Q1 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended March 31, 2006

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

March 31, 2006

Richards Packaging has been providing packaging solutions to small-and medium-sized North American businesses since 1912. Over this period Richards Packaging has developed into the leading packaging distributor in Canada, and the third largest in North America, with one of the most diverse product and service offerings available to product marketers.

Richards Packaging Income Fund delivered a strong first quarter with organic growth of 3.5%, when compared with the same period in 2005. Gross profit as a percentage of sales was up 1.5%, on strong acquisition integration performance, when compared with the fourth quarter in 2005. We delivered a $1.3 million EBITDA[1] increase, or 72% of the profit improvement plan for 2006, with EBITDA as a percentage of sales at 10.9%. This represents the strongest quarterly performance since the inception of the Fund and compares favorably to our long-term target of 10%. Net income was up $0.5 million, or 4.7¢ per Unit, for the first quarter.

We launched the $2.2 million target working capital reduction program achieving a decrease in inventory of $1.4 million during the first quarter. In the short-term, the inventory reduction results in decreased payables but will translate to cash after the completion of the inventory program in the second quarter. This cash will be deployed to eliminate the outstanding $2.2 million balance on the revolving credit line.

Significant achievements during the first quarter included completing the acquisition integrations, progressing on the profit improvement plan, launching the inventory reduction program and securing a commitment from the current lending syndicate to refinance the debt facilities for an additional three years.

The Fund paid monthly distributions of 9.35¢ per Unit for January through March, which represents an annualized yield of 13.2% on an $8.50 price per Unit. The payout ratio for the first quarter and the last 12 months was 91%, a 2% improvement from 93% for the 2005 year.

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

"Gerry Glynn" May 12, 2006
Chief Executive Officer, Richards Packaging Inc.
and Trustee, Richards Packaging Income Fund

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

May 12, 2006

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 interim unaudited consolidated financial statements dated March 31, 2006, the 2005 Annual Report and the 2005Annual Information Form dated March 23, 2006 respectively. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a consistent basis with the 2005 annual financial statements.

Fund Profile and Description of the Business

Richards Packaging Income Fund (the "Fund") is a limited purpose, open-ended trust created on February 26, 2004 to invest in packaging distribution businesses throughout North America. The Fund commenced operations on April 7, 2004 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 through Richards Packaging Holdings Inc. ("Holdings") purchased 96% of the securities of Richards Packaging Inc. ("Richards Packaging"). The Units are listed on the Toronto Stock Exchange under the symbol RPI.UN.

Richards Packaging serves a wide customer base that is comprised of over 7,000 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. 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 13 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance of the Fund for the first quarter 2006 include:

- Grew 3.5% organically, as growth of $1.3 million more than offset the $1.1 million impact of the Canadian dollar strengthening by U.S./Cdn.$0.05.
- Completed the integration of the acquisitions and made significant progress on various operational issues with the base business.
- Increased EBITDA[1] by $1.3 million, up to 10.9% of sales, exceeding our long-term target of 10% for the first time since launching the Fund in April of 2004.
- Reduced inventory levels by $1.4 million, leaving a further $0.8 million decrease to complete the $2.2 million reduction initiative and repay the $2.2 million revolving debt.
- Obtained a commitment from the existing lending syndicate to add the borrowings on the acquisition credit to the long-term credit facility and to refinance for three more years.
- Paid monthly distributions of 9.35¢ per Unit to yield a 13.2% annualized return on the March 31, 2006 price per Unit of $8.50.
- Increased distributable cash flow[2] to $0.31 per Unit, or by 12%, achieving a 91% payout ratio[3], slightly above our long-term goal of a 90%.

Richards Packaging Income Fund

[expressed in thousands, except where otherwise indicated]

May 12, 2006

This MD&A covers the three months ended and the trailing twelve months ended March 31, 2006 (generally referred to in this MD&A as the "first quarter" and the "TTM", respectively). Management believes the TTM is particularly useful given the acquisition of Dispill Inc. ("Dispill") in July 2005 and the associated changes in interest and income tax levels affecting distributable cash flow[2] and net income. The following table sets out selected consolidated financial information of the Fund:

