Q1 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended March 31, 2008

Report Contents

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

March 31, 2008

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.

We are delighted to report the first full quarter that highlights the McKernan acquisition impact on the performance of Richards Packaging. Revenue increased 10% to $44.5 million, EBITDA[1] increased 25% to 5.5 million and distributable cash[2] increased 22% to $3.8 million from the same period in 2007. This quarterly performance represents a good benchmark to evaluate our quarterly performance for the remainder of 2008. Gross profit increased 1.3% from the same period in 2007 reflecting our continuing shift to higher margin products and various cost reduction initiatives. EBITDA as a percent of sales was 12% for the first quarter and represents our new long-term target. Net income was $0.3 million, or 3.4¢, down $1.7 million from the same period in 2007 which mainly reflects a non-cash expense of $1.9 million for the foreign currency translation of our U.S. dollar denominated debt.

Richards Packaging borrowed $3.0 million during the first quarter to invest in working capital. We have mainly deployed these funds to increase our levels of Asian glass ahead of port disruptions associated with the Beijing Olympic games. Over the next six months we expect this investment in inventory to be realized as higher sales[4]. As outlined in our 2007 annual report, the cash on hand at the beginning of the quarter was equally deployed to discharge the annual bonuses and the 2007 tax installment shortfall.

The Fund paid monthly distributions of 9.35¢ per Unit for January through March, which represents an annualized yield of 13.1% on the March 31st closing price of $8.57 per Unit. The payout ratio[3] for the first quarter was 90% down from 96% in 2007. During the first quarter, 28,900 Units were purchased at an average price of $8.88 per Unit representing two-thirds of the available distributable cash after distributions.

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 5, 2008
Chief Executive Officer
Richards Packaging Inc.

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated)

May 5, 2008

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, 2008, the 2007 Annual Report and the 2007 Annual Information Form dated March 4, 2008 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 2007 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 ownership is currently at 85% due to the issuance of shares exchangeable into Units in order to facilitate the financing of two acquisitions. 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 9,000 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 19% 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 15 sales offices and one agency location.

Highlights and Selected Financial Information

Highlights of the overall performance of the Fund for the first quarter 2008 include:

- Revenue growth of $4.2 million, or 10.4% from the same period in 2007,
- EBITDA[1] growth of $1.1 million, or 24.6% from the same period in 2007, representing 12.3% of sales,
- Increased working capital for offshore purchasing of Asian glass ahead of port disruptions associated with the Beijing Olympics and to reflect the tight North American glass market,
- Obtained commitments from the existing lending syndicate to add the acquisition borrowing to the term credit facility and extend the maturity until June 2011,
- Benefited from a 1.63% lower interest rate, but will give back 0.75% in the second quarter,
- Increased distributable cash flow[2] by 2.7¢ per Unit resulting in a 90% payout ratio[3], down from 96% for the 2007 year,
- Purchased 28,900 Units (@$8.88/Unit) – two-thirds of available distributable cash, and
- Paid monthly distributions of 9.35¢ per Unit to yield a 13.1% annualized return on the March 31st closing price of $8.57.

Richards Packaging Income Fund

(expressed in thousands, except where otherwise indicated)

May 5, 2008

This MD&A covers the three months ended March 31, 2008 (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	
	2008	**2007**
	$	$
Income Statement Data:		
Revenue	**44,541**	**40,333**
EBITDA[1]	**5,458**	**4,381**
Diluted per Unit	***45.4¢***	***40.6¢***
Net income	**348**	**2,056**
Diluted per Unit	***3.4¢***	***20.0¢***
Balance Sheet Data:		
Total assets	**184,104**	**149,943**
Bank debt	**53,556**	**34,645**
Cash Flow Statement Data:		
Distributions and dividends	**3,370**	**3,024**
Diluted per Unit	***28.1¢***	***28.1¢***
Payout ratio[3]	***90%***	***98%***

The distribution policy is set by the Trustees after giving careful consideration to the projected cash flows of the Fund, the long-term sustainability of the distribution level and the balance of risks and future prospects of the investments 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. The impact of the depreciating U.S. dollar continues to be reflected in our results with growth of 8.5% in our US operations while our Canadian operations contracted 3.5% during the first quarter.

Review of Operations

Richards Packaging's operations were approximately 60% (2007 – 70%) in Canada and 40% (2007 – 30%) in the United States ("Richards US"). Approximately one-half of Richards Packaging's sales are concentrated in Toronto, Montreal and Vancouver and one-third in Los Angeles, Seattle, Reno and Portland.

