Q1 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended March 31, 2007

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

March 31, 2007

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 another solid quarter, with first quarter revenue growth of 0.7% over same period in 2006. The Fund maintained gross profit as a percentage of sales at 16.7% and EBITDA[1] as a percentage of sales at 10.9%, both consistent with the first quarter of 2006. Net income was $2.1 million, up $0.5 million or 4.5¢ per Unit, for the first quarter.

We continued our working capital reduction initiative with a decrease in inventory of $1.3 million during the first quarter which, in the short-term, was offset by a decrease in payables but will translate to cash after the completion of the inventory program later in the year. As outlined in our 2006 annual report, the cash on hand at the beginning of the quarter was equally deployed to discharge the annual bonuses, the public company costs and the 2006 tax installment shortfall.

The Fund paid monthly distributions of 9.35¢ per Unit for January through March, which represents an annualized yield of 11.8% on a $9.50 price per Unit. The payout ratio[3] for the first quarter was 98%. This increase from the 93% run rate reflects higher tax leakage in Richards US, and is expected to be lower for the remainder of 2007 averaging 95%[4] for the year.

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

"Gerry Glynn" May 11, 2007
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 11, 2007

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, 2007, the 2006 Annual Report and the 2006 Annual Information Form dated March 6, 2007 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 2006 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. Sales from these manufacturing facilities represent approximately 20% of the total revenues of Richards Packaging. In addition to providing its customers with a wide range of packaging solutions, Richards Packaging provides design and development services and comprehensive logistics management through 13 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance of the Fund for the first quarter 2007 include:

- Revenue growth of $0.3 million, or 0.7%, with organic growth and foreign exchange translation each contributing,
- EBITDA[1] continued the solid trend at $4.4 million, or 10.9% of sales,
- Reduced inventory levels by $1.3 million, temporarily offset by a reduction in payables,
- Deployed $0.7 million of cash to discharge 2006 annual bonuses and public company fees,
- Decreased distributable cash flow[2] by 2.4¢ per Unit resulting in a 98% payout ratio[3]. This increase from the 93% run rate reflects higher tax leakage in Richards US, and
- Paid monthly distributions of 9.35¢ per Unit to yield an 11.8% annualized return on the March 31, 2007 price per Unit of $9.50.

Richards Packaging Income Fund

(expressed in thousands, except where otherwise indicated)

May 11, 2007

This MD&A covers the three months ended March 31, 2007 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected consolidated financial information of the Fund:

	Qtr. 1 2007	Qtr. 1 2006
	$	$
Income Statement Data:		
Revenue	**40,333**	**40,053**
EBITDA[1]	**4,381**	**4,362**
Diluted per Unit	***40.6¢***	***40.5¢***
Net income	**2,056**	**1,587**
Diluted per Unit	***20.0¢***	***15.5¢***
Balance Sheet Data:		
Total assets	**149,943**	**162,661**
Bank debt outstanding	**34,645**	**37,078**
Cash Flow Statement Data:		
Distributions and dividends	**3,024**	**3,024**
Diluted per Unit	***28.1¢***	***28.1¢***
Payout ratio[3]	***98%***	***91%***

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.

Revenue increased by $0.3 million, or 0.7%, for the first quarter from the same period in 2006 due to organic growth of 0.2% ($0.1 million) and the translation impact of Richards US with the Canadian dollar strengthening by 1.3¢ to U.S./Cdn.$0.853 ($0.2 million). Going forward this impact of exchange translation will likely be negligible at current exchange rates of U.S./Cdn.$0.89[4].

Cost of products sold increased by $0.3 million, or 0.1%, for the first quarter from the same period in 2006, with the business performing at a 16.7% gross profit margin resulting from the successful integration of our acquisitions and continued shift to higher margin products such as Asian glass, pharmaceuticals and specialty plastic packaging. Although the price of resin was not particularly volatile during the first quarter, we have seen some pressure on resin prices subsequent to the first quarter and management will continue to pass resulting increases or decreases through to customers.