	Qtr. 1		TTM	
	2006 [a)]	**2005** [a)]	**2006** [b)]	**2005** [b,c)]
	$	$	$	$
Income Statement Data:				
Revenue	**40,053**	**39,818**	**165,515**	**155,279**
EBITDA[1]	**4,362**	**3,030**	**16,557**	**14,166**
Diluted per Unit	***$0.405***	***$0.281***	***$1.536***	***$1.320***
Net income	**1,587**	**1,106**	**7,352**	**6,709**
Diluted per Unit	***$0.155***	***$0.108***	***$0.717***	***$0.654***
Balance Sheet Data:				
Total assets	**162,661**	**166,019**		
Bank debt outstanding	**37,078**	**30,237**		
Cash Flow Statement Data:				
Distributions	**3,024**	**3,024**	**12,096**	**11,025**
Diluted per Unit	***$0.281***	***$0.281***	***$1.122***	***$1.027***
Payout ratio[3]	***91%***	***102%***	***91%***	***94%***

a) Amounts are derived from the attached interim unaudited consolidated financial statements.
b) Amounts are derived from the unaudited historic financial statements of Richards Packaging.
c) Net Income and distributions exclude the period April 1 to 7, 2004.

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 Fund. This policy is not set based on net income due to various non-cash accounting charges that depress net income such as amortization, unrealized gains and losses on financial instruments and future income taxes.

Review of Operations

Richards Packaging's operations are approximately 70% in Canada and 30% in the United States ("Richards US"). Approximately 50% of Richards Packaging's sales are concentrated in Toronto, Montreal and Vancouver, and 25% in Los Angeles and Portland.

The TTM includes the benefit of approximately $200 of increased gross profit recorded during the fourth quarter of 2005, owing to a reversal of annual estimates and excludes the benefit of Dispill's results prior to the July 29th acquisition date.

Richards Packaging Income Fund

[expressed in thousands, except where otherwise indicated]

May 12, 2006

	Qtr. 1		TTM	
	2006 a)	**2005** a)	**2006** b)	**2005** b,c)
	$	$	$	$
Revenue	**40,053**	**39,818**	**165,515**	**155,279**
Cost of products sold	**33,366**	**34,512**	**139,814**	**133,340**
Gross profit	**6,687**	**5,306**	**25,701**	**21,939**
	16.7%	*13.3%*	*15.5%*	*14.1%*
Expenses	**2,288**	**2,299**	**9,242**	**8,245**
Long-term incentive plan	**33**	**—**	**129**	**—**
Foreign exchange loss (gain) from operations	**4**	**(23)**	**(227)**	**(472)**
EBITDA[1]	**4,362**	**3,030**	**16,557**	**14,166**
Amortization	**2,116**	**2,003**	**8,513**	**9,130**
Interest expense	**662**	**429**	**2,545**	**1,583**
Unrealized losses (gains) on financial instruments	**209**	**80**	**(1,048)**	**(2,110)**
Income tax recovery	**(293)**	**(645)**	**(1,181)**	**(1,447)**
Non-controlling interests	**81**	**57**	**376**	**301**
Net Income	**1,587**	**1,106**	**7,352**	**6,709**

a) Amounts are derived from the attached interim unaudited consolidated financial statements.
b) Amounts are derived from the unaudited historic financial statements of Richards Packaging.
c) Items below EBITDA exclude the period April 1 to 7, 2004.

Revenue for the first quarter increased by $0.2 million, or 0.6%, and by $10.2 million for the TTM, or 6.6% from the same periods in 2005, respectively. The increase for the first quarter was attributable to organic growth of 3.5% ($1.3 million), which was partially offset by the translation of Richards US revenue due to the Canadian dollar strengthening by U.S./Cdn.$0.051 to U.S./Cdn.$0.866 ($1.1 million). For the TTM, substantially all of the revenue increase was due to the November 2004 acquisitions ($12.1 million), as the revenue increase from the Dispill acquisition was offset by the revenue loss from exiting our agency relationship with Omaha Containers Ltd.

Exchange translation effects will likely be more pronounced for the remainder of 2006 given that an exchange rate of U.S./Cdn.$0.88 average for the year would be more in line with the U.S./Cdn.$0.05 increases experienced over the last 5 years. Higher exchange rates will put pressure on the revenue line, but will be partially offset by organic revenue growth which is expected at the historic rate of between 3 to 5% per annum[4]. This should not give rise to concern because Richards Packaging has a natural hedge with the interest on the debt approximately equal to the cash flow from Richards US.

