

Q3 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended September 30, 2011

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Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

September 30, 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.

Third quarter performance continued to track at the first half level with the exception of the inventory sell-off impact, but below the profitability levels of 2010. Total revenue was up 2.2% with organic revenue growth at 2.0% and an inventory sell-off of \$1.4 mil. being partially offset by the U.S./Cdn. 6¢ appreciation of the Canadian dollar. EBITDA¹ was down \$0.6 million, or 10.5%, due to price erosion in selected larger accounts and higher freight costs. Gross profit and EBITDA as a percent of sales was depressed due to the inventory sell-off when compared to the first half performance to run at levels of 15.5% and 10.6% respectively. We expect that this trend will continue into the fourth quarter. Net income was up \$1.1 million mainly reflecting the mark-to-mark gain on exchangeable shares.

The nine months results reflect weakness that began during the fourth quarter of 2010. Total revenue was up by 0.2% with organic revenue growth of 2.0% being fully offset by the U.S./Cdn. 6¢ appreciation of the Canadian dollar. EBITDA¹ was down \$2.1 million, or 12.0%, due to price erosion in selected larger accounts and higher freight costs. Net income was up \$1.1 million mainly reflecting the mark-to-mark gain on exchangeable shares.

The working capital increased by \$0.2 million reflecting the increase in revenue, as the inventory reduction of \$2.0 million was offset by an associated trade payable reduction. A further \$1.3 million of inventory is expected to sold-off⁴. The \$1.6 million of free cash flow generated in the third quarter was utilized to pay down \$1.0 million of debt and to cover our expansion and working capital needs. Over the remainder of the year, we expect to continue to lower our investment in inventories and make further payments on our debt⁴.

The Fund paid monthly distributions of 6.55¢ per Unit during the third quarter, which represented an annualized yield of 11.1% on the September 30th closing price of \$7.10 per Unit. The payout ratio³ for the third quarter was 59%, slightly above the first half level.

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

“Gerry Glynn”
Chief Executive Officer
Richards Packaging Inc.

November 3, 2011

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

November 3, 2011

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the third quarter should be read in conjunction with the attached condensed interim financial statements dated September 30, 2011, the first and second quarter reports dated May 4 and July 28, 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 Change in Accounting Policies (note 3).

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 Richards Packaging Inc. 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 16% 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 third quarter include:

- Revenue was up 2.2% as 2.0% organic growth and 3.1% inventory sell-off was partially offset by foreign currency translation of Richards Packaging US (U.S./Cdn. 6¢ Canadian dollar appreciation),
- EBITDA¹ down \$0.6 million, or 10.5%, representing a drop of 1.5% to 10.6% of sales, due to continued pressure on freight costs and price degradation in select large accounts,
- Net income up \$1.1 million due primarily to the mark-to-market gain on exchangeable shares,
- Working capital increased \$0.2 million mainly due to higher receivables (\$0.7 million) and lower payables (\$1.9 million) partially offset by reduced inventory (\$2.0 million),
- Free cash flow² of \$1.6 million deployed to repay \$1.0 million of term debt and fund expansion and working capital investment,
- Decreased distributable cash flow² by \$0.2 million, or 1.8¢ per Unit, resulting in an increase of 3% to the 59% payout ratio³, and
- Paid monthly distributions of 6.55¢ per Unit to yield an 11.1% annualized return on the September 30th closing price of \$7.10 per Unit.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

November 3, 2011

This MD&A covers the three and nine months ended September 30, 2011 generally referred to in this MD&A as the “third quarter” and the “nine months”, respectively. The following table sets out selected consolidated financial information:

