

***Q1* QUARTERLY REPORT**

Richards Packaging Income Fund

Quarter ended March 31, 2011

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Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

March 31, 2011

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.

First quarter performance continued to reflect the weakness that began during the fourth quarter of 2010. Total revenue was down 0.9% with organic revenue growth at 1.6% being fully offset by the U.S./Cdn. 5¢ appreciation of the dollar. EBITDA¹ was down \$0.8 million, or 13.4%, due to price erosion in selected larger accounts and higher freight costs. Gross profit and EBITDA as a percent of sales continued to run at weaker levels of 16.4% and 11.1% respectively. We expect that this trend will continue into the second quarter. Net income was down \$1.1 million, or 11¢ per Unit, reflecting lower EBITDA and higher deferred income taxes.

Richards Packaging deployed the \$1.1 million of cash on hand at year end to pay 2010 bonuses and invest in working capital, mainly in receivables (flat on a days' sales basis). The \$1.4 million of free cash flow generated in the first quarter was utilized to pay down \$0.5 million of debt and to top up working capital. Over the next six months we expect to lower our investment in inventories and make further payments on our debt⁴.

With the distributions no longer eligible for interest deductibility we have utilized loss carry forwards to fully shield Canadian taxes and paid out distributions as a full return of capital. Loss carry forwards should fully shield Canadian taxes until approximately the second quarter of 2012.

The Fund paid monthly distributions of 6.55¢ per Unit during the first quarter, which represented an annualized yield of 8.5% on the March 31st closing price of \$9.20 per Unit. The payout ratio³ for the first quarter was 62%, up from 60% for 2010.

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.
6095 Ordan Drive
Mississauga, Ontario
L4T 2M7

May 4, 2011

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

May 4, 2011

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the first quarter should be read in conjunction with the attached condensed interim financial statements dated March 31, 2011, the 2010 Annual Report and the 2010 Annual Information Form dated March 4, 2011 respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a consistent basis with the 2010 annual financial statements, except as disclosed in Changes in Accounting Policy.

Fund Profile and Description of the Business

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, 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. Units are listed on the Toronto Stock Exchange under the symbol RPI.UN.

Richards Packaging serves a wide customer base that is comprised of approximately 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 approximately 15% of the total revenues of Richards Packaging. In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 17 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance for the first quarter include:

- Revenue contraction of \$0.4 million, or 0.9%, as 1.6% organic growth was more than offset by foreign currency translation of Richards Packaging US (U.S./Cdn. 5¢ appreciation),
- EBITDA¹ down \$0.8 million, or 13.4%, representing a drop of 1.6% to 11.1% of sales, due to continued pressure on freight costs and price degradation in select large accounts,
- Working capital increased \$1.8 million mainly due to higher receivables (39 days sales),
- Free cash flow² of \$1.4 million deployed to repay \$0.5 million of term debt and fund working capital,
- Decreased distributable cash flow² by \$0.3 million, or 2.5¢ per Unit, resulting in 4% increase to a 62% payout ratio³,
- Paid monthly distributions of 6.55¢ per Unit representing an 8.5% annualized return on the March 31st closing price of \$9.20 per Unit, and
- Distributions will represent a full return of capital, mainly due to utilization of loss carry forwards.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

May 4, 2011

This MD&A covers the three months ended March 31, 2011 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected consolidated financial information:

	Qtr. 1	
	2011	2010
	\$	\$
Income Statement Data:		
Revenue.....	44,739	45,158
EBITDA ¹	4,977	5,744
<i>Diluted per Unit</i>	42.1¢	48.6¢
Net income.....	1,336	2,472
<i>Diluted per Unit</i>	13.3¢	24.6¢
Balance Sheet Data:		
Working capital.....	38,431	34,693
Net operating assets.....	136,332	138,643
Bank debt.....	47,500	47,459
<i>Debt/EBITDA</i>	2.2	2.1
Cash Flow Statement Data:		
Distributions and dividends.....	2,318	2,338
<i>Diluted per Unit</i>	19.6¢	19.8¢
<i>Payout ratio</i> ³	62%	58%
Unit purchases.....	—	305

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, mark-to-market losses and dividends on exchangeable shares 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. Surplus distributable cash is utilized to avoid typical seasonal borrowing, to pay down term debt and for Units purchased under our normal course issuer bid.