Richards Packaging Income Fund

(expressed in thousands, except where otherwise indicated)

May 11, 2007

	Qtr. 1 2007 $	Qtr. 1 2006 $
Revenue	**40,333**	**40,053**
Cost of products sold	33,621	33,366
Gross profit	**6,712**	**6,687**
	16.7%	*16.7%*
Expenses	**2,326**	**2,288**
Long-term incentive plan	**42**	**33**
Foreign exchange loss (gain) from operations	**(37)**	**4**
EBITDA[1]	**4,381**	**4,362**
	10.9%	*10.9%*
Amortization and long-term debt accretion	**1,964**	**2,116**
Interest expense	**796**	**662**
Interest rate swap contracts	**—**	**173**
Unrealized losses (gains) on translation of short- and long-term debt	**(372)**	**36**
Income tax recovery	**(168)**	**(293)**
Non-controlling interests	**105**	**81**
Net Income	**2,056**	**1,587**

General and administrative expenses and long-term incentive plan expenses for the first quarter were consistent with the same period in 2006. The foreign exchange gain from operations resulted from exchange rate changes applied to our US dollar denominated working capital position in the Canadian operations.

EBITDA[1] for the first quarter was consistent with the same period in 2006 at 10.9% as a percent of sales. Changes were a result of the factors referred to above. Significant progress has been made over the last year to optimize the performance and exceed management's long-term target of 10%[4].

Other expenses of the Fund included amortization, interest and unrealized gains and losses on financial instruments which include the unrealized loss on interest rate swap contracts and quarterly movements in the exchange rate on translation of long-term debt. The only cash item in other expenses is interest paid.

Amortization and long-term debt accretion of $2.0 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 long-term debt accretion (previously deferred financing amortization) of $0.1 million and capital asset amortization of $0.5 million per quarter, which is approximately twice Richards Packaging's maintenance capital expenditure spending requirement.

Interest expense is tracking at the quarterly average for 2006 of $0.8 million. However, when compared to the first quarter of 2006, interest expense is higher by $0.1 million mainly due to the expiry of the benefits associated with the interest rate swap.

(expressed in thousands, except where otherwise indicated)

The term loan outstanding at March 31, 2007 totaled U.S.$30 million, which gave rise to an unrealized foreign currency translation gain of $0.4 million in the quarter. 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.

Current income taxes of $0.3 million for the first quarter mainly reflect increased tax leakage in Richards US. At this rate the expected impact for the second quarter is an additional $0.2 million over the same period in 2006 with no impact for the remainder of 2007[4]. Net future tax assets available to shield income taxes are $3.5 million.

Net income for the first quarter was $2.1 million which represented 20.0¢ per Unit on a diluted basis. 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	
	2007	**2006**
	$	$
Cash provided by operating activities	**1,559**	**3,569**
Working capital changes	**1,728**	**(25)**
Non-cash charges	**1,094**	**818**
EBITDA[1]	**4,381**	**4,362**
Interest expense	**796**	**662**
Cash income tax expense	**298**	**156**
Maintenance capital expenditures	**205**	**201**
Loan principal payments	**10**	**10**
Distributable cash flow[2]	**3,072**	**3,333**
Diluted per Unit	***28.5¢***	***30.9¢***
Distributions and dividends	**3,024**	**3,024**
Diluted per Unit	***28.1¢***	***28.1¢***
Payout ratio[3]	***98%***	***91%***
Units outstanding on a diluted basis	**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 (nil drawn; 2006 - $2.2 million). 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; 2006 - U.S.$11.6 million drawn).

Distributable cash flow[2] for the first quarter of 2007 was $0.3 million lower than in the first quarter of 2006. Overall the decrease was attributed to higher interest ($0.1 million) and higher income taxes ($0.2 million) associated with strengthening in the operations of Richards US. The increase in interest expense was attributed to the expiry of the interest rate swap ($0.2 million) in 2006 partially offset by the impact of lower debt outstanding. Maintenance capital expenditures are tracking at management's annual target of $0.8 million[4].

