2010 Annual Report

Richards Packaging Income Fund

Securigo

DISPILL

Good Things Come in

Richards Packaging

McKernan

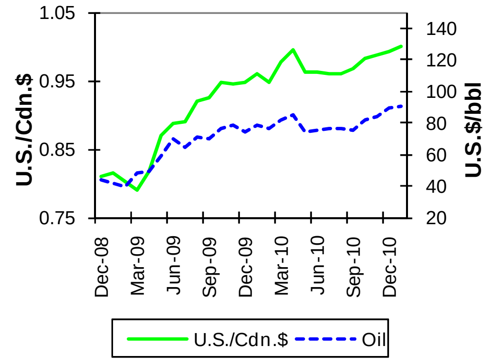
PACKAGING CLEARING HOUSE

QUALITY DISCOUNT PACKAGING

INVESTMENT PROPOSITION

Financial Markets

- Global recession jobless recovery continued – packaging down 10% 2009, up 7% 2010
- Bounce back in commodities, most notably oil – FX and oil pricing diverged
- U.S./Cdn. exchange rate raises above parity
- Short term borrowing rates remained at all time lows of 1%
- Mergers and acquisitions continue to be slow even in the face of low financing costs



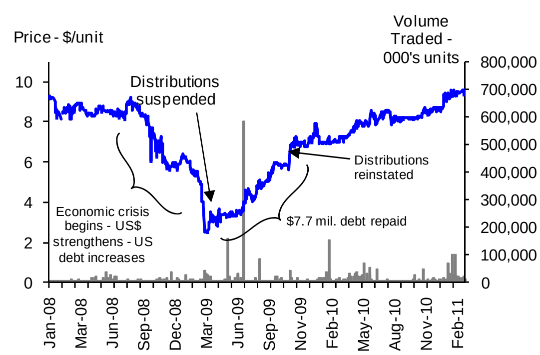
Distribution Policy

- Proforma reflects 2013 tax, further U.S./Cdn. 5¢ appreciation and 1.5% interest increase
- Tax shields of $4 mil. available for 2011[4] – delay conversion decision to a corp. until end of 2012
- Distributions for 2012 will be return of capital reflecting utilization of loss carry forwards
- Monthly distributions of 6.55¢ per Unit
- Payout target of 80% reflects turbulent times

($ millions)	2010	Adj's	Proforma
EBITDA	21.4	(0.5)	20.9
Interest	(2.6)	(0.7)	(3.3)
Taxes	(1.5)	(3.4)	(4.9)
Maintenance capital	(1.7)	0.8	(0.9)
Future Distributable cash flow	15.6		11.8
Current distribution level	9.3		9.3
Payout Ratio	60%		79%

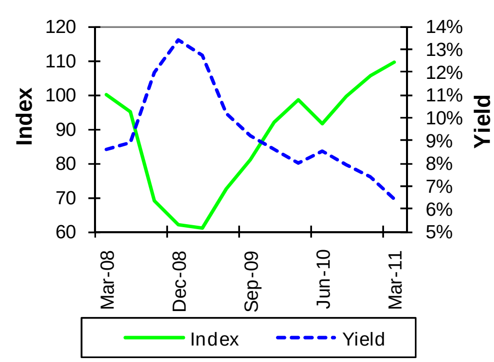
RPI.UN Trading Activity

- Fully recovered to pre-economic crisis levels
- FX drop of 13¢ in Q4/08 and 2¢ in Q1/09 reversing by 7¢ in Q2/09 and 6¢ in Q3/09
- Debt to EBITDA increased to 3.0 in Q1 2009 lowered to 2.2 in Q3 2009
- FX exposure on debt removed by converting to Cdn.$ in July 2009 at U.S./Cdn. 92¢



Business Trust Universe

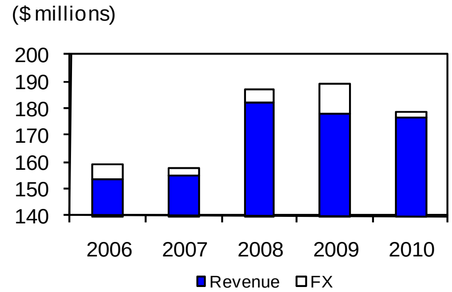
- March 2008 Price Index = 100
- Supply of business trusts decreases in half to 60 with all but 13 converting to corporations
- Trusts not converting are IDS's, partnerships or have tax loss carry forwards
- Yields widen to 13% during economic crisis – now at 6.5%
- Average payout is 7.7¢ per month (+/- 2¢) down 10% in Q1 2010 to reflect additional tax burden
- Average price up 20% in last two quarters



PERFORMANCE SNAPSHOT

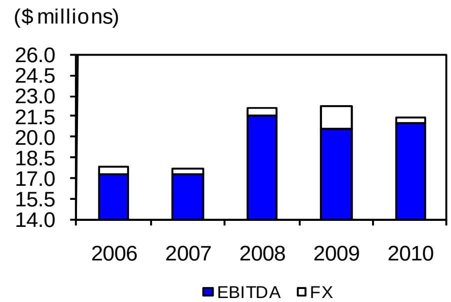
Revenue

- Organic contraction $1.4 mil. – top 60 customers shrinking due to 9¢ appreciation of Cdn.$
- Non-cash currency translation loss $8.7 mil. at U.S./Cdn. 97¢ (2009 – $6.4 mil. gain)
- US growth 1% with additional 700 small customers – Canada contracted 1% mainly large customers
- 2% plastic and 1% closure increases; 2% and 1% glass bulk food decreases



EBITDA[1]

- EBITDA down $0.8 mil. at 12% of sales
- Inventory $0.2 mil. write-down in line with long term trend (2009 – $2.3 mil.)
- Profit improvement initiatives $0.4 mil. staffing improvements (2009 – $0.2 mil.)
- Reorganization costs (2008 – $0.5 mil.)
- Expansion capital impact flat at $0.1 mil.



Cash Management

- Free cash flow[2] reflects target cushion of 20% of distributable cash
  - Working capital 2010
  - Debt repayment 2009
- Working capital increase reflects:
  - FX $1.2 mil. decrease (2009 – $1.7 mil.)
  - inventory increase $5.0 mil.
  - US tax depreciation relief – $0.7 mil.
- Debt converted July 2009 at U.S./Cdn. 92¢ – 2009 payments $7 mil. (2008 – $1 mil.)

($ millions)	2008	2009	2010
Free Cash Flow	1.3	10.1	**6.3**
Cash	0.2	2.1	**1.1**
Working Capital	35.2	32.0	**36.8**
Current ratio	*2.4*	*2.7*	***2.8***
Inventory turns	*4.1*	*5.0*	***4.2***
Expansion Capex	1.3	0.7	**0.4**
Debt	61.9	47.4	**48.0**
Debt/EBITDA	*2.8*	*2.1*	***2.2***
Units Purchased	1.0	0.3	**0.5**

Fourth Quarter Results

- Revenue shrinks 7% as $3.2 mil. 2009 customer inventory replenishment benefit not repeated
- Price degradation on large accounts – 0.4%
- EBITDA drop of 0.5% reflects higher ocean freight rates which have now subsided
- Expenses down $0.3 mil. on lower staffing and discretionary spending

($ millions)	2008	2009	2010
Revenue	45.4	46.0	**41.9**
EBITDA[1]	5.1	5.1	**4.4**
	11.3%	*11.1%*	***10.6%***
Payout Ratio[3]	*98%*	*74%*	***69%***
Debt Repayment	1.2	1.0	**–**
Share Buyback	–	0.3	**–**

CEO'S REPORT TO UNITHOLDERS

December 31, 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.

As expected, the 2010 results were dramatically impacted by the U.S./Cdn. 9¢ appreciation of the dollar by depressing sales by $8.7 million and EBITDA by $1.3 million. In addition, revenue was slightly lower than 2009 with organic revenue shrinkage of 0.8%. We experienced a $4 million contraction with our top 60 customers as the higher freight costs and Canadian dollar hampered their ability to compete. Partially offsetting this setback was the success of our sales team in generating new small customers which resulted in $3 million of additional sales from 1,000 new customers. This EBITDA[1] impact was partially offset by expense containment initiatives contributing $0.5 million, resulting in an overall decrease of $0.8 million, at a solid 12% of sales level. Net income was $8.8 million, or $0.87 per Unit, down $5.1 million from the same period in 2009 which mainly reflects non-cash foreign currency translation gain on our U.S. dollar denominated debt.

Performance in the fourth quarter was unusually weak with organic revenue shrinkage of 7.1%, as the $3.2 million customer inventory replenishment programs in 2009 failed to repeat. The remaining $0.9 million revenue shortfall reflects the U.S./Cdn. 4¢ appreciation of the dollar. EBITDA was down $0.7 million on lower revenue and $0.4 million as a result of higher ocean freight charges that have since subsided, partially offset by $0.2 million of cost containment savings.

Richards Packaging focus for 2011 will be to grow revenue by 2.2% to offset the U.S./Cdn. 5¢ appreciation of the dollar to U.S./Cdn.$1.02 and to reverse the $5.0 million inventory build up during 2010. Acquisitions still remain part of our strategic direction although locating compelling targets has proved challenging[4].

Richards Packaging enters 2011 as a leading North American packaging distribution company with a clear business strategy, a high quality sales organization and a dedication to providing our customers with innovative value add packaging solutions. Our acquisitions since the inception of the Fund continue to all be accretive and strong strategic fits and we are excited by the prospects of executing our strategic plan and growing the Richards Packaging family.

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

"Gerry Glynn"
Chief Executive Officer
Richards Packaging Inc.

March 4, 2011

INDEPENDENT TRUSTEES' REPORT

December 31, 2010

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

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

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

Each trustee, director and officer of Richards Packaging is a unitholder and combined own 36% of the Fund. Accordingly, our motivation and interests are aligned with the public unitholders. Overall, our goal as directors and officers is to add value to Richards Packaging by contributing our broad experience and expertise in directing a controlled growth-oriented enterprise.

The Fund paid monthly distributions of 6.55¢ per Unit for the year, which represents an annualized yield of 9.0% on the December 31st closing price of $8.75 per Unit. The payout ratio[3] for the fourth quarter was 69% and 60% for the 2010 year with free cash flow mainly deployed in working capital. Factors considered when setting this distribution level included the Income Trust tax beginning in 2011, the current low interest rates and the cash needs of operations. Due to tax loss carry forwards available to Richards Packaging, the distributions for 2011 will be all return of capital.

