Q2 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended June 30, 2007

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

June 30, 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 second quarter revenue growth of 0.4% over the same period in 2006. Gross profit as a percentage of sales and EBITDA[1] as a percentage of sales continued to run at strong levels of 16.7% and 10.9% respectively. Net income was $3.9 million, up $0.3 million, or 2.9¢ per Unit, for the second quarter.

On the working capital front, the $1.8 million increase in accounts payable in the quarter was utilized to fund our increased investment in additional molds for our Asian glass program and the $1.4 million increase in inventory, which is temporary in nature and will be deployed as higher sales in the third quarter.

The Fund paid monthly distributions of 9.35¢ per Unit for January through June, which represents an annualized yield of 11.8% on a $9.50 price per Unit. The payout ratio for the second quarter was 97% and for the first half of 2007 was 98%. The increase from the 2006 first half payout ratio of 92% reflects higher tax leakage in Richards US, which should largely reverse during the second half of 2007. As a result, the payout ratio is expected to decrease for the remainder of 2007[4].

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" August 9, 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]

August 9, 2007

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, 2007, the first quarter report dated May 11, 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 second quarter 2007 include:

- Revenue growth of $0.2 million with organic growth of $0.4 million offsetting the $0.2 million drop against Q2 2006 due to the impact of the Canadian dollar strengthening to an average rate of U.S./Cdn. $0.91,
- EBITDA[1] continued the solid trend at 10.9% as a percentage of sales,
- Refinanced with the existing lending syndicate to extend the revolving and acquisition credit facilities for an additional year,
- Decreased distributable cash flow[2] by 1.2¢ per Unit resulting in a 97% payout ratio[3]. This increase from the 2006 first half payout ratio of 92% reflects higher tax leakage in Richards US, and
- Paid monthly distributions of 9.35¢ per Unit to yield an 11.8% annualized return on a price per Unit of $9.50.

Richards Packaging Income Fund

[expressed in thousands, except where otherwise indicated]

August 9, 2007

This MD&A covers the three and six months ended June 30, 2007 (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	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Income Statement Data:				
Revenue	**39,830**	**39,662**	**80,163**	**79,715**
EBITDA[1]	**4,347**	**4,408**	**8,728**	**8,770**
Diluted per Unit	***40.3¢***	***40.9¢***	***81.0¢***	***81.3¢***
Net income	**3,905**	**3,606**	**5,961**	**5,193**
Diluted per Unit	***38.1¢***	***35.2¢***	***58.1¢***	***50.6¢***
Balance Sheet Data:				
Total assets	**147,127**	**157,266**		
Bank debt outstanding	**31,950**	**34,739**		
Cash Flow Statement Data:				
Distributions and dividends	**3,024**	**3,024**	**6,048**	**6,048**
Diluted per Unit	***28.0¢***	***28.0¢***	***56.1¢***	***56.1¢***
Payout ratio[3]	***97%***	***93%***	***98%***	***92%***

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 for the second quarter increased by $0.2 million, or 0.4% from the same period in 2006. The increase for the second quarter was attributable to organic growth of $0.4 million, mainly out of Richards US offset by the translation of Richards US revenue due to the Canadian dollar strengthening by 2.1¢ to U.S./Cdn.$0.913 ($0.2 million). Revenue for the first half increased by $0.4 million, or 0.6%, from the same period in 2006 entirely due to organic growth as the translation impact on Richards US revenue of the Canadian dollar weakening in the first quarter was offset by its strengthening in the second quarter.

Exchange translation effects have been minimal in 2007 but are expected to be more pronounced if current exchange rates of U.S./Cdn.$0.94 prevail for the remainder of the year when compared to U.S./Cdn.$0.88 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.