Review of Operations

Richards Packaging's operations were approximately half in Canada and half in the United States ("Richards Packaging US") similar to performance in 2010. 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.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

May 4, 2011

Revenue decreased by \$0.4 million, or 0.9%, for the first quarter from the same period in 2010 due to the translation impact of Richards US, with the Canadian dollar strengthening by 5.3¢ to U.S./Cdn.\$1.01 (\$1.1 million), offset by organic growth of 1.6% (\$0.7 million).

	Qtr. 1	
	2011	2010
	\$	\$
Revenue	44,739	45,158
Cost of products sold.....	37,395	36,940
Gross profit.....	7,344	8,218
	<i>16.4%</i>	<i>18.2%</i>
General and administrative expenses.....	2,363	2,538
Foreign currency loss (gain).....	4	(64)
EBITDA ¹	4,977	5,744
	<i>11.1%</i>	<i>12.7%</i>
Depreciation and amortization.....	1,933	1,988
Patent defense costs.....	60	63
Financial expenses.....	628	677
Exchangeable shares - mark-to-market loss.....	477	178
Exchangeable shares - dividends.....	207	358
Income tax expense.....	336	8
Net Income	1,336	2,472

Cost of products sold (before amortization) increased by \$0.5 million, or 1.0%, for the first quarter, with the business performing at a 16.4% gross profit margin, down 1.8% from the same period in 2010 similar to the fourth quarter of 2010. These increases are primarily due to foreign exchange, ocean freight and price degradation in select large accounts in response to increasing competitive threats. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of passing through increases and decreases to customers.

General and administrative expenses (before amortization) for the first quarter were slightly down over the same period in 2010 due to expense reductions and the translation of Richards Packaging US expenses.

The foreign currency loss/(gain) from operations resulted from exchange rate changes applied to our U.S. dollar denominated working capital position within our Canadian operations.

EBITDA¹ for the first quarter decreased by \$0.8 million, or 13.4%, from the same period in 2010. As a percent of sales, EBITDA was at 11.1% for the first quarter, down 1.6% from the same period in 2010. Changes were a result of the factors referred to above.

Depreciation and amortization of \$1.9 million for the first quarter was mainly comprised of \$1.6 million intangibles assets amortization, which represents a charge for customer relationships and patents. Depreciation for capital assets was \$0.3 million, which annualized, is approximately Richards Packaging's normalized annual maintenance capital expenditure requirement.

Richards Packaging Income Fund

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(expressed in thousands, except where otherwise indicated)

May 4, 2011

Patent defense costs relate to ongoing expenditures incurred to establish that a competitor has infringed our Dispill patent and trademark with a product launched in July 2006.

Financial expenses were slightly lower for the first quarter compared to the same period in 2010 due to the absence of the debt accretion in 2011.

Exchangeable shares mark-to-market loss reflects a unit price increase during the 2011 first quarter of 45¢ to \$9.20 per Unit. Exchangeable shares dividends decreased \$0.2 million due to the conversion of 715,990 shares to Units during the fourth quarter of 2010.

Income tax expense increased \$0.3 million for the first quarter compared to the same period in 2010 mainly due the use of loss carry forwards, to replace the benefit of the deductibility of distributions with the imposition of the trust tax effective January 1, 2011, offset by the withholding tax paid in 2010 not repeating.

Net income for the first quarter was \$1.3 million, which represented 13.3¢ per Unit on a diluted basis. A time-weighted average of 10,054,973 Units and 1,059,043 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the first quarter.