	Qtr. 3		Nine months	
	2011	2010	2011	2010
	\$	\$	\$	\$
Income Statement Data:				
Revenue.....	47,755	46,744	137,407	137,117
EBITDA ¹	5,079	5,674	15,051	17,106
<i>Diluted per Unit</i>	43.0¢	48.1¢	\$1.28	\$1.45
Net income.....	3,316	2,228	6,760	5,615
<i>Diluted per Unit</i> ^{a)}	16.6¢	24.2¢	47.7¢	71.6¢
Financial Position Statement Data:				
Working capital.....	40,760	37,844		
Net operating assets.....	137,132	140,060		
Bank debt.....	46,000	47,548		
<i>Debt/EBITDA</i>	2.3	2.1		
Cash Flow Statement Data:				
Distributions and dividends.....	2,319	2,329	6,953	6,993
<i>Diluted per Unit</i>	19.6¢	19.7¢	58.9¢	59.2¢
<i>Payout ratio</i> ³	59%	56%	61%	56%
Unit purchases.....	—	—	—	455

a) For the 2010 three and nine month periods, the calculation of the diluted income per Unit would yield an anti-dilutive result. In accordance with IFRS, anti-dilutive results revert to the basic income per Unit value.

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 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 during the third quarter were approximately half in Canada and half in the United States (“Richards Packaging US”) similar to performance in 2010. Approximately

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

November 3, 2011

one-third of Richards Packaging's sales are concentrated in Toronto, Montreal and Vancouver and one-third in Los Angeles, Reno and Portland.

Revenue for the third quarter increased by \$1.0 million, or 2.2%, from the same period in 2010 due to organic growth of 2.0% (\$0.9 million) and inventory sell-off of 3.1% (\$1.4 million) offset by the translation impact of Richards Packaging US, with the Canadian dollar strengthening by 6.0¢ to U.S./Cdn.\$1.02 (\$1.3 million). Revenue for the nine months increased by \$0.3 million, or 0.2%, from the same period in 2010 due to organic growth of 2.0% (\$2.7 million) and inventory sell-off of 1.0% (\$1.4 million) offset by the translation impact of Richards Packaging US, with the Canadian dollar strengthening by 5.6¢ to U.S./Cdn.\$1.02 (\$3.8 million).

	Qtr. 3		Nine months	
	2011	2010	2011	2010
	\$	\$	\$	\$
Revenue	47,755	46,744	137,407	137,117
Cost of products sold.....	40,366	38,430	115,326	112,418
Gross profit.....	7,389	8,314	22,081	24,699
	15.5%	17.8%	16.1%	18.0%
General and administrative expenses.....	2,266	2,636	6,976	7,647
Foreign currency loss (gain).....	44	4	54	(54)
EBITDA ¹	5,079	5,674	15,051	17,106
	10.6%	12.1%	11.0%	12.5%
Depreciation and amortization.....	1,974	1,971	5,879	5,928
Patent defense costs.....	73	136	290	311
Financial expenses.....	679	702	1,984	2,297
Exchangeable shares - mark-to-market.....	(1,567)	266	(1,747)	1,775
Exchangeable shares - dividends.....	208	357	620	1,072
Income tax expense.....	396	14	1,265	108
Net Income	3,316	2,228	6,760	5,615

Cost of products sold (before amortization) for the third quarter and the nine months increased by \$1.9 million, or 5.0%, and by \$2.9 million, or 2.6%, from the same periods in 2010 respectively. Gross profit margins were below the first half levels of 16.4% for the third quarter primarily due to the inventory sell-off realized at nominal margin, and were down 2.3% over the same period in 2010 with the impacts of 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 third quarter and nine months were down over the same period in 2010 due to expense reductions and the translation of Richards Packaging US expenses.

Richards Packaging Income Fund

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EBITDA¹ for the third quarter and the nine months decreased by \$0.6 million, or 10.5%, and by \$2.1 million, or 12.0% from the same period in 2010, respectively. As a percent of sales, EBITDA was at 10.6% for the third quarter and 11.0% for the nine months, down 1.5% from the same periods in 2010. Changes were a result of the factors referred to above.

Depreciation and amortization of \$2.0 million for the third quarter and \$5.9 million for the nine months was mainly comprised of \$1.6 million and \$4.8 million respectively for intangibles assets amortization, which represents a charge for customer relationships and patents. Depreciation for plant and equipment was \$0.4 million and \$1.1 million for the third quarter and nine months respectively, which annualized, is approximately Richards Packaging's normalized annual maintenance capital expenditure requirement.

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 third quarter compared to the same period in 2010 due to the absence of the debt accretion and the \$1.5 million of debt repayments in 2011.

