Q2 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended June 30, 2006

Report Contents

Richards

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

June 30, 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 second quarter with gross margin and EBITDA[1] at the same levels as our record first quarter. We achieved an additional $0.5 million EBITDA in the second quarter, and when combined with the $1.3 million improvement for the first quarter, 100% of the profit improvement plan for 2006. EBITDA as a percentage of sales at 11.1% represents the strongest quarterly performance since the inception of the Fund and compares favorably to our long-term target of 10%. Revenue for the first half of 2006 was flat when compared with the same period in 2005 after adjusting for foreign exchange translation. Net income was up $2.3 million, or 22.1¢ per Unit, for the second quarter.

We made significant progress on the $2.2 million target working capital reduction program resulting in a decrease of $1.0 million of the outstanding $2.2 million balance on the revolving credit line.

Significant achievements during the second quarter included completing the profit improvement plan, realizing one-half of the working capital reduction program and refinancing the debt facilities for an additional three years.

The Fund paid monthly distributions of 9.35¢ per Unit for January through June, which represents an annualized yield of 14.0% on an $8.00 price per Unit. The payout ratio for the second quarter was 93% and for the first half of 2006 was 92%, a 6% improvement from 98% for the first half of 2005.

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" August 9, 2006
Chief Executive Officer,
Richards Packaging Inc.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

August 9, 2006

This management's discussion and analysis("MD&A") of Richards Packaging Income Fund for the second quarter should be read in conjunction with the attached interim unaudited consolidated financial statements dated June 30, 2006, the first quarter report dated May 12, 2006, the 2005 Annual Report and the 2005 Annual 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 second quarter 2006 include:

- Maintained baseline revenue of $40.0 million with the $0.4 million drop against Q1 due to the impact of the Canadian dollar strengthening to an average rate of U.S./Cdn. $0.89.
- Completed the 2006 profit improvement plan with a $0.5 million increase in EBITDA[1].
- Exceeded our long-term target of 10% with EBITDA at 11.1% as a percentage of sales.
- Repaid $1.0 million on the revolving credit facility with cash flow from our working capital reduction initiative.
- Refinanced with the existing lending syndicate to add the borrowing on the acquisition credit facility to the long-term credit facility and extend maturity for three years.
- Paid monthly distributions of 9.35¢ per Unit to yield a 14.0% annualized return on the June 30, 2006 price per Unit of $8.00.
- Increased distributable cash flow[2] to $0.30 per Unit with a 93% payout ratio[3], down from 94% in the prior year.

Richards Packaging Income Fund

[expressed in thousands, except where otherwise indicated]

August 9, 2006

This MD&A covers the three and six months ended June 30, 2006 (generally referred to in this MD&A as the "second quarter" and the "first half", respectively). The following table sets out selected consolidated financial information of the Fund:

	Qtr. 2		Six months	
	2006	**2005**	**2006**	**2005**
	$	$	$	$
Income Statement Data:				
Revenue	**39,662**	**43,056**	**79,715**	**82,874**
EBITDA[1]	**4,408**	**3,866**	**8,770**	**6,896**
Diluted per Unit	***$0.409***	***$0.359***	***$0.813***	***$0.640***
Net income	**3,606**	**1,340**	**5,193**	**2,446**
Diluted per Unit	***$0.352***	***$0.131***	***$0.506***	***$0.239***
Balance Sheet Data:				
Total assets	**157,266**	**168,715**		
Bank debt outstanding	**34,739**	**32,070**		
Cash Flow Statement Data:				
Distributions	**3,024**	**3,024**	**6,048**	**6,048**
Diluted per Unit	***$0.280***	***$0.280***	***$0.561***	***$0.561***
Payout ratio[3]	***93%***	***94%***	***92%***	***98%***

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.

Richards Packaging Income Fund

[expressed in thousands, except where otherwise indicated]

August 9, 2006

	Qtr. 2		Six months	
	2006	2005	2006	2005
	$	$	$	$
Revenue	**39,662**	**43,056**	**79,715**	**82,874**
Cost of products sold	**33,023**	**36,871**	**66,389**	**71,383**
Gross profit	**6,639**	**6,185**	**13,326**	**11,491**
	16.7%	*14.4%*	*16.7%*	*13.9%*
Expenses	**2,236**	**2,344**	**4,524**	**4,643**
Long-term incentive plan	**33**	**47**	**66**	**47**
Foreign exchange gain from operations	**(38)**	**(72)**	**(34)**	**(95)**
EBITDA[1]	**4,408**	**3,866**	**8,770**	**6,896**
Amortization	**2,123**	**2,022**	**4,239**	**4,025**
Interest expense	**839**	**558**	**1,501**	**987**
Unrealized losses (gains) on financial instruments	**(1,502)**	**394**	**(1,293)**	**474**
Income tax recovery	**(843)**	**(517)**	**(1,136)**	**(1,162)**
Non-controlling interests	**185**	**69**	**266**	**126**
Net Income	**3,606**	**1,340**	**5,193**	**2,446**