Cost of products sold for the first quarter was lower by $1.1 million, or 3.3%, and higher by $6.5 million for the TTM, or 4.9%, from the same periods in 2005, respectively. Synergies achieved from the integration of the acquisitions led to lower selling and distributions costs resulting in a gross profit improvement of 3.4% to 16.7% for the first quarter and 1.4% to 15.5% for the TTM, from the same periods in 2005, respectively. Also contributing to the gross profit improvement was our continued shift to higher margin products such as Asian glass, pharmaceuticals and specialty plastic packaging. The volatility in the price of resins during the first quarter did not have a material impact on gross profit as a result of management's practice of immediately passing through increases or decreases to customers.

General and administrative expenses for the first quarter were consistent with, and up by $1.0 million for the TTM from, the same periods in 2005, respectively. The increase in expenses for the first quarter associated with Dispill was offset by synergies. For the TTM, approximately half of the increase was due to the acquisitions and the remainder due to public company costs, such as directors' fees, professional fees, insurance, filing fees and additional staff.

EBITDA[1] for the first quarter increased by $1.3 million, or 44.0%, and by $2.4 million for the TTM, or 16.9% from the same periods in 2005, respectively. As a percent of sales, EBITDA was 10.9% for the first quarter and 10% for the TTM compared to the 7.6% and 9.1% for the same periods in 2005 respectively. Changes were a result of the factors referred to above. Significant progress has been made over the last year to optimize the performance and achieve management's long-term target of 10%[4].

Other expenses of the Fund included amortization and interest, which were higher due to the addition of intangible assets and financing associated with the acquisitions; unrealized foreign exchange gains on translation of long-term debt, which reflects the higher borrowings in U.S. dollars and quarterly movements in the exchange rate and unrealized losses on financial instruments. The only cash item in other expenses is interest paid.

Amortization of $2.1 million for the first quarter was mainly comprised of $1.4 million for intangibles, which represents a charge for customer relationships, patents and trademarks. The remaining amortization amounts consisted of deferred financing fees of $0.2 million and capital asset amortization of $0.5 million per quarter, which is approximately twice Richards Packaging's maintenance capital expenditure spending requirement. For the 2005 TTM, the higher amount represents $1.5 million for backlog customer orders on April 7, 2004.

Interest expense for the first quarter increased by $0.2 million, or 54%, and by $1.0 million for the TTM, or 61%, from the same periods in 2005, respectively. The increases were due to a combination of $U.S.6.4 million and $3.0 million of additional debt associated with the acquisition of Dispill and to fund working capital, respectively, as well as a 2.0% increase in interest rates on the revolving and acquisition credits.

The term and acquisition loans outstanding at March 31, 2006 total U.S.$29.8 million, which has given rise to the unrealized foreign currency translation gain of $3.1 million since the initial facility funding. On April 7, 2004 the exchange rate was U.S./Cdn.$0.760, while during the period it dropped as low as U.S./Cdn.$0.715 and closed on March 31, 2006 at U.S./Cdn.$0.857. Richards Packaging has borrowed mainly in U.S. dollars to match the U.S. dollar interest obligations with the cash it receives from Richards US. It is management's intention to continue to borrow funds denominated in U.S. dollars for the foreseeable future[4] to fund acquisitions. This translation gain is fully offset by the $3.7 million currency translation loss, on the net investment in Richards US, charged directly to the unitholders' equity and non-controlling interests.

Current income taxes of $0.2 million for the first quarter mainly reflect the tax on Richards US and are expected to be $0.5 million for the remainder of the year[4]. Net future tax assets available to shield income taxes are $2.6 million.

[expressed in thousands, except where otherwise indicated]

Net income for the first quarter was $1.6 million and $7.4 million for the TTM, which represented $0.155 and $0.717 per Unit on a diluted basis, respectively. A total of 10,256,327 Units and 524,685 Holdings shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the period.