Exchangeable shares mark-to-market gain reflects a unit price decrease during the third quarter of \$1.48 to \$7.10 per Unit and \$1.65 per Unit for the nine months. Exchangeable shares dividends decreased \$0.2 million in the third quarter due to the conversion of 715,990 shares to Units during the fourth quarter of 2010.

Current taxes were flat while deferred taxes increased \$0.4 million for the third quarter compared to the same period in 2010. For the nine months, current taxes decreased \$0.8 million and deferred taxes increased \$1.9 million compared to the same period in 2010. The deferred taxes increase were mainly due to the utilization of loss carry forwards, to replace the benefit of the deductibility of distributions which are no longer available 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 third quarter was \$3.3 million and \$6.8 million for the nine months, which represented 16.6¢ and 47.7¢ per Unit on a diluted basis, respectively. A time-weighted average of 10,743,470 Units and 1,059,043 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the nine months.

Distributable Cash Flow²

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 (nil drawn; 2010 – nil drawn).

Distributable cash flow² for the third quarter and nine months was \$0.2 million and \$0.9 million lower respectively than in the same periods in 2010. Overall the decrease was attributed to reduced EBITDA¹ offset by lower current income taxes and maintenance capital. Current income taxes for the nine months decreased \$0.8 million from the same period in 2010 due to the decline in EBITDA.

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Free cash flow² of \$1.6 million for the third quarter and \$4.5 million for the nine months were deployed to repay \$0.5 million of debt for each of the first and second quarters, \$1.0 million in the third quarter and fund working capital.

	Qtr. 3		Nine months	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash provided by operating activities.....	3,502	1,875	8,567	4,204
Working capital changes.....	221	2,242	2,545	7,753
Non-cash charges.....	1,356	1,557	3,939	5,149
EBITDA¹	5,079	5,674	15,051	17,106
Interest.....	679	661	1,984	1,934
Current income tax.....	396	403	1,045	1,832
Maintenance capital.....	91	478	530	954
Distributable cash flow²	3,913	4,132	11,492	12,386
<i>Diluted per Unit</i>	33.2¢	35.0¢	97.4¢	\$1.05
Distributions and dividends	2,319	2,329	6,953	6,993
<i>Diluted per Unit</i>	19.6¢	19.7¢	58.9¢	59.2¢
<i>Payout ratio³</i>	59%	56%	61%	56%
Free cash flow²	1,594	1,803	4,539	5,393
Units outstanding				
<i>Diluted basis 000's</i>	11,803	11,803	11,803	11,810

Monthly distributions for the nine months at 6.55¢ per Unit, represents an annual yield of 11.1% on a \$7.10 price per Unit at September 30, 2011 and a payout ratio³ of 61%. Based upon the nine months, 100% of the distributions will represent return of capital.

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the third quarter was \$3.5 million, up \$1.6 million over the same period in 2010, primarily due to lower working capital of \$2.0 million. For the nine months, cash flow from operating activities was \$8.6 million, up \$4.4 million primarily due to \$5.2 million of working capital. During the third quarter, working capital increased by \$0.2 million mainly on higher receivables of \$0.7 million and lower payables of \$1.9 million offset by the decreases in inventory (\$2.0 million), in income taxes recoverable and in prepaid expenses (\$0.4 million).

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the unitholders and shareholders as outlined above in the distributable cash discussion. In recognition of impending higher interest rates and taxes, 40% of the cash flow from operations was diverted to avoid seasonal debt borrowings for working capital, expansion capital, repay term debt

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November 3, 2011

and cover working capital needs. Actual distributions and dividends paid during the third quarter, including those declared for June 2011, were \$2.3 million with \$0.8 million declared for September, which was paid October 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 nine months, no Units were purchased (2010 – 62,736 at an average price of \$7.15 per Unit).

Current income taxes

The current income tax expense for the third quarter was \$0.4 million and \$1.0 million for the nine months, representing current income tax for Richards Packaging US, as the utilization of the loss carry forwards were employed to eliminate any Canadian taxes. Net future tax assets available to shield income taxes are \$2.3 million.