Revenue for the second quarter decreased by $3.4 million, or 7.9% from the same period in 2005. The decrease for the second quarter was attributable to the translation of Richards US revenue due to the Canadian dollar strengthening by U.S./Cdn.$0.087 to U.S./Cdn.$0.891 ($1.6 million), $1.3 million due to revenue gains in the first quarter reversing in the second quarter and $0.5 million as customer churn outpaced new business in the quarter. Revenue for the first half decreased by $3.2 million, or 3.8%, from the same period in 2005. The decrease was due to translation of Richards US revenue with the Canadian dollar strengthening by U.S./Cdn. $0.069 ($2.7 million) and churn outpacing first quarter growth ($0.5 million).

Exchange translation effects continue to be more pronounced in 2006 given the second quarter increase of U.S./Cdn. $0.087. This impact will subside to U.S./Cdn.$0.05 if current exchange rates of U.S./Cdn.$0.89 prevail for the remainder of the year when compared to U.S./Cdn.$0.84 in the prior year. Higher exchange rates continue to put pressure on the revenue line but have no impact on distributable cash flow due to the US denominated interest expense acting as a natural hedge for cash flow from Richards US.

Cost of products sold for the second quarter was lower by $3.8 million, or 10.4%, from the same period in 2005. Synergies achieved from the integration of the acquisitions continue to reduce selling and distribution costs resulting in a gross profit improvement of 2.3% to 16.7% for the second quarter from the same period in 2005. Cost of products sold for the first half decreased by $5.0 million, or 7.0% from the same period in 2005. 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 half 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 second quarter and the first half were lower by $0.1 million, or 4.6% and $0.1 million, or 2.6%, respectively from the same periods in 2005. The decreases were due to synergies achieved on acquisitions which more than offset additional costs associated with Dispill.

EBITDA[1] for the second quarter increased by $0.5 million, or 14.0%, and by $1.9 million, or 27.2% for the first half from the same periods in 2005, respectively. As a percent of sales, EBITDA was 11.1% for the second quarter and 11.0% for the first half compared to 9.0% and 8.3% for the same periods in 2005, respectively. Changes were a result of the factors referred to above. Significant progress has been made in the first half to optimize the performance and exceed 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 second 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 $0.1 million and capital asset amortization of $0.6 million per quarter, which is approximately three times Richards Packaging's maintenance capital expenditure spending requirement.

Interest expense for the second quarter increased by $0.3 million and by $0.5 million for the first half from the same periods in 2005. Approximately one-half of the increase was due to additional debt associated with the acquisition of Dispill with the other half due to a 2.0% increase in variable interest rates on the revolving and acquisition credits.

The term loan outstanding at June 30, 2006 total U.S.$30.0 million, which has given rise to the unrealized foreign currency translation gain of $4.7 million since the initial facility funding. On April 7, 2004 the exchange rate was U.S./Cdn.$0.760 and closed on June 30, 2006 at U.S./Cdn.$0.897. 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 $5.2 million currency translation loss on the net investment in Richards US charged directly to the unitholders' equity and non-controlling interests.

Income tax recoveries of $0.8 million for the second quarter and $1.1 million for the first half mainly reflect the impact of the changes in enacted tax rates in Canada on future tax assets and liabilities. Current income taxes of $0.1 million for the second quarter and $0.3 million for the first half mainly reflect the tax on Richards US and are expected to be $0.3 million for the remainder of the year[4]. Net future tax assets available to shield income taxes are $2.2 million.

Net income for the second quarter was $3.6 million and $5.2 million for the first half, which represented $0.352 and $0.506 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.