[expressed in thousands, except where otherwise indicated]

	Qtr. 2		Six months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Revenue	**39,830**	**39,662**	**80,163**	**79,715**
Cost of products sold	**33,192**	**33,023**	**66,813**	**66,389**
Gross profit	**6,638**	**6,639**	**13,350**	**13,326**
	16.7%	*16.7%*	*16.7%*	*16.7%*
Expenses	**2,266**	**2,236**	**4,592**	**4,524**
Long-term incentive plan	**42**	**33**	**84**	**66**
Foreign exchange gain from operations	**(17)**	**(38)**	**(54)**	**(34)**
EBITDA[1]	**4,347**	**4,408**	**8,728**	**8,770**
	10.9%	*11.1%*	*10.9%*	*11.0%*
Amortization and long-term debt accretion	**1,946**	**2,123**	**3,910**	**4,239**
Interest expense	**770**	**839**	**1,566**	**1,501**
Unrealized gain on financial instruments	**(2,685)**	**(1,502)**	**(3,057)**	**(1,293)**
Income tax expense (recovery)	**211**	**(843)**	**43**	**(1,136)**
Non-controlling interests	**200**	**185**	**305**	**266**
Net Income	**3,905**	**3,606**	**5,961**	**5,193**

Cost of products sold for the second quarter was higher by $0.2 million, or 0.5%, from the same period in 2006 on higher revenue. Gross profit margins continued at 16.7% for the second quarter consistent with the same period in 2006. Cost of products sold for the first half increased by $0.4 million or 0.6% from the same period in 2006 also on higher revenue. 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 consistent with the same periods in 2006. The foreign exchange gain from operations continues to be minimal and resulted from exchange rate changes applied to our US dollar denominated working capital position in the Canadian operations.

EBITDA[1] for the second quarter decreased by $0.1 million, or 1.4%, and was consistent with the first half from the same periods in 2006, respectively. As a percent of sales, EBITDA was 10.9% for the second quarter and 10.9% for the first half compared to 11.1% and 11.0% for the same periods in 2006, respectively. Changes were a result of the factors referred to above. Significant progress continues to be made to optimize the performance and exceed management's long-term target of 10%[4].

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

Amortization of $1.9 million for the second quarter and $3.9 million for the first half was mainly comprised of $1.4 million and $2.9 million respectively for intangibles, which represents a charge for customer relationships, patents and trademarks. The remaining amortization amounts consisted of long-term debt accretion of $0.1 million for the first half (previously deferred financing amortization) and capital asset amortization of $0.5 million per quarter, which is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

[expressed in thousands, except where otherwise indicated]

Interest expense for the second quarter decreased by $0.1 million from the same period in 2006 due to lower average outstanding borrowings. For the first half, interest expense increased by $0.1 million from the same period in 2006 due to the expiry, in April 2006, of the benefits associated with the interest rate swap.

The term loan outstanding at June 30, 2007 total U.S.$30.0 million, which gave rise to an unrealized foreign currency translation gain of $2.7 million in the second 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 $0.2 million for the second quarter and $0.5 million for the first half mainly reflect the tax on Richards US and are expected to be $0.4 million for the remainder of the year[4]. Net future tax assets available to shield income taxes are $2.9 million.

Net income for the second quarter was $3.9 million and $6.0 million for the first half, which represented 38.1¢ and 58.1¢ per Unit on a diluted basis, respectively. A total of 10,256,327 Units and 524,685 Holdings shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the period.

Distributable Cash Flow[2]

	Qtr. 2		Six months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Cash provided by operating activities	**3,173**	**5,814**	**4,732**	**9,383**
Change in working capital items	**196**	**(2,367)**	**1,924**	**(2,392)**
Non-cash charges	**978**	**961**	**2,072**	**1,779**
EBITDA[1]	**4,347**	**4,408**	**8,728**	**8,770**
Interest expense	**770**	**839**	**1,566**	**1,501**
Cash income tax expense	**208**	**122**	**506**	**278**
Maintenance capital expenditures	**239**	**195**	**444**	**396**
Loan principal payments	**10**	**10**	**20**	**20**
Distributable cash flow[2]	**3,120**	**3,242**	**6,192**	**6,575**
Diluted per Unit	***28.9¢***	***30.1¢***	***57.4¢***	***61.0¢***
Distributions and dividends	**3,024**	**3,024**	**6,048**	**6,048**
Diluted per Unit	***28.0¢***	***28.0¢***	***56.1¢***	***56.1¢***
Payout ratio[3]	***97%***	***93%***	***98%***	***92%***
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 (nil drawn; 2006 - $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; 2006 – nil drawn).

