dollar strengthening by U.S./Cdn. 5¢. EBITDA[1] decreased $0.1 million, or 2.1%, with EBITDA at 12.4% of sales. Net income was $2.5 million, or 25.1¢ per Unit, down 53.4% over the same period in 2009, due primarily to the absence of unrealized gains on financial instruments ($3.8 million).

The nine months results were satisfactory with margin and cost improvements fully offsetting the $1.3 million adverse EBITDA impact of the translation of Richards Packaging US as the Canadian dollar strengthened by U.S./Cdn. 11¢. Total revenue was down $6.0 million, or 4.2%, due to organic revenue growth of $1.8 million, or 1.3%, being more than offset by currency translation. EBITDA[1] was flat at $17.0 million, with EBITDA at 12.4% of sales. Net income was $7.1 million, or 70.6¢ per Unit, down 42.4% over the same period in 2009, due primarily to the absence of unrealized gains on financial instruments ($7.7 million).

Inventory decreased by $0.2 million during the third quarter and decreases should accelerate in the fourth quarter and first quarter next year[4].

The Fund paid monthly distributions of 6.55¢ per Unit during the nine months of 2010, which represented an annualized yield of 9.6% on the September 30th closing price of $8.15 per Unit. The payout ratio[3] for the third quarter was 55% and for the nine months of 2010 was 57%. During the third quarter, no additional Units were purchased for cancellation as we wait to see how the Income Trust market pricing will adjust to reflect the numerous announcements of distribution decreases beginning in 2011.

The Fund expects to sustain monthly distributions to unitholders at the current level through 2011 under the income trust structure with no current intention to convert to a corporation.

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
Richards Packaging Inc.

November 3, 2010

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

November 3, 2010

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the third quarter should be read in conjunction with the attached interim unaudited consolidated financial statements dated September 30, 2010, the first and second quarter reports dated July 29 and 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 on April 7, 2004 with an initial public offering of trust units ("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 for the third quarter 2010 include:

- Revenue contraction of $0.8 million, or 1.7%, with 1.2% organic revenue growth being offset by foreign currency translation loss on Richards Packaging US,
- EBITDA[1] down $0.1 million, or 2.1%, representing 12.4% of sales,
- Accounts receivable increased by $2.0 million on higher sales and payables decreased by $0.3 million on lower purchases,
- Maintenance capital expenditures includes $0.3 million for implementation of computer system software in Richards US,
- Maintained distributable cash flow[2] at 36¢ per Unit resulting in a 55% payout ratio, and
- Paid monthly distributions of 6.55¢ per Unit representing a 9.6% annualized return on the September 30th closing price of $8.15 per Unit.

This MD&A covers the three and nine months ended September 30, 2010 (generally referred to in this MD&A as the "third quarter" and the "nine months", respectively). The following table sets out selected consolidated financial information of the Fund:

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

November 3, 2010

	Qtr. 3		Nine months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Income Statement Data:				
Revenue	**46,744**	47,529	**137,117**	143,104
EBITDA[1]	**5,794**	5,916	**16,986**	17,109
Diluted per Unit	***49.1¢***	*49.7¢*	***$1.44***	***$1.44***
Net income	**2,516**	5,400	**7,088**	12,300
Diluted per Unit	***25.1¢***	*53.4¢*	***$0.71***	***$1.22***
Balance Sheet Data:				
Total assets	**167,789**	170,266		
Bank debt outstanding	**47,548**	48,245		
Cash Flow Statement Data:				
Distributions and dividends	**2,329**	—	**6,993**	2,277
Diluted per Unit	***19.7¢***	—	***59.2¢***	*19.1¢*
Payout ratio[3]	***55%***	—	***57%***	*20%**

**The payout ratio of 20% for the nine months 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¢).*

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.

