

Consolidated Financial Statements - Amended

Richards Packaging Income Fund

Unaudited

June 30, 2004

Richards Packaging Income Fund

CONSOLIDATED BALANCE SHEET

Unaudited
[Expressed in thousands of dollars]

As at June 30

	2004
	\$
ASSETS <i>[note 5]</i>	<i>[amended-note 15]</i>
Current	
Cash and cash equivalents	5,860
Accounts receivable	21,468
Inventory	20,354
Prepaid expenses	1,534
Income taxes recoverable	2,243
Total current assets	51,459
Capital assets, net <i>[note 3]</i>	6,402
Deferred financing fees <i>[note 5]</i>	1,850
Intangible assets, net <i>[note 4]</i>	46,500
Future income taxes <i>[note 10]</i>	3,570
Goodwill <i>[note 1]</i>	53,139
Total long-term assets	111,461
	162,920
LIABILITIES AND UNITHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities	19,585
Income taxes payable	690
Distributions payable to unitholders <i>[note 8]</i>	876
Dividends payable to exchangeable shareholders <i>[note 8]</i>	39
Due to officers <i>[note 11]</i>	542
Current portion of long-term debt <i>[note 5]</i>	36
Total current liabilities	21,768
Long-term debt <i>[note 5]</i>	24,563
Future income taxes <i>[note 10]</i>	17,621
Total liabilities	63,952
Commitments and contingencies <i>[note 6]</i>	
Unitholders' equity	
Units and exchangeable share capital <i>[note 7]</i>	100,334
Deficit, end of period	(2,216)
Cumulative translation adjustments <i>[note 9]</i>	850
Total unitholders' equity	98,968
	162,920

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

Richards Packaging Income Fund

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

Unaudited
[Expressed in thousands of dollars
except for per unit and share amounts]

Period from April 7, 2004 to June 30, 2004

	2004
	\$
	<i>[amended-note 15]</i>
Revenue	37,917
Cost of products sold	32,493
	5,424
General and administrative expenses	1,890
	3,534
Income before under noted items and income taxes	3,534
Amortization	
Capital assets <i>[note 3]</i>	425
Intangible assets <i>[note 4]</i>	2,700
Deferred financing fees	165
Interest expense <i>[note 5]</i>	401
Foreign exchange loss on translation of long-term debt	648
	(805)
Loss before income taxes	(805)
Recovery of income taxes <i>[note 10]</i>	
Current	(269)
Future	(820)
	(1,089)
	284
Income for the period	284
Distributions declared to unitholders	(2,394)
Dividends declared to exchangeable shareholders	(106)
	(2,216)
Deficit, end of period	(2,216)
	\$0.027
Basic and diluted income per Unit	\$0.027
Weighted average number of Units and shares outstanding	10,711,512

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

Richards Packaging Income Fund

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited
[Expressed in thousands of dollars]

Period from April 7, 2004 to June 30

	2004
	\$
	<u>[amended-note 15]</u>
OPERATING ACTIVITIES	
Income for the period	284
Add (deduct) items not involving cash	
Amortization	3,290
Future income taxes	(820)
Foreign exchange loss on translation of long-term debt	648
	<u>3,402</u>
Net change in non-cash operating elements of working capital <i>[note 13]</i>	<u>(2,602)</u>
Cash provided by operating activities	<u>800</u>
INVESTING ACTIVITIES	
Additions to capital assets	(307)
Acquisition of Richards Packaging Inc., net of cash acquired of \$112 <i>[note 1]</i>	<u>(69,185)</u>
Cash used in investing activities	<u>(69,492)</u>
FINANCING ACTIVITIES	
Decrease in bank indebtedness	(607)
Repayment of long-term debt	(7)
Initial public offering of Fund Units, net of expenses	75,921
Dividends paid to exchangeable shareholders	(67)
Distributions paid to unitholders	<u>(1,518)</u>
Cash provided by financing activities	<u>73,722</u>
Foreign currency translation gains	<u>830</u>
Net increase in cash and cash equivalents during the period	<u>5,860</u>
Cash and cash equivalents, beginning of period	<u>—</u>
Cash and cash equivalents, end of period	<u>5,860</u>

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

Richards Packaging Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

[Expressed in thousands of dollars except for unit and per unit amounts]

June 30, 2004

1. FORMATION OF THE FUND AND ACQUISITION

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. The Fund remained inactive until April 7, 2004 when the Fund completed an initial public offering of 8,569,913 trust units of the Fund (the “Units”) at a price of \$10 per Unit, realizing gross proceeds of \$85,699 to facilitate the acquisition of all of Richards Packaging Inc. shares and an indenture note through a series of transactions.