Capital expenditures

Capital expenditures for the third quarter were \$0.2 million (2010 – \$0.5 million) and \$0.9 million (2010 – \$1.3 million) for the nine months, incurred one half on account of maintenance capital and one half on expansion capital. Maintenance capital in 2010 included \$0.3 million incurred on account of computer systems software. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. Expansion capital was incurred during the nine months for new customer programs and associated business lines.

Financing activities and instruments

Richards Packaging's credit facilities include a \$46.0 million term loan (2010 – \$47.5 million) with maturity on May 30, 2013 and \$5.0 million in revolving debt to fund working capital expansion. These loans bear interest at BA's plus a premium of 2.5% to 3.25% (2010 – 3.0% to 3.75%).

Credit facilities are subject to covenants including the leverage ratio which is to maintain debt less than 2.75 times the trailing twelve months EBITDA¹. As at September 30, 2011, our leverage ratio was 2.32, 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.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

November 3, 2011

Revenue growth for the nine months 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 \$0.4 million for the fourth quarter at the exchange rate of U.S./Cdn.\$1.01.

EBITDA¹ for the nine months was \$15.1 million, down \$2.1 million against the same period in 2010 and continues to track at levels exceeding 11% of revenue. A further \$1.3 million of inventory is expected to be sold-off leading to a continued drag on percent of sales. The impact of this sell-off along with freight costs and foreign exchange translation of Richards Packaging US is expected to erode EBITDA by approximately \$0.2 million for the fourth quarter.

Current income tax expense for the fourth quarter is expected to be in line with the third quarter and \$0.1 lower than in the same period in 2010 due to reduced EBITDA¹. Given 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.

Maintenance capital will continue to be funded by cash flow from operations and is expected to be \$0.8 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 nine months of 2011.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires the Fund to make estimates and assumptions which affect the reported, and disclosure of, amounts for assets and liabilities as at September 30, 2011 and revenue and expenses for the periods then ended. Changes in these accounting estimates may have an impact on the financial results of Richards Packaging and the Fund. There have not been any significant changes in the critical accounting estimates of the Fund in the nine months of 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.

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(expressed in thousands, except where otherwise indicated)

November 3, 2011

New Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed that publicly traded 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 on the January 1 and December 31, 2010 balances was fully outlined in our 2010 annual report, and for March 31 and June 30, 2010 in our Q1 and Q2 Quarterly Reports, in the *New Accounting Pronouncements* sections of *Management's Discussion and Analysis*, respectively. The impact of implementation on September 30, 2010 balances, and the three and nine months then ended, is outlined in note 8 of the Financial Statements.

Pooling of interest accounting – Vision

The Fund will adopt in our 2011 Annual Report the new accounting standard for *Joint Arrangements – IFRS 11* which will result in Vision being recorded on an "equity accounting" basis rather than a "pooling of interest" basis, effective January 1, 2010. The impact of adoption is outlined in note 4 of the Financial Statements.

Disclosure Controls and Internal Controls over Financial Reporting

There have been no changes in the Fund's internal controls over financial reporting during the nine months 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, financial expenses, patent defense costs, unrealized losses (gains) and dividends on exchangeable shares 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 on operating performance and 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. 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.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

November 3, 2011

- 2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less interest, cash income tax expense and maintenance capital expenditures. Free cash flow is distributable cash flow less distributions. The objective of presenting this measure is to calculate the amount which is available for distribution to unitholders and exchangeable shareholders. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by GAAP and therefore the method of calculating distributable cash flow may not be comparable to similar measures presented by other companies.*
- 3 *Management defines payout ratio as distributions 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 this ratio may not be comparable to similar measures presented by other companies.*
- 4 *The Report to unitholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. 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 financial statements have not been reviewed by the Fund's external auditors</p>

Richards Packaging Income Fund

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Unaudited

For the three and nine months ended September 30

[Consolidated]

[2010 restated – note 3]