Review of Operations

Richards Packaging's operations during the third 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 third quarter decreased by $0.8 million, or 1.7%, from the same period in 2009 due to organic revenue growth of 1.2% ($0.5 million) offset by the translation of Richards Packaging US revenue with the Canadian dollar strengthening by 5¢ to U.S./Cdn.$0.96 ($1.3 million). Revenue for the nine months decreased by $6.0 million, or 4.2%, from the same period in 2009 due to the translation impact on Richards Packaging US revenue of the Canadian dollar strengthening by 11¢ to U.S./Cdn.$0.97 ($7.8 million) offset by organic revenue growth of 1.3% ($1.8 million).

[expressed in thousands, except where otherwise indicated]

	Qtr. 3		Nine months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Revenue	**46,744**	47,529	**137,117**	143,104
Cost of products sold	**38,430**	38,996	**112,418**	118,151
Gross profit	**8,314**	8,533	**24,699**	24,953
	17.8%	*17.9%*	*18.0%*	*17.4%*
Expenses	**2,636**	2,645	**7,647**	7,952
Foreign currency loss (gain)	**(116)**	(28)	**66**	(108)
EBITDA[1]	**5,794**	5,916	**16,986**	17,109
	12.4%	*12.4%*	*12.4%*	*12.0%*
Amortization and debt accretion	**2,012**	2,053	**6,291**	6,183
Patent defense costs	**136**	9	**311**	114
Interest expense	**661**	765	**1,934**	3,195
Gains on financial instruments	—	(3,800)	—	(7,662)
Income tax expense	**14**	531	**108**	798
Non-controlling interests	**455**	958	**1,254**	2,181
Net Income	**2,516**	5,400	**7,088**	12,300

Cost of products sold for the third quarter and the nine months decreased by $0.6 million or 1.5%, and by $5.7 million or 4.9%, respectively, from the same periods in 2009. Gross profit margins decreased by 0.1% in the third quarter but increased 0.6% for the nine months. Price degradation in select large accounts was experienced in response to increased competitive threats. Price volatility of resins during the nine months 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 were flat for the third quarter and decreased $0.3 million for the nine months 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 during the nine months 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 third quarter and nine months decreased by $0.1 million, or 2.1%, and $0.1 million, or 0.7%, respectively over the same periods in 2009. As a percent of sales, EBITDA was 12.4% for the third quarter and the nine months compared to 12.4% and 12.0% for the same periods in 2009, respectively. Changes were a result of the factors referred to above.

Amortization and debt accretion of $2.0 million for the third quarter and $6.3 million for the nine months was mainly comprised of $1.6 million and $4.9 million respectively for intangibles, which represents a charge for customer relationships and patents. The remaining amortization amounts consisted of debt accretion of $0.4 million for the nine months reflecting the refinancing completed in May and capital asset amortization of $0.4 million per quarter, which is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

Interest expense for the third quarter and the nine months decreased by $0.1 million and $1.3 million, respectively from the same periods in 2009 due to the impact of principal repayments and floating interest rate reductions, $0.1 million and $0.7 million, respectively and the absence of the fixed rate swap contributing an additional $0.6 million savings for the nine months.

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 product.

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 $0.4 million for the third quarter and $1.8 million for the nine months reflect tax leakage for Richards Packaging US. Net future tax assets available to shield income taxes are $3.8 million.

Net income for the third quarter was $2.5 million and $7.1 million for the nine months, which represented 25.1¢ and 70.6¢ per Unit on a diluted basis, respectively. A time weighted-average of 10,027,480 and 10,035,388 Units were outstanding during the third quarter and the nine months respectively. 1,775,033 exchangeable shares were outstanding throughout the nine months.

Distributable Cash Flow[2]

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 (nil drawn).

Distributable cash flow[2] of $4.3 million for the third quarter and $12.3 million for the nine months increased by $0.1 million and $0.8 million, respectively compared to the same periods in 2009. Increases during the nine months were attributable to lower interest expense and taxes offset by higher maintenance capital.

