Q3 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended September 30, 2007

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

September 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 gross margin and EBITDA[1] as a percentage of sales continuing to run at strong levels of 17.1% and 10.7% respectively. Revenue for the third quarter was down $0.9 million over the prior year due mainly to the translation of Richards US revenue due to the Canadian dollar strengthening by 6.4¢ to U.S./Cdn.$0.956. Growth in Richards US of approximately 10% has been offset by a reduction in our larger Canadian customers' exports due to the strengthening Canadian dollar. Net income was up $1.4 million, or 13.5¢ per Unit, for the third quarter due to currency translation gains on financial instruments.

Significant achievements included the acquisition of The E.J. McKernan Co. ("McKernan") and the setting of a fixed interest rate hedge on the long-term debt which should reduce our effective rate by 0.7% starting in the fourth quarter[4]. On October 31st, the Fund indirectly acquired all the outstanding shares of The E.J. McKernan Co., a successful direct mail, catalogue and telemarketing organization and the largest provider of surplus packaging in the United States, for U.S.$30 million. The purchase price was financed by a draw of U.S.$18 million on the acquisition credit facility with the remainder funded through the issuance of exchangeable shares. In order to facilitate the transaction, the CEO and the President of Richards Packaging Inc. have each subscribed for $1 million of the exchangeable shares. The impact of this transaction on distributable cash[2] for 2008 is expected to be positive by approximately $1 million[4]. We are excited by McKernan's prospects and welcome their employees to the Richards' family.

The Fund paid monthly distributions of 9.35¢ per Unit for January through September, which represents an annualized yield of 12.2% on a $9.20 price per Unit. The payout ratio for the third quarter was 95% after adjusting for the non-recurring expenditures of $0.2 million in fees to address the higher tax leakage in Richards US.

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" October 31, 2007
Chief Executive Officer, Richards Packaging Inc.
And Trustee, Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

October 31, 2007

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the third quarter should be read in conjunction with the attached interim unaudited consolidated financial statements dated September 30, 2007, the first and second quarter reports dated May 11, 2007 and August 9, 2007, respectively, 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 third quarter 2007 include:

- Revenue of $38.1 million with the $0.9 million drop against 2006 due primarily to the impact of the Canadian dollar strengthening to an average rate of U.S./Cdn. $0.956.
- EBITDA[1] continues at a healthy pace of 10.7% of revenue.
- Completed the acquisition of The E.J. McKernan Co. on October 31, 2007, at a purchase price of U.S.$30.0 million.
- Set a fixed interest rate hedge to June 2009 reducing the effective interest rate by 0.7%.
- Paid monthly distributions of 9.35¢ per Unit to yield a 12.2% annualized return on the September 30, 2007 closing price per Unit of $9.20.
- Decreased distributable cash flow[2] by 1.1¢ per Unit resulting in a 95% payout ratio[3].

This MD&A covers the three and nine months ended September 30, 2007 (generally referred to in this MD&A as the "third quarter" and the "nine months", respectively). The following table sets out selected consolidated financial information of the Fund:

[expressed in thousands, except where otherwise indicated]

	Qtr. 3		Nine months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Income Statement Data:				
Revenue	**38,064**	**38,966**	**118,227**	**118,681**
EBITDA[1]	**4,085**	**4,637**	**12,813**	**13,407**
Diluted per Unit	***37.9¢***	***43.0¢***	***$1.188***	***$1.244***
Net income	**3,313**	**1,930**	**9,274**	**7,123**
Diluted per Unit	***32.3¢***	***18.8¢***	***90.4¢***	***69.4¢***
Balance Sheet Data:				
Total assets	**143,476**	**154,475**		
Bank debt outstanding	**31,127**	**33,538**		
Cash Flow Statement Data:				
Distributions and dividends	**3,024**	**3,024**	**9,072**	**9,072**
Diluted per Unit	***28.0¢***	***28.0¢***	***84.1¢***	***84.1¢***
Payout ratio[3]	***95%***	***92%***	***97%***	***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 third quarter decreased by $0.9 million, or 2.3%, from the same period in 2006. This decrease was attributable to the translation of Richards US revenue due to the Canadian dollar strengthening by 6.4¢ to U.S./Cdn.$0.956 ($0.8 million) in addition to a decrease of $0.1 million due customer churn outpacing new business in the quarter. Growth in Richards US of approximately 10% was offset by a reduction in our larger Canadian customers' exports due to the strengthening Canadian dollar. Revenue for the nine months decreased by $0.5 million, or 0.4%, from the same period in 2006. This decrease was due to the translation of Richards US revenue with the Canadian dollar strengthening by 2.4¢ ($0.8 million) to U.S./Cdn.$0.907 offset by organic growth of $0.3 million or 0.3%, driven primarily out of Richards US.