Distributable Cash Flow²

	Qtr. 1	
	2011	2010
	\$	\$
Cash provided by operating activities.....	1,977	463
Working capital changes.....	1,803	3,460
Non-cash charges.....	1,197	1,821
EBITDA¹	4,977	5,744
Interest.....	628	621
Current income tax.....	302	779
Maintenance capital.....	333	327
Distributable cash flow²	3,714	4,017
<i>Diluted per Unit</i>	<i>31.5¢</i>	<i>34.0¢</i>
Distributions and dividends	2,318	2,338
<i>Diluted per Unit</i>	<i>19.6¢</i>	<i>19.8¢</i>
<i>Payout ratio³</i>	<i>62%</i>	<i>58%</i>
Free cash flow²	1,396	1,679
Units outstanding		
<i>Diluted basis 000's</i>	11,808	11,827

Richards Packaging Income Fund

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The distributable cash flow² definition excludes changes in working capital and capital expenditures for the 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; 2010 – nil drawn).

Distributable cash flow² for the first quarter was \$0.3 million lower than in the same period in 2010. Overall the decrease was attributed to reduced EBITDA¹ offset by lower current income taxes. Current income taxes decreased \$0.5 million from the same period in 2010, with \$0.3 million due to the decline in EBITDA and the \$0.2 million withholding tax paid in 2010 not repeating.

Free cash flow² of \$1.4 million was deployed to repay \$0.5 million of debt and fund working capital.

Monthly distributions for the first quarter at 6.55¢ per Unit, represents an annual yield of 8.5% on a \$9.20 price per Unit at March 31, 2011 and a payout ratio³ of 62%. Based upon the first quarter, 100% of the distributions will represent return of capital.

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the first quarter was \$2.0 million, up \$1.5 million over the same period in 2010, primarily due to lower investment in working capital of \$1.7 million. During the first quarter, working capital increased by \$1.8 million mainly on higher receivables of \$1.7 million while reflecting the same past due profile as at year end. The decrease in payables for the settlement of normal year end bonuses was mainly offset by the decrease in income 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. In recognition of impending higher interest rates and taxes, 38% of the cash flow from operations was diverted to avoid seasonal debt borrowings for working capital and repay term debt. Actual distributions and dividends paid during the first quarter, including those declared for December 2010, were \$2.3 million with \$0.8 million declared for March, which was paid April 14th.

Normal Course Issuer Bid

On March 10, 2011, the Fund initiated a normal course issuer bid to purchase up to 200,000 Units prior to March 9, 2012. During the first quarter, no Units were purchased (2010 – 42,136 at an average price of \$7.14 per Unit).

Current income taxes

The current income tax expense for the first quarter was \$0.3 million, representing current income tax for Richards Packaging US, as the utilization of the loss carry forwards were employed to

Richards Packaging Income Fund

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(expressed in thousands, except where otherwise indicated)

May 4, 2011

eliminate any Canadian taxes. Net future tax assets available to shield income taxes are \$3.2 million.

Capital expenditures

Capital expenditures for the first quarter were \$0.4 million (2010 – \$0.5 million), incurred mainly on account of maintenance capital. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs.

Financing activities and instruments

Richards Packaging's credit facilities include a \$47.5 million term loan (2010 – \$47.7 million) with maturity on May 30, 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% (2010 – 3.0% to 3.75%).

The credit facilities are subject to a number of covenants including the leverage ratio which is to maintain debt less than 2.75 times the trailing twelve months EBITDA¹. As at March 31, 2011, our leverage ratio was 2.25, higher than the December 31, 2010 level of 2.16 due to the decrease in EBITDA. As a result, surplus distributable cash flow has and will continue to be utilized to repay term debt to maintain the leverage ratio at acceptable levels. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future⁴.

Outlook⁴

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

Revenue growth for the first quarter was in line the long term industry average of 1-3%. The impact of exchange translation continues with the strengthening U.S./Cdn.\$ exchange rates and is expected to reduce revenue by \$1.7 million for the second quarter at current exchange rates of U.S./Cdn.\$1.05.

EBITDA¹ for the first quarter was \$5.0 million, down \$0.8 million against the same period in 2010 and continues to track at levels exceeding 11% of revenue. The impact of freight costs and foreign exchange translation of Richards Packaging US is expected to erode EBITDA by approximately \$0.7 million for the second quarter.