Monthly distributions for the first quarter at 9.35¢ per Unit, represents an annual yield of 11.8% on a $9.50 price per Unit and a payout ratio of 98%. We believe that a long-term payout ratio of approximately 90% is appropriate and provides a reasonable cushion to enhance the stability and predictability of future distributions. Based upon the first quarter, 81% of the distributions will represent interest on the subordinated note held by the Fund and 19% 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 $1.6 million, down $2.0 million over the same period in 2006, primarily due to $1.7 million of working capital comprised of $0.5 million investment made to fund growth for 2007, $0.7 million discharge of 2006 annual bonuses and public company fees and $0.2 paid to true up the 2006 tax installments. 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 $0.3 million similar to the previous two quarters, representing tax leakage on 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, 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. Maintenance capital is expected to be an additional $0.6 million 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.$7.0 million for expansion capital and/or acquisition financing. The revolving debt and acquisition facilities are annual in nature and will be up for renewal on June 4, 2007. Management is confident that these facilities will be renewed with the current lending syndicate. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Approximately 24% 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 foreign currency risk in respect of 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 exposure to interest rate risk through to April 1, 2006 on a notional principal amount equal to the long-term debt. Management continues to monitor interest rates and will execute a swap when it deems appropriate to do so.

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.

EBITDA[1] for the first quarter was $4.4 million, consistent with the same period in 2006. Management has and will continue to focus its attention on achieving operational improvements during 2007 and has re-launched its acquisition strategy.

Interest expense was up $0.1 million in the first quarter and is expected to be consistent with prior year levels for the remainder of the year as both debt levels and interest rates are expected to remain constant.

Cash income tax expense is expected to come in at $1.1 million, $0.3 million higher than the 2006 level of $0.8 as the strengthening in Richards US is expected to continue. Based upon Richards Canada's current tax profile, we expect to have approximately $2 million of loss carry forwards which will fully shield Canadian taxes in 2011. However, in 2011, the new 31.5% tax on distributions, net of return of capital, will take effect if current proposed legislation passes.

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 2007. 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, lack of written customer and supplier agreements, competition from other packaging companies, patent and trademark challenges, inventory obsolescence, trade risks, resin price and exchange rate fluctuations, interest rate volatility, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the Fund please refer to the 2006 Annual Information Form dated March 6, 2007. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2007.

Transactions with Related Parties

Richards Packaging leases two 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, 2007 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 2007, relative to December 31, 2006. 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 2006 Annual Report.

Change in Accounting Policies

Effective January 1, 2007 the Fund adopted the Canadian Institute of Chartered Accountants Handbook Section 1530, *Comprehensive Income,* Section 3251, *Equity* and Section 3855, *Financial Instruments – Recognition and Measurement*.

In accordance with Sections 1530 and 3251, the Fund has presented comprehensive income and its components as part of the financial statements on a retroactive basis. Losses from the translation of Richards US during the periods were added to the comprehensive income statement as "other comprehensive loss" and cumulative translation adjustment included in unitholders' equity has been renamed "accumulated other comprehensive loss".

In accordance with Section 3855, the Fund has assessed the nature of all financial assets and liabilities as either held for trading, available for sale, held to maturity, loans and receivables or other liabilities. Given the short–term nature of our financial assets and liabilities and that debt bears interest at variable rates there was no material impact on current or prior periods except for the treatment of deferred financing fees. Deferred financing fees were recorded as a reduction of long-term debt as of January 1, 2007 and will be expensed over the period ending June 5, 2009 as long-term debt accretion utilizing the effective interest method.

Disclosure Controls and Internal Controls over Financial Reporting

The Fund has established and maintains disclosure controls and procedures as well as internal controls over financial reporting. Richards Packaging Inc.'s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as well as the design of internal controls over financial reporting as of March 31, 2007 and have concluded that such controls and procedures are adequate and effective. There have been no changes in the Fund's internal controls over financial reporting during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Additional Information

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

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1 *Management defines EBITDA as earnings before amortization, long-term debt accretion, 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 contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as "may", "will", "should", "anticipate", "plan", "expect", "believe", "predict", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in*

customer and supplier relationships and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described herein under "Risks and Uncertainties" and in other reports and filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.