[expressed in thousands, except where otherwise indicated]

	Qtr. 3		Nine months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Revenue	**38,064**	**38,966**	**118,227**	**118,681**
Cost of products sold	**31,566**	**32,066**	**98,379**	**98,455**
Gross profit	**6,498**	**6,900**	**19,848**	**20,226**
	17.1%	*17.7%*	*16.8%*	*17.0%*
Expenses	**2,463**	**2,230**	**7,055**	**6,754**
Long-term incentive plan	**24**	**32**	**108**	**98**
Foreign exchange loss (gain) from operations	**(74)**	**1**	**(128)**	**(33)**
EBITDA[1]	**4,085**	**4,637**	**12,813**	**13,407**
	10.7%	*11.9%*	*10.8%*	*11.3%*
Amortization and long-term debt accretion	**1,947**	**2,116**	**5,857**	**6,355**
Interest expense	**745**	**796**	**2,311**	**2,297**
Unrealized losses (gains) on financial instruments	**(2,013)**	**9**	**(5,070)**	**(1,284)**
Income tax recovery	**(77)**	**(312)**	**(34)**	**(1,448)**
Non-controlling interests	**170**	**98**	**475**	**364**
Net Income	**3,313**	**1,930**	**9,274**	**7,123**

Exchange translation will continue to put pressure on the revenue line at the prevailing U.S./Cdn. exchange rates with as much as a 15¢ impact expected if the rate averages U.S./Cdn.$1.025 for the remainder of the year. Exchange rates at that level will impact fourth quarter revenues by approximately $2 million[4]. Higher U.S./Cdn. exchange rates continue to put pressure on the revenue line but have minimal impact on distributable cash flow due to the US denominated interest expense acting as a natural hedge for cash flow from Richards US.

Cost of products sold for the third quarter was lower by $0.5 million, or 1.6%, from the same period in 2006. Gross profit margins were just above 17% in the quarter, up 0.4% over the first half of 2007, but a 0.6% drop over the same period in the prior year, as incremental margin in specialty plastic packaging was unusually high in the same period in 2006 and did not repeat in 2007. Cost of products sold for the nine months was $0.1 million lower or, 0.1% from the same period in 2006. The volatility in the price of resins continues to 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 increased by $0.2 million for the third quarter and $0.3 million for the nine months in comparison with the same periods in 2006. The increases were due to one time costs incurred associated with an internal financial reorganization. The foreign exchange gain from operations results from exchange rate changes applied to our US denominated working capital position within our Canadian operations.

EBITDA[1] for the third quarter decreased by $0.6 million, or 11.9%, and by $0.6 million, or 4.4%, for the nine months from the same periods in 2006, respectively. As a percent of sales, EBITDA was 10.7% for the third quarter and 10.8% for the nine months compared to 11.9% and 11.3% for the same periods in 2006, respectively. Changes were a result of the factors referred to above, namely the absence of the incremental margin from specialty packaging and the one time costs associated with an internal reorganization. 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 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 third 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) and capital asset amortization of $0.5 million per quarter, which is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

Interest expense for the third quarter decreased by $0.1 million from the same period in 2006 due to favourable translation rates on the underlying US denominated debt along with the benefit of the interest rate swap entered into during the quarter. For the nine months, interest expense was consistent from the same period in 2006 as the benefits associated with the favourable exchange rates and the interest rate swap in the third quarter of 2007 matched those associated with the 2006 interest rate swap that expired at the end of the first quarter of 2006.

The term loan outstanding as at September 30, 2007 was U.S.$30.0 million, which gave rise to the unrealized foreign currency translation gain of $2.0 million in the third quarter. Richards Packaging borrows 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.

Income tax recovery for the nine months decreased in 2007 when compared to the same period in 2006 as the recoveries in 2006 reflects the impact of changes in enacted tax rates ($0.9 million) in Canada on future tax assets and liabilities. Current income taxes were nominal in the third quarter and $0.5 million for the nine months mainly reflecting the tax on Richards US and are expected to $0.3 million for the remainder of the year[4]. Net future tax assets available to shield income taxes are $2.4 million.