Current income tax expense for the second quarter is expected in line with the first quarter and \$0.3 lower than in the same period in 2010 due to the reduction in EBITDA¹. Based upon Richards Canada's current tax profile, loss carry forwards will fully shield taxes in 2011 allowing for a full return of capital to unitholders. This is expected to continue into approximately the second quarter of 2012.

Richards Packaging Income Fund

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(expressed in thousands, except where otherwise indicated)

May 4, 2011

Maintenance capital will continue to be funded by cash flow from operations and is expected to be \$1.0 million in 2011.

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

Risks and Uncertainties

Investment in Units involves risks inherent in the ordinary course of business of Richards Packaging including: sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier agreements, competition from other packaging companies, the extent and duration of an economic downturn, patent and trademark challenges, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, liquidity risks, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the 2010 Annual Information Form dated March 4, 2011. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2011.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting practices requires the Fund to make estimates and assumptions which affect the reported, and disclosure of, amounts for assets and liabilities as at March 31, 2011 and revenue and expenses for the period then ended. Changes in these accounting estimates may have an impact on the financial results of Richards Packaging and the Fund. There have not been any significant changes in the critical accounting estimates of the Fund in the first quarter of 2011, relative to December 31, 2010. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the Fund's 2010 Annual Report.

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 is limited to 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 impact of implementing IFRS on the January 1 and December 31, 2010 balances was fully outlined in our 2010 annual report in *New Accounting Pronouncements* section of the *Management's Discussion and Analysis*. The impact of implementation on the March 31, 2010 balances, and for the three months then ended, is outlined in note 7 of the Financial Statements.

Richards Packaging Income Fund

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(expressed in thousands, except where otherwise indicated)

May 4, 2011

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.

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 material impact of the IFRS transition on business activities such as debt covenants, treasury activities and executive compensation.

Disclosure Controls and Internal Controls over Financial Reporting

There have been no changes in the Fund's internal controls over financial reporting during the first quarter that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Additional Information

Additional information relating to the Fund is available on Richards Packaging's website at www.richardspackaging.com, SEDAR at www.sedar.com or TSX at www.tmx.com

1 Management defines EBITDA as earnings before amortization, interest, unrealized losses (gains) on financial instruments and taxes. EBITDA is the same as profit from operations as outlined in the interim 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 operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA does not have a standardized meaning prescribed by GAAP and therefore the method of calculating EBITDA may not be comparable to similar measures presented by other companies or income trusts.

2 Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less interest, cash income tax expense, maintenance capital expenditures and loan payments. Free cash flow is distributable cash flow less distributions. The objective of presenting this measure is to

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

May 4, 2011

calculate the amount which is available for distribution to unitholders and exchangeable shareholders. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by GAAP and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other income trusts.

- 3 Management defines payout ratio as distributions and dividends declared over distributable cash flow². The objective of presenting this measure is to calculate the percentage of actual distributions in comparison to the amount available for distribution. Payout ratio does not have a standardized meaning prescribed by GAAP. The method of calculating the payout ratio may not be comparable to similar measures presented by other income trusts.
- 4 The Report to unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.

<p style="text-align: center;">Notice to Unitholders</p>

<p style="text-align: center;">The attached consolidated financial statements have not been reviewed by the Fund's external auditors</p>
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Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Unaudited

For the three months ended March 31

[Consolidated]

[2010 restated – note 3]

<i>Cdn\$ thousands</i>	Notes	2011	2010
		\$	\$
Revenue		44,739	45,158
Cost of products sold		39,286	38,811
General and administrative expenses		2,405	2,655
Foreign currency loss (gain)		4	(64)
Patent defense legal costs		60	63
Profit from operations		2,984	3,693
Financial expenses		628	677
Exchangeable shares - mark-to-market loss		477	178
Exchangeable shares - dividends		207	358
Income before income taxes		1,672	2,480
Income tax expense (income)			
Current taxes	<i>4</i>	302	779
Deferred taxes	<i>4</i>	34	(771)
		336	8
Net income for the period		1,336	2,472
Basic income per Unit	<i>5</i>	\$0.13	\$0.25
Other comprehensive losses			
Richards Packaging US			
Net investment translation		(1,223)	(1,723)
Deferred tax		160	226
Comprehensive income for the period		273	975

See accompanying notes

Wayne McLeod
Chair – Audit Committee

“Gerry Glynn”
CEO – Richards Packaging Inc.