Distributable cash flow[2] of $3.1 million for the second quarter and $6.2 million for the first half decreased by $0.1 million and $0.4 million, respectively compared to the same periods in 2006. Overall, the second quarter decrease was attributable to higher income taxes and slightly lower EBITDA[1] while the decrease for the first half was attributable to higher income taxes and interest expense. Maintenance capital expenditures, although tracking slightly above management's annual target of $0.8 million[4] are expected to subside in the last half of the year.

Monthly distributions for the second 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 97%. 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 half of 2007, 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 second quarter was $3.2 million, down $2.6 million due to the absence of $2.4 million working capital recovery experienced in the second quarter of 2006. For the first half, cash flow from operating activities was $4.7 million, down $4.7 million primarily due to working capital in 2007 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 $0.9 million paid on account of tax installments in addition to the absence of the 2006 working capital recovery. 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 13th.

Cash income taxes

The cash income tax expense for the second quarter was $0.2 million and $0.5 million for the first half of 2007, representing tax leakage on Richards US. The loss carry forwards in Richards Packaging ensure that income tax leakage will be limited to Richards US until the new tax imposed upon publicly traded income trusts takes effect in 2011[4].

Capital expenditures

Capital expenditures for the second quarter were $0.3 million, primarily incurred on account of maintenance capital. For the first half of 2007, capital expenditures were $0.5 million, $0.4 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]. Maintenance capital is expected to be an additional $0.4 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. During the second quarter, the revolving and acquisition credits were extended to June 3, 2008. 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 30% 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 foreign currency risk in respect of distributable cash flow from Richards US for the second quarter and the first half.

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 second quarter was $4.3 million and $8.7 million for the first half, consistent with the same periods in 2006. Management has and will continue to focus its attention on achieving operational improvement during 2007 and has re-launched its acquisition strategy.

Interest expense is expected to remain 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 $0.9 million, $0.1 million higher than 2006 as the strengthening in Richards US is expected to continue for the remainder of the year. Based upon Richards Canada's current tax profile, we expect to have approximately $2 million of loss carry forwards annually which will partially shield Canadian taxes beginning in 2011. However in 2011, the new 31.5% tax on distributions, net of return of capital, will take effect.

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 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 half of 2007 except for the enactment of new legislation imposing additional income taxes upon publicly traded trusts.

On June 22, 2007, the Federal Minister of Finance substantively enacted the proposed legislation imposing income taxes upon publicly traded income trusts on the basis outlined in the annual report. As a result, the Fund recorded a $66 future income tax benefit for the quarter ended June 30, 2007 associated with the reduction in future income tax rates.

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 June 30, 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 half 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 June 30, 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 and six months ended June 30, 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 on 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 June 30, 2007 and December 31, 2006

	2007 $	2006 $
ASSETS		
Current		
Cash and cash equivalents	**294**	**1,858**
Accounts receivable	**20,591**	**21,127**
Inventory	**23,464**	**24,175**
Prepaid expenses	**1,535**	**971**
Income taxes recoverable	**103**	**54**
Future income taxes	**453**	**487**
Total current assets	**46,440**	**48,672**
Capital assets, net	**4,388**	**4,903**
Deferred financing fees, net *[note 3]*	**—**	**380**
Intangible assets, net	**40,311**	**43,087**
Future income taxes	**275**	**473**
Goodwill	**55,713**	**57,276**
	147,127	**154,791**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**1,108**	**—**
Accounts payable and accrued liabilities	**18,101**	**19,288**
Income taxes payable	**21**	**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	**20,278**	**20,771**
Long-term debt *[notes 3 and 4]*	**31,613**	**34,987**
Future income taxes	**11,584**	**12,341**
Total liabilities	**63,475**	**68,099**
Non-controlling interests *[note 5]*	**4,144**	**4,291**
Unitholders' equity		
Units	**95,772**	**95,772**
Deficit	**(9,636)**	**(9,843)**
Accumulated other comprehensive loss *[note 3]*	**(6,628)**	**(3,528)**
Total comprehensive deficit	**(16,264)**	**(13,371)**
Total unitholders' equity	**79,508**	**82,401**
	147,127	**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 and six months ended June 30