Net income for the third quarter was $3.3 million and $9.3 million for the nine months, which represented $0.323 and $0.904 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]

The distributable cash flow[2] definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by a $5.0 million revolving facility available to Richards Packaging ($1.2 million drawn; 2006 - nil 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).

[expressed in thousands, except where otherwise indicated]

	Qtr. 3		Nine months	
	2007	2006	2007	2006
	$	$	$	$
Cash provided by operating activities	1,980	5,390	6,712	14,773
Change in working capital items	1,347	(1,805)	3,271	(4,197)
Interest expense and current income taxes	758	1,052	2,830	2,831
	4,085	4,637	12,813	13,407
Reorganization fees	(149)	—	(149)	—
Interest expense	745	796	2,311	2,297
Cash income tax expense (recovered)	13	256	519	534
Maintenance capital expenditures	291	291	735	687
Loan principal payments	10	10	30	30
Distributable cash flow[2]	**3,175**	**3,284**	**9,367**	**9,859**
Diluted per Unit	*29.4¢*	*30.5¢*	*86.9¢*	*91.4¢*
Distributions and dividends	**3,024**	**3,024**	**9,072**	**9,072**
Diluted per Unit	*28.0¢*	*28.0¢*	*84.1¢*	*84.1¢*
Payout ratio[3]	*95%*	*92%*	*97%*	*92%*
Number of Units outstanding on a diluted basis	**10,781**	**10,781**	**10,781**	**10,781**

Distributable cash flow[2] of $3.2 million for the third quarter and $9.4 million for the nine months decreased by $0.1 million and by $0.5 million, respectively from the same periods in 2006. Overall, the third quarter and nine months decreases was attributable to lower EBITDA[1] partially offset by lower cash income taxes associated with Richards US. Reorganization fees are added back as they relate to one time costs incurred associated with an internal financial reorganization. Maintenance capital expenditures of $0.3 million, comprised primarily of moulds, are tracking slightly ahead of management's annual target of $0.8 million[4].

Monthly distributions for the third quarter at 9.35¢ per Unit, represents an annual yield of 12.2% on a $9.20 price per Unit and a payout ratio of 95%. We believe that a long-term payout ratio target of 90% continues to be appropriate and provides a reasonable cushion to enhance the stability and predictability of future distributions. Based upon the nine months 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 third quarter was $2.0 million, down $3.4 million primarily due to working capital in the quarter comprised of the $1.4 million investment to fund growth from our Asian program along with the absence of $1.8 million working capital recovery experienced in the third quarter of 2006 which was driven by receivables. For the nine months, cash flow from operating activities was $6.7 million, down $8.0 million primarily due to working capital in 2007 comprised of $1.7 to fund growth, $0.7 million to discharge 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 of $4.2 million which was driven by receivables. 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 third quarter were $3.0 million with an additional $1.0 million declared for September, which was paid on October 15th.

Cash income taxes

Cash income tax expense for the third quarter was nominal and $0.5 million for the nine months of 2007, representing current income tax for Richards US. The loss carry forwards in Richards Packaging ensure that income tax leakage will be limited to Richards US until the new tax imposed upon publicly traded income trusts takes effect in 2011[4].

Capital expenditures

Capital expenditures for the third quarter were $0.4 million, mainly on account of maintenance capital. For the nine months of 2007, capital expenditures were $0.9 million, mainly 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 $0.2 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. Subsequent to the end of the third quarter, the revolving and acquisition credit facilities were increased to $7.0 million and U.S.$18.0 million, respectively in order to facilitate the acquisition of The E.J. McKernan Co. Management believes that with this refinancing and combined with cash flow from operations, adequate funds are available to Richards Packaging for the foreseeable future[4].

Approximately 33% of distributable cash flow for the nine months was provided by Richards US. This represents a 10% increase over the same period in 2006 as significant growth experienced in Richards US has been offset by a reduction in our larger Canadian customers' exports due to the strengthening Canadian dollar. As a consequence, the interest on the U.S. dollar debt negates approximately 65% of the inherent foreign currency exchange risk (2006 – 90%). Management will explore hedging strategies to address this increase in exposure.

Richards Packaging is exposed to interest rate risk due to variable interest rates on the revolving credit facility, acquisition facility and term loans. At the end of the third quarter, Richards Packaging entered into interest rate swap contracts through to June 5, 2009 on a notional principal amount equal to the long-term debt outstanding.