The Fund indirectly purchased all of the shares of Richards Packaging Inc. for \$90,713 including acquisition costs of \$417. The consideration consisted of \$68,880 in cash, the issuance of 1,686,414 Units at a price of \$10 per unit and the issuance of 455,185 Richards Packaging Holdings Inc.’s exchangeable shares at a price of \$10 per share, exchangeable into an equal number of Units. This acquisition has been accounted for using the purchase method and accordingly, the results of operations from April 7, 2004 have been included in these interim consolidated financial statements and no comparative information is provided. The consideration paid has been allocated to the assets acquired based on their fair values and the excess of the purchase price over the value of the net identifiable assets acquired has been recorded as goodwill. All acquired intangible assets, other than goodwill, are subject to amortization. The allocation of the purchase price is as follows:

	\$
	<i>[amended-note 15]</i>
Current assets	42,715
Capital assets	6,445
Deferred financing fees	1,977
Intangible assets – customer orders <i>[note 4]</i>	1,500
Intangible assets – customer relationships and contracts <i>[note 4]</i>	47,700
Total assets acquired	100,337
Current liabilities	20,583
Long-term debt	23,958
Future income tax liability	17,676
Total liabilities assumed	62,217
Fair value of net assets acquired	38,120
Goodwill	52,593
Purchase price	90,713

During the period from April 7, 2004 to June 30, 2004 a currency translation gain of \$546 associated with the goodwill related to Richards US was recognized.

Richards Packaging Income Fund

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[Expressed in thousands of dollars except for unit and per unit amounts]

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Fund, Richards Packaging Holdings Inc. (“Holdings”), and Richards Packaging Inc. [“Richards Can”], its wholly-owned subsidiary, Richards Packaging, Inc. [“Richards US”] and 50% of Vision Plastics Inc., one of its 3 plastic containers manufacturing plants, which is jointly controlled. The “Company” refers to Richards Packaging Inc. and its consolidated subsidiaries. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles employing the same accounting policies as the Company’s annual financial statements presented in the Prospectus.

Revenue recognition

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with a term to maturity of three months or less at the date of purchase.

Inventory

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

Capital assets

Capital assets are initially recorded at cost. Repairs and maintenance are charged to operations as incurred. Amortization is computed using the straight-line or diminishing balance method over the remaining estimated useful lives of the capital assets as outlined below:

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

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Deferred financing

The costs of obtaining long-term debt are deferred and amortized on a straight-line basis over the term of the debt to which those costs relate.

Intangible assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the period of expected future benefit. Customer orders are amortized as the orders are being shipped. Customer relationships and contracts are amortized on a straight-line basis over 10 years.

Goodwill

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

On an annual basis, management will review the carrying amount of goodwill for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, a second step will be conducted whereby the fair value of goodwill is determined on the same basis as a business combination. If the fair value of goodwill is less than its carrying value, goodwill will then be written down to its estimated fair value.

Long-lived assets

Long-lived assets comprise capital assets and intangible assets subject to amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted future net cash flows of the asset. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset and recognized by way of an additional current period amortization charge.

Income taxes

Income tax obligations relating to distributions of the Fund are the obligations of the unitholders, and accordingly, no provision for income taxes has been made in respect of the Fund itself. A provision has been recognized for the Fund's subsidiary companies, which are subject to tax. The Fund's subsidiary companies follow the liability method to account for income taxes whereby future tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax basis of assets and liabilities. Future tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to

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reverse. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Long-term incentive plan

Management of the Company is eligible to participate in the Fund's long-term incentive plan. For a period of 3 years beginning April 7, 2004 the Fund will purchase in the open market Units to be awarded to the extent that distributions to the unitholders exceed the annual target of \$1.025 per Unit. Units so awarded will be expensed in the period that they are granted. Distributions were at this level for the period from April 7 to June 30, 2004, and therefore no Units were awarded.

Foreign currency translation

The unit of measure for the Fund and related entities, except for Richards US, is the Canadian dollar and accounts in foreign currency have been translated into Canadian dollars. Monetary items are recorded at exchange rates in effect at the consolidated balance sheet date and non-monetary items are recorded at the exchange rates in effect on the date of the transaction. Revenue and expenses are recorded at average exchange rates prevailing during the period, except for amortization, which is translated at rates prevailing when the related assets were acquired. Gains and losses arising from foreign currency translation are included in income.

Richards US is treated as a self-sustaining foreign operation. All assets and liabilities are translated at exchange rates in effect at the consolidated balance sheet date. Revenue and expenses, including amortization, are translated at average exchange rates prevailing during the period. Any resulting gains or losses are included in unitholders' equity and described as a cumulative translation adjustment.