[expressed in thousands, except where otherwise indicated]

Distributable Cash Flow[2]

	Qtr. 2 2006 $	Qtr. 2 2005 $	Six months 2006 $	Six months 2005 $
Cash provided by (used in) operating activities	**5,814**	**3,182**	**9,383**	**(85)**
Change in working capital items	**(2,367)**	**173**	**(2,392)**	**6,300**
Non-cash charges	**961**	**511**	**1,779**	**681**
EBITDA[1]	**4,408**	**3,866**	**8,770**	**6,896**
Interest expense	**839**	**558**	**1,501**	**987**
Cash income tax expense (recovered)	**122**	**(138)**	**278**	**(648)**
Maintenance capital expenditures	**195**	**225**	**396**	**332**
Loan principal payments	**10**	**11**	**20**	**36**
Distributable cash flow[2]	**3,242**	**3,210**	**6,575**	**6,189**
Diluted per Unit	***$0.301***	***$0.298***	***$0.610***	***$0.574***
Distributions and dividends	**3,024**	**3,024**	**6,048**	**6,048**
Diluted per Unit	***$0.280***	***$0.280***	***$0.561***	***$0.561***
Payout ratio[3]	***93%***	***94%***	***92%***	***98%***
Number of Units outstanding on a diluted basis	**10,781**	**10,781**	**10,781**	**10,781**

The distributable cash flow[2] definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by a $5.0 million revolving facility available to Richards Packaging ($1.2 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.$7.0 million acquisition facility (nil drawn).

Distributable cash flow[2] for the second quarter remained constant at $3.2 million, and increased by $0.4 million for the first half in comparison to the same periods in 2005, respectively. Overall, stronger EBITDA[1] was 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 second quarter at 9.35¢ per Unit, represents an annual yield of 14.0% on an $8.00 price per Unit and a payout ratio of 93%. 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 half of 2006, 80.0% of the distributions will represent interest on the subordinated note held by the Fund and 20.0% 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 second quarter and for the first half was $5.8 million and $9.4 million, respectively and is stronger than in the same period in 2005 primarily due to the absence of the 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 second quarter were $3.0 million with an additional $1.0 million declared for June, which was paid on July 14th.

Cash income taxes

The cash income tax expense for the second quarter was $0.1 million and $0.3 million for the first half of 2006, 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 second quarter were $0.2 million, all incurred on account of maintenance capital. For the first half of 2006, capital expenditures were $0.4 million, all 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.$30.0 million term loan with repayment on June 5, 2009, up to $5.0 million in revolving debt to fund working capital expansion and up to U.S.$7 million for expansion capital and/or acquisition financing.

During the second quarter, Richards Packaging refinanced with its current lenders to repay U.S.$11.6 million of the acquisition credit with proceeds from the term debt facility bringing the total term debt to U.S.$30,000. The June 5, 2006 due date of the revolving and acquisition credits was extended to June 4, 2007 and the April 6, 2007 due date of the long term debt facility was 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 24% of distributable cash flow for the first half 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 second 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 through to April 1, 2006. Management is currently reviewing its options to manage the interest rate risk including the re-establishment of interest rate swap contracts.

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 second quarter was $4.4 million and $8.8 million for the first half, up $0.5 million and $1.9 million, respectively from the same periods in 2005. Management has realized on the $1.8 million profit improvement plan and will continue to focus attention on improving profitability for the remainder of 2006.

Interest expense is expected to decrease for the remainder of the year with the reduction in revolving debt outstanding. Although the recorded interest expense continues to fall due to foreign exchange translation rates, that benefit to distributable cash flow[2] will be equal to the lower EBITDA translation of Richards US.

Maintenance capital of $0.4 million for the first half 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 half 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 June 30, 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 half 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.

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 June 30, 2006 and December 31, 2005

	2006 $	2005 $
ASSETS		
Current		
Cash and cash equivalents	**195**	**479**
Accounts receivable	**21,110**	**23,367**
Inventory	**22,771**	**24,440**
Prepaid expenses	**1,599**	**1,078**
Income taxes recoverable	**93**	**43**
Total current assets	**45,768**	**49,407**
Capital assets, net	**5,487**	**6,221**
Deferred financing fees, net	**576**	**808**
Intangible assets, net	**45,830**	**48,489**
Future income taxes *[note 5]*	**3,095**	**3,636**
Goodwill	**56,510**	**57,289**
	157,266	**165,850**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**183**	**1,312**
Accounts payable and accrued liabilities	**16,828**	**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]*	**1,241**	**15,765**
Total current liabilities	**19,300**	**36,120**
Long-term debt *[note 3]*	**33,498**	**21,287**
Future income taxes *[note 5]*	**16,731**	**18,663**
Total liabilities	**69,529**	**76,070**
Non-controlling interests *[note 4]*	**4,343**	**4,442**
Unitholders' equity		
Units	**95,772**	**95,772**
Deficit	**(7,406)**	**(6,845)**
Cumulative translation adjustment	**(4,972)**	**(3,589)**
Total unitholders' equity	**83,394**	**85,338**
	157,266	**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 and six months ended June 30