On March 4, 2011, the Fund reinstated a normal course issuer bid to purchase up to 200,000 Units prior to March 5, 2012. During the year, 62,736 Units were purchased at an average price of $7.25 per Unit.

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

March 4, 2011

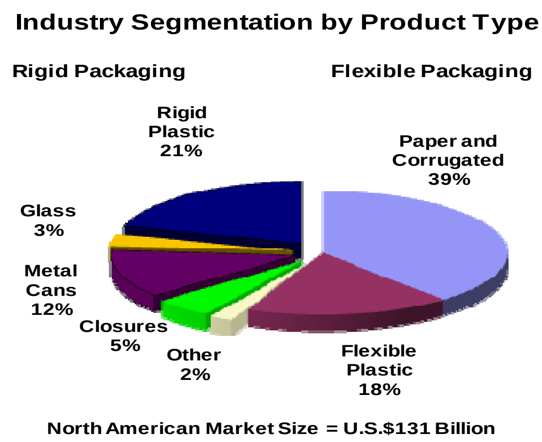
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 4, 2011 *Cdn$ thousands*

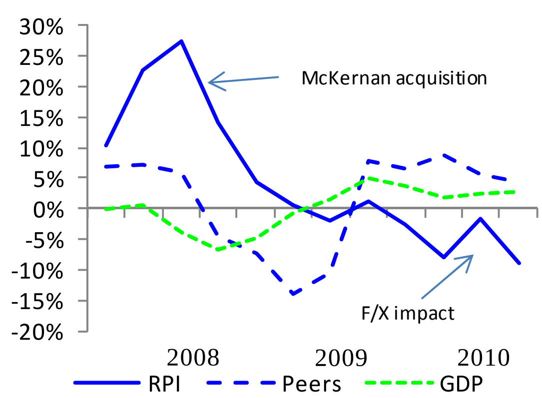
This management's discussion and analysis of Richards Packaging Income Fund ("MD&A") for the 2010 year should be read in conjunction with the attached audited financial statements for the year ended December 31, 2010, the quarterly reports for the periods ended March 31, June 30 and September 30, 2010 and the Annual Information Form dated March 4, 2011. 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 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 rebounded in 2010 growing 7% with beverage, restaurant and fast-food packaging recovering.

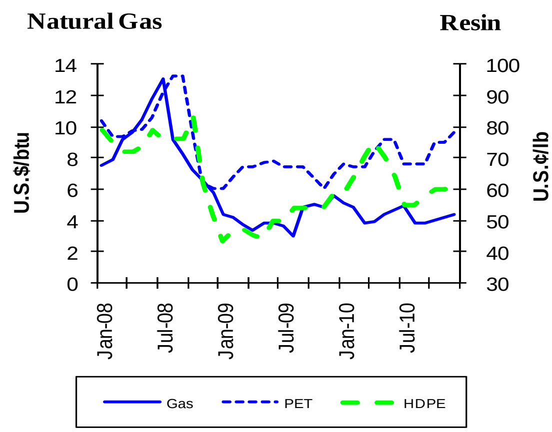


Revenue growth



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 2010 there were over 226 acquisitions in the global packaging industry, up 35% over 2009 but well below the 380 level of 2007, with an average value of U.S.$66 million at a median multiple of 7.0 times EBITDA[1] (2009 – 6.1). During 2010, the top 20 companies continued to spend on capital at the cautious rate of 4% of revenue. At the same time, excess capacity is continually being addressed with divestitures by conglomerates.

Energy prices continue to be a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2010, resin and natural gas prices were extremely volatile testing new lows before recovering in line with long term values. Resin prices were more driven by supply and demand with low PET inventory levels providing stable prices while high HDPE inventory levels resulted in more volatility. Financing structures in place at most packaging companies are similar to that of an income trust, with significant use of debt priced anywhere from 7% to 13% and free cash flow as defined within the industry at 5%, which ensures that a disciplined approach to passing cost increases through will remain in place. Clear evidence is that for the top 20 companies, their EBITDA as defined within the industry as a percent of sales has remained at a healthy 14% overall for 2010.

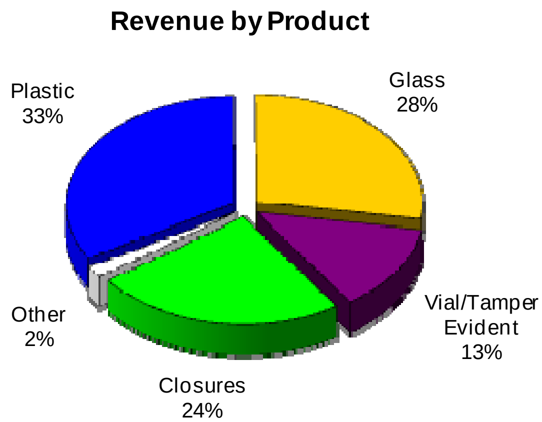


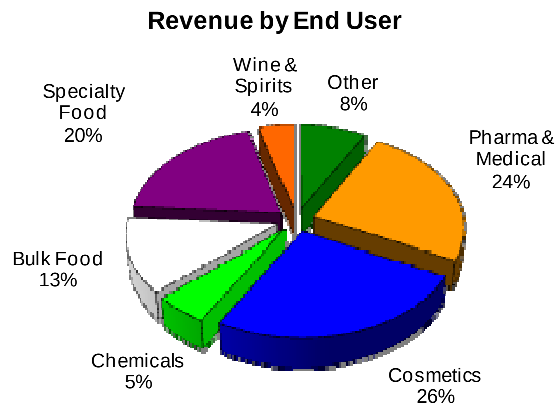
PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

Description of the Business and Fund Profile

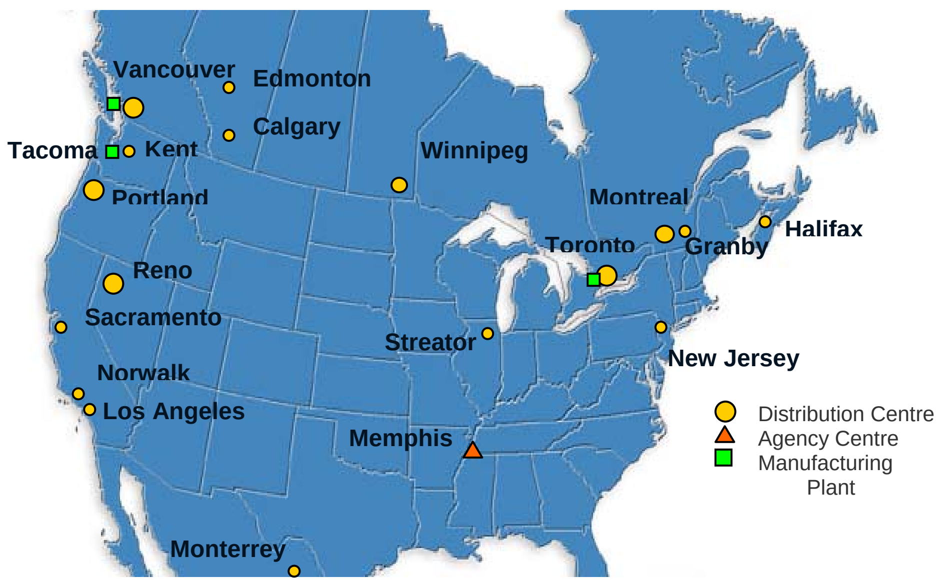
Within the North American Packaging Industry a $3 billion distributor-based market for rigid packaging exists to serve regional small- to medium-sized premium product marketers. Approximately 50 distributors provide marketing and package design expertise, source multiple packaging components from around 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 low with the top five companies controlling approximately 40% of their market. Richards Packaging Inc. and its subsidiaries ("Richards Packaging") is 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 serves a wide customer base that is comprised of approximately 11,000 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 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 17 sales offices and one agency location.



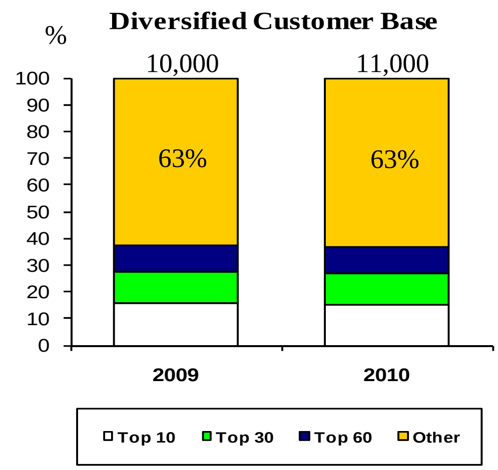


Richards Packaging Locations



The cornerstones of Richards Packaging's strategy include:

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



During 2010, 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 was reduced in 2010 by $4 million (2009 – $2 million) which was partially offset by the $3 million growth in small customers (2009 – $4 million). Due to the F/X drop of $8.7 million in revenue, the overall ratio of small customers remained at 63%.

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. The ownership is currently at 91% due to issuance of shares exchangeable into Units in order to facilitate the financing of two acquisitions and purchases under our normal course issuer bid.

Impact of Changes in Financial Markets

The global economic downturn that began in late 2008 continued in both 2009 and 2010 which impacted the foreign exchange and credit markets and the economic climate.

Foreign Exchange

During the fourth quarter of 2008, the exchange rate decreased dramatically by U.S./Cdn. 13¢. Since Richards Packaging's debt was denominated in US dollars (primarily to match the interest expense with US denominated cash flows), this exchange rate decrease caused an increase of $8.6 million on a Cdn. equivalent basis and the leverage ratio to grow by 0.4x up to 2.8x debt to EBITDA[1] and together with the degradation in the Unit price, prohibited any further growth through acquisition. As a result, the Fund immediately shifted away from its acquisition strategy and normal course issuer bid and Richards Packaging focused on deploying excess cash flow to reducing debt beginning with a U.S. $1 million repayment on November 30, 2008. By the third quarter of 2009, exchange rates had fully recovered the 2008 fourth quarter drop. This led to the Fund's decision to convert the debt into Cdn.$ denomination and revert to its initial strategy.