Distributable Cash Flow[2]

	Qtr. 1		TTM	
	2006[a)]	2005[a)]	2006[b)]	2005[b,c)]
	$	$	$	$
Cash provided by (used in) operating activities	**3,569**	**(3,267)**	**12,479**	**8,614**
Change in working capital items	**(25)**	**6,127**	**636**	**3,780**
Non-cash charges	**818**	**170**	**3,442**	**1,610**
EBITDA[1]	**4,362**	**3,030**	**16,557**	**14,004**
Interest expense	**662**	**429**	**2,545**	**1,583**
Cash income tax expense (recovered)	**156**	**(510)**	**(46)**	**(99)**
Maintenance capital expenditures	**201**	**107**	**693**	**655**
Loan principal payments	**10**	**25**	**41**	**71**
Distributable cash flow[2]	**3,333**	**2,979**	**13,324**	**11,794**
Diluted per Unit	***$0.309***	***$0.276***	***$1.236***	***$1.099***
Distributions and dividends	**3,024**	**3,024**	**12,096**	**11,025**
Diluted per Unit	***$0.281***	***$0.281***	***$1.122***	***$1.027***
Payout ratio[3]	***91%***	***102%***	***91%***	***94%***
Number of Units outstanding on a diluted basis	**10,781**	**10,781**	**10,781**	**10,735**

a) Amounts are derived from the attached interim unaudited consolidated financial statements.
b) Amounts are derived from the unaudited historic financial statements of Richards Packaging.
c) All items reflect the period from April 7, 2004 to March 31, 2005.

The distributable cash flow[2] definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by a $7.0 million revolving facility available to Richards Packaging ($2.2 million drawn). Likewise capital expenditures for expansion of the business are excluded as they are intended to generate future growth in distributable cash and are financed primarily by a U.S.$12.0 million acquisition facility (U.S.$11.6 million drawn).

Distributable cash flow[2] for the first quarter increased by $0.4 million, and by $1.5 million for the TTM, from the same periods in 2005, respectively. Overall the increase was primarily attributed to stronger EBITDA[1] partially offset by higher interest associated with the acquisitions and income taxes. Maintenance capital expenditures are tracking at management's annual target of $0.75 million[4].

Monthly distributions for the first quarter at 9.35¢ per Unit, represents an annual yield of 13.2% on an $8.50 price per Unit and a payout ratio of 91%. The Trustees believe that a long-term payout ratio of 90% continues to be appropriate and provides a reasonable cushion to enhance the stability and predictability of future distributions. Based upon the first quarter, 80.4% of the distributions will represent interest on the subordinated note held by the Fund and 19.6% will be treated as a return of capital to the unitholders.

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the first quarter was $3.6 million, $6.8 million stronger than in the same period in 2005, primarily due to the absence of the $6.1 million working capital investment made to fund growth last year. 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 first quarter were $3.0 million with an additional $1.0 million declared for March, which was paid on April 13th.

Cash income taxes

The cash income tax expense for the first quarter was $0.2 million, representing current income tax for Richards US. The loss carry forwards in Richards Packaging ensure that income tax leakage will be limited to Richards US for the foreseeable future[4].

Capital expenditures

Capital expenditures for the first quarter were $0.2 million, all incurred on account of maintenance capital. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. Expansion capital is expected to be limited for the remainder of the year[4].

Financing activities and instruments

Richards Packaging's credit facilities include a U.S.$18.2 million term loan with repayment on April 7, 2007, up to $7.0 million in revolving debt to fund working capital expansion and up to U.S.$12 million for expansion capital and/or acquisition financing.

Subsequent to the quarter end, Richards Packaging obtained a commitment from its current lenders to repay the outstanding balance of the acquisition credit with proceeds from a new term debt facility bringing the total term debt to U.S.$30,000 and providing up to U.S.$12,000 in credit for future acquisitions. The June 5, 2006 due date of the revolving and acquisition credits will be extended to June 4, 2007 and the April 6, 2007 due date of the term debt facility will be extended to June 5, 2009. Management believes that with this refinancing, combined with cash flow from operations, adequate funds are available to Richards Packaging for the foreseeable future[4].

Approximately 23% of distributable cash flow for the first quarter was provided by Richards US. The interest on the U.S. dollar debt described above negates the inherent foreign currency exchange risk. This position hedged substantially all of the distributable cash flow from Richards US for the first quarter.

Richards Packaging is exposed to interest rate risk due to variable interest rates on the revolving credit facility, acquisition facility and term loans. Richards Packaging had entered into interest rate swap contracts with approved creditworthy counterparties to manage current and anticipated exposure to interest rate risk through to April 1, 2006 on a notional principal amount equal to the long-term loan. In connection with the refinancing of the term loan, Richards Packaging will look to re-establish interest rate swap contracts. The fair value of the interest rate swap contract represents an unrealized gain of approximately $49 as at March 31, 2006.