Derivative financial instruments

Derivative financial instruments are utilized to reduce foreign currency and interest rate risk on the Company's debt. The Fund does not enter into financial instruments for trading or speculative purposes.

Gains and losses on interest rate swap contracts and foreign currency standard rate agreements are recognized in the consolidated statement of loss and deficit in the period in which the changes in fair value occur.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses recognized for the

Richards Packaging Income Fund

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period reported. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results may differ from these estimates.

3. CAPITAL ASSETS

	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Manufacturing equipment	3,542	267	3,275
Moulds	1,653	115	1,538
Computer equipment and software	937	6	931
Warehouse and office equipment	600	29	571
Leasehold improvements	95	8	87
	6,827	425	6,402

Cost represents the fair value of the capital assets acquired in the initial acquisition of the Company [note 1] and the cost of capital asset additions during the period. Accordingly, accumulated amortization only consists of amortization recorded during the period from April 7, 2004 to June 30, 2004.

4. INTANGIBLE ASSETS

	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Customer orders	1,500	1,500	—
Customer relationships and contracts	47,700	1,200	46,500
	49,200	2,700	46,500

Cost represents the fair value of intangible assets acquired [note 1].

5. LONG-TERM DEBT

Immediately prior to the initial public offering by the Fund, the Company obtained new credit facilities. The fees associated with this refinancing will be deferred and amortized over the 3-year term of these facilities. Credit facilities available to the Fund are outlined on the following page:

Richards Packaging Income Fund

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Debt facility	Due date	Interest rate	balance \$	Total facilities \$
Revolving credit facility [i]	April 6, 2005	See below	—	5,000
Acquisition credit facility [ii]	April 6, 2005	See below	—	7,073
Term loan [iii]	August 5, 2008	See below	204	204
Term loan [iv]	April 6, 2007	See below	24,395	24,395
			24,599	36,672
Current portion of long-term debt			(36)	
			24,563	

[i] The revolving credit facility consists of a Canadian operating line of credit of \$5,000 bearing interest at the prime rate plus a premium of 1.0% to 1.75% depending on the Fund's total debt to earnings before income taxes, depreciation and amortization ["EBITDA"] and a 0.5% standby fee. At June 30, 2004, no amounts have been drawn from the swing line or revolving credit facility. The revolving credit facility attracts a daily fee equivalent to \$16 per annum.

[ii] The acquisition credit facility consists of a U.S. dollar line of credit of U.S.\$5,250 [Cdn.\$7,037] bearing interest at the prime rate plus a premium of 1.0% to 1.75% depending on the Fund's total debt to EBITDA and a 0.5% standby fee.

[iii] The term loan consists of \$204 bearing interest at the prime rate plus 0.75% with monthly principal repayments of \$3. The effective interest rate for the period was 4.5%.

[iv] The term loan consists of a U.S.\$18,200 [Cdn.\$24,395] loan bearing interest at the prime rate plus a premium of 1.0% to 1.75% depending on the Fund's total debt to EBITDA. The interest rate is subject to a fixed rate swap with an effective interest rate for the period from April 7, 2004 to September 30, 2004 of 4.43%, which is approximately the same as the variable rate during the period from April 7 to June 30, 2004. The loan is repayable in full at maturity.

Interest expense is comprised as follows: term loan interest of \$283, credit card commission charges of \$67 and credit facility charges of \$51.

The Company has provided a first charge over all of its assets as security for the revolving credit facility and term loans. Under the terms of the various loan agreements, the Company is required, amongst other conditions, to meet certain covenants of which the Company was in compliance as at June 30, 2004.

Richards Packaging Income Fund

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6. COMMITMENTS AND CONTINGENCIES

The minimum rental payments, exclusive of occupancy and escalation charges, required under the leases for the Company's premises for the years ending December 31, are as follows:

	Related parties	Other	Total
	\$	\$	\$
		<i>[amended-note 15]</i>	
2004, July 1 to December 31	250	823	1,073
2005	361	883	1,244
2006	—	864	864
2007	—	604	604
2008	—	549	549
Thereafter	—	55	55

In the ordinary course of business, the Company is involved in litigation and is named as defendant in various legal actions. It is management's opinion that the ultimate outcome of litigation will not have a material adverse effect on the financial position or operating results of the Company.