($ millions)	2008	2009	2010
INTEREST RATES	*2.8%*	*0.4%*	***0.8%***
Impact on Interest	(1.3)	(1.2)	**0.2**
F/X - U.S./Cdn.$	*0.94*	*0.88*	***0.97***
Impact on:			
Revenue	1.5	6.4	**(8.7)**
EBITDA	0.2	1.1	**(1.3)**

Credit Markets and Interest rates

With the unraveling of the sub-prime lending market came the eventual tightening in credit markets in mid-2008 at a time when the acquisition debt facility was up for renewal. This tightening, although in the early stages of the eventual financial market meltdown, led to a 0.75% increase in 2008. This would later increase 1.0% as we were required to reset our leverage covenant due to the foreign exchange induced increase in the leverage ratio. The increases in interest rates have been fully mitigated by dramatic declines in short-term interest rates. During the fourth quarter of 2009, the leverage ratio improvement resulted in 0.5% reduction in borrowing costs.

Economic Recession

During the fourth quarter of 2008 and first half of 2009, the gross domestic product in the United States and Canada dropped by a maximum of 6.1% and 7.3%, respectively. During the fourth quarter of 2009, both economies bounced back with growth of 5.7% and 5.0%, respectively. Overall for 2009, this slowed the organic growth rate in our US operations to 7.0% and led to a 10.0% reduction in our Canadian operations.

Highlights and Selected Financial Information

Highlights of the overall performance for the 2010 year include:

- Revenue shrinkage of 5.3%, mainly due to the foreign currency translation of Richards Packaging US,
- EBITDA[1] down $0.8 mil. representing 12.0% of sales, or a 13.1% return on total assets,
- Interest expense reduced by $1.3 mil. offset by $0.6 mil. financing fees,
- Current income taxes down $1.2 mil. due to lower Richards Packaging US earnings and the double depreciation relief program in the US,
- Net income down $5.1 mil. due primarily to the absence of gains on financial instruments,
- Working capital increase of $6.0 mil. – $5.0 mil. increase in inventory,
- Term debt refinanced on May 31 for three years to 2013,
- Purchased 62,736 Units (@$7.25/Unit) under our Normal Course Issuer Bid,
- Paid monthly distributions of 6.55¢ per Unit to yield an 9.0% return (@$8.75/Unit – Dec 31st),
- Increased distributable cash flow[2] by 8¢ to $1.32 per Unit yielding a payout ratio[3] of 60%.

The MD&A covers the three and 12 months ended December 31, 2010 and 2009 (generally referred to in this MD&A as the "fourth quarter", the "2010 year" and the "2009 year" respectively). The following table sets out selected consolidated financial information:

March 4, 2011 Cdn$ thousands

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calendar Year		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2008
	$	$	$	$	$	$	$	$	$	$	$
Income Statement Data:											
Revenue………………	**45,158**	46,417	**45,215**	49,158	**46,744**	47,529	**41,893**	46,008	**179,010**	189,112	187,316
EBITDA[1]…………….	**5,624**	5,033	**5,568**	6,160	**5,793**	5,916	**4,430**	5,084	**21,415**	22,193	22,096
Diluted per Unit ……..	*47.6¢*	*42.3¢*	*47.2¢*	*51.7¢*	*49.1¢*	*49.7¢*	*37.5¢*	*42.8¢*	*$1.81*	*$1.86*	*$1.85*
Net income……………	**2,455**	339	**2,117**	6,561	**2,516**	5,400	**1,678**	1,540	**8,766**	13,840	(1,629)
Diluted per Unit ……..	*24.4¢*	*3.4¢*	*21.1¢*	*64.9¢*	*25.1¢*	*53.4¢*	*16.6¢*	*15.3¢*	*$0.87*	*$1.37*	*-$0.16*
Balance Sheet Data:											
Total assets……………	**166,003**	188,422	**168,120**	179,397	**167,757**	170,236	**163,691**	167,957	**163,691**	167,957	189,201
EBITDA/Assets ….									*13.1%*	*13.2%*	*11.7%*
Bank debt…………….	**47,459**	65,754	**47,507**	56,302	**47,548**	48,245	**48,000**	47,402	**48,000**	47,402	61,916
Debt/EBITDA ……….	*2.1*	*3.0*	*2.1*	*2.6*	*2.1*	*2.2*	*2.2*	*2.1*	*2.2*	*2.1*	*2.8*
Cash Flow Statement Data:											
Distributions [a)]……….	**2,334**	2,277	**2,327**	—	**2,328**	—	**2,321**	2,348	**9,310**	4,625	13,482
Diluted $ per Unit ……	*19.7¢*	*19.1¢*	*19.7¢*	—	*19.7¢*	—	*19.7¢*	*19.7¢*	*$0.79*	*$0.39*	*$1.13*
Payout ratio[3] ……….	*60%*	*71%*	*57%*	—	*55%*	—	*69%*	*74%*	*60%*	*31%*	*91%*
Unit purchases……….	**305**	—	**150**	—	**—**	—	**—**	309	**455**	309	1,018

a) presented on a declared basis.

The 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, losses/(gains) on financial instruments 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 Fund's payout ratio of 31% for the 2009 year reflects a temporary suspension of distributions beginning March 2009 and a reinstatement in October 2009 at the lower rate of 6.55¢ per Unit.

Review of Operations

Richards Packaging's operations were approximately one-half (2009 – one-half) in Canada and one-half (2009 – one-half) in the United States ("Richards Packaging US"). 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 decreased by $4.1 million, or 8.9%, for the fourth quarter, and by $10.1 million, or 5.3%, for the 2010 year (2009 – increase $1.8 million, or 1.0%), from the same periods in 2009, respectively. During the fourth quarter, revenue decreased on organic shrinkage of $3.2 million, or 7.1% (2009 – increased $3.1 million, or 6.8%) due to our customers not repeating the 2009 inventory replenishment program and the translation impact of Richards Packaging US with the Canadian dollar strengthening 4¢ to U.S./Cdn. 99¢ of $0.9 million (2009 – $2.5 million). For the 2010 year, the decrease on the translation impact of Richards Packaging US of $8.7 million due to a U.S./Cdn. 9¢

March 4, 2011 Cdn$ thousands

strengthening (2009 – weakening $6.4 million) added to organic revenue contraction of $1.4 million or 0.8% (2009 – $4.6 million or 2.5%).

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calender Year		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2008
	$	$	$	$	$	$	$	$	$	$	$
Revenue……	**45,158**	46,417	**45,215**	49,158	**46,744**	47,529	**41,893**	46,008	**179,010**	189,112	187,316
Cost……	**36,940**	38,698	**37,048**	40,457	**38,431**	38,996	**35,095**	37,653	**147,514**	155,804	155,004
Gross profit……	**8,218**	7,719	**8,167**	8,701	**8,313**	8,533	**6,798**	8,355	**31,496**	33,308	32,312
	18.2%	*16.6%*	*18.1%*	*17.7%*	*17.8%*	*18.0%*	*16.2%*	*18.2%*	*17.6%*	*17.6%*	*17.2%*
Expenses……	**2,538**	2,615	**2,473**	2,692	**2,636**	2,645	**2,418**	2,711	**10,065**	10,663	10,324
FX [a)]……	**56**	71	**126**	(151)	**(116)**	(28)	**(50)**	560	**16**	452	(108)
EBITDA[1]……	**5,624**	5,033	**5,568**	6,160	**5,793**	5,916	**4,430**	5,084	**21,415**	22,193	22,096
	12.5%	*10.8%*	*12.3%*	*12.5%*	*12.4%*	*12.4%*	*10.6%*	*11.1%*	*12.0%*	*11.7%*	*11.8%*
Amortization……	**1,988**	2,035	**1,968**	2,042	**1,971**	2,027	**1,993**	2,060	**7,920**	8,164	8,167
Patent defense costs……	**63**	72	**112**	33	**136**	9	**72**	31	**383**	145	307
Financial expenses……	**677**	1,333	**918**	1,150	**702**	791	**1,149**	920	**3,446**	4,194	4,909
UFI [a)]……	**—**	1,528	**—**	(5,390)	**—**	(3,800)	**—**	—	**—**	(7,662)	12,596
Income tax……	**8**	(334)	**87**	601	**13**	531	**(692)**	259	**(584)**	1,057	(1,961)
NCI [a)]……	**433**	60	**366**	1,163	**455**	958	**230**	274	**1,484**	2,455	(293)
Net Income (loss)……	**2,455**	339	**2,117**	6,561	**2,516**	5,400	**1,678**	1,540	**8,766**	13,840	(1,629)

a) FX=*foreign currency losses/(gains) from operations and a decrease in the net investment in Richards Packaging US,* UFI= *losses/(gains) on financial instruments, NCI=non-controlling interests.*

Cost of products sold (before amortization) decreased $2.6 million for the fourth quarter, or 6.8%, and by $8.3 million for the 2010 year, or 5.3% (2009 – $1.1 million increase, or 0.7%), from the same periods in 2009, respectively and although in line with the changes in revenue for the same periods, also reflects the impact of $0.2 million of inventory write-downs for the year (2009 – $2.3 million). During the fourth quarter and for the 2010 year, gross profit margins were down 2.0% (2009 – up 1.2%) and flat (2009 – up 0.2%) from the same periods in 2009, respectively, primarily due to foreign exchange (1.5%), ocean freight (0.5%) and price degradation (0.4%) in select large accounts in response to increasing competitive threats. 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.

Expenses (general and administrative before amortization) decreased $0.3 million, or 0.7% of sales for the fourth quarter (2009 - $0.1 million) and decreased $0.6 million for the 2010 year (2009 – $0.1 million increase), over the same periods in 2009, respectively mainly due to staffing expense reductions of $0.4 million and the translation impact of U.S. dollar denominated expenses of Richards Packaging US.

The foreign exchange losses/(gains) from operations results from exchange rate changes applied to our U.S. denominated working capital position within our Canadian operations and decrease in the net investment in Richards Packaging US.

EBITDA[1] decreased $0.7 million for the fourth quarter and $0.8 million for the 2010 year (2009 – $0.1 million increase), over the same periods in 2009, respectively. During the 2010 year, the impact of the U.S./Cdn. 9.0¢ strengthening resulted in a decrease to EBITDA of $1.3 million (2009 – $1.1 million increase). As a percent of sales, EBITDA was at 10.6% for the fourth quarter and 12.0% for the 2010 year (2009 – 11.7%). Changes were due to the factors outlined above.