Outlook[4]

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to unitholders at the current levels for the remainder of the year. Our long-term objective is to modestly increase distributions in line with annual sales growth of 3 to 5%.

EBITDA[1] for the first quarter was $4.4 million, up $1.3 million from the same periods in 2005. Management has realized a significant component of the $1.8 million profit improvement plan and will continue to focus attention on realizing on its profit improvement program during 2006 before reinstating the acquisition strategy.

Interest expense is expected to increase for the remainder of the year with the expiration of the interest rate swap on the term debt, the benefit of which amounted to approximately U.S.$0.1 million in the first quarter. We are looking to the remainder of the profit improvement plan to offset this impact. Although the recorded interest expense will fall due to foreign exchange translation rates, that benefit will be equal to the lower EBITDA translation of Richards US.

Maintenance capital of $0.2 million for the first quarter was funded by cash flow from operations and is expected to be $0.8 million for 2006. Expansion capital is expected to be in the order of $1 to $2 million over the next three 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.

Risks and Uncertainties

An investment in Units involves risks inherent in the ordinary course of business of Richards Packaging including: the sustainability of customer and supplier relationships, the financial stability of customers, competition from other packaging companies, inventory obsolescence, supply and transportation disruptions, resin price volatility and exchange rate, interest rate fluctuations 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 2005 Annual Information Form dated March 23, 2006. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2006.

Transactions with Related Parties

Richards Packaging leases four of its facilities from various former owners of Richards Packaging who are currently officers and unitholders. 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.

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, 2006 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 2006, relative to December 31, 2005. 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 2005 Annual Report.

New Accounting Pronouncements

As indicated in the Fund's 2005 Annual Report, recently issued accounting standards that will affect the Fund are included in Management's Discussion and Analysis section of the 2005 Annual Report. Management has decided that the Fund will implement these accounting standards effective January 1, 2007 and will evaluate and disclose their impact in the 2006 Annual Report.

Additional Information

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

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1 *Management defines EBITDA as earnings before amortization, interest, unrealized gain / loss on financial instruments and taxes. EBITDA is the same as income before under noted items, income taxes and non-controlling interests as outlined in the interim consolidated financial statements. Management believes that in addition to net income, EBITDA is a useful supplemental measure for investors of earnings available for distribution prior to debt service, capital expenditures and taxes. Management uses this measure as a starting point in the determination of earnings available for distribution to unitholders and exchangeable shareholders. In addition, EBITDA is intended to provide additional information on the Fund's operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. EBITDA does not have a standardized meaning prescribed by GAAP and therefore the Fund's method of calculating EBITDA may not be comparable to similar measures presented by other companies or income trusts.*

2 *Management defines distributable cash flow, in accordance with Richards Packaging's credit agreement, as EBITDA less interest, cash income tax expense, maintenance capital expenditures and loan payments. The objective of presenting this measure is to calculate the amount which is available for distribution to unitholders and exchangeable shareholders. Investors are cautioned that distributable cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. Distributable cash flow does not have a standardized meaning prescribed by GAAP and therefore the Fund's 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 Fund's 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 contain certain forward-looking statements (the "Statements") regarding future growth potential, results of operations, performance and business prospects and opportunities of the Fund. These Statements reflect management's current beliefs and are based on information currently available to the management of Richards Packaging. A number of factors could cause actual events or results to differ materially from those discussed in the Statements. Although the Statements contained in the report to the unitholders and the MD&A are based upon what management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these Statements. These Statements are made as of the date of this report and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.*

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

Richards Packaging Income Fund

CONSOLIDATED BALANCE SHEETS

Unaudited
[expressed in thousands of dollars]