Cdn\$ thousands	Notes	Three months		Nine months	
		2011	2010	2011	2010
		\$	\$	\$	\$
Revenue		47,755	46,744	137,407	137,117
Cost of products sold		42,320	40,322	121,119	118,063
General and administrative expenses		2,286	2,715	7,062	7,930
Foreign currency loss (gain)		44	4	54	(54)
Patent defense legal costs		73	136	290	311
Profit from operations		3,032	3,567	8,882	10,867
Financial expenses		679	702	1,984	2,297
Exchangeable shares					
Mark-to-market loss (gain)		(1,567)	266	(1,747)	1,775
Dividends		208	357	620	1,072
Income before income taxes		3,712	2,242	8,025	5,723
Income tax expense (income)					
Current taxes	5	396	403	1,045	1,832
Deferred taxes	5	—	(389)	220	(1,724)
		396	14	1,265	108
Net income for the period		3,316	2,228	6,760	5,615
Basic income per Unit	6	\$0.31	\$0.22	\$0.63	\$0.56
Diluted income per Unit ^{a)}	6	\$0.17	\$0.24	\$0.48	\$0.72
Other comprehensive gains (losses)					
Richards Packaging US					
Net investment translation		4,344	(382)	2,599	(942)
Deferred tax		(560)	50	(340)	124
Comprehensive income for the period		7,100	1,896	9,019	4,797

a) For the 2010 three and nine month periods, the calculation of the diluted income per Unit would yield an anti-dilutive result. In accordance with IFRS, anti-dilutive results revert to the basic income per Unit value.

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 September 30 and December 31

[Consolidated]

[Sept. 30, 2010 and Dec. 31 restated – note 3]

<i>Cdn\$ thousands</i>	Notes	September 30		Dec. 31	
		2011	2010	2010	2009
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents		398	118	1,144	2,071
Accounts receivable		23,522	22,316	18,766	18,873
Inventory		36,646	34,439	35,187	31,289
Prepaid expenses		2,062	2,337	2,365	2,010
Income taxes recoverable (payable)	5, 7	(254)	212	700	10
		62,374	59,422	58,162	54,253
Current Liabilities					
Bank indebtedness		—	(1,519)	—	—
Accounts payable		(20,021)	(18,472)	(18,618)	(18,604)
Distributions and dividends payable		(774)	(775)	(773)	(780)
Due to previous shareholder		(819)	(812)	(784)	(825)
		(21,614)	(21,578)	(20,175)	(20,209)
WORKING CAPITAL		40,760	37,844	37,987	34,044
Non-current Assets					
Plant and equipment		3,831	4,056	4,031	4,180
Intangible assets		26,844	32,793	31,108	37,514
Goodwill		71,768	71,486	70,390	72,010
		102,443	108,335	105,529	113,704
Non-current Liabilities					
Deferred income taxes	5	(6,071)	(6,119)	(5,322)	(8,036)
NET OPERATING ASSETS		137,132	140,060	138,194	139,712
Debt					
Term debt		46,000	47,548	48,000	47,402
Exchangeable shares - current	6	3,851	8,483	5,330	6,857
Exchangeable shares - non-current	6	3,599	5,867	3,867	5,718
		53,450	61,898	57,197	59,977
Equity					
Unitholders' capital	6	83,411	93,894	89,745	94,349
Retained earnings (deficit)		4,087	(11,440)	(2,673)	(11,140)
Accumulated other comprehensive loss		(3,816)	(4,292)	(6,075)	(3,474)
		83,682	78,162	80,997	79,735
FINANCING		137,132	140,060	138,194	139,712

See accompanying notes

Richards Packaging Income Fund

STATEMENT OF CHANGES IN EQUITY

Unaudited

For the three and nine months ended September 30

[Consolidated]

[Dec. 31, 2009 and 2010 restated – note 3]

<i>Cdn\$ thousands</i>	Unit Capital	Retained earnings (deficit)	AOCL^{a)}	
	\$	\$	\$	\$
July 1, 2010	93,894	(11,697)	(3,960)	78,237
Share of comprehensive income		2,228	(332)	1,896
Distributions	—	(1,971)		(1,971)
Purchased for cancellation, net	—			—
September 30, 2010	93,894	(11,440)	(4,292)	78,162
July 1, 2011	85,522	771	(7,600)	78,693
Share of comprehensive income		3,316	3,784	7,100
Distributions	(2,111)	—		(2,111)
Purchased for cancellation, net	—			—
September 30, 2011	83,411	4,087	(3,816)	83,682
<i>Cdn\$ thousands</i>	\$	\$	\$	\$
December 31, 2009	94,349	(11,140)	(3,474)	79,735
Share of comprehensive income		5,615	(818)	4,797
Distributions	—	(5,915)		(5,915)
Purchased for cancellation, net	(455)			(455)
September 30, 2010	93,894	(11,440)	(4,292)	78,162
December 31, 2010	89,745	(2,673)	(6,075)	80,997
Share of comprehensive income		6,760	2,259	9,019
Distributions	(6,334)	—		(6,334)
Purchased for cancellation, net	—			—
September 30, 2011	83,411	4,087	(3,816)	83,682