Other expenses comprise amortization, financial expenses including debt accretion and interest which were lower due to the reduction in overall debt; and losses (gains) on financial instruments comprised of foreign exchange gains on translation of U.S. denominated debt and the mark-to-market gain or loss on the fixed interest rate swap. The only cash item in other expenses is the interest and fees paid by Richards Packaging.

Amortization of $2.0 million for the fourth quarter was mainly comprised of $1.6 million 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 per quarter, which annualized, is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

Financial expenses for the fourth quarter increased by $0.2 million and decreased by $0.7 million for the 2010 year from the same periods in 2009. During the fourth quarter, financial expenses increased due to higher debt accretion of $0.3 million offset by reductions to interest expense of $0.1 million. For the 2010 year, financial expenses decreased $1.3 million due to principal repayments and floating rate reductions offset by increased debt accretion and loss on debt extinguishment of $0.6 million as a result of expensing bank fees previously capitalized.

Losses/(gains) on financial instruments are comprised of foreign currency translation of debt and mark-to-market adjustments on the fixed interest rate swap. For the 2009 year, foreign currency gains were $7.0 million and together with the gain on the fixed interest rate swap, net gains were $7.7 million. The U.S.$47.0 million term loan outstanding on July 31, 2009 was converted in CDN$ at a rate of 92¢ resulting in a cumulative foreign currency gain of $2.5 million. This conversion now removes the volatility associated with foreign currency translation losses/(gains) on the debt. Also included is a $0.7 million reversal of losses on the mark-to-market of the fixed interest rate swap which matured on June 5, 2009. 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 its subsidiaries in the US prior to conversion, this natural hedge no longer exists.

Current income taxes reflect the tax deductions inherent in distributions to unitholders. For the 2010 year, current income taxes were $1.5 million (2009 – $2.8 million) representing tax leakage predominately for the Richards Packaging US. Future income tax recoveries for the 2010 year were $2.1 million (2009 – $1.7 million) representing temporary differences due primarily to the reversal of accounting amortization. Net future tax assets available to shield income taxes are $3.6 million, which include a loss carry forward of $3.7 million and $0.3 million of working capital offset by $0.4 million of capital assets.

Net income for the fourth quarter was $1.7 million, and for the 2010 year was $8.8 million, which represented 16.7¢ and $0.87 per Unit on a diluted basis, respectively. A time-weighted average total of 10,054,973 Units and 1,753,455 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding in 2010.

Distributable Cash Flow

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Calender Year		
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2008**
	$	$	$	$	$	$	$	$	$	$	$
Cash provided by operating activities........	**823**	1,982	**2,220**	4,363	**2,231**	4,622	**5,080**	5,869	**10,354**	16,836	16,544
Working capital changes...	**3,338**	1,243	**1,934**	(189)	**2,363**	(164)	**(1,610)**	(2,418)	**6,025**	(1,528)	(1,224)
Non-cash charges...........	**1,463**	1,808	**1,414**	1,986	**1,199**	1,458	**960**	1,633	**5,036**	6,885	6,776
EBITDA[1]	**5,624**	5,033	**5,568**	6,160	**5,793**	5,916	**4,430**	5,084	**21,415**	22,193	22,096
Interest........................	**621**	1,306	**652**	1,124	**661**	765	**677**	779	**2,611**	3,974	4,498
Cash income tax............	**779**	430	**650**	829	**403**	816	**(309)**	691	**1,523**	2,766	1,971
Maintenance capital.........	**327**	68	**167**	136	**478**	105	**675**	437	**1,647**	746	844
Distributable cash flow[2]...	**3,897**	3,229	**4,099**	4,071	**4,251**	4,230	**3,387**	3,177	**15,634**	14,707	14,783
Diluted $ per Unit	*33.0¢*	*27.1¢*	*34.7¢*	*34.2¢*	*36.0¢*	*35.5¢*	*28.7¢*	*26.7¢*	*$1.32*	*$1.24*	*$1.24*
Distributions................	**2,334**	2,277	**2,327**	—	**2,328**	—	**2,321**	2,348	**9,310**	4,625	13,482
Diluted per Unit	*19.7¢*	*19.1¢*	*19.7¢*	—	*19.7¢*	—	*19.7¢*	*19.7¢*	*$0.79*	*$0.39*	*$1.13*
Payout ratio[3]	*60%*	*71%*	*57%*	—	*55%*	—	*69%*	*74%*	*60%*	*31%*	*91%*
Free cash flow[2].............	**1,563**	952	**1,772**	4,071	**1,923**	4,230	**1,066**	829	**6,324**	10,082	1,301
Units outstanding *Diluted basis 000's ....*	**11,827**	11,908	**11,803**	11,908	**11,803**	11,908	**11,803**	11,889	**11,808**	11,903	11,952

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 available to Richards Packaging (nil drawn; 2009 – nil drawn).

Distributable cash flow[2] for the fourth quarter at $3.4 million increased $0.2 million in comparison to the same period in 2009 as lower EBITDA and higher maintenance capital including computer systems software upgrades were more than offset with lower interest and income taxes due to contraction in Richards Packaging US and bonus depreciation. Maintenance capital expenditures were otherwise consistent with management's annual target of $0.8 million.

The monthly distribution of 6.55¢ per Unit, suspended in March and recommenced in October of the 2009 year at 6.55¢ per Unit, represents an annual yield of 9.0% on a $8.75 price per Unit at December 31, 2010 and a payout ratio[3] of 60% (2009 – 31%). Based upon the 2010 year, 97.6% of the distributions will represent interest on the subordinated note held by the Fund and 2.4% will be treated as a return of capital.

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities decreased $0.3 million for the fourth quarter and decreased by $6.0 million for the 2010 year, over the same periods in 2009. The decreases were due primarily to lower cash flows from working capital increases over the same period in 2009 driven by the increases in inventory, accounts receivable and taxes recoverable.

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. Actual distributions and dividends paid during the 2010 year were $9.3 million with an additional $0.8 million declared for December, which was paid January 14th.

Free Cash Flow Deployment

($ millions)	2008	2009	2010
Free Cash Flow	1.3	10.1	**6.3**
Patents	0.3	0.1	**0.4**
Working Capital	(0.3)	1.2	**5.2**
Expansion Capex	0.3	0.7	**0.4**
Unit Buyback	1.0	0.3	**0.5**
Debt Repayment	–	7.7	**(0.2)**

Normal Course Issuer Bid

On March 4, 2011, the Fund initiated a normal course issuer bid to purchase up to 200,000 Units prior to March 9, 2012. During the 2010 year, 62,736 Units (2009 – 43,006) were purchased at an average price of $7.25 (2009 – $6.98) per Unit.

Cash income taxes

The cash income tax expense for the 2010 year was $1.5 million (2009 – $2.8 million), predominately made up of current income tax for the Richards Packaging US. The decrease resulted from lower earnings and a $0.5 million benefit from the bonus depreciation program. The loss carry forwards in Richards Canada ensure that income tax leakage will be limited to Richards Packaging US until 2013 beyond which the new tax imposed upon publicly traded income trusts takes effect[4].

Capital expenditures

Capital expenditures for the 2010 year were $2.0 million (2009 – $1.5 million), of which $0.4 million (2009 – $0.8 million) was on account of expansion capital and $1.6 million on account of maintenance capital (2009 – $0.7 million). Expenditures classified as maintenance capital are mainly comprised of refurbishment of moulds for replacement packaging driven by customer marketing programs along with $0.6 million for a new computer system software platform consistent with Richards Canada's systems. Expansion capital expenditures were mainly incurred on new equipment and moulds for new customer programs.

Financing activities and instruments

Richards Packaging's credit facilities include a $48.0 million term loan (2009 – $47.7 million) with maturity 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 2.5% to 3.25% (2009 – 3.0% to 3.75%) or at the prime rate plus a premium of 1.5% to 2.25% (2009 – 2.0% to 2.75%). During the 2010 year, there were no repayments of term debt (2009 – 7.7 million).

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, 2010, our proforma leverage ratio was 2.16 (2009 – 2.13), down from a high of 3.00 as at March 31, 2009. To ensure we achieved our target of 2.50 times leverage ratio, distributions were temporarily suspended beginning in March 2009. On July 31, 2009, Richards Packaging converted the U.S. denominated term debt at U.S./Cdn. 92¢ resulting in a $2.5 million currency translation gain. U.S. dollar denominated interest provided an effective match with the net cash received from Richards

Packaging US. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Previously, the interest on the U.S. denominated debt negated approximately two-thirds of the inherent foreign currency exchange risk on the Richards Packaging US cash flow. As a consequence of converting the U.S. denominated debt, distributable cash flow sensitivity to foreign currency fluctuations is now $0.1 million for every U.S./Cdn. 1¢ movement.

Richards Packaging had entered into an interest rate swap contracts to June 5, 2009 on a notional principal amount equal to U.S.$30,000 of term debt outstanding. The mark-to-market valuation of the swap contracts during the 2009 year gave rise to a gain of $659.

Commitments and contractual obligations

A competitor has launched a product in July 2006 that Richards Packaging claims infringes our Dispill patent and trademark. The patent and trademark expenditures above reflect management's estimate of ongoing legal costs to continue in this action. If we succeed, there could be a positive effect on profitability in the future.

($ millions)	**Total**	**< 1 yr.**	**< 3 yrs.**	**< 5 yrs.**	**Beyond**
Bank debt	48.0		48.0		
Previous shareholder	0.8	0.8			
Patents and trademarks	0.4	0.4			
Annual bonus plans	0.7	0.7			
Operating leases	20.8	3.8	7.1	4.7	5.2
	70.7	5.7	55.1	4.7	5.2

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 through 2011.

Management expects revenue contraction for the fourth quarter to continue into the first quarter by $1 million before returning to be more in line with the industry growth average of 1-3% and. The impact of exchange translation will continue to reduce revenue with the strengthened U.S./Cdn.$ exchange rates. The impact for the 2010 year is expected to continue throughout 2011 to an estimated $1 million per quarter in 2011 based on exchange rates at U.S./Cdn.$1.02.

EBITDA[1] for the fourth quarter was $4.4 million and $21.4 million for the 2010 year, and continues to track at levels exceeding 11% of revenue. Lower revenue in the first quarter is expected to have a $0.2 million impact in the first quarter. For the 2011 year, revenue loss from translation is expected to lower EBITDA by $0.4 million.