Monthly distributions for the nine months at 6.55¢ per Unit, represents an annual yield of 9.6% on an $8.15 price per Unit at September 30, 2010 and a payout ratio[3] of 57%. Based upon the third quarter, 100% of the distributions will represent interest on the subordinated note held by the Fund. The Fund expects to sustain monthly distributions to unitholders at the current level through 2011 under the income trust structure.

[expressed in thousands, except where otherwise indicated]

	Qtr. 3		Nine months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Cash provided by operating activities	**2,234**	4,622	**5,277**	10,967
Working capital changes	**2,360**	(164)	**7,633**	890
Non-cash charges	**1,200**	1,458	**4,076**	5,252
	5,794	5,916	**16,986**	17,109
Interest expense	**661**	765	**1,934**	3,195
Cash income tax expense	**403**	816	**1,831**	2,075
Maintenance capital expenditures	**478**	105	**954**	309
Distributable cash flow[2]	**4,252**	4,230	**12,267**	11,530
Diluted per Unit	*36.0¢*	*35.5¢*	*$1.04*	*$0.97*
Distributions and dividends	**2,329**	—	**6,993**	2,277
Diluted per Unit	***19.7¢***	—	***59.2¢***	*19.1¢*
Payout ratio[3]	***55%***	—	***57%***	*20%*
Purchase of Units	—	—	**455**	—
Units outstanding on a diluted basis	**11,803**	11,908	**11,810**	11,908

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the third quarter was $2.2 million, down $2.4 million primarily due to $2.5 million of increased working capital from the same period in 2009. For the nine months, cash flow from operating activities was $5.3 million, down $5.7 million from the same period in 2009, as working capital increased by $6.7 million offset by items not involving cash of $1.2 million. During the nine months, working capital increased by $7.6 million mainly on higher receivables ($3.6 million), inventory ($3.4 million) and prepaid expenses ($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, 43% 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 third quarter, including those declared for June 2010, were $2.3 million with $0.8 million declared for September and paid on October 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 nine months 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 third quarter was $0.4 million and $1.8 million for the nine months 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 third quarter were $0.5 million (2009 – $0.2 million), incurred on account of maintenance capital. For the nine months, capital expenditures were $1.3 million (2009 - $0.9 million), $1.0 million on account of maintenance capital, including $0.3 million incurred on account of computer systems software. Expenditures classified as maintenance capital also include new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. Expansion capital of $0.3 million was incurred during the nine months on 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 September 30, 2010, our leverage ratio was 2.15, 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 gave rise to an unrealized gain of $0.7 million in the nine months.

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 current level through 2011 under the income trust structure.

Organic revenue increased by 1.2% and 1.3% for the third quarter and nine months, respectively in line with the long term industry average revenue growth of 1-3%. Given the high organic growth experienced in the fourth quarter of 2009, Richards Packaging's organic growth rate is expected to be minus 4% in the fourth quarter bringing the full year rate to 0%. The impact of translation will subside to $0.9 million for the fourth quarter at current exchange rates of U.S./Cdn.$0.99.

EBITDA[1] for the third quarter was $5.8 million and $17.0 million for the nine months, down $0.1 million in the third quarter and in the nine months, respectively over the same periods in 2009. For the fourth quarter, EBITDA is expected to be $0.2 million lower than 2009 due to the impact of revenue shrinkage.

Interest expense decreased $0.1 million and cash income taxes decreased $0.4 million in the third quarter from the same period in 2009. Both are expected to run at their respective third 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 third 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 September 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 nine months 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.

Change in Accounting Policies

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 recognition of deferred income tax associated with other comprehensive losses.