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 and nine months ended September 30

[Consolidated]

[2010 restated – note 3]

<i>Cdn\$ thousands</i>	Notes	Three months		Nine months	
		2011	2010	2011	2010
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net income for the period		3,316	2,228	6,760	5,615
Add (deduct) items not involving cash					
Plant and equipment depreciation		366	361	1,056	1,049
Intangible assets amortization		1,608	1,610	4,823	4,879
Debt accretion		—	41	—	363
Exchangeable shares					
Mark-to-market loss (gain)		(1,567)	266	(1,747)	1,775
Deferred income taxes	5	—	(389)	220	(1,724)
		3,723	4,117	11,112	11,957
Changes in non-cash working capital	7	(221)	(2,242)	(2,545)	(7,753)
Cash provided by operating activities		3,502	1,875	8,567	4,204
INVESTING ACTIVITIES					
Additions to plant and equipment		(158)	(149)	(811)	(967)
Expenditures on computer systems software		—	(329)	(90)	(340)
Cash used in investing activities		(158)	(478)	(901)	(1,307)
FINANCING ACTIVITIES					
Increase in bank indebtedness		(22)	530	—	1,542
Repayment of term debt		(1,000)	—	(2,000)	(47,719)
Proceeds from term debt		—	—	—	47,501
Purchase of trust units for cancellation	6	—	—	—	(455)
Distributions paid to unitholders		(2,111)	(1,970)	(6,333)	(5,920)
Cash used in financing activities		(3,133)	(1,440)	(8,333)	(5,051)
Net cash flows for the period		211	(43)	(667)	(2,154)
Cash and cash equivalents, beginning of period		318	198	1,144	2,071
Foreign currency translation differences		(131)	(37)	(79)	201
Cash and cash equivalents, end of period		398	118	398	118

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 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 Richards Packaging Inc.

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 8. In these financial statements the term “Cdn 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 report was fully outlined in our 2010 annual report, and for March 31 and June 30, 2010 in our Q1 and Q2 Quarterly Reports, in *New Accounting Pronouncements* sections of the *Management’s Discussion and Analysis*, respectively. The impact of implementation on September 30, 2010 balances, and for the three and nine months then ended, is outlined in note 8.

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

4. NEW ACCOUNTING PRONOUNCEMENTS

Pooling of interest accounting – Vision

At year end the Fund will adopt the new accounting standard for *Joint Arrangements – IFRS 11* which will result in Vision being recorded on an “equity accounting” basis rather than a “pooling of interest” basis, effective January 1, 2010. The main impact will be to the statement of financial position as at December 31, 2010 with an increase to accounts payable of \$136 [Jan. 1, 2010 – \$25] and a decrease to cash and cash equivalents of \$165 [Jan. 1, 2010 – \$324] and plant and equipment

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2011

[Cdn\$ thousands]

of \$210 [2010 – \$270], resulting in the recognition of an investment in Vision of \$639 [Jan. 1, 2010 – \$690]. The impact to the statements of net income and comprehensive income and statement of cash flows for the year ending December 31, 2010 will not be material.