7. UNITS AND EXCHANGEABLE SHARE CAPITAL

The capital contributions by unitholders of the Fund and exchangeable shareholders of Holdings are included in Units and exchangeable share capital on the consolidated statement of loss and deficit as follows:

	\$
	<i>[amended-note 15]</i>
Units issued on initial public offering, 10,256,327 units	102,563
Exchangeable shares issued on April 7, 2004, 455,185 shares	4,552
Units' issuance costs, net of future income taxes	(6,781)
	100,334

No new Units or exchangeable shares were issued during the period from April 7, 2004 to June 30, 2004.

Fund Units

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

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the time, subject to a maximum of \$50 in cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemptions in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of a pro rata number of Holdings' securities held by the Fund.

Exchangeable shares

The exchangeable shares were issued by Holdings to officers of the Company in exchange for shares of the Company. These exchangeable shares are retractable by Holdings beginning April 7, 2009, or prior to that date in limited circumstances, and are redeemable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. Exchangeable shares carry the right to vote at any meeting that unitholders are entitled to vote on the same basis.

8. CUMULATIVE DISTRIBUTIONS

Distributions are made monthly to unitholders of record on the last business day of each month and paid on the 15th day of the following month. Dividends paid to the exchangeable shareholders are not subordinated to distributions to unitholders and are declared on the same basis. Distributions and dividends declared during the period ended June 30, 2004 are as follows:

Period	Record date	Payment date	Per Unit/ per share	Amount
			\$	\$
Units				
April 7 to April 30	April 30	May 15	0.0624	642
May 2004	May 31	June 15	0.0854	876
June 2004	June 30	July 15	0.0854	876
Exchangeable shares				
April 7 to April 30	April 30	May 15	0.0624	28
May 2004	May 31	June 15	0.0854	39
June 2004	June 30	July 15	0.0854	39
				2,500

9. CUMULATIVE TRANSLATION ADJUSTMENTS

This represents the effect of exchange rate variations on the translation of net assets of Richards US, a self-sustaining foreign operation.

Richards Packaging Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[Expressed in thousands of dollars except for unit and per unit amounts]

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10. INCOME TAXES

Period from April 7, 2004 to June 30	2004
	\$
	<i>[amended-note 15]</i>
Loss before income taxes	(805)
Distributions to unitholders, not subject to tax in the Fund	(2,285)
	(3,090)
Statutory tax rate	36.1%
Income taxes at statutory tax rate	(1,115)
Adjustments to income taxes	
Temporary differences	
Amortization	(72)
Equity placement fees	(151)
Foreign exchange loss on translation of long-term debt	112
Penalty on discharge of debt	(38)
Intangible assets	969
Current period adjustments	
Intangible assets	112
Foreign exchange loss on translation of long-term debt	(112)
Other	26
Current income taxes	(269)
Future income taxes recovery	(820)
Significant components of future tax assets and liabilities as at June 30, 2004 are as follows:	
	\$
Future tax assets	
Equity placement fees	2,813
Loss on translation of long-term debt	112
Loan termination fees	645
	3,570
Future tax liabilities	
Capital assets	493
Customer relationships and contracts	17,128
	17,621
Net future tax liability	14,051

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In addition to the equity placement fees accounted for above, the Fund has approximately \$2,000 of fees available to be deducted over the next five years.

11. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions, which were measured at the exchange amount:

Period from April 7, 2004 to June 30

	\$
The Company leases three of its facilities from certain officers and other entities under their common control	115
<u>The Company purchases product from Vision Plastics Inc.</u>	<u>1,184</u>

The amount due to certain officers of \$542 as at June 30, 2004 is non-interest bearing and has no fixed terms of repayment.

12. FINANCIAL INSTRUMENTS

Fair value

Accounts receivable, accounts payable and accrued liabilities are all short-term in nature and as such, their carrying values approximate fair values.

A reasonable estimate of fair value could not be made for the amounts due to officers, as there are no fixed terms of repayment.

The fair value of long-term-debt and the associated interest rate swap contract approximates their carrying values as this debt bears interest at rates comparable to current market rates.

Credit risk

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers and their geographical dispersion. During the period from April 7, 2004 to June 30, 2004 no customer represented 10% or more of the Company's sales. In the event of nonpayment by the customers, management believes that the allowance for doubtful accounts is adequate to cover any likely losses.

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Interest rate risk

The Company is exposed to interest rate risk in the event of fluctuations in LIBOR and the bank's prime rate as the interest rates on the revolving credit facility and term loans are dependent on the bank's prime rate. The Company has entered into interest rate swap contracts with approved creditworthy counterparties to manage current and anticipated exposure to interest rate risk through September 2005 on a notional principal amount equal to the long-term loan.