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Revenue	**39,830**	**39,662**	**80,163**	**79,715**
Cost of products sold	**33,192**	**33,023**	**66,813**	**66,389**
	6,638	**6,639**	**13,350**	**13,326**
General and administrative expenses	**2,266**	**2,236**	**4,592**	**4,524**
Foreign currency gain from operations	**(17)**	**(38)**	**(54)**	**(34)**
Long-term incentive plan	**42**	**33**	**84**	**66**
Income before under noted items, income taxes and non-controlling interests	**4,347**	**4,408**	**8,728**	**8,770**
Amortization				
Capital assets	**468**	**551**	**956**	**1,077**
Intangible assets	**1,439**	**1,432**	**2,876**	**2,861**
Deferred financing fees *[note 3]*	**—**	**140**	**—**	**301**
Long-term debt accretion *[note 3]*	**39**	**—**	**78**	**—**
Interest expense	**770**	**839**	**1,566**	**1,501**
Unrealized losses (gains) on financial instruments				
Interest rate swap contracts	**—**	**49**	**—**	**222**
Foreign currency on translation of short- and long-term debt	**(2,685)**	**(1,551)**	**(3,057)**	**(1,515)**
Income before income taxes and non-controlling interests	**4,316**	**2,948**	**6,309**	**4,323**
Provision for (recovery of) income taxes *[note 6]*				
Current	**208**	**122**	**506**	**278**
Future	**3**	**(965)**	**(463)**	**(1,414)**
	211	**(843)**	**43**	**(1,136)**
Income before non-controlling interests	**4,105**	**3,791**	**6,266**	**5,459**
Non-controlling interests *[note 5]*	**200**	**185**	**305**	**266**
Net income for the period	**3,905**	**3,606**	**5,961**	**5,193**
Deficit, beginning of period	**(10,664)**	**(8,135)**	**(9,843)**	**(6,845)**
Distributions declared to unitholders	**(2,877)**	**(2,877)**	**(5,754)**	**(5,754)**
Deficit, end of period	**(9,636)**	**(7,406)**	**(9,636)**	**(7,406)**
Basic and diluted income per Unit	**$0.381**	**$0.352**	**$0.581**	**$0.506**
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 COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS *[note 3]*

Unaudited

[expressed in thousands of dollars]

For the three and six months ended June 30

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Net income for the period	**3,905**	**3,606**	**5,961**	**5,193**
Other comprehensive loss				
Change in unrealized foreign currency loss on translation of self-sustaining foreign operation	**(2,723)**	**(1,390)**	**(3,100)**	**(1,383)**
Comprehensive income for the period	**1,182**	**2,216**	**2,861**	**3,810**
Other comprehensive loss	**(2,723)**	**(1,390)**	**(3,100)**	**(1,383)**
Accumulated other comprehensive loss, beginning of period	**(3,905)**	**(3,582)**	**(3,528)**	**(3,589)**
Accumulated other comprehensive loss, end of period	**(6,628)**	**(4,972)**	**(6,628)**	**(4,972)**