“Enzio Di Gennaro”
CFO – Richards Packaging Inc.

Richards Packaging Income Fund

STATEMENTS OF FINANCIAL POSITION

Unaudited

As at March 31 and January 1

[Consolidated]

[2010 & Jan. 1, 2011 restated – note 3]

<i>Cdn\$ thousands</i>	Notes	Mar. 31		Jan. 1	
		2011	2010	2011	2010
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents		264	163	1,144	2,071
Accounts receivable		20,314	20,106	18,766	18,873
Inventory		34,727	32,717	35,187	31,289
Prepaid expenses		2,258	2,156	2,365	2,010
Income taxes recoverable	4, 6	417	—	700	10
		57,980	55,142	58,162	54,253
Current Liabilities					
Bank indebtedness		—	(130)	—	—
Accounts payable		(18,011)	(18,380)	(18,618)	(18,604)
Income taxes payable	4	—	(363)	—	—
Distributions and dividends payable		(772)	(775)	(773)	(780)
Due to previous shareholder of acquired company		(766)	(801)	(784)	(825)
		(19,549)	(20,449)	(20,175)	(20,209)
WORKING CAPITAL					
		38,431	34,693	37,987	34,044
Non-current Assets					
Plant and equipment		3,996	4,293	4,031	4,180
Intangible assets		29,323	35,524	31,108	37,514
Goodwill		69,679	71,044	70,390	72,010
		102,998	110,861	105,529	113,704
Non-current Liabilities					
Deferred income taxes	4	(5,097)	(6,911)	(5,322)	(8,036)
NET OPERATING ASSETS					
		136,332	138,643	138,194	139,712
Debt					
Term debt		47,500	47,459	48,000	47,402
Exchangeable shares - current	5	5,755	7,137	5,330	6,857
Exchangeable shares - non-current	5	3,919	5,616	3,867	5,718
		57,174	60,212	57,197	59,977
Equity					
Unitholders' capital	5	87,633	94,044	89,745	94,349
Deficit		(1,337)	(10,642)	(2,673)	(11,140)
Accumulated other comprehensive loss		(7,138)	(4,971)	(6,075)	(3,474)
		79,158	78,431	80,997	79,735
FINANCING					
		136,332	138,643	138,194	139,712

See accompanying notes

Richards Packaging Income Fund

STATEMENT OF CHANGES IN EQUITY
Unaudited

For the three months ended March 31

[Consolidated]

[2010 & Jan. 1, 2011 restated – note 3]

UNITHOLDERS' EQUITY

<i>Cdn\$ thousands</i>	Unit Capital	Deficit	AOCL^{a)}	
	\$	\$	\$	\$
January 1, 2010	94,349	(11,140)	(3,474)	79,735
Share of comprehensive income		2,472	(1,497)	975
Distributions	—	(1,974)		(1,974)
Purchased for cancellation, net	(305)			(305)
March 31, 2010	94,044	(10,642)	(4,971)	78,431
January 1, 2011	89,745	(2,673)	(6,075)	80,997
Share of comprehensive income		1,336	(1,063)	273
Distributions	(2,112)	—		(2,112)
Purchased for cancellation, net	—			—
March 31, 2011	87,633	(1,337)	(7,138)	79,158

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

See accompanying notes

Richards Packaging Income Fund**STATEMENT OF CASH FLOWS***Unaudited**For the three months ended March 31**[Consolidated]**[2010 restated – note 3]*