As at March 31, 2006 and December 31, 2005

	2006 $	2005 $
ASSETS		
Current		
Cash and cash equivalents	**200**	479
Accounts receivable	**23,493**	23,367
Inventory	**23,021**	24,440
Prepaid expenses	**1,185**	1,078
Income taxes recoverable	**175**	43
Total current assets	**48,074**	49,407
Capital assets, net	**5,897**	6,221
Deferred financing fees, net	**646**	808
Intangible assets, net	**47,194**	48,489
Future income taxes *[note 5]*	**3,542**	3,636
Goodwill	**57,308**	57,289
	162,661	165,850
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**835**	1,312
Accounts payable and accrued liabilities	**17,140**	17,809
Income taxes payable	**—**	186
Distributions payable to unitholders	**959**	959
Dividends payable to exchangeable shareholders	**49**	49
Due to officers	**40**	40
Short-term debt and current portion of long-term debt *[note 3]*	**15,779**	15,765
Total current liabilities	**34,802**	36,120
Long-term debt *[note 3]*	**21,299**	21,287
Future income taxes *[note 5]*	**18,130**	18,663
Total liabilities	**74,231**	76,070
Non-controlling interests *[note 4]*	**4,375**	4,442
Unitholders' equity		
Units	**95,772**	95,772
Deficit	**(8,135)**	(6,845)
Cumulative translation adjustment	**(3,582)**	(3,589)
Total unitholders' equity	**84,055**	85,338
	162,661	165,850

See accompanying notes

"Gerry Glynn"
CEO, Richards Packaging Inc.

"Enzio Di Gennaro"
CFO, Richards Packaging Inc.

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

Unaudited

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

For the three months ended March 31

	2006 $	2005 $
Revenue	**40,053**	**39,818**
Cost of products sold	**33,366**	**34,512**
Gross profit	**6,687**	**5,306**
General and administrative expenses	**2,288**	**2,299**
Foreign currency loss (gain) from operations	**4**	**(23)**
Long-term incentive plan	**33**	**—**
Income before under noted items, income taxes and non-controlling interests	**4,362**	**3,030**
Amortization		
Capital assets	**526**	**550**
Intangible assets	**1,429**	**1,283**
Deferred financing fees	**161**	**170**
Interest expense	**662**	**429**
Unrealized losses (gains) on financial instruments		
Interest rate swap contracts	**173**	**(113)**
Foreign exchange forward agreement	**—**	**57**
Foreign exchange on translation of short- and long-term debt	**36**	**136**
Income before income taxes and non-controlling interests	**1,375**	**518**
Provision for (recovery of) income taxes *[note 5]*		
Current	**156**	**(259)**
Future	**(449)**	**(386)**
	(293)	**(645)**
Income before non-controlling interests	**1,668**	**1,163**
Non-controlling interests *[note 4]*	**81**	**57**
Net income for the period	**1,587**	**1,106**
Deficit, beginning of period	**(6,845)**	**(2,208)**
Distributions declared to unitholders	**(2,877)**	**(2,877)**
Deficit, end of period	**(8,135)**	**(3,979)**
Basic and diluted income per Unit	**$0.155**	**$0.108**
Weighted average number of Units outstanding		
Basic	**10,256,327**	**10,256,327**
Diluted	**10,781,012**	**10,781,012**

See accompanying notes

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited
[expressed in thousands of dollars]

For the three months ended March 31

	2006 $	2005 $
OPERATING ACTIVITIES		
Net income for the period	**1,587**	**1,106**
Add (deduct) items not involving cash		
Amortization	**2,116**	**2,003**
Future income taxes	**(449)**	**(386)**
Non-controlling interests *[note 4]*	**81**	**57**
Unrealized losses (gains) on financial instruments	**173**	**(56)**
Unrealized foreign exchange loss on long-term debt	**36**	**136**
	3,544	**2,860**
Net change in non-cash operating elements of working capital *[note 6]*	**25**	**(6,127)**
Cash provided by (used in) operating activities	**3,569**	**(3,267)**
INVESTING ACTIVITIES		
Additions to capital assets	**(201)**	**(282)**
Expenditures on patents and trademarks	**(134)**	**—**
Cash used in investing activities	**(335)**	**(282)**
FINANCING ACTIVITIES		
Decrease in bank indebtedness	**(477)**	**—**
Repayment of current portion of long-term debt	**(10)**	**(25)**
Proceeds from short-term debt	**—**	**4,453**
Repayment of due to officers	**—**	**(279)**
Dividends paid to exchangeable shareholders	**(147)**	**(143)**
Distributions paid to unitholders	**(2,877)**	**(2,794)**
Cash provided by (used in) financing activities	**(3,511)**	**1,212**
Foreign exchange loss	**(2)**	**(862)**
Net decrease in cash and cash equivalents	**(279)**	**(3,199)**
Cash and cash equivalents, beginning of period	**479**	**3,507**
Cash and cash equivalents, end of period	**200**	**308**

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

[expressed in thousands of dollars except for unit, share, per unit and per share amounts]

March 31, 2006

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 by a Declaration of Trust dated February 26, 2004.