	Three months		Six months	
	2006	**2005**	**2006**	**2005**
	$	$	$	$
Revenue	**39,662**	**43,056**	**79,715**	**82,874**
Cost of products sold	**33,023**	**36,871**	**66,389**	**71,383**
Gross profit	**6,639**	**6,185**	**13,326**	**11,491**
General and administrative expenses	**2,236**	**2,344**	**4,524**	**4,643**
Foreign currency gain from operations	**(38)**	**(72)**	**(34)**	**(95)**
Long-term incentive plan	**33**	**47**	**66**	**47**
Income before under noted items, income taxes and non-controlling interests	**4,408**	**3,866**	**8,770**	**6,896**
Amortization				
Capital assets	**551**	**565**	**1,077**	**1,115**
Intangible assets	**1,432**	**1,282**	**2,861**	**2,565**
Deferred financing fees	**140**	**175**	**301**	**345**
Interest expense	**839**	**558**	**1,501**	**987**
Unrealized losses (gains) on financial instruments				
Interest rate swap contracts	**49**	**40**	**222**	**(73)**
Foreign exchange forward agreement	**—**	**52**	**—**	**109**
Foreign exchange on translation of short- and long-term debt	**(1,551)**	**302**	**(1,515)**	**438**
Income before income taxes and non-controlling interests	**2,948**	**892**	**4,323**	**1,410**
Provision for (recovery of) income taxes *[note 5]*				
Current	**122**	**(47)**	**278**	**(306)**
Future	**(965)**	**(470)**	**(1,414)**	**(856)**
	(843)	**(517)**	**(1,136)**	**(1,162)**
Income before non-controlling interests	**3,791**	**1,409**	**5,459**	**2,572**
Non-controlling interests *[note 4]*	**185**	**69**	**266**	**126**
Net income for the period	**3,606**	**1,340**	**5,193**	**2,446**
Deficit, beginning of period	**(8,135)**	**(3,979)**	**(6,845)**	**(2,208)**
Distributions declared to unitholders	**(2,877)**	**(2,877)**	**(5,754)**	**(5,754)**
Deficit, end of period	**(7,406)**	**(5,516)**	**(7,406)**	**(5,516)**
Basic and diluted income per Unit	**$0.352**	**$0.131**	**$0.506**	**$0.239**
Weighted average number of Units outstanding				
Basic	**10,256,327**	**10,256,327**	**10,256,237**	**10,256,327**
Diluted	**10,781,012**	**10,781,012**	**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 and six months ended June 30

	Three months		Six months	
	2006	**2005**	**2006**	**2005**
	$	$	$	$
OPERATING ACTIVITIES				
Net income for the period	**3,606**	**1,340**	**5,193**	**2,446**
Add (deduct) items not involving cash				
Amortization	**2,123**	**2,022**	**4,239**	**4,025**
Future income taxes	**(965)**	**(470)**	**(1,414)**	**(856)**
Non-controlling interests *[note 4]*	**185**	**69**	**266**	**126**
Unrealized losses on financial instruments	**49**	**92**	**222**	**36**
Unrealized foreign exchange loss (gain) on short- and long-term debt	**(1,551)**	**302**	**(1,515)**	**438**
	3,447	**3,355**	**6,991**	**6,215**
Net change in non-cash operating elements of working capital *[note 6]*	**2,367**	**(173)**	**2,392**	**(6,300)**
Cash provided by (used in) operating activities	**5,814**	**3,182**	**9,383**	**(85)**
INVESTING ACTIVITIES				
Additions to capital assets	**(195)**	**(878)**	**(396)**	**(1,160)**
Expenditures on patents and trademarks	**(68)**	**—**	**(202)**	**—**
Cash used in investing activities	**(263)**	**(878)**	**(598)**	**(1,160)**
FINANCING ACTIVITIES				
Decrease in bank indebtedness	**(652)**	**—**	**(1,129)**	**—**
Proceeds from short- and long-term debt, net	**12,988**	**1,531**	**12,978**	**5,959**
Repayment of short-term debt	**(13,859)**	**—**	**(13,859)**	**—**
Repayment of due to officers	**—**	**—**	**—**	**(279)**
Dividends paid to exchangeable shareholders	**(147)**	**(147)**	**(294)**	**(290)**
Distributions paid to unitholders	**(2,877)**	**(2,877)**	**(5,754)**	**(5,671)**
Cash used in financing activities	**(4,547)**	**(1,493)**	**(8,058)**	**(281)**
Foreign exchange (loss) gain	**(1,009)**	**204**	**(1,011)**	**(658)**
Net increase (decrease) in cash and cash equivalents	**(5)**	**1,015**	**(284)**	**(2,184)**
Cash and cash equivalents, beginning of period	**200**	**308**	**479**	**3,507**
Cash and cash equivalents, end of period	**195**	**1,323**	**195**	**1,323**