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	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
OPERATING ACTIVITIES				
Net income for the period	**3,905**	3,606	**5,961**	5,193
Add (deduct) items not involving cash				
Amortization	**1,907**	2,123	**3,832**	4,239
Long-term debt accretion	**39**	—	**78**	—
Future income taxes	**3**	(965)	**(463)**	(1,414)
Non-controlling interests	**200**	185	**305**	266
Unrealized losses on financial instruments	**—**	49	**—**	222
Unrealized foreign currency gain on long-term debt	**(2,685)**	(1,551)	**(3,057)**	(1,515)
	3,369	3,447	**6,656**	6,991
Net change in non-cash operating elements of working capital *[note 7]*	**(196)**	2,367	**(1,924)**	2,392
Cash provided by operating activities	**3,173**	5,814	**4,732**	9,383
INVESTING ACTIVITIES				
Additions to capital assets	**(292)**	(195)	**(507)**	(396)
Expenditures on patents and trademarks	**(52)**	(68)	**(100)**	(202)
Cash used in investing activities	**(344)**	(263)	**(607)**	(598)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	**683**	(652)	**1,108**	(1,129)
Proceeds from long-term debt, net	**—**	139	**—**	139
Repayment of short- and current portion of long-term debt	**(10)**	(1,010)	**(20)**	(1,020)
Dividends paid to exchangeable shareholders	**(147)**	(147)	**(294)**	(294)
Distributions paid to unitholders	**(2,877)**	(2,877)	**(5,754)**	(5,754)
Cash used in financing activities	**(2,351)**	(4,547)	**(4,960)**	(8,058)
Foreign exchange loss	**(313)**	(1,009)	**(729)**	(1,011)
Net increase (decrease) in cash and cash equivalents	**165**	(5)	**(1,564)**	(284)
Cash and cash equivalents, beginning of period	**129**	200	**1,858**	479
Cash and cash equivalents, end of period	**294**	195	**294**	195

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 their term. Any initial difference between fair value and maturity value is amortized using the effective interest method.

[expressed in thousands of dollars]

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.

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 June 30, 2007. Long-term debt reflects decreases of $3,057 for foreign currency translation gain and $297 for unamortized debt issue costs.

5. NON-CONTROLLING INTERESTS

As at June 30, 2007, 524,685 exchangeable shares remain outstanding [2006 – 524,685]. The change in carrying value of the non-controlling interests for the six months ended June 30, 2007 represents $305 of net income [2006 – $266] and $158 of unrealized loss from the translation of Richards US [2006 – loss of $71], offset by $294 of dividends [2006 – $294].

6. 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**	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Income before income taxes and non-controlling interests	**4,316**	**2,948**	**6,309**	**4,323**
Distributions to unitholders, not subject to tax in the Fund	**(2,432)**	**(2,418)**	**(4,842)**	**(4,802)**
Income (loss) subject to income taxes	**1,884**	**530**	**1,467**	**(479)**
Statutory tax rate	***36.1%***	***36.1%***	***36.1%***	***36.1%***
Income taxes at statutory tax rate	**681**	**191**	**530**	**(173)**
Recovery of future income taxes	**(3)**	**965**	**463**	**1,414**
Current period adjustments	**(470)**	**(1,034)**	**(487)**	**(963)**
Provision for current income taxes	**208**	**122**	**506**	**278**

On June 22, 2007, the Federal Minister of Finance substantively enacted the proposed legislation imposing income taxes upon publicly traded income trusts on the basis outlined in the annual report.

[expressed in thousands of dollars]

As a result the Fund recorded a $66 future income tax benefit for the quarter ended June 30, 2007 associated with the reduction in future income tax rates.

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Accounts receivable	**181**	**2,620**	**(76)**	**2,489**
Inventory	**(1,423)**	**611**	**(139)**	**2,022**
Prepaid expenses	**(595)**	**(437)**	**(620)**	**(718)**
Accounts payable and accrued liabilities	**1,848**	**(507)**	**(668)**	**(1,169)**
Income taxes recoverable/payable	**(207)**	**80**	**(421)**	**(232)**
	(196)	**2,367**	**(1,924)**	**2,392**

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

	Three months		Six months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Interest paid	**789**	**1,024**	**1,577**	**1,694**
Income taxes paid (recovered)	**375**	**34**	**876**	**502**