Foreign exchange risk

The Company is exposed to Cdn\$/US\$ currency fluctuations on cross-border transactions and on translation of the net investment in, and earnings of, Richards US. A foreign currency standard rate agreement has been put in place at Cdn\$/US\$0.73 for US\$100 per month through September 30, 2005. The fair value of the foreign currency standard rate agreement as at June 30, 2004 represented a gain of \$44.

13. CONSOLIDATED STATEMENT OF CASH FLOWS

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

Period from April 7, 2004 to June 30

	\$
	<i>[amended-note 15]</i>
Accounts receivable	(1,158)
Inventory	(1,690)
Prepaid expenses	(336)
Accounts payable and accrued liabilities	867
Income taxes	(285)
	(2,602)

14. SEGMENTED INFORMATION

The Company's operations consist of one reporting segment, principally in the distribution of plastic and glass containers. The geographic distribution of sales for the period from April 7, 2004 to June 30, 2004 and assets as at June 30, 2004 are as follows:

	Canada \$	United States \$
		<i>[amended-note 15]</i>
Revenue	23,037	14,880
Capital assets and goodwill	36,398	23,143

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15. AMENDED INTERIM FINANCIAL STATEMENTS

These interim consolidated financial statements have been amended to correct for the recognition of the future income tax liability associated with the valuation of the customer orders intangible asset in the purchase price allocation described in note 1. The effect of this change is to increase the future income tax liability and goodwill on April 7, 2004 by \$528 and to increase the recovery of future income taxes by \$528 for the period from April 7, 2004 to June 30, 2004.

In addition, other amendments were made to these interim consolidated financial statements as a result of additional information becoming available since the preparation of these statements. In particular, the allocation of the purchase price has been finalized and the following adjustments were made in these interim financial statements. The disclosure of the minimum rental payments has also been amended. The effect of these amendments did not have a material impact to the Company's financial position and results of operations.

- 1) Current assets and current liabilities increased by \$259 and \$582 respectively at April 7, 2004.
- 2) The future tax liability at April 7, 2004 was increased by an additional \$751 to reflect actual amounts included in income tax filings, assessments received, adjustments made and the change to the income tax rate applied. The effect of this future tax adjustment is to increase the recovery of current income taxes and the recovery of future income taxes by \$265 and \$21, respectively for the period April 7, 2004 to June 30, 2004.
- 3) The costs of acquisition of \$417 was added as part of the purchase price.
- 4) The units' issuance costs, net of future income taxes, recorded in units and exchangeable share capital decreased by \$591 to record certain issuance costs as part of the purchase price and the finalization of the costs.

As a result of all the above changes, goodwill recorded on the acquisition was increased by \$2,019 to \$52,593.

Richards Packaging Income Fund

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

June 30, 2004

The following amended management's discussion and analysis (MD&A) of Richards Packaging Income Fund has been prepared as of March 28, 2005 and is an update to the MD&A dated August 9, 2004 previously filed on SEDAR.

This management's discussion and analysis of Richards Packaging Income Fund for the first reporting period of April 7 to June 30, 2004 should be read in conjunction with the attached interim unaudited consolidated financial statements dated June 30, 2004 and the Prospectus of Richards Packaging Income Fund (the "Prospectus") dated March 30, 2004. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a consistent basis with the annual financial statements contained in the Prospectus. The MD&A was amended to reflect the adjustments made to the interim financial statements as described in note 15 in the interim 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 purchased all of the securities of Richards Packaging Inc. (the "Company"). The Units are listed on the Toronto Stock Exchange under the symbol RPI.UN.

Richards Packaging Inc., operating since 1912, is a full-service packaging distributor targeting small- and medium-sized North American businesses. The Company serves a wide customer base that is comprised of over 6,000 regional food, beverage, and cosmetic, specialty chemical, pharmaceutical and other companies. The primary source of revenue is from distribution of over 5,000 different types of packaging containers and related components sourced from either its 3 dedicated manufacturing facilities or more than 600 suppliers. In addition to providing its customers with a wide range of packaging solutions, the Company provides design and development services and comprehensive logistics management through 11 sales offices and 5 agency locations.