5. INCOME TAXES [note 3]

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

	Three months		Nine months	
	2011	2010	2011	2010
	\$	\$	\$	\$
Income before income taxes	3,712	2,985	8,025	8,450
Distributions not subject to income taxes	—	(1,952)	—	(5,792)
Income subject to income taxes	3,712	1,033	8,025	2,658
Statutory tax rate	30.2%	31.5%	30.2%	31.5%
Income tax expense at statutory tax rate	1,121	325	2,424	837
Loss for income tax (utilized) not utilized	(462)	512	(1,392)	148
Other temporary differences	462	(123)	1,172	1,576
Exchangeable shares				
Dividends and mark-to-market loss (gain)	(410)	196	(340)	897
Other current period adjustments	(315)	(508)	(818)	(1,626)
Current income taxes	396	403	1,045	1,832

6. UNITS AND EXCHANGEABLE SHARES

Number outstanding	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2009	10,090,216		1,775,033	11,865,249	
Units purchased	(42,136)			(42,136)	
March 31, 2010	10,048,080	10,051,468	1,775,033	11,823,113	11,826,501
Units purchased	(20,600)			(20,600)	
June 30, 2010	10,027,480	10,027,480	1,775,033	11,802,513	11,802,513
six months		10,039,408			11,814,441
Units purchased	—			—	
September 30, 2010	10,027,480	10,027,480	1,775,033	11,802,513	11,802,513
nine months		10,035,388			11,810,421

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2011

[Cdn\$ thousands]

<i>Number outstanding</i>	Units basic	Weighted average	Exchangeable Shares	Units diluted	Weighted average
December 31, 2010	10,743,470		1,059,043	11,802,513	
Units purchased	—			—	
March 31, 2011	10,743,470	10,743,470	1,059,043	11,802,513	11,802,513
Units purchased	—			—	
June 30, 2011 six months	10,743,470	10,743,470 10,743,470	1,059,043	11,802,513	11,802,513 11,802,513
Units purchased	—			—	
September 30, 2011 nine months	10,743,470	10,743,470 10,743,470	1,059,043	11,802,513	11,802,513 11,802,513

Exchangeable shares mark-to-market loss reflects a unit price decrease during the nine months ended September 30, 2011 of \$1.65 to \$7.10 per Unit.

7. ADDITIONAL CASH FLOW INFORMATION [note 3]

The net change in working capital consists of the following:

	Three months		Nine months	
	2011	2010	2011	2010
	\$	\$	\$	\$
Accounts receivable	(685)	(2,093)	(4,281)	(3,595)
Inventory	1,960	165	(558)	(3,480)
Prepaid expenses	52	(81)	340	(343)
Accounts payable	(1,871)	(148)	1,028	(127)
Income taxes recoverable	323	(85)	926	(209)
	(221)	(2,242)	(2,545)	(7,754)

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

	Three months		Nine months	
	2011	2010	2011	2010
	\$	\$	\$	\$
Interest paid	686	669	1,978	1,950
Income taxes paid	55	482	91	2,132

The income tax recoverable balance at December 31, 2010 was applied to the taxes otherwise owing for the nine months ended September 30, 2011.

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2011

[Cdn\$ thousands]

8. TRANSITION TO IFRS - Comparatives

STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2010

[Consolidated]

Cdn\$ thousands	Three months			Nine months		
	IFRS	reclass	Cdn GAAP	IFRS	reclass	Cdn GAAP
	\$	\$	\$	\$	\$	\$
Revenue	46,744		46,744	137,117		137,117
Cost of products sold	40,322		40,322	118,063		118,063
General and administrative expenses	2,715		2,715	7,930		7,930
Foreign currency loss (gain)	4	120	(116)	(54)	(120)	66
Patent defense legal costs	136		136	311		311
Profit from operations	3,567	(120)	3,687	10,867	120	10,747
Financial expenses	702		702	2,297		2,297
Exchangeable shares						
Mark-to-market loss(gain)	266	266		1,775	1,775	
Dividends	357	357		1,072	1,072	
Income before income taxes	2,242	(743)	2,985	5,723	(2,727)	8,450
Income tax expense (income)						
Current taxes	403		403	1,832		1,832
Deferred taxes	(389)		(389)	(1,724)		(1,724)
	14		14	108		108
Non-controlling interests		(455)	455		(1,253)	1,253
Net income for the period	2,228	(288)	2,516	5,615	(1,474)	7,089
Basic and diluted income per Unit	\$0.22		\$0.25	\$0.56		\$0.71
Other comprehensive losses						
Richards Packaging US						
Net investment translation	(382)	43	(425)	(942)	(239)	(703)
Deferred tax	50	50		124	124	
Comprehensive income for the period	1,896	(195)	2,091	4,797	(1,589)	6,386