Effective April 7, 2004, the Fund completed an initial public offering of trust units of the Fund [the "Units"] to facilitate the indirect acquisition of 96% of the shares of Richards Packaging Inc. and an indenture note through a series of transactions for consideration of $86,161.

Effective November 30, 2004, the Fund indirectly acquired all the shares of Kay Containers Ltd., Calgary Plastics Container Supply Ltd. and M.A. Foss Distributors Ltd. for consideration of $7,636.

Effective July 29, 2005, the Fund indirectly acquired all the shares of Dispill Inc. for consideration of $7,514.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles using disclosure standards appropriate for interim financial statements. As such these statements do not contain all the explanatory notes, descriptions or accounting policies or other disclosures that can be found in the Fund's 2005 audited annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with the 2005 audited annual consolidated financial statements.

3. SHORT- AND LONG-TERM DEBT

Richards Packaging Inc. has a revolving credit facility of $7,000 of which $2,200 remained outstanding at March 31, 2006. The amounts outstanding on the acquisition and term debt facilities included an increase of $36 to reflect a foreign currency translation loss.

Subsequent to the quarter end, Richards Packaging Inc. repaid the outstanding balance in the acquisition credit with proceeds from a new term debt facility bringing the total term debt to U.S.$30,000 and providing up to U.S.$12,000 in credit for future acquisitions. The due dates of the revolving and acquisition credits were also extended to June 4, 2007 and the term debt facility to June 5, 2009.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

[expressed in thousands of dollars except for unit, share, per unit and per share amounts]

March 31, 2006

4. NON-CONTROLLING INTERESTS

As at March 31, 2006, 524,685 exchangeable shares remain outstanding [2005 – 524,685]. The change in carrying value of the non-controlling interests represents $81 of net income [2005 – $57] and $1 of cumulative translation adjustment loss [2005 – nil], offset by $147 of dividends [2005 – $147].

5. INCOME TAXES

The income tax expense (recovery) differs from the provision computed at statutory rates due to the various adjustments outlined below:

	2006 $	2005 $
Income before income taxes and non-controlling interests	**1,375**	**518**
Distributions to unitholders, not subject to tax in the Fund	**(2,384)**	**(2,381)**
	(1,009)	**(1,863)**
Statutory tax rate	**36.1%**	**36.1%**
Income tax recovery at statutory tax rate	**(364)**	**(673)**
Adjustments to income taxes		
Temporary differences		
Unrealized gains on financial instruments	**66**	**4**
Equity placement fees	**(152)**	**(152)**
Penalty on discharge of debt	**(47)**	**(35)**
Intangible assets	**474**	**438**
Loss for income tax not utilized	**88**	**115**
Amortization	**(7)**	**16**
Other temporary differences	**27**	**—**
Current period adjustments		
Foreign exchange loss on translation of long-term debt	**6**	**24**
Withholding tax	**35**	**—**
Other non-taxable items	**30**	**4**
Current income taxes	**156**	**(259)**
Recovery of future income taxes	**(449)**	**(386)**

[expressed in thousands of dollars except for unit, share, per unit and per share amounts]

Significant components of future tax assets and liabilities are as follows:

	2006 $	2005 $
Future income tax assets		
Equity placement fees	**1,715**	**1,867**
Loan termination fees	**314**	**361**
Loss for income tax not utilized	**1,411**	**1,323**
Other	**102**	**85**
	3,542	**3,636**
Future income tax liabilities		
Capital assets	**359**	**352**
Unrealized gains on financial instruments	**562**	**628**
Patents and trademarks	**1,367**	**1,390**
Customer relationships and contracts	**15,842**	**16,293**
	18,130	**18,663**

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2006 $	2005 $
Accounts receivable	**(131)**	**(4,511)**
Inventory	**1,411**	**(3,118)**
Prepaid expenses	**(281)**	**(539)**
Accounts payable and accrued liabilities	**(662)**	**1,531**
Income taxes	**(312)**	**510**
	25	**(6,127)**

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

	2006 $	2005 $
Interest paid	**670**	**429**
Income taxes paid (recovered)	**468**	**(770)**