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 third quarter was $4.1 million and $12.8 million for the nine months continues to track at healthy levels above 10% of revenue. Management has and will continue to focus its attention on achieving operational improvement during 2007 and has executed on its acquisition strategy with the acquisition of The E.J. McKernan Co.

Interest expense is expected to increase for the remainder of the year with the additional funds borrowed to finance the acquisition. Although the recorded interest expense continues to fall by $0.1 million due to foreign exchange translation rates, that benefit to distributable cash flow[2] will be offset by the lower EBITDA[1] after translation from Richards US.

Cash income tax expense is expected to come in at $0.8 million, comparable to the level seen in 2006. Based upon Richards Canada's current tax profile, we expect to have approximately $2 million for 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 $0.7 million for the nine months was funded by cash flow from operations and is expected to be $0.9 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.

On October 31, 2007, the Fund indirectly acquired all the outstanding shares of The E.J. McKernan Co., a successful direct mail, catalogue and telemarketing organization and the largest provider of surplus packaging in the United States, for an aggregate purchase price, subject to adjustment, of U.S.$30 million. The U.S.$20 million cash portion of the purchase price was financed by a draw of U.S.$18 million on Richards Packaging's acquisition credit facility and by a $2 million private placement of exchangeable shares, exchangeable into 216,216 Units of the Fund. These shares were subscribed for equally by the CEO and President of Richards Packaging Inc. at a price of $9.25 per share. The balance of the purchase price for McKernan was funded through the issuance of shares exchangeable into 1,052,632 Units of the Fund to Mr. McKernan, who is continuing in his role as President of the organization. The impact of this transaction on distributable cash[2] for 2008 is expected to be approximately $1 million[4].

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

On June 12, 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 nine months of 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.

Subsequent to quarter end, the CEO and the President of Richards Packaging Inc. have each subscribed for $1.0 million of the exchangeable shares in order to facilitate the acquisition of The E.J. McKernan Co.

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 September 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 nine months 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 September 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 nine months ended September 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, interest, long-term debt accretion, 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 September 30, 2007 and December 31, 2006

	2007 $	2006 $
ASSETS		
Current		
Cash and cash equivalents	**367**	**1,858**
Accounts receivable	**19,935**	**21,127**
Inventory	**23,220**	**24,175**
Prepaid expenses	**1,449**	**971**
Income taxes recoverable	**192**	**54**
Future income taxes	**421**	**487**
Total current assets	**45,584**	**48,672**
Capital assets, net	**4,225**	**4,903**
Deferred financing fees, net *[note 3]*	**—**	**380**
Intangible assets, net	**38,890**	**43,087**
Future income taxes	**93**	**473**
Goodwill	**54,684**	**57,276**
	143,476	**154,791**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**1,559**	**—**
Accounts payable and accrued liabilities	**16,561**	**19,288**
Income taxes payable	**—**	**435**
Distributions and dividends payable	**1,008**	**1,008**
Short-term debt and current portion of long-term debt *[note 4]*	**1,237**	**40**
Total current liabilities	**20,365**	**20,771**
Long-term debt *[notes 3 and 4]*	**29,635**	**34,987**
Future income taxes *[note 6]*	**11,307**	**12,341**
Total liabilities	**61,307**	**68,099**
Non-controlling interests *[note 5]*	**4,072**	**4,291**
Unitholders' equity		
Units	**95,772**	**95,772**
Deficit	**(9,200)**	**(9,843)**
Accumulated other comprehensive loss *[note 3]*	**(8,475)**	**(3,528)**
Total comprehensive deficit	**(17,675)**	**(13,371)**
Total unitholders' equity	**78,097**	**82,401**
	143,476	**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 nine months ended September 30