Highlights and Selected Financial Information

Highlights of the overall performance of the Fund for the period ended June 30, 2004 include:

- Completion of the initial public offering raising \$85.7 million and the acquisition of Richards Packaging Inc., the largest rigid packaging distributor in Canada and the third largest in North America.
- Increased the EBITDA by \$0.01 per Unit or 2.4% from the same period last year by continuing the Company's marketing focus on higher value added products and services.
- Paid monthly distributions at rate of \$0.0854 per Unit to yield a 10.25% annualized return.
- Increased distributable cash flow by \$0.019 per Unit or 7.4% from one quarter of the annual target outlined in the Prospectus. Given the distributions declared of \$0.233 per Unit during the quarter the implied payout ratio was 85%.
- Executed monthly foreign currency forward rate contracts at Cdn/US\$0.73 through to September 2005 to manage substantially all of the exposure inherent in distributable cash from US operations.
- Increased the \$1.3 million cash on hand from the initial public offering by \$2.4 million available to fund future growth. The remaining \$2.2 million on hand is required for pending liabilities and commitments.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

June 30, 2004

This is the first reporting period of the Fund since its inception, and as such the attached unaudited interim financial statements do not have comparative figures. The MD&A will cover the period from April 7 to June 30, 2004, (generally referred to in this MD&A as "the period ended June 30, 2004") and where possible selective comparative information for the period from April 7 to June 30, 2003 will be provided from the financial records of the Company and the pro forma information outlined in the Prospectus. The following table sets out selected consolidated financial information of the Fund:

Periods from April 7 to June 30, or as at June 30,	2004 ⁽¹⁾	2003 ⁽²⁾
	\$	\$
Income Statement Data:		
Revenue	37,917	39,950
EBITDA ⁽³⁾	3,534	3,451
Basic and diluted per unit	<i>\$0.330</i>	<i>\$0.322</i>
Net income.....	284	
Basic and diluted per unit	<i>\$0.027</i>	
Balance Sheet Data:		
Total assets	162,920	
Long-term debt outstanding.....	24,599	
Cash Flow Statement Data:		
Distributions per unit and dividends per share declared	\$0.233	
Payout ratio ⁽⁴⁾	85%	

(1) These amounts are derived from the attached interim unaudited consolidated financial statements.

(2) These amounts are derived from unaudited historical financial statements of the Company.

(3) EBITDA is defined by management as earnings before amortization, interest, unrealized foreign currency loss and taxes. EBITDA is the same as income before under noted items and income taxes as outlined in the interim unaudited consolidated financial statements. Management believes that in addition to net income, EBITDA is a useful supplemental measure of earnings available for distribution prior to debt service, changes in working capital, capital expenditures and taxes. This earnings measure does not have a standardized meaning prescribed by or recognized by GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net income or as an alternative to cash flow from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may not be comparable to similar measures presented by other issuers.

(4) Payout ratio is defined as distributions declared over maximum allowable distributions under the Company's banking covenants.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

June 30, 2004

Review of Operations

Periods from April 7 to June 30,	2004 ⁽¹⁾	2003 ⁽²⁾
	\$	\$
Revenue	37,917	39,950
Cost of products sold	32,493	34,828
Gross profit.....	5,424	5,122
	<i>14.3%</i>	<i>12.8%</i>
General and administrative expenses.....	1,890	1,671
EBITDA	3,534	3,451
Net income	284	

(1) These amounts are derived from the attached interim unaudited consolidated financial statements.

(2) These amounts are derived from unaudited historical financial statements of the Company.

Comparatives of revenue to EBITDA have been provided but not other expenses as the capital structure of the Fund is significantly different than that of the Company in the prior period, and therefore, they would not provide a meaningful comparison.

Revenue for the period ended June 30, 2004 decreased by \$2.0 million, or 5.1%, from the same period in 2003. Substantially all of this decrease was attributable to the Company's sales mix transition program to a higher concentration of strategic higher margin products (\$1.5 million) and translation of the US operations with the Canadian dollar strengthening by Cdn/US\$0.016 to Cdn/US\$0.733 (\$0.4 million). These factors are expected to continue to influence the financial results over the next two quarters beyond which revenue growth is expected to return to the historic growth rates of 3 to 5% per annum.

Cost of products sold for the period ended June 30, 2004 decreased by \$2.3 million, or 6.7% from the same period in 2003. This decrease resulted in a gross profit percent improvement of 1.5%, which reflected the increase in the Canadian dollar from Cdn/US\$0.717 to Cdn/US\$0.733 as well as a shift in concentration to higher margin products such as Asian glass, pharmaceuticals and specialty plastic packaging. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of immediately passing through to customer's increases or decreases.

General and administrative expenses for the period ended June 30, 2004 increased by \$0.2 million over the same period in 2003 due mainly to public company costs, such as directors' fees, professional fees, insurance, filing fees and additional staff, consistent with management's expectation as described in the Prospectus.

EBITDA for the period ended June 30, 2004 increased by \$0.1 million, or 2.4%, from the same period in 2003. As a percent of sales, EBITDA increased to 9.3% for the period ended June 30, 2004 from 8.6% in the same period in 2003. Changes were a result of the factors referred to above.