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 nine months ended September 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

---

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 September 30, 2010 and December 31, 2009

	2010	**2009**
	$	$
ASSETS		
Current		
Cash and cash equivalents	**118**	2,071
Accounts receivable	**22,316**	18,873
Inventory	**34,439**	31,289
Prepaid expenses	**2,337**	2,010
Income taxes recoverable	**212**	10
Total current assets	**59,422**	54,253
Capital assets	**4,056**	4,180
Intangible assets	**32,793**	37,514
Future income tax assets	**32**	21
Goodwill	**71,486**	72,010
	167,789	167,978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**1,519**	—
Accounts payable and accrued liabilities	**18,472**	18,604
Distributions and dividends payable	**775**	780
Due to previous shareholder of acquired company	**812**	825
Total current liabilities	**21,578**	20,209
Long-term debt *[note 3]*	**47,548**	47,402
Future income tax liabilities	**6,798**	8,581
Total liabilities	**75,924**	76,192
Non-controlling interests *[note 4]*	**15,145**	15,081
Unitholders' equity		
Units *[note 5]*	**93,894**	94,349
Deficit	**(12,296)**	(13,469)
Accumulated other comprehensive loss	**(4,878)**	(4,175)
	(17,174)	(17,644)
Total unitholders' equity	**76,720**	76,705
	167,789	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 LOSS

Unaudited

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

For the three and nine months ended September 30

	Three months		Nine months	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Revenue	**46,744**	47,529	**137,117**	143,104
Cost of products sold	**38,430**	38,996	**112,418**	118,151
	8,314	8,533	**24,699**	24,953
General and administrative expenses	**2,636**	2,645	**7,647**	7,952
Foreign currency loss (gain)	**(116)**	(28)	**66**	(108)
Income before under noted items, income taxes and non-controlling interests	**5,794**	5,916	**16,986**	17,109
Amortization and debt accretion	**2,012**	2,053	**6,291**	6,183
Patent defense costs	**136**	9	**311**	114
Interest expense	**661**	765	**1,934**	3,195
Gains on financial instruments	—	(3,800)	—	(7,662)
Income before income taxes and non-controlling interest	**2,985**	6,889	**8,450**	15,279
Provision for (recovery of) income taxes *[note 6]*				
Current	**403**	816	**1,831**	2,075
Future	**(389)**	(285)	**(1,723)**	(1,277)
	14	531	**108**	798
Non-controlling interests *[note 4]*	**455**	958	**1,254**	2,181
Net income for the period	**2,516**	5,400	**7,088**	12,300
Basic and diluted income per Unit *[note 5]*	**$0.25**	$0.53	**$0.71**	$1.22
Other comprehensive loss				
Unrealized foreign currency translation	**(425)**	(4,293)	**(703)**	(7,720)
Comprehensive income for the period	**2,091**	1,107	**6,385**	4,580
STATEMENT OF DEFICIT				
Deficit, beginning of period	**(12,841)**	(18,424)	**(13,469)**	(23,433)
Net income for the period	**2,516**	5,400	**7,088**	12,300
Distributions declared to unitholders	**(1,971)**	—	**(5,915)**	(1,891)
Deficit, end of period	**(12,296)**	(13,024)	**(12,296)**	(13,024)
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Beginning of period	**(4,453)**	987	**(4,175)**	4,414
Other comprehensive loss	**(425)**	(4,293)	**(703)**	(7,720)
End of period	**(4,878)**	(3,306)	**(4,878)**	(3,306)

See accompanying notes

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

[expressed in thousands of dollars]