	Three months		Nine months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Revenue	**38,064**	**38,966**	**118,227**	**118,681**
Cost of products sold	**31,566**	**32,066**	**98,379**	**98,455**
	6,498	**6,900**	**19,848**	**20,226**
General and administrative expenses	**2,463**	**2,230**	**7,055**	**6,754**
Foreign currency loss (gain) from operations	**(74)**	**1**	**(128)**	**(33)**
Long-term incentive plan	**24**	**32**	**108**	**98**
Income before under noted items, income taxes and non-controlling interests	**4,085**	**4,637**	**12,813**	**13,407**
Amortization				
Capital assets	**469**	**576**	**1,425**	**1,653**
Intangible assets	**1,439**	**1,435**	**4,315**	**4,296**
Deferred financing fees *[note 3]*	**—**	**105**	**—**	**406**
Long-term debt accretion *[note 3]*	**39**	**—**	**117**	**—**
Interest expense	**745**	**796**	**2,311**	**2,297**
Unrealized losses (gains) on financial instruments				
Interest rate swap contracts	**—**	**—**	**—**	**222**
Foreign currency on translation of short- and long-term debt	**(2,013)**	**9**	**(5,070)**	**(1,506)**
Income before income taxes and non-controlling interests	**3,406**	**1,716**	**9,715**	**6,039**
Provision for (recovery of) income taxes *[note 6]*				
Current	**13**	**256**	**519**	**534**
Future	**(90)**	**(568)**	**(553)**	**(1,982)**
	(77)	**(312)**	**(34)**	**(1,448)**
Income before non-controlling interests	**3,483**	**2,028**	**9,749**	**7,487**
Non-controlling interests *[note 5]*	**170**	**98**	**475**	**364**
Net income for the period	**3,313**	**1,930**	**9,274**	**7,123**
Deficit, beginning of period	**(9,636)**	**(7,406)**	**(9,843)**	**(6,845)**
Distributions declared to unitholders	**(2,877)**	**(2,877)**	**(8,631)**	**(8,631)**
Deficit, end of period	**(9,200)**	**(8,353)**	**(9,200)**	**(8,353)**
Basic and diluted income per Unit	**$0.323**	**$0.188**	**$0.904**	**$0.694**
Weighted average number of Units outstanding				
Basic	**10,256,327**	**10,256,327**	**10,256,327**	**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 nine months ended September 30

	Three months		Nine months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Net income for the period	**3,313**	**1,930**	**9,274**	**7,123**
Other comprehensive income (loss)				
Change in unrealized foreign currency loss on translation of self-sustaining foreign operation	**(1,853)**	**1**	**(4,953)**	**(1,382)**
Change in fair value of interest rate swap	**6**	**—**	**6**	**—**
Comprehensive income for the period	**1,466**	**1,931**	**4,327**	**5,741**
Other comprehensive income (loss)	**(1,847)**	**1**	**(4,947)**	**(1,382)**
Accumulated other comprehensive loss, beginning of period	**(6,628)**	**(4,972)**	**(3,528)**	**(3,589)**
Accumulated other comprehensive loss, end of period	**(8,475)**	**(4,971)**	**(8,475)**	**(4,971)**

See accompanying notes

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

[expressed in thousands of dollars]

For the three and nine months ended September 30

	Three months		Nine months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
OPERATING ACTIVITIES				
Net income for the period	**3,313**	**1,930**	**9,274**	**7,123**
Add (deduct) items not involving cash				
Amortization	**1,908**	**2,116**	**5,740**	**6,355**
Long-term debt accretion	**39**	**—**	**117**	**—**
Future income taxes	**(90)**	**(568)**	**(553)**	**(1,982)**
Non-controlling interests	**170**	**98**	**475**	**364**
Unrealized losses on financial instruments	**—**	**—**	**—**	**222**
Unrealized foreign currency loss (gain) on short- and long-term debt	**(2,013)**	**9**	**(5,070)**	**(1,506)**
	3,327	**3,585**	**9,983**	**10,576**
Net change in non-cash operating elements of working capital *[note 7]*	**(1,347)**	**1,805**	**(3,271)**	**4,197**
Cash provided by operating activities	**1,980**	**5,390**	**6,712**	**14,773**
INVESTING ACTIVITIES				
Additions to capital assets	**(357)**	**(291)**	**(864)**	**(687)**
Expenditures on patents and trademarks	**(18)**	**(71)**	**(118)**	**(273)**
Cash used in investing activities	**(375)**	**(362)**	**(982)**	**(960)**
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	**451**	**(183)**	**1,559**	**(1,312)**
Proceeds from short and long-term debt, net	**1,200**	**—**	**1,200**	**139**
Repayment of short- and current portion of long-term debt	**(10)**	**(1,214)**	**(30)**	**(2,234)**
Dividends paid to exchangeable shareholders	**(147)**	**(147)**	**(441)**	**(441)**
Distributions paid to unitholders	**(2,877)**	**(2,877)**	**(8,631)**	**(8,631)**
Cash used in financing activities	**(1,383)**	**(4,421)**	**(6,343)**	**(12,479)**
Foreign exchange gain (loss)	**(149)**	**3**	**(878)**	**(1,008)**
Net increase (decrease) in cash and cash equivalents	**73**	**610**	**(1,491)**	**326**
Cash and cash equivalents, beginning of period	**294**	**195**	**1,858**	**479**
Cash and cash equivalents, end of period	**367**	**805**	**367**	**805**

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

[expressed in thousands of dollars]

September 30, 2007

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.