Richards Packaging Income Fund**NOTES TO INTERIM FINANCIAL STATEMENTS***Unaudited**September 30, 2011**[Cdn\$ thousands]***STATEMENT OF FINANCIAL POSITION***As at September 30, 2010**[Consolidated]*

<i>Cdn\$ thousands</i>	IFRS	reclass	Cdn GAAP
	\$	\$	\$
Current Assets			
Cash and cash equivalents	118		118
Accounts receivable	22,316		22,316
Inventory	34,439		34,439
Prepaid expenses	2,337		2,337
Income taxes recoverable	212		212
	59,422		59,422
Current Liabilities			
Bank indebtedness	(1,519)		(1,519)
Accounts payable	(18,472)		(18,472)
Distributions and dividends payable	(775)		(775)
Due to previous shareholder of acquired company	(812)		(812)
	(21,578)		(21,578)
WORKING CAPITAL	37,844		37,844
Non-current Assets			
Plant and equipment	4,056		4,056
Intangible assets	32,793		32,793
Goodwill	71,486		71,486
	108,335		108,335
Non-current Liabilities			
Deferred income taxes	(6,119)	647	(6,766)
Non-controlling interests		15,145	(15,145)
NET OPERATING ASSETS	140,060	15,792	124,268
Debt			
Term debt	47,548		47,548
Exchangeable shares - current	8,483	8,483	
Exchangeable shares - non-current	5,867	5,867	
	61,898	14,350	47,548
Equity			
Unitholders' capital	93,894		93,894
Deficit	(11,440)	856	(12,296)
Accumulated other comprehensive loss	(4,292)	586	(4,878)
	78,162	1,442	76,720
FINANCING	140,060	15,792	124,268

Richards Packaging Income Fund

NOTES TO INTERIM FINANCIAL STATEMENTS

Unaudited

September 30, 2011

[Cdn\$ thousands]

STATEMENT OF CASH FLOWS

For the three and nine months ended September 30, 2010

[Consolidated]

<i>Cdn\$ thousands</i>	Three months			Nine months		
			Cdn			Cdn
	IFRS	reclass	GAAP	IFRS	reclass	GAAP
	\$	\$	\$	\$	\$	\$
OPERATING ACTIVITIES						
Net income for the period	2,228	(288)	2,516	5,615	(1,474)	7,089
Non-controlling interests		(455)	455		(1,253)	1,253
Add (deduct) items not involving cash						
Plant and equipment depreciation	361		361	1,049		1,049
Intangible asset amortization	1,610		1,610	4,879		4,879
Debt accretion	41		41	363		363
Exchangeable shares						
Mark-to-market loss (gain)	266	266		1,775	1,775	
Deferred income taxes	(389)		(389)	(1,724)		(1,724)
	4,117	(477)	4,594	11,957	(952)	12,909
Changes in non-cash working capital	(2,242)	118	(2,360)	(7,753)	(121)	(7,632)
Cash provided by operating activities	1,875	(359)	2,234	4,204	(1,073)	5,277
INVESTING ACTIVITIES						
Additions to plant and equipment	(149)		(149)	(967)		(967)
Expenditures on systems software	(329)		(329)	(340)		(340)
Cash used in investing activities	(478)		(478)	(1,307)		(1,307)
FINANCING ACTIVITIES						
Increase in bank indebtedness	530		530	1,542		1,542
Repayment of term debt				(47,719)		(47,719)
Proceeds from term debt				47,501		47,501
Purchase of trust units for cancellation				(455)		(455)
Dividends - exchangeable shareholders		359	(359)		1,073	(1,073)
Distributions paid to unitholders	(1,970)		(1,970)	(5,920)		(5,920)
Cash used in financing activities	(1,440)	359	(1,799)	(5,051)	1,073	(6,124)
Foreign currency gain		37	(37)		(201)	201
Net decrease (increase) in cash and cash equivalents	(43)	37	(80)	(2,154)	(201)	(1,953)
Cash and cash equivalents, opening	198		198	2,071		2,071
Foreign currency translation differences	(37)	(37)		201	201	
Cash and cash equivalents, closing	118		118	118		118