For the three and nine months ended September 30

	Three months 2010	Three months 2009	Nine months 2010	Nine months 2009
	$	$	$	$
OPERATING ACTIVITIES				
Net income for the period	**2,516**	5,400	**7,088**	12,300
Add (deduct) items not involving cash				
Amortization				
Capital assets	**361**	368	**1,049**	1,094
Intangible assets	**1,610**	1,659	**4,879**	5,010
Debt accretion	**41**	26	**363**	79
Future income taxes	**(389)**	(285)	**(1,723)**	(1,277)
Non-controlling interests	**455**	958	**1,254**	2,181
Gains on financial instruments				
Interest rate swap contract	—	—	—	(660)
Foreign currency translation of debt	—	(3,668)	—	(6,870)
	4,594	4,458	**12,910**	11,857
Net change in non-cash operating elements of working capital *[note 7]*	**(2,360)**	164	**(7,633)**	(890)
Cash provided by operating activities	**2,234**	4,622	**5,277**	10,967
INVESTING ACTIVITIES				
Additions to capital assets	**(149)**	(219)	**(967)**	(866)
Expenditures on computer systems software	**(329)**	(21)	**(340)**	(28)
Cash used in investing activities	**(478)**	(240)	**(1,307)**	(894)
FINANCING ACTIVITIES				
Increase in bank indebtedness	**530**	79	**1,541**	824
Repayment of short-term debt	—	(1,000)	—	—
Repayment of long-term debt *[note 3]*	—	(3,281)	**(47,719)**	(6,744)
Proceeds from long-term debt *[note 3]*	—	—	**47,501**	—
Realized currency gain on debt conversion	—	(132)	—	(132)
Purchase of trust units for cancellation *[note 5]*	—	—	**(455)**	—
Dividends paid to exchangeable shareholders	**(359)**	—	**(1,073)**	(575)
Distributions paid to unitholders	**(1,970)**	—	**(5,920)**	(2,837)
Cash used in financing activities	**(1,799)**	(4,334)	**(6,125)**	(9,464)
Foreign currency income (loss)	**(37)**	(59)	**202**	(693)
Net increase (decrease) in cash and cash equivalents	**(80)**	(11)	**(1,953)**	(84)
Cash and cash equivalents, beginning of period	**198**	129	**2,071**	202
Cash and cash equivalents, end of period	**118**	118	**118**	118

See accompanying notes

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 September 30, 2010 [2009 – nil]. 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 at September 30, 2010 reflects a decrease of $452 for unamortized debt issue costs [2009 – $475].

4. NON-CONTROLLING INTERESTS

As at September 30, 2010, 1,775,033 exchangeable shares remain outstanding. The change in carrying value of the non-controlling interests for the nine months ended September 30, 2010 represents $1,254 of net income [2009 – $2,181] and $41 of unrealized loss from the translation of Richards Packaging US [2009 – $1,450 gain], offset by $1,072 of dividends [2009 – $385].

[expressed in thousands of dollars]

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, September 30, 2010	**10,027,480**	**93,593**	**301**	**93,894**

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

	Three months		Nine months	
	2010	2009	2010	2009
	#	#	#	#
Basic Units outstanding	**10,027,480**	10,114,722	**10,035,388**	10,114,722
Diluted Units outstanding	**11,802,513**	11,908,255	**11,810,421**	11,908,255

6. INCOME TAXES

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

	Three months		Nine months	
	2010	2009	2010	2009
	$	$	$	$
Income before income taxes and non-controlling interests	**2,985**	6,889	**8,450**	15,279
Distributions to unitholders, not subject to income taxes	**(1,952)**	(20)	**(5,792)**	(3,288)
Income subject to income taxes	**1,033**	6,869	**2,658**	11,991
Statutory tax rate	***31.5%***	*32.5%*	***31.5%***	*32.5%*
Income tax expense at statutory tax rate	**325**	2,232	**837**	3,897
Future income tax recovery	**389**	285	**1,723**	1,277
Current period adjustments	**(311)**	(1,701)	**(729)**	(3,099)
Current income taxes	**403**	816	**1,831**	2,075

[expressed in thousands of dollars]

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months		Nine months	
	2010	**2009**	**2010**	**2009**
	$	$	**$**	$
Accounts receivable	**(2,093)**	(900)	**(3,595)**	(1,845)
Inventory	**165**	2,582	**(3,480)**	5,493
Prepaid expenses	**(81)**	(520)	**(343)**	(887)
Accounts payable and accrued liabilities	**(266)**	(953)	**(6)**	(3,925)
Income taxes recoverable (payable)	**(85)**	(45)	**(209)**	274
	(2,360)	164	**(7,633)**	(890)

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

	Three months		Nine months	
	2010	**2009**	**2010**	**2009**
	$	$	**$**	$
Interest paid	**669**	887	**1,950**	3,428
Income taxes paid	**482**	802	**2,132**	1,717