<i>Cdn\$ thousands</i>	Notes	2011	2010
		\$	\$
OPERATING ACTIVITIES			
Net income for the period		1,336	2,472
Add (deduct) items not involving cash			
Plant and equipment depreciation		324	337
Intangible assets amortization		1,609	1,651
Debt accretion		—	56
Exchangeable shares - mark-to-market loss		477	178
Deferred income taxes	<i>4</i>	34	(771)
		3,780	3,923
Changes in non-cash working capital	<i>6</i>	(1,803)	(3,460)
Cash provided by operating activities		1,977	463
INVESTING ACTIVITIES			
Additions to plant and equipment		(316)	(510)
Expenditures on computer systems software		(75)	(5)
Cash used in investing activities		(391)	(515)
FINANCING ACTIVITIES			
Increase in bank indebtedness		16	152
Repayment of term debt		(500)	—
Purchase of trust units for cancellation	<i>5</i>	—	(305)
Distributions paid to unitholders		(2,111)	(1,978)
Cash used in financing activities		(2,595)	(2,131)
Net decrease in cash and cash equivalents		(1,009)	(2,183)
Cash and cash equivalents, beginning of period		1,144	2,071
Foreign currency translation differences		129	275
Cash and cash equivalents, end of period		264	163

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2011

[Cdn\$ thousands]

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. 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.

2. BASIS OF PRESENTATION

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 *Interim Financial Reporting*. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the Fund’s 2010 audited annual financial statements. The accounting policies used in the preparation of these condensed interim financial statements are consistent with the 2010 audited annual financial statements except as disclosed in note 3 and 7. In these financial statements the term “Canadian GAAP” refers to Canadian generally accepted accounting principles before the adoption of IFRS.

3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2010 the Fund adopted the following new recommendations of The Canadian Institute of Chartered Accountants Handbook:

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 is limited to 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 impact of implementing IFRS on the January 1 and December 31, 2010 balances was fully outlined in our 2010 annual report in *New Accounting Pronouncements* section of the *Management’s Discussion and Analysis*. The impact of implementation on the March 31, 2010 balances, and for the three months then ended, is outlined in note 7.

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.

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.

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2011

[Cdn\$ thousands]

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.

4. INCOME TAXES [note 3]

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

	2011	2010
	\$	\$
Income before income taxes	1,672	2,480
Distributions not subject to income taxes in the Fund	—	(1,910)
Income subject to income taxes	1,672	570
Statutory tax rate	30.2%	30.2%
Income tax expense at statutory tax rate	505	172
Loss for income tax (utilized) not utilized	(506)	11
Other temporary differences	472	760
Exchangeable shares - dividends and mark-to-market loss	207	162
Other current period adjustments	(376)	(326)
Current income taxes	302	779

5. UNITS AND EXCHANGEABLE SHARES

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
January 1, 2010	10,090,216	10,111,490	1,775,033	11,865,249	11,903,452
Units purchased	(42,136)			(42,136)	
March 31, 2010	10,048,080	10,051,468	1,775,033	11,823,113	11,826,501

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

March 31, 2011

[Cdn\$ thousands]

5. UNITS AND EXCHANGEABLE SHARES (cont'd)

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
January 1, 2011	10,743,479	10,054,973	1,059,043	11,802,522	11,808,428
Units purchased	—			—	
March 31, 2011	10,743,479	10,054,973	1,059,043	11,802,522	11,808,428

Exchangeable shares mark-to-market loss reflects a unit price increase during the three months ended March 31, 2011 of 45¢ to \$9.20 per Unit.

6. ADDITIONAL CASH FLOW INFORMATION [note 3]

The net change in working capital consists of the following:

	2011	2010
	\$	\$
Accounts receivable	(1,739)	(1,486)
Inventory	(24)	(2,049)
Prepaid expenses	83	(178)
Accounts payable	(397)	(115)
Income taxes recoverable	274	368
	(1,803)	(3,460)

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

	2011	2010
	\$	\$
Interest paid	616	627
Income taxes paid	19	512

The income tax recoverable balance at December 31, 2010 was applied to the taxes otherwise owing for the three months ended March 31, 2011.