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, 2007 and December 31, 2006

	2007 $	2006 $
ASSETS		
Current		
Cash and cash equivalents	**129**	**1,858**
Accounts receivable	**21,444**	**21,127**
Inventory	**22,990**	**24,175**
Prepaid expenses	**998**	**971**
Income taxes recoverable	**44**	**54**
Future income tax assets	**483**	**487**
Total current assets	**46,088**	**48,672**
Capital assets, net	**4,624**	**4,903**
Deferred financing fees, net *[note 3]*	**—**	**380**
Intangible assets, net	**41,698**	**43,087**
Future income taxes assets	**448**	**473**
Goodwill	**57,085**	**57,276**
	149,943	**154,791**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**425**	**—**
Accounts payable and accrued liabilities	**16,820**	**19,288**
Income taxes payable	**213**	**435**
Distributions and dividends payable	**1,008**	**1,008**
Short-term debt and current portion of long-term debt *[note 4]*	**40**	**40**
Total current liabilities	**18,506**	**20,771**
Long-term debt *[notes 3 and 4]*	**34,264**	**34,987**
Future income tax liabilities	**11,739**	**12,341**
Total liabilities	**64,509**	**68,099**
Non-controlling interests *[note 5]*	**4,231**	**4,291**
UNITHOLDERS' EQUITY		
Units	**95,772**	**95,772**
Deficit	**(10,664)**	**(9,843)**
Accumulated other comprehensive loss *[note 3]*	**(3,905)**	**(3,528)**
Total comprehensive deficit	**(14,569)**	**(13,371)**
Total unitholders' equity	**81,203**	**82,401**
	149,943	**154,791**

See accompanying notes

"Wayne McLeod"	*"Gerry Glynn"*	*"Enzio Di Gennaro"*
Chair – Audit Committee	CEO – Richards Packaging Inc.	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

	2007 $	2006 $
Revenue	**40,333**	**40,053**
Cost of products sold	**33,621**	**33,366**
	6,712	**6,687**
General and administrative expenses	**2,326**	**2,288**
Foreign currency loss (gain) from operations	**(37)**	**4**
Long-term incentive plan	**42**	**33**
Income before under noted items, income taxes and non-controlling interests	**4,381**	**4,362**
Amortization		
Capital assets	**488**	**526**
Intangible assets	**1,437**	**1,429**
Deferred financing fees *[note 3]*	**—**	**161**
Long-term debt accretion *[note 3]*	**39**	**—**
Interest expense	**796**	**662**
Unrealized losses (gains) on financial instruments		
Interest rate swap contracts	**—**	**173**
Foreign currency on translation of short- and long-term debt	**(372)**	**36**
Income before income taxes and non-controlling interests	**1,993**	**1,375**
Provision for (recovery of) income taxes *[note 6]*		
Current	**298**	**156**
Future	**(466)**	**(449)**
	(168)	**(293)**
Income before non-controlling interests	**2,161**	**1,668**
Non-controlling interests *[note 5]*	**105**	**81**
Net income for the period	**2,056**	**1,587**
Deficit, beginning of period	**(9,843)**	**(6,845)**
Distributions declared to unitholders	**(2,877)**	**(2,877)**
Deficit, end of period	**(10,664)**	**(8,135)**
Basic and diluted income per Unit	**$0.200**	**$0.155**
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 COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS *[note 3]*

Unaudited

[expressed in thousands of dollars]

For the three months ended March 31

	2007 $	**2006** $
Net income for the period	**2,056**	**1,587**
Other comprehensive income (loss)		
Change in unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operation	**(377)**	**7**
Comprehensive income for the period	**1,679**	**1,594**
Other comprehensive income (loss)	**(377)**	**7**
Accumulated other comprehensive loss, beginning of period	**(3,528)**	**(3,589)**
Accumulated other comprehensive loss, end of period	**(3,905)**	**(3,582)**