The cash income tax expense is expected to be $2.5 million in 2011 due to tax leakage from the Richards Packaging US offset by the further reduction in EBITDA outlined above. Based upon Richards Canada's current tax profile we expect to have approximately $4 million of loss carry forwards which will fully shield taxes in 2011 allowing for a full return of capital to unitholders. This is expected to continue approximately halfway into 2012.

Maintenance capital will continue to be funded by cash flow from operations and is expected to retract back to $0.8 million in 2011. Expansion capital is expected to be in the order of $1 to $2 million cumulatively over the next few years to support the launch of new marketing programs by our customers, although no major expenditures are pending. These expenditures will be funded by debt.

Cash on the balance sheet of $1 million at year end will be deployed to fund seasonal working capital requirements and surplus distributable cash is expected to be deployed to pay down debt, purchase units 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 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, 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 2010 Annual Information Form dated March 4, 2011.

Liquidity Risk

Richards Packaging's 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 its control. These factors might inhibit Richards Packaging from refinancing the indebtedness at all, or on favourable terms. In addition, the credit facilities contain 1) restrictive covenants that limit the discretion of management with respect to certain business matters and 2) 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 indebtedness under the credit facilities were to be accelerated, there can be no assurance that Richards Packaging's assets would be sufficient to repay in full that indebtedness. Richards Packaging's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due. Cash levels are monitored daily to ensure sufficient continuity of funding.

Income taxes

During 2007, the Income Tax Act was amended to change the manner in which most publicly traded income trusts such as the Fund and the distributions from such trusts are taxed. Generally, the new rules will be effective in 2011 applying an entity level tax on income earned by the trust at a rate approximately equal to the tax rate applicable to income earned by a Canadian public corporation, and treat the distributions of such income received by unitholders as taxable dividends received from a Canadian corporation.

Transactions with Related Parties

Richards Packaging leased two of its facilities in 2010 from an officer of Richards Packaging. Richards Packaging utilizes all of the production capability of Vision Plastics Inc., of which 50% is owned by the plant manager and 50% by Richards Packaging. All related party transactions are at rates that would be charged by arms-length parties.

Outstanding Share Data

At March 4, 2011, the Fund had 10,743,470 Units and Holdings had 1,059,043 exchangeable shares outstanding, respectively. See note 14 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 Canadian generally accepted accounting practices requires management to make estimates and assumptions which affect the reported, and disclosure of contingent, amounts for assets and liabilities as at December 31, 2010 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, 2010 is sufficient to cover risks inherent in outstanding receivables.

Inventory obsolescence

Richards Packaging 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. Given the current adverse economic climate, management expanded its scope of analysis which resulted in a $0.2 million recognition of expense through inventory write down for the 2010 year (2009 – $2.3 million). Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2010.

Intangible assets

Richards Packaging has recognized intangible assets in connection with various acquisitions valued at $8.2 million as of December 31, 2010 pertaining to the future customer relationships that are not under long-term contract. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of approximately 90% per year. The customer relationship intangible and associated $3.3 million future income tax liability as at December 31, 2010 will be amortized to income over 15 years from the date of acquisition. In addition, trademark intangible assets of $3.0 million and an associated $1.2 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 recovered to $8.75 as at December 31, 2010 (2009 – $7.25), 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 and inflation of 2% per annum respectively. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

Change in Accounting Policies

New Accounting Pronouncements

International Financial Reporting Standards *("IFRS")*

The Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for interim and annual reporting purposes beginning January 1, 2011. The impact of IFRS implementation include the reclassification of *Non-controlling interests* to *Debt*, the recognition of *Deferred taxes* and the reversal of *Foreign currency loss* associated with the net investment in Richards Packaging US. The Fund will avail itself of an exemption allowed under IFRS 1: prospective application of IFRS 3 *Business Combinations*.

The impact of treating the *Exchangeable Shares* as debt is to not deduct *Non-controlling Interest* from net income or comprehensive income but rather recognize the mark to market gain and dividends as financial items. Consistent with this change, the *Statement of Changes in Equity and Exchangeable Shareholders' Interest,* which had been added to disclose the movements in the *Units* and the *Exchangeable Shares* accounts under Canadian GAAP for ease of comparison.

The net investment in Richards Packaging US includes an unrealized capital gain tax associated with foreign currency that will need to be recognized in *Other Comprehensive Loss.* The *Foreign currency loss* included a portion of the *Accumulated other comprehensive loss* associated with the decrease in the net investment in Richards Packaging US that will be returned to the *Accumulated other comprehensive loss* account.

With the conversion of most income trusts to corporations, the appropriate comparables for Richards Packaging becomes other international packaging companies. Therefore the balance sheet will be reordered to give more prominence to *Working Capital* and *Net Operating Assets* consistent with the nature of a distribution business in the packaging industry.

There is no impact of the IFRS transition on business activities such as debt covenants, treasury activities and executive compensation.

STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended December 31, 2010 *[Consolidated]*

Cdn$ thousands	**IFRS** $	**reclass** $	**Cdn GAAP** $
Revenue	**179,010**		**179,010**
Cost of products sold	**155,092**		**155,092**
General and administrative expenses	**10,407**		**10,407**
Foreign currency loss	**16**		**16**
Patent defense legal costs	**383**		**383**
Profit from operations	**13,112**		**13,112**
Financial expenses	**3,446**		**3,446**
Exchangeable shares – mark-to-market loss	**2,360**	**2,360**	
Exchangeable shares – dividends	**1,427**	**1,427**	
Income before income taxes	**5,879**	**(3,787)**	**9,666**
Income tax expense (income)			
Current taxes	**1,523**		**1,523**
Deferred taxes	**(2,106)**		**(2,106)**
	(583)		**(583)**
Non-controlling interests		**(1,483)**	**1,483**
Net income for the year	**6,462**	**(2,304)**	**8,766**
Basic and diluted income per Unit	***$0.64***		***$0.87***
Other comprehensive losses			
Richards Packaging US			
Net investment translation	**(2,994)**	**(340)**	**(2,654)**
Deferred tax	**392**	**392**	
Comprehensive income for the year	**3,860**	**(2,252)**	**6,112**

STATEMENTS OF FINANCIAL POSITION

As at January 1 and December 31, 2010 *[Consolidated]*

Cdn$ thousands	IFRS $	Dec. 31 reclass $	Cdn GAAP $	IFRS $	Jan. 1 reclass $	Cdn GAAP $
Current Assets						
Cash and cash equivalents	1,144		1,144	2,071		2,071
Accounts receivable	18,766		18,766	18,873		18,873
Inventory	35,187		35,187	31,289		31,289
Prepaid expenses	2,365		2,365	2,010		2,010
Income taxes recoverable	700		700	10		10
	58,162		58,162	54,253		54,253
Current Liabilities						
Accounts payable	(18,618)		(18,618)	(18,604)		(18,604)
Distributions and dividends payable	(773)		(773)	(780)		(780)
Due to previous shareholder of acquired company	(784)		(784)	(825)		(825)
	(20,175)		(20,175)	(20,209)		(20,209)
WORKING CAPITAL	37,987		37,987	34,044		34,044
Non-current Assets						
Plant and equipment	4,031		4,031	4,180		4,180
Intangible assets	31,108		31,108	37,514		37,514
Goodwill	70,390		70,390	72,010		72,010
	105,529		105,529	113,704		113,704
Non-current Liabilities						
Deferred income taxes	(5,322)	917	(6,239)	(8,036)	524	(8,560)
Non-controlling interest		8,575	(8,575)		15,081	(15,081)
NET OPERATING ASSETS	138,194	9,492	128,702	139,712	15,605	124,107
Debt						
Term debt	48,000		48,000	47,402		47,402
Exchangeable shares - current	5,330	5,330		6,857	6,857	
Exchangeable shares - non-current	3,867	3,867		5,718	5,718	
	57,197	9,197	48,000	59,977	12,575	47,402
Equity						
Unitholders' capital	89,745	(484)	90,229	94,349		94,349
Deficit	(2,673)	25	(2,698)	(11,140)	2,329	(13,469)
Accumulated other comprehensive loss	(6,075)	754	(6,829)	(3,474)	701	(4,175)
	80,997	295	80,702	79,735	3,030	76,705
FINANCING	138,194	9,492	128,702	139,712	15,605	124,107

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010 *[Consolidated]*

Cdn$ thousands	IFRS $	reclass $	Cdn GAAP $
OPERATING ACTIVITIES			
Net income for the year	6,462	(2,304)	8,766
Non-controlling interest		(1,483)	1,483
Add (deduct) items not involving cash			
Plant and equipment depreciation	1,435		1,435
Exchangeable shares – mark-to-market loss	2,360	2,360	
Intangible asset amortization	6,485		6,485
Debt accretion	316		316
Deferred income taxes	(2,106)		(2,106)
	14,952		16,379
Changes in non-cash working capital	(6,025)		(6,025)
Cash provided by operating activities	8,927		10,354
INVESTING ACTIVITIES			
Additions to plant and equipment	(1,366)		(1,366)
Expenditures on computer systems software	(655)		(655)
Cash used in investing activities	(2,021)		(2,021)
FINANCING ACTIVITIES			
Repayment of term debt	(47,719)		(47,719)
Proceeds from term debt	48,000		48,000
Purchase of trust units for cancellation	(455)		(455)
Dividends paid to exchangeable shareholders		1,427	(1,427)
Distributions paid to unitholders	(7,890)		(7,890)
Cash used in financing activities	(8,064)		(9,491)
Foreign currency gain		(231)	231
Net decrease in cash and cash equivalents	(1,158)	(231)	(927)
Cash and cash equivalents, beginning of year	2,071		2,071
Foreign currency translation differences	231	231	
Cash and cash equivalents, end of year	1,144		1,144

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 Inc.'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, 2010 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, 2010 and there have been no changes in the Fund's internal controls over financial reporting during the year ended December 31, 2010 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.tsx.com.

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1 *Management defines EBITDA as earnings before amortization, interest, losses (gains) on financial instruments 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. 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 GAAP and therefore 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. 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 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 herein under "Risks and Uncertainties" and in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.

MANAGEMENT'S REPORT TO UNITHOLDERS

The accompanying financial statements of Richards Packaging Income Fund (the "Fund") and Management's Discussion and Analysis included in this Annual Report have been prepared by management and approved by the Board of Trustees of the Fund. The financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report dated March 4, 2011.