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]

June 30, 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

During the second quarter $1,000 of the short term debt was repaid and the remaining outstanding balance on the revolving credit facility at June 30, 2006 is $1,200. In addition, Richards Packaging Inc. converted the outstanding balance in the acquisition credit facility of U.S.$11,600 into term debt bringing the total long term debt to U.S.$30,000. The due dates of the revolving and acquisition credit facilities were also extended to June 4, 2007 and the term debt facility to June 5, 2009. Fees of $83 were incurred and are included in deferred financing fees Subsequent to the quarter end, Richards Packaging Inc. reduced the availability on the revolving facility from $7,000 to $5,000 and on the acquisition credit facility from U.S.$12,000 to U.S.$7,000.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

June 30, 2006

4. NON-CONTROLLING INTERESTS

As at June 30, 2006, 524,685 exchangeable shares remain outstanding [2005 – 524,685]. The change in carrying value of the non-controlling interests for the six months ended June 30, 2006 represents $266 of net income [2005 – $126] offset by $294 of dividends [2005 – $294] and $71 of cumulative translation adjustment loss [2005 – gain of $28].

5. INCOME TAXES

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

	Three months		Six months	
	2006	**2005**	**2006**	**2005**
	$	$	$	$
Income before income taxes and non-controlling interests	**2,948**	**892**	**4,323**	**1,410**
Distributions to unitholders, not subject to tax in the Fund	**(2,418)**	**(2,405)**	**(4,802)**	**(4,786)**
	530	**(1,513)**	**(479)**	**(3,376)**
Statutory tax rate	***36.1%***	***36.1%***	***36.1%***	***36.1%***
Income tax expense (recovery) at statutory tax rate	**191**	**(546)**	**(173)**	**(1,219)**
Adjustments to income taxes				
Temporary differences				
Unrealized gains on financial instruments	**(197)**	**79**	**(131)**	**83**
Equity placement fees	**(183)**	**(152)**	**(335)**	**(304)**
Penalty on discharge of debt	**(47)**	**(35)**	**(94)**	**(70)**
Intangible assets	**1,359**	**484**	**1,833**	**922**
Loss for income tax not utilized	**(218)**	**58**	**(130)**	**173**
Amortization	**237**	**36**	**230**	**52**
Other temporary differences	**14**	—	**41**	—
Current period adjustments				
Changes in enacted tax rates	**(877)**	—	**(877)**	—
Foreign exchange loss on translation of long-term-debt	**(213)**	**47**	**(207)**	**71**
Withholding tax	**34**	—	**69**	—
Other non-taxable items	**22**	**(18)**	**52**	**(14)**
Current income taxes	**122**	**(47)**	**278**	**(306)**
Future income taxes	**(965)**	**(470)**	**(1,414)**	**(856)**

[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	**1,532**	**1,867**
Loan termination fees	**267**	**361**
Loss for income tax not utilized	**1,193**	**1,323**
Other	**103**	**85**
	3,095	**3,636**
Future income tax liabilities		
Capital assets	**122**	**352**
Unrealized gains on financial instruments	**759**	**628**
Patents and trademarks	**1,302**	**1,390**
Customer relationships	**14,548**	**16,293**
	16,731	**18,663**

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash operating elements of working capital and the cash flow impact of interest and income taxes consists of the following:

	Three months		Six months	
	2006 $	2005 $	2006 $	2005 $
Accounts receivable	**2,620**	**(176)**	**2,489**	**(4,687)**
Inventory	**611**	**(2,339)**	**2,022**	**(5,457)**
Prepaid expenses	**(437)**	**(28)**	**(718)**	**(567)**
Accounts payable and accrued liabilities	**(507)**	**2,612**	**(1,169)**	**4,143**
Income taxes	**80**	**(242)**	**(232)**	**268**
Working capital decrease (increase)	**2,367**	**(173)**	**2,392**	**(6,300)**
Interest paid	**1,024**	**519**	**1,694**	**948**
Income taxes paid (recovered)	**34**	**180**	**502**	**(590)**