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

	2007 $	2006 $
OPERATING ACTIVITIES		
Net income for the period	**2,056**	**1,587**
Add (deduct) items not involving cash		
Amortization	**1,925**	**2,116**
Long-term debt accretion	**39**	**—**
Future income taxes	**(466)**	**(449)**
Non-controlling interests	**105**	**81**
Unrealized losses on financial instruments	**—**	**173**
Unrealized foreign currency (gain) loss on long-term debt	**(372)**	**36**
	3,287	**3,544**
Net change in non-cash operating elements of working capital *[note 7]*	**(1,728)**	**25**
Cash provided by operating activities	**1,559**	**3,569**
INVESTING ACTIVITIES		
Additions to capital assets	**(215)**	**(201)**
Expenditures on patents and trademarks	**(48)**	**(134)**
Cash used in investing activities	**(263)**	**(335)**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**425**	**(477)**
Repayment of current portion of long-term debt	**(10)**	**(10)**
Dividends paid to exchangeable shareholders	**(147)**	**(147)**
Distributions paid to unitholders	**(2,877)**	**(2,877)**
Cash used in financing activities	**(2,609)**	**(3,511)**
Foreign exchange loss	**(416)**	**(2)**
Net decrease in cash and cash equivalents	**(1,729)**	**(279)**
Cash and cash equivalents, beginning of period	**1,858**	**479**
Cash and cash equivalents, end of period	**129**	**200**

See accompanying notes

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.

The Fund completed an initial public offering of trust units of the Fund [the "Units"] on April 7, 2004 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. On 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 2006 audited annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with the 2006 audited annual consolidated financial statements except as disclosed in note 3.

3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2007 the Fund adopted the Canadian Institute of Chartered Accountants Handbook Section 1530, *Comprehensive Income,* Section 3251, *Equity* and Section 3855, *Financial Instruments – Recognition and Measurement.*

In accordance with Sections 1530 and 3251, the Fund has presented comprehensive income and its components as part of the financial statements on a retroactive basis. Gains and losses from the translation of Richards US, our self sustaining foreign operation, are now presented in our statement of comprehensive income as other comprehensive income (loss). Accumulated other comprehensive income (loss) is presented as a separate component of unitholders' equity. Previously, these gains and losses were included in unitholders' equity as cumulative translation adjustment.

In accordance with Section 3855, all financial assets and financial liabilities are classified as either: held for trading, available for sale, held to maturity, loans and receivables or other liabilities. Financial assets classified as held for trading or available for sale are measured at fair value. Held to maturity, loans and receivables and other liabilities are measured initially at fair value then at amortized cost over the term. Any initial difference between fair value and maturity value is amortized using the effective interest method.

Given the short-term nature of our financial assets and liabilities and that debt bears interest at variable rates there was no material impact on current or prior periods except for deferred financing fees. Deferred financing fees of $380 were deducted from long-term debt as of January 1, 2007 and will be expensed over the period ending June 5, 2009 as long-term debt accretion. Previously, these deferred financing fees were deferred and amortized using the straight line method.

[expressed in thousands of dollars]

4. SHORT- AND LONG-TERM DEBT

Richards Packaging Inc. has a revolving credit facility of $5,000 and an acquisition credit facility of U.S.$7,000 of which nil was drawn as at March 31, 2007. Long-term debt reflects decreases of $372 for foreign currency translation gain and $341 for unamortized debt issue costs.

5. NON-CONTROLLING INTERESTS

As at March 31, 2007, 524,685 exchangeable shares remain outstanding [2006 – 524,685]. The change in carrying value of the non-controlling interests represents $105 of net income [2006 – $81] and $18 of unrealized loss from the translation of Richards US [2006 – loss of $1], offset by $147 of dividends [2006 – $147].

6. INCOME TAXES

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

	2007 $	**2006** $
Income before income taxes and non-controlling interests	**1,993**	**1,375**
Distributions to unitholders, not subject to income taxes in the Fund	**(2,410)**	**(2,384)**
Loss subject to income taxes	**(417)**	**(1,009)**
Statutory tax rate	***36.1%***	***36.1%***
Income taxes at statutory tax rate	**(151)**	**(364)**
Recovery of future income taxes	**466**	**449**
Current period adjustments	**(17)**	**71**
Provision for current income taxes	**298**	**156**

[expressed in thousands of dollars]

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2007 $	2006 $
Accounts receivable	**(257)**	**(131)**
Inventory	**1,284**	**1,411**
Prepaid expenses	**(25)**	**(281)**
Accounts payable and accrued liabilities	**(2,516)**	**(662)**
Income taxes recoverable/payable	**(214)**	**(312)**
	(1,728)	**25**

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

	2007 $	2006 $
Interest paid	**788**	**670**
Income taxes paid	**501**	**468**