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

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

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

"*Gerry Glynn*"

Chief Executive Officer
Richards Packaging Inc.

"*Enzio Di Gennaro*"

Chief Financial Officer
Richards Packaging Inc.

Toronto, Ontario
March 4, 2011

March 4, 2011

Independent Auditor's Report

To the Unitholders of Richards Packaging Income Fund

We have audited the accompanying consolidated financial statements of Richards Packaging Income Fund, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of net income and comprehensive income, changes in equity and non-controlling interests and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richards Packaging Income Fund as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed*) "PricewaterhouseCoopers LLP*"

Chartered Accountants, Licensed Public Accountants

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2010**	**2009**
		$	$
Revenue	*3*	**179,010**	189,112
Cost of products sold	*4*	**155,092**	163,461
General and administrative expenses	*4*	**10,407**	11,170
Foreign currency loss	*17*	**16**	452
Patent defense legal costs	*18*	**383**	145
Profit from operations		**13,112**	13,884
Financial expenses	*13*	**3,446**	4,194
Gains on financial instruments	*17*	**—**	(7,662)
Income before income taxes and non-controlling interest		**9,666**	17,352
Income tax expense (income)			
Current taxes	*5*	**1,523**	2,766
Future taxes	*5*	**(2,106)**	(1,709)
		(583)	1,057
Non-controlling interests	*14*	**1,483**	2,455
Net income for the year		**8,766**	13,840
Basic and diluted income per Unit	*14*	**$0.87**	$1.37
Other comprehensive losses			
Net investment translation - Richards Packaging US		**(2,654)**	(8,589)
Comprehensive income for the period		**6,112**	5,251

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

BALANCE SHEETS

As at December 31 *[Consolidated]*

Cdn$ thousands	Notes	2010	2009
		$	$
ASSETS			
Current			
Cash and cash equivalents	*6*	**1,144**	2,071
Accounts receivable	*7*	**18,766**	18,873
Inventory	*8*	**35,187**	31,289
Prepaid expenses	*9*	**2,365**	2,010
Income taxes recoverable	*5, 19*	**700**	10
Total current assets		**58,162**	54,253
Plant and equipment	*3, 11*	**4,031**	4,180
Intangible assets	*3, 12*	**31,108**	37,514
Goodwill	*3, 12*	**70,390**	72,010
		163,691	167,957
LIABILITIES AND UNITHOLDERS' EQUITY			
Current			
Accounts payable	*10*	**18,618**	18,604
Distributions and dividends payable	*14*	**773**	780
Due to previous shareholder of acquired company	*10*	**784**	825
Total current liabilities		**20,175**	20,209
Term debt	*13*	**48,000**	47,402
Future income tax	*5*	**6,239**	8,560
Total liabilities		**74,414**	76,171
Non-controlling interests	*14*	**8,575**	15,081
Unitholders' equity			
Units capital	*14, 15*	**90,229**	94,349
Deficit		**(2,698)**	(13,469)
Accumulated other comprehensive loss		**(6,829)**	(4,175)
Total unitholders' equity		**80,702**	76,705
		163,691	167,957
Commitments and contingencies	*18*		

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

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

STATEMENTS OF CHANGES IN EQUITY AND NON-CONTROLLING INTERESTS

As at December 31 *[Consolidated]*

UNITHOLDERS' EQUITY

Cdn$ thousands	Unit Capital $	Deficit $	AOCL[a)] $	$
December 31, 2008	94,508	(23,433)	4,414	75,489
Share of comprehensive income		13,840	(8,589)	5,251
Distributions		(3,876)		(3,876)
Exchangeable share conversion	150			150
Purchased for cancellation, net	(309)			(309)
December 31, 2009	94,349	(13,469)	(4,175)	76,705
Share of comprehensive income		**8,766**	**(2,654)**	**6,112**
Distributions		**(7,933)**		**(7,933)**
Reclass to reflect return of capital	**(9,938)**	**9,938**		**—**
Exchangeable share conversion	**6,273**			**6,273**
Purchased for cancellation, net	**(455)**			**(455)**
December 31, 2010	**90,229**	**(2,698)**	**(6,829)**	**80,702**

NON-CONTROLLING INTERESTS

Cdn$ thousands	Exchangeable shares $	Deficit $	AOCL[a)] $	$
December 31, 2008	16,412	(3,234)	1,957	15,135
Share of comprehensive income		2,455	(1,611)	844
Dividends		(748)		(748)
Exchangeable share conversion	(173)	22	1	(150)
December 31, 2009	16,239	(1,505)	347	15,081
Share of comprehensive income		**1,483**	**(339)**	**1,144**
Dividends		**(1,377)**		**(1,377)**
Exchangeable share conversion	**(6,439)**	**420**	**(254)**	**(6,273)**
December 31, 2010	**9,800**	**(979)**	**(246)**	**8,575**

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

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

Richards Packaging Income Fund

STATEMENTS OF CASH FLOWS

For the years ended December 31 *[Consolidated]*

Cdn$ thousands	**Notes**	**2010**	**2009**
		$	$
OPERATING ACTIVITIES			
Net income for the year		**8,766**	13,840
Add (deduct) items not involving cash			
Plant and equipment depreciation	*11*	**1,435**	1,500
Intangible assets amortization	*12*	**6,485**	6,664
Debt fee accretion	*13*	**316**	220
Future income taxes	*5*	**(2,106)**	(1,709)
Non-controlling interest	*14*	**1,483**	2,455
Gains on financial instruments	*17*		
Interest rate swap contract		**—**	(659)
Foreign currency translation of debt		**—**	(7,003)
		16,379	15,308
Changes in non-cash working capital	*19*	**(6,025)**	1,528
Cash provided by operating activities		**10,354**	16,836
INVESTING ACTIVITIES			
Additions to plant and equipment	*11*	**(1,366)**	(1,335)
Expenditures on computer systems software	*12*	**(655)**	(136)
Cash used in investing activities		**(2,021)**	(1,471)
FINANCING ACTIVITIES			
Increase in bank indebtedness	*6*	**—**	(221)
Repayment of term debt	*13*	**(47,719)**	(7,731)
Proceeds from term debt	*13*	**48,000**	—
Purchase of trust units for cancellation	*14*	**(455)**	(309)
Dividends paid to exchangeable shareholders	*14*	**(1,427)**	(819)
Distributions paid to unitholders	*14*	**(7,890)**	(4,161)
Cash used in financing activities		**(9,491)**	(13,241)
Foreign currency gain (loss)		**231**	(255)
Net increase/(decrease) in cash and cash equivalents		**(927)**	1,869
Cash and cash equivalents, beginning of year	*6*	**2,071**	202
Cash and cash equivalents, end of year	*6*	**1,144**	2,071

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

NOTES TO FINANCIAL STATEMENTS

1. FORMATION OF THE FUND

Richards Packaging Income Fund [the "Fund"] is an open-ended, limited purpose trust established under the laws of the Province of Ontario, Canada by a Declaration of Trust dated February 26, 2004. The Fund completed an initial public offering of trust Units [the "Units"] on April 7, 2004, through the Toronto Stock Exchange, to facilitate the acquisition of 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 91% due to the issuance of shares exchangeable into Units in order to facilitate the financing of two subsequent acquisitions. Consistent with the introduction of the Income Trust tax beginning in 2011, an internal reorganization was executed on December 24, 2010 by way of a series of intercompany transfers resulting in the substantial elimination of the indenture notes outstanding at December 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Principles of consolidation

The financial statements include the accounts of the Fund, Richards Packaging Holdings Inc. ["Holdings"] and its subsidiaries, Richards Packaging Inc. ["Richards Canada"], Richards Packaging Holdings (US) Inc., 071907 Inc., Richards Packaging, Inc. and The E.J. McKernan Company [collectively "Richards Packaging US"] and 50% of Vision Plastics Inc. ["Vision"]. Vision, which is jointly controlled, is one of our three plastic container manufacturing plants. The non-controlling interests in the investments of the Fund is 9% [2009 – 15%]. Holdings and its subsidiaries are referred to as "Richards Packaging".

Foreign currency translation

The unit of measure for the Fund and its investments, except for Richards Packaging US, is the Canadian dollar and therefore accounts in foreign currencies have been translated into Canadian dollars. Monetary items are recorded at exchange rates in effect at the balance sheet dates and non-monetary items are recorded at the exchange rates in effect on the date of the transactions. Revenue and expenses are recorded at average exchange rates prevailing during the year, except for depreciation and amortization, which is translated at rates prevailing when the related assets were acquired. Gains and losses arising from foreign currency translations are included in profit from operations.

Richards Packaging US is treated as self sustaining foreign operations. All assets and liabilities are translated at exchange rates in effect on the balance sheet dates. Revenue and expenses, including depreciation and amortization, are translated at average exchange rates prevailing during the year. Effects of translation are included in non-controlling interests and unitholders' equity as accumulated other comprehensive loss.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses recognized for the period reported. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results may differ from these estimates.

Revenue recognition

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

Leases

Rental payments and lease inducements associated with Richards Packaging's premises are expensed on a straight line basis over the term of the leases.

Derivative financial instruments

Derivative financial instruments are utilized from time to time to reduce interest rate risks on debt and not for trading or speculative purposes. Richards Packaging had not designated the interest rate swap contract settled in 2009 as a hedge for accounting purposes and accordingly, recorded the fair value on a mark-to-market valuation basis, with changes recognized in income as gains on financial instruments.

Income taxes

The Fund follows the liability method to account for income taxes whereby future tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax basis of assets and liabilities. Future tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Future tax assets are recognized only to the extent that it is more likely than not that the assets will be realized.

Inventory

Raw materials and products available-for-sale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Plant and equipment

Plant and equipment are initially recorded at cost. Repairs and maintenance are charged to income as incurred. Depreciation is computed over the remaining estimated useful lives as outlined below:

Manufacturing equipment	straight-line over 7 years
Moulds	straight-line over 4 years
Computer equipment	30% diminishing balance
Warehouse and office equipment	20% diminishing balance
Leasehold improvements	straight-line over lease term

Intangible assets

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

Long-lived assets

Long-lived assets are comprised of plant and equipment and finite life intangible assets which are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, a test is performed for finite life assets using undiscounted future net cash flows. Indefinite life intangibles are tested for impairment annually unless events or changes in circumstances indicate that the assets must be impaired. Should impairment exist, the loss would be measured as the difference between the carrying value and the fair value and recognized by way of an additional current period depreciation or amortization charge. Management has not identified any such impairment losses to date.