Other expenses of the Fund included \$3.3 million of amortization, \$0.4 million of interest and \$0.6 million of foreign currency translation of long-term debt for the period ending June 30, 2004. The only cash item in other expenses was the \$0.4 million of interest paid by the Company.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

June 30, 2004

Amortization is mainly comprised of \$2.7 million for intangibles, which represents a charge of \$1.5 million for backlog customer orders on April 7, 2004 and the ongoing charge of \$1.2 million for customer relationships. The remaining amortization amounts represent deferred financing fees of \$0.2 million that will continue for the 3-year term of the debt facilities and capital asset amortization of \$0.4 million, which is approximately twice the Company's maintenance capital expenditure spending rate.

The term loan outstanding at June 30, 2004 was US\$18.2 million, which gave rise to the unrealized foreign currency translation loss of \$0.6 million. On April 7, the exchange rate was Cdn/US\$0.766, while during the period ending June 30, 2004 it dropped as low as Cdn/US\$0.715 and closed on June 30, 2004 at Cdn/US\$0.746.

The Company has borrowed mainly in US dollars to partially match the US dollar interest obligation with the earnings it receives from US operations. It is management's intention to continue to borrow funds denominated in US dollars for the foreseeable future. This translation loss is more than offset by the \$0.8 million currency translation gain, on the net investment in the Company's US operations, credited directly to unitholders' equity. Current income taxes are negligible as they reflect the tax deductions inherent in distributions to unitholders. The Fund and its subsidiaries have \$11.7 million of initial public offering and financing fees available to shield future income taxes, of which \$0.2 million was realized in the period ended June 30, 2004.

Net income for the period ending June 30, 2004 of \$284 represents \$0.027 per Unit on a basic and diluted basis. Before the intangible charge described above the Fund would have realized a net income of \$1.8 million or \$0.168 per Unit on a basic and diluted basis for the period ended June 30, 2004. A total of 10,256,327 Units and 455,185 Richards Packaging Holdings Inc. ("Holdings") shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the period.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

Distributable Cash Flow

Management believes that the pro forma distributable cash flow for the year ended December 31, 2003, as presented in the Prospectus, provides the most appropriate source of comparative information. Adopting a conservative approach, 25% of the annual number was used for comparison purposes.

Periods from April 7 to June 30,	2004 ⁽¹⁾ \$	2003 ⁽²⁾ \$
Cash provided by operating activities.....	800	
Changes in non-cash elements of working capital.....	2,602	
Changes in other non-cash items, net.....	<u>132</u>	
EBITDA	3,534	
Interest expense.....	(401)	
Cash income taxes.....	(32)	
Maintenance capital expenditures.....	(143)	
Loan principal payments.....	<u>(7)</u>	
Distributable cash flow ⁽³⁾	2,951	2,745
Per Unit on a basic and diluted basis.....	\$0.276	\$0.256
Distributions and dividends declared	2,500	
Per Unit on a basic and diluted basis.....	\$0.233	
Payout ratio ⁽⁴⁾	85%	
Number of units and shares outstanding on a diluted basis	10,711	

- (1) These amounts are derived from the attached interim unaudited consolidated financial statements and supporting schedules.
- (2) These amounts are derived from 25% of the pro forma target outlined in the Prospectus.
- (3) Distributable cash flow is defined by management, in accordance with the Company's credit agreement, as EBITDA less interest, income taxes paid, maintenance capital expenditures and loan repayments. Management believes that in addition to cash flow from operating, investing and financing activities, distributable cash flow is a useful measure of the cash available for distribution to unitholders and shareholders. This cash flow measure does not have a standardized meaning prescribed by or recognized by GAAP. 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. The Fund's method of calculating distributable cash flow may not be comparable to similar measures presented by other issuers.
- (4) Payout ratio is defined as distributions declared over maximum allowable distributions under the Company's banking covenant.

The distributable cash definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed primarily by a \$5 million revolving facility available to the Fund. Likewise capital expenditures for expansion of the business are excluded as they are intended to generate future growth in distributable cash and are expected to be financed primarily by a \$7.0 million term facility.

Distributable cash for the period ended June 30, 2004 exceeded one quarter of the annual target outlined in the Prospectus by \$0.2 million, or by 7.5%. This increase was primarily attributed to growth in EBITDA described earlier in this report. Maintenance capital expenditures were slightly below target, however management continues to believe that the annual target of \$0.75 million is appropriate.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

The distribution for April was prorated for a short month with full distributions beginning for the month of May at \$0.0854 per unit, which represents an annual yield of 10.25% on a \$10 price per unit. We believe that a long-term payout ratio of 90% is appropriate and provides a reasonable cushion to enhance the stability and predictability of future distributions. Based upon the period ended June 30, 2004, 85% of the distribution will represent interest on the subordinated note held by the Fund and 4% will be treated as a return of capital to the unitholders. Investors are cautioned however, that this ratio will only be finally determined based on results for the year ending December 31, 2004.