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS
Unaudited

March 31, 2011

[Cdn\$ thousands]

7. TRANSITION TO IFRS - Comparatives

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the three months ended March 31, 2010

[Consolidated]

<i>Cdn\$ thousands</i>	IFRS	reclass	Cdn GAAP
	\$	\$	\$
Revenue	45,158		45,158
Cost of products sold	38,811		38,811
General and administrative expenses	2,655		2,655
Foreign currency loss (gain)	(64)	(120)	56
Patent defense legal costs	63		63
Profit from operations	3,693	120	3,573
Financial expenses	677		677
Exchangeable shares - mark-to-market loss	178	178	
Exchangeable shares - dividends	358	358	
Income before income taxes	2,480	(416)	2,896
Income tax expense (income)			
Current taxes	779		779
Deferred taxes	(771)		(771)
	8		8
Non-controlling interests		(433)	433
Net income for the period	2,472	17	2,455
Basic income per Unit	\$0.25		\$0.24
Other comprehensive losses			
Richards Packaging US			
Net investment translation	(1,723)	(374)	(1,349)
Deferred tax	226	226	
Comprehensive income for the period	975	(131)	1,106

Richards Packaging Income Fund**NOTES TO INTERIM FINANCIAL STATEMENTS***Unaudited**March 31, 2011**[Cdn\$ thousands]***STATEMENTS OF FINANCIAL POSITION***As at March 31, 2010**[Consolidated]*

<i>Cdn\$ thousands</i>	IFRS	reclass	Cdn GAAP
	\$	\$	\$
Current Assets			
Cash and cash equivalents	163		163
Accounts receivable	20,106		20,106
Inventory	32,717		32,717
Prepaid expenses	2,156		2,156
	55,142		55,142
Current Liabilities			
Bank indebtedness	(130)		(130)
Accounts payable	(18,380)		(18,380)
Income taxes payable	(363)		(363)
Distributions and dividends payable	(775)		(775)
Due to previous shareholder of acquired company	(801)		(801)
	(20,449)		(20,449)
WORKING CAPITAL	34,693		34,693
Non-current Assets			
Plant and equipment	4,293		4,293
Intangible assets	35,524		35,524
Goodwill	71,044		71,044
	110,861		110,861
Non-current Liabilities			
Deferred income taxes	(6,911)	750	(7,661)
Non-controlling interests		14,903	(14,903)
NET OPERATING ASSETS	138,643	15,653	122,990
Debt			
Term debt	47,459		47,459
Exchangeable shares - current	7,137	7,137	
Exchangeable shares - non-current	5,616	5,616	
	60,212	12,753	47,459
Equity			
Unitholders' capital	94,044		94,044
Deficit	(10,642)	2,347	(12,989)
Accumulated other comprehensive loss	(4,971)	553	(5,524)
	78,431	2,900	75,531
FINANCING	138,643	15,653	122,990

Richards Packaging Income Fund**NOTES TO INTERIM FINANCIAL STATEMENTS***Unaudited**March 31, 2011**[Cdn\$ thousands]***STATEMENT OF CASH FLOWS***For the three months ended March 31, 2010**[Consolidated]*

<i>Cdn\$ thousands</i>	IFRS	reclass	Cdn GAAP
	\$	\$	\$
OPERATING ACTIVITIES			
Net income for the period	2,472	17	2,455
Non-controlling interests		(433)	433
Add (deduct) items not involving cash			
Plant and equipment depreciation	337		337
Intangible asset amortization	1,651		1,651
Debt accretion	56		56
Exchangeable shares - mark-to-market loss	178	178	
Deferred income taxes	(771)		(771)
	3,923		4,161
Changes in non-cash working capital	(3,460)	(122)	(3,338)
Cash provided by operating activities	463		823
INVESTING ACTIVITIES			
Additions to plant and equipment	(510)		(510)
Expenditures on computer systems software	(5)		(5)
Cash used in investing activities	(515)		(515)
FINANCING ACTIVITIES			
Increase in bank indebtedness	152		152
Purchase of trust units for cancellation	(305)		(305)
Dividends paid to exchangeable shareholders		360	(360)
Distributions paid to unitholders	(1,978)		(1,978)
Cash used in financing activities	(2,131)		(2,491)
Foreign currency gain		(275)	275
Net decrease in cash and cash equivalents	(2,183)	(275)	(1,908)
Cash and cash equivalents, beginning of period	2,071		2,071
Foreign currency translation differences	275	275	
Cash and cash equivalents, end of period	163		163