Goodwill

At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over the fair value of the net assets acquired.

Management performs an impairment test on its goodwill annually, or more frequently if circumstances indicate a possible impairment. The carrying amount of goodwill is reviewed for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, a second step will be conducted whereby the fair value of goodwill is determined on the same basis as in a business combination. If the fair value of goodwill is less than its carrying value, goodwill will then be written down to its estimated fair value.

December 31, 2010 [Cdn$ thousands]

Comparative financial statements

The additional disclosures required by IFRS that are allowable under Canadian GAAP have been implemented to facilitate the ultimate implementation next year. The statements of changes in unitholders' equity and non-controlling interests were added and extensive note disclosure enhancements are included in these financial statements.

Certain amounts in the comparative financial statements have been reclassified from financial statements previously presented to conform to the presentation of the 2010 financial statements.

3. SEGMENTED INFORMATION

Richards Packaging operations consist of one reporting segment, principally the distribution of plastic and glass containers and associated closures. Performance by geographic segment is determined based on the country of sales origination. No customer represents greater than 10% of total revenue.

	Canada		**United States**	
	2010 $	**2009** $	**2010** $	**2009** $
Revenue	**92,930**	94,123	**86,080**	94,989
Non-current assets	**53,931**	60,609	**51,598**	53,095

4. EXPENSES AND STAFFING

	2010 $	**2009** $
Employee related expenses		
Salaries and wages	**18,881**	19,270
Benefits	**2,554**	2,584
Bonuses	**932**	913
	22,367	22,767
Number of employees at year end	*470*	*464*
Long-term incentive plan awards	**100**	65
Operating lease expenses	**3,495**	3,583

Key senior management of Richards Packaging are eligible to participate in the long-term incentive plan [the "LTIP"]. Units awarded under the LTIP will vest over a three-year period, with one-third of the Units vesting each year. The Trustees committed to annual funding of $100 for three years starting 2010.

December 31, 2010 [Cdn$ thousands]

5. INCOME TAXES

Significant components of future income taxes are as follows:

	2010	credit/ (charge)	f/x [b)]	2009	credit/ (charge)	f/x [b)]	2008
	$	$	$	$	$	$	$
Plant and equipment	**356**	**(49)**	**7**	398	31	9	358
Customer relationships[a)]	**9,203**	**(2,208)**	—	11,411	(3,255)	—	14,666
Computer system software	**239**	**239**	—	—		—	—
Patents[a)]	**599**	**(101)**	—	700	(135)	—	835
Gains on financial instruments	**—**		—	—	208	—	(208)
Equity placement fees	**—**		—	—	105	—	(105)
Loss for taxes not utilized	**(3,665)**	**2**	—	(3,667)	292	—	(3,959)
Working capital	**(404)**	**24**	**(80)**	(348)	225	(23)	(550)
Other	**(89)**	**(163)**	**8**	66	86	5	(25)
	6,239	**(2,256)**	**(65)**	8,560	(2,443)	(9)	11,012

a) Reversal of patents and customer relationships and contracts accounts will not give rise to income taxes.
b) f/x = foreign exchange differences

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

	2010 $	2009 $
Income before income taxes	**9,666**	**17,352**
Distributions not subject to income taxes in the Fund	**(7,750)**	**(3,967)**
Income subject to income taxes	**1,916**	**13,385**
Statutory tax rate	*30.2%*	*31.5%*
Income tax expense at statutory tax rate	**579**	**4,216**
Future income taxes	**2,106**	**1,709**
Current period adjustments		
Foreign currency translation of debt	**—**	**(2,217)**
Withholding tax	**123**	**484**
Foreign tax differential	**(1,394)**	**(1,560)**
Change in enacted rates	**9**	**(397)**
Other items	**100**	**531**
Current income taxes	**1,523**	**2,766**

December 31, 2010 [Cdn$ thousands]

Undistributed profits of Richards Packaging US are considered to be reinvested indefinitely in their ongoing operations. Any distributions of such earnings would attract a 5% withholding tax.

During 2007, the Income Tax Act was amended to change the manner in which most publicly traded income trusts, and distributions from such trusts, are taxed. Generally, the new rules apply an entity level tax on income earned by the trust at a rate approximately equal to the tax rate applicable to income earned by a Canadian public corporation, and treat the distributions of such income received by unitholders as taxable dividends received from a Canadian corporation. The new rules are effective in 2011.

6. CASH AND CASH EQUIVALENTS

	2010 $	**2009** $
Cash at bank	**1,390**	3,930
Demand deposits	**1,500**	—
Issued and outstanding cheques	**(1,746)**	(1,859)
	1,144	2,071

Demand deposits are highly liquid investments with a term to maturity of three months or less at the date of purchase.

7. ACCOUNTS RECEIVABLE

	2010 $	**2009** $	**2010** $	**2009** $
	Impaired			
Current	**—**	—	**10,375**	10,437
Up to 60 days past due	**—**	—	**7,559**	7,903
61 – 90 days past due	**—**	—	**550**	483
Over 90 days past due	**628**	393	**628**	393
Trade receivables	**628**	393	**19,112**	19,216
Allowance for doubtful accounts[a)]			**(479)**	(589)
Supplier rebates			**133**	246
			18,766	18,873

a) Richards Packaging has recorded a provision of $266 [2009 – $254] and recognized $373 of bad debts [2009 – $185]. The remaining non-cash change in the accounts reflects foreign exchange differences.

December 31, 2010 [Cdn$ thousands]

8. INVENTORY

	2010 $	2009 $
Goods purchased for resale[a)]	**30,108**	24,456
Goods in transit	**1,856**	2,823
Manufacturing raw materials	**736**	524
Manufactured finished goods	**2,487**	3,486
	35,187	31,289

a) Richards Packaging recognized write-downs of inventory to net realizable value of $178 [2009 – $2,321].

9. PREPAID EXPENSES

	2010 $	2009 $
Deposits for commitment to purchase goods	**590**	474
Rent and deposits	**843**	875
Insurance	**73**	86
Bank interest	**156**	134
Property taxes	**193**	23
Other deposits	**510**	418
	2,365	2,010

10. ACCOUNTS PAYABLES

	2010 $	2009 $
Trade payables	**13,844**	14,574
Staffing expenses	**2,146**	2,039
Professional fees	**359**	253
Leasehold obligation	**436**	433
Sales tax	**505**	186
Rebates	**437**	180
Other payables	**891**	939
	18,618	18,604

a) Management bonuses included in accrued staffing at December 31, 2010 have been fully paid subsequent to year end.

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

December 31, 2010 [Cdn$ thousands]

11. PLANT AND EQUIPMENT

	Manufacturing Equipment	Moulds	Warehouse & office	Computer hardware	Lease-holds	
	$	$	$	$	$	$
December 31, 2008						
Carrying value	5,032	4,458	1,192	1,190	975	12,847
Accumulated Depreciation	(3,716)	(3,085)	(537)	(771)	(203)	(8,312)
Net book value	1,316	1,373	655	419	772	4,535
Additions	666	446	(16)	109	130	1,335
Depreciation	(639)	(478)	(81)	(148)	(154)	(1,500)
Foreign exchange differences	(6)	(87)	(37)	(8)	(52)	(190)
December 31, 2009						
Carrying value	5,410	4,696	1,124	1,179	1,052	13,461
Accumulated Depreciation	(4,073)	(3,442)	(603)	(807)	(356)	(9,281)
Net book value	1,337	1,254	521	372	696	4,180
Additions	**299**	**675**	**39**	**95**	**258**	**1,366**
Depreciation	**(537)**	**(503)**	**(100)**	**(129)**	**(166)**	**(1,435)**
Foreign exchange differences	**(83)**	**-**	**—**	**-**	**3**	**(80)**
December 31, 2010						
Carrying value	**5,626**	**5,371**	**1,163**	**1,274**	**1,313**	**14,747**
Accumulated Depreciation	**(4,610)**	**(3,945)**	**(703)**	**(936)**	**(522)**	**(10,716)**
Net book value	**1,016**	**1,426**	**460**	**338**	**791**	**4,031**

December 31, 2010 [Cdn$ thousands]

12. INTANGIBLE ASSETS AND GOODWILL

	Customer relationships	Patents	Trade-marks	Computer software	Intangible assets	Goodwill
	$	$	$	$	$	$
December 31, 2008						
Carrying value	65,056	3,800	3,904	1,282	74,042	77,555
Accumulated amortization	(25,823)	(1,105)		(1,020)	(27,948)	
Net book value	39,233	2,695	3,904	262	46,094	77,555
Additions				136	136	
Amortization	(5,982)	(323)		(359)	(6,664)	
Foreign exchange differences	(1,624)	—	(534)	106	(2,052)	(5,545)
December 31, 2009						
Carrying value	63,347	3,800	3,370	1,524	72,041	72,010
Accumulated amortization	(31,720)	(1,428)		(1,379)	(34,527)	
Net book value	31,627	2,372	3,370	145	37,514	72,010
Additions		**14**		**641**	**655**	
Amortization	**(5,949)**	**(323)**		**(213)**	**(6,485)**	
Foreign exchange differences	**(474)**	**(98)**	**(58)**	**54**	**(576)**	**(1,620)**
December 31, 2010						
Carrying value	**62,848**	**3,716**	**3,312**	**2,219**	**72,095**	**70,390**
Accumulated amortization	**(37,644)**	**(1,751)**		**(1,592)**	**(40,987)**	
Net book value	**25,204**	**1,965**	**3,312**	**627**	**31,108**	**70,390**

Intangible assets amortization is not deductible for tax purposes. The foreign currency translation differences are associated with the non current assets related to Richards Packaging US. Goodwill is not deductible for tax purposes.

13. REVOLVING AND TERM DEBT

Richards Packaging has available both revolving and term debt credit facilities, which were refinanced on May 31, 2010 to extend the term by 3 years and lower the interest rate by 0.5% on the term facility and 1.0% on the revolving facility. The number of lenders in the bank syndicate was reduced 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, $518 of associated fees expensed and availability under the revolving facility reduced from $7,000 to $5,000. The revolving credit facility matures on May 31, 2013 and bears interest at the prime rate plus a premium of 1.0% to 1.75%. The effective interest rate at December 31, 2010 was 3.6% [2009 – 5.4%]. There was no amount drawn on the facility at December 31, 2010 or 2009.