4. SHORT- AND LONG-TERM DEBT

Richards Packaging Inc. has a revolving credit facility of $5,000 of which $1,200 was drawn and an acquisition credit facility of U.S.$7,000 of which nil was drawn. Subsequent to September 30, 2007, the revolving and acquisition credit facilities were increased to $7,000 and U.S.$18,000, respectively in order to facilitate an acquisition *[note 8]*. Long-term debt reflects decreases of $5,070 for foreign currency translation gain and $255 for unamortized debt issue costs.

On September 10, 2007, Richards Packaging Inc. entered into an interest rate swap agreement that converted the variable interest rate on the term debt outstanding of U.S.$30,000 to a fixed rate of 4.6% in order to reduce the exposure of the variable cash flow interest payments. In accordance with Section 3865, *Hedges,* the Fund has elected to designate this interest rate swap contract as a cash flow hedge for accounting purposes and accordingly, will recognize the changes in the fair value of this derivative in comprehensive income. As a result, comprehensive income has increased by $6 in the three months ended September 30, 2007.

5. NON-CONTROLLING INTERESTS

As at September 30, 2007, 524,685 exchangeable shares remain outstanding [2006 – 524,685]. The change in carrying value of the non-controlling interests for the nine months ended September 30, 2007 represents $475 of net income [2006 – $364] offset by $441 of dividends [2006 – $441] and $253 of unrealized loss from translation of Richards US [2006 – loss of $72].

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

[expressed in thousands of dollars]

September 30, 2007

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 2007 $	Three months 2006 $	Nine months 2007 $	Nine months 2006 $
Income before income taxes and non-controlling interests	**3,406**	1,716	**9,715**	6,039
Distributions to unitholders, not subject to tax in the Fund	**(2,453)**	(2,449)	**(7,295)**	(7,251)
Income (loss) subject to income taxes	**953**	(733)	**2,420**	(1,212)
Statutory tax rate	***36.1%***	*36.1%*	***36.1%***	*36.1%*
Income taxes at statutory tax rate	**344**	(265)	**874**	(438)
Recovery of future income taxes	**90**	568	**553**	1,982
Current period adjustments	**(421)**	(47)	**(908)**	(1,010)
Provision for current income taxes	**13**	256	**519**	534

On June 12, 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 nine months ended September 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 2007 $	Three months 2006 $	Nine months 2007 $	Nine months 2006 $
Accounts receivable	**270**	1,574	**194**	4,063
Inventory	**(348)**	(76)	**(487)**	1,946
Prepaid expenses	**47**	43	**(573)**	(675)
Accounts payable and accrued liabilities	**(1,194)**	(92)	**(1,862)**	(1,261)
Income taxes	**(122)**	356	**(543)**	124
	(1,347)	1,805	**(3,271)**	4,197

[expressed in thousands of dollars]

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

	Three months		Nine months	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Interest paid	**774**	**825**	**2,351**	**2,338**
Income taxes paid (recovered)	**11**	**(96)**	**887**	**(423)**

8. SUBSEQUENT EVENT

On October 31, 2007, the Fund indirectly acquired all the outstanding shares of The E.J. McKernan Co. ("McKernan"), a successful direct mail, catalogue and telemarketing organization and the largest provider of surplus packaging in the United States, for an aggregate purchase price, subject to adjustment, of U.S.$30,000. The U.S.$20,000 cash portion of the purchase price was financed by a draw of U.S.$18,000 on Richards Packaging Inc's acquisition credit facility and by a $2,000 private placement of exchangeable shares, exchangeable into 216,216 Units of the Fund. These shares were subscribed for equally by the CEO and President of Richards Packaging Inc. at a price of $9.25 per share. The balance of the purchase price of McKernan was funded through the issuance of shares exchangeable into 1,052,632 Units of the Fund to Mr. McKernan, who is continuing in his role as President of the organization.