Liquidity and Financing

Initial public offering, use of proceeds

The net proceeds of the initial public offering of the Fund were \$75.9 million, after deducting \$10.2 million in associated fees. These proceeds were mainly expended to acquire all the shares of the Company for \$68.8 million in cash, together with 1,686 in Units and 455 common shares of Holdings. The surplus cash of \$6.7 million was deployed to discharge \$3.1 million of existing liabilities, to pre-fund the discharge of \$2.4 million in pending liabilities and commitments and to provide \$1.3 million in working capital for organic growth. Larger liabilities and commitments pending include \$0.8 million to complete a new management information system for the Canadian operations, \$0.5 million to discharge amounts due to certain officers and \$1.0 million to cover the cheques outstanding on April 7, 2004.

Cash flows from operating activities

Cash flow from operating activities for the period ended June 30, 2004 was \$0.8 million as the additional working capital deployed was provided from the proceeds of the initial public offering as described above. 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 for the period ended June 30, 2004 were \$1.6 million with an additional \$0.9 million declared for June, which was paid on July 15.

Capital expenditures

Capital expenditures for the period ended June 30, 2004 were \$0.3 million, half of which was for maintenance capital and half of which was applied as progress payments on the new management information system under development for the Canadian operations. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. No expansion capital was required for new machinery in the period ended June 30, 2004.

Financing activities and instruments

The Company's credit facilities include a US\$18.2 million term loan with repayment at the end of 3 years, up to \$5.0 million in revolving debt to fund working capital expansion and up to \$7.0 million for expansion capital and/or acquisition financing. During the period ended June 30, 2004 certain bank indebtedness was repaid and a partial repayment of the loans due to officers was made totaling \$0.7 million. Combined with the cash on hand, management believes that adequate financing is available for the foreseeable future.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

June 30, 2004

Approximately one third of distributable cash flow is provided by the Company's US operations. In order to hedge the inherent foreign currency exchange risk management has put in place a US\$0.1 million monthly standard rate agreement through September 2005 fixed at Cdn\$/US\$0.73 to augment the hedge created by the interest on the US dollar debt described above. Combined, this position hedged substantially all of the distributable cash flow from the Company's US operations in the period ended June 30, 2004.

Outlook

Management believes that the performance of the Company is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly distributions to unitholders at the current level for the remainder of the year.

Risks and Uncertainties

An investment in Units involves risks inherent in the ordinary course of business of the Company including: the sustainability of customer and supplier relationships, the financial stability of customers, competition from other distributors and manufacturers, resin price volatility and exchange rate and interest rate fluctuations. For a more detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the Prospectus.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements other than derivative financial instruments, which are fully discussed above.

Transactions with Related Parties

The Company leases three of its facilities from various former owners of the Company who are currently officers and unitholders. These same officers provided a loan associated with the original sale of the Company, which will be repaid shortly as outlined above. The Company utilizes all of the production capability of Vision Plastics Inc., which is half owned by the Plant manager and half by the Company. All related party transactions are at rates that would be charged by arms length parties.

Critical Accounting Estimates

The Fund has recognized an intangible asset of \$46.5 million as at June 30, 2004 pertaining to the future customer relationships that are not under long-term contract but their buying pattern in the past indicates a long-term relationship. The basis of valuation assumed that the margin percent would remain constant and the duration of the retention rate would be 90% per year. This non-cash asset and the associated future income tax recovery of \$16.7 million will be amortized to income over 10 years. It should be noted although that these items affect the net income recorded by the Fund, they do not impact distributable cash flow available for payments to unitholders.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in thousands of dollars, except where million is indicated and except for unit and per unit amounts)

June 30, 2004

Forward-Looking Statements

This MD&A contains certain forward looking statements (the "Statements") regarding future growth potential, results of operations, performance and business prospects and opportunities of the Fund and the Company. These Statements reflect management's current beliefs and are based on information currently available to the management of the Company. A number of factors could cause actual events or results to differ materially from those discussed in the forward-looking statements. Please refer to the Prospectus of the Fund for a full discussion of risks and uncertainties. Although the Statements contained in the MD&A are based upon what management believes to be reasonable assumptions, there can be no assurance that actual future 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.

Additional Information

Additional information relating to the Fund, including the Prospectus, is available on SEDAR at www.sedar.com.

August 9, 2004 amended on March 28, 2005.