December 31, 2010 [Cdn$ thousands]

The term loan credit facility of $48,000 [2009 – $47,719] matures on May 31, 2013 and bears interest at the bankers' acceptance borrowing plus a premium of 2.0% to 2.75%. The effective interest rate at December 31, 2010 was 3.3% [2009 – 5.1%]. On July 31, 2009, Richards Packaging converted the U.S. denominated term loan into Canadian denominated debt at U.S./Cdn. 92.3¢. No repayments of term debt were made during the year ended December 31, 2010 [2009 – $7,731 repaid]. This facility was subject to an interest rate swap on U.S.$30,000 which expired on June 5, 2009. The term loan was presented in 2009 net of unamortized debt issue costs of $317.

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

	2010 $	**2009** $
Interest expense	**1,837**	3,028
Credit card commissions	**578**	630
Credit facility charges	**196**	316
Debt fee accretion and write off on debt extinguishment	**835**	220
	3,446	4,194

Richards Packaging has provided a first charge over all of its assets as collateral for the revolving and term credit facilities.

14. UNITS AND EXCHANGEABLE SHARES

Number outstanding	**Units basic**	**Weighted average**	**Exchangeable Shares**	**Units diluted**	**Weighted average**
December 31, 2008	10,114,722	10,158,325	1,793,533	11,908,255	11,951,858
Share conversion	18,500		(18,500)		
Units purchased	(43,006)			(43,006)	
December 31, 2009	10,090,216	10,111,490	1,775,033	11,865,249	11,903,452
Share conversion	**715,990**		**(715,990)**		
Units purchased	**(62,736)**			**(62,736)**	
December 31, 2010	**10,743,470**	**10,054,973**	**1,059,043**	**11,802,513**	**11,808,428**

Fund Units

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

The Fund initiated a normal course issuer bid on November 16, 2009 to purchase up to 202,000 Units prior to November 15, 2010. During the year, 62,736 Units [2009 – 43,006] were purchased for an average price of $7.25/Unit [2009 – $6.98].

Exchangeable Shares

Exchangeable shares were issued by Richards Packaging to officers on the initial public offering and in connection with two business acquisitions. The exchangeable shares issued by Holdings are redeemable on the fifth anniversary of their issue date, or prior to that date in limited circumstances, and are retractable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. Exchangeable shares issued by Richards Packaging Holdings (US) Inc. are retractable on a limited basis by the shareholder in increments of up to U.S.$2,000 at the end of each issue anniversary with U.S.$6,000 converted on December 21, 2010, however, the Fund has the option to settle the redemption in cash. Exchangeable shares carry the right to vote at any meeting that unitholders are entitled to vote on the same basis.

Distributions and dividends

Distributions are made monthly to unitholders of record on the last business day of each month and paid on the 14th day of the following month. Distributions during the months from March through to September of 2009 were temporarily suspended and the surplus cash was used to repay debt. Monthly distributions were declared for January through December 2010 beginning at $659 and ended at $704, or 6.55¢ per Unit, reflecting unit buyback activity by the Fund and the conversion of exchangeable shares [2009 – began at $946, 9.35¢ per Unit and ended at $661, 6.55¢ per Unit]. The board of Trustees approved a reduction in the capital account of $9,938 to reflect the cumulative return of capital that has been distributed to the unitholders since the inception of the Fund.

Dividends paid to exchangeable shareholders are not subordinated to distributions to unitholders and are declared on the same basis net of applicable taxes. Dividends are made monthly to shareholders of record on the last business day of each month and paid on the 14th day of the following month. Dividends during the months from March through to September of 2009 were temporarily suspended consistent with the suspension of distributions.

15. CAPITAL STRUCTURE

The Fund’s capital consists of unitholders’ equity, exchangeable shares and secured credit facilities. Capital levels are maintained to meet the following objectives: optimizing the cost of capital at acceptable risk levels while providing an appropriate return to its unitholders and shareholders; balancing the interests of equity shareholders, exchangeable shareholders and debt holders; maintaining compliance with financial covenants; and preserving financial flexibility to benefit from potential opportunities as they arise. The leverage ratio covenant was 2.75 starting September 30,

December 31, 2010 [Cdn$ thousands]

2009. As of December 31, 2010 the leverage ratio was 2.16 [2009 – 2.13]. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.50 times and a minimum net worth of $70,000.

The Fund continually assesses the adequacy of its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of underlying assets. Adjustments may include changes in distributions and dividends, purchases of units for cancellation pursuant to normal course issuer bids, issues of new shares and/or Units, and refinancing the debt to replace existing debt with different characteristics. During the months from March through to September of 2009, the Trustees temporarily suspended distributions with the resulting surplus cash flow used to repay debt.

16. RELATED PARTY TRANSACTIONS AND JOINT VENTURE

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

	2010 $	**2009** $
Leases of facilities from entities related to certain officers	**460**	470
Product purchases from Vision	**6,951**	7,032

Richards Canada owns a 50% interest in a joint venture, Vision. Since all of the sales of Vision are to Richards Packaging, financial information relating to the joint venture presented below reflects 100% of transactions and balances:

	2010 $	**2009** $		**2010** $	**2009** $
Balance Sheet					
Assets			**Liabilities**		
Current assets	**1,356**	1,643	Current liabilities	**409**	751
Plant and equipment	**421**	540			
Future income taxes	**—**	39			
Total assets	**1,777**	2,222	**Net assets**	**409**	751
Statement of income					
Revenue				**6,951**	7,032
Expenses				**7,053**	7,198
Net loss				**(102)**	(166)

17. FINANCIAL INSTRUMENTS

Fair value

Cash and cash equivalents, accounts receivable, accounts payable, distributions and dividends payable and due to previous shareholder are all short-term in nature and, as such, their carrying values approximate fair values. Cash and cash equivalents are classified as held-for-trading and accounts receivable are classified as receivables. All financial liabilities other than bank indebtedness are classified as other financial liabilities.

The fair value of long-term debt approximates the carrying value as it bears interest at rates comparable to current market rates that would be used to calculate fair value.

Credit risk

Richards Packaging's financial assets exposed to credit risk consist primarily of trade receivables arising from the sale of goods. Concentration of credit risk with respect to accounts receivable is limited due to the large number of customers and geographical dispersion. As at December 31, 2010 and 2009, no customer represented 10% or more of accounts receivable or sales.

Credit quality is assessed prior to establishing customer accounts. Management continuously monitors the collection of overdue accounts. For customers with overdue accounts, internal collection staff takes appropriate action, including the placement of accounts on hold, with third party collection or legal action taken. On a quarterly basis, the allowance for doubtful accounts is reviewed by management. The allowance for doubtful accounts as of December 31, 2010 is sufficient to cover current accounts and impaired accounts *[note 7]*.

Liquidity risk

Richards Packaging's approach to managing liquidity risk is to ensure that sufficient funds are available to meet financial obligations as they come due *[notes 10, 18]*. This is achieved through a combination of cash balances *[note 6]*, availability of credit facilities *[note 13]*, surplus cash flow from operations, distribution policy and matching the maturities of financial assets and liabilities.

Interest rate risk

Richards Packaging is exposed to interest rate risk due to variable interest rates on the revolving and term loan credit facilities. Richards Packaging had entered into an interest rate swap contract with approved creditworthy counterparties to June 5, 2009 on a notional principal amount equal to the then U.S.$30,000 term debt outstanding. The mark-to-market valuation of the swap contract up to its expiry on June 5, 2009 gave rise to a gain of $659 included in Gains on financial instruments. All debt is now subject to variable interest rates and a 1.0% movement in interest rates would have impacted net income by $329 [2009 – $329].

December 31, 2010 [Cdn$ thousands]

Foreign currency risk

Richards Packaging is exposed to U.S./Cdn. currency fluctuations on cross-border transactions and on the translation of U.S. dollar cash flows of Richards Packaging US. A foreign currency loss of $16 has been recorded for the year ended December 31, 2010 [2009 – $452] relating to cross border transactions. A foreign currency gain of $7,003 from the translation of the U.S. dollar denominated term debt was recorded and included in Gains on financial instruments as a result of the change in the U.S./Cdn. rate from 82¢ to 92¢ for the seven months ended July 31, 2009 at which time the term debt was converted into a Canadian dollar obligation.

18. COMMITMENTS AND CONTINGENCIES

The minimum rental payments, exclusive of occupancy charges, required under the leases for Richards Packaging's premises are as follows:

	Related parties $	Other $	Total $
2011	**474**	**3,328**	**3,802**
2012	**488**	**3,130**	**3,618**
2013	**502**	**3,009**	**3,511**
2014	**517**	**2,168**	**2,685**
2015	**533**	**1,462**	**1,995**
Thereafter	**2,203**	**2,964**	**5,167**

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

Legal costs to prosecute a patent, trademark and copyright infringement case are expensed as incurred, with any potential gain on settlement to be recognized on realization.

December 31, 2010 [Cdn$ thousands]

19. ADDITIONAL CASH FLOW INFORMATION

The net change in working capital consists of the following:

	2010 $	2009 $
Accounts receivable	**(299)**	151
Inventory	**(5,011)**	3,947
Prepaid expenses	**(416)**	(499)
Accounts payable	**423**	(2,464)
Income taxes recoverable	**(722)**	393
	(6,025)	1,528

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

	2010 $	2009 $
Interest paid	**2,633**	4,341
Income taxes paid	**2,213**	2,238

Richards Packaging Income Fund

UNITHOLDER INFORMATION

Trustees

Management Team

Gerry Glynn
Chief executive officer

David Prupas
President and Chief operating officer

Enzio Di Gennaro
Chief financial officer

Terry Edwards
Vice president

Timothy McKernan
President, McKernan Packaging

Corporate Information

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Transfer agent and registrar

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Toronto, Ontario M5C 2W9
www.cibcmellon.com

Toronto Stock Exchange listing

Symbol : RPI.UN

Investor information

Investor information is available at www.richardspackaging.com, SEDAR at www.sedar.com and TSX at www.tsx.com

Annual meeting

Friday May 13th at 9:30 a.m.
Brookfield Place
181 Bay Street, Suite 2500
Toronto, Ontario M5J 2T7