Revenue increased by $4.2 million, or 10.4%, for the first quarter from the same period in 2007 due to organic growth and revenue from McKernan of 14.9% ($6.0 million) offset by the translation impact of Richards US with the Canadian dollar strengthening by 14.2¢ to U.S./Cdn.$0.996 ($1.8 million). Going forward this impact of exchange translation will likely subside to $1.0 million, $0.5 million and nil for the remaining three quarters of 2008 at current exchange rates of U.S./Cdn.$1.00[4].

(expressed in thousands, except where otherwise indicated)

	Qtr. 1 2008 $	Qtr. 1 2007 $
Revenue	**44,541**	**40,333**
Cost of products sold	36,530	33,621
Gross profit	**8,011**	**6,712**
	18.0%	*16.7%*
Expenses	**2,488**	**2,326**
Foreign exchange loss (gain) from operations	**44**	**(37)**
Long-term incentive plan	**21**	**42**
EBITDA[1]	**5,458**	**4,381**
	12.3%	*10.9%*
Amortization and debt accretion	**2,159**	**1,964**
Interest expense	**1,020**	**796**
Unrealized losses (gains) on financial instruments	**2,476**	**(372)**
Income tax recovery	**(606)**	**(168)**
Non-controlling interests	**61**	**105**
Net Income	**348**	**2,056**

Cost of products sold increased by $2.9 million, or 8.7%, for the first quarter from the same period in 2007, with the business performing at an 18.0% gross profit margin, up 1.3% from the same period in 2007. This strength comes primarily off of the successful integration of our acquisitions, the continued shift to higher margin products such as Asian glass, and cost reductions achieved through warehousing and staffing initiatives. The volatility in the price of resins did not have a material impact on margins as a result of management's practice of immediately passing through increases and decreases to customers.

General and administrative expenses for the first quarter increased $0.2 million over the same period in 2007 due to additional expenses associated with the McKernan acquisition which were partially offset by expenditure reductions in the Canadian operations.

The foreign exchange loss from operations resulted from an exchange rate depreciation of 3.9¢ to U.S./Cdn.$0.973 applied to our US dollar denominated working capital position in the Canadian operations. This loss will likely reverse as the Canadian dollar approaches par[4].

EBITDA[1] for the first quarter increased by $1.1 million to 12.3% as a percent of sales, up 1.4% from the same period in 2007. 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 12%[4].

Amortization and long-term debt accretion of $2.2 million for the first quarter was mainly comprised of $1.6 million for intangibles, which represents a charge for customer relationships and patents. The remaining amortization amounts consisted of long-term debt accretion (previously deferred financing amortization) of $0.2 million and capital asset amortization of $0.4 million per quarter, which annualized, is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

(expressed in thousands, except where otherwise indicated)

Interest expense was $0.2 million higher for the first quarter due to the $19.0 million additional borrowing mainly for the McKernan acquisition, offset by the 1.6% interest rate decrease, due to the U.S. Federal Reserve rate reductions of 3.0%, from the same period in 2007. Unfortunately we set our hedge ahead of 2.5% of the interest rate drop on U.S.$30.0 million leaving U.S.$22.0 million floating. Given the current banking environment we accepted a 0.75% margining increase, or $0.1 million per quarter, to roll the U.S.$18.0 million acquisition and the U.S.$4.0 million revolving borrowings into our term debt and to extend it two more years to June 2011.

Unrealized losses/(gains) on financial instruments are comprised of foreign currency translation of debt and mark-to-market adjustments of our fixed interest rate swap. The acquisition and term loan outstanding at March 31, 2008 totaled U.S.$48 million, which gave rise to an unrealized foreign currency translation loss of $1.9 million in the quarter. Richards Packaging has borrowed mainly in U.S. dollars to match the U.S. dollar interest obligations with the net cash it receives from its subsidiaries in the US. It is management's intention to continue to borrow funds denominated in U.S. dollars for the foreseeable future[4].

Current income taxes of $0.5 million for the first quarter mainly reflect tax leakage for Richards Packaging's subsidiaries in the United States. The increase over the same period in 2007 is due primarily to the McKernan acquisition. Net future tax assets available to shield income taxes are $3.2 million.

Net income for the first quarter was $0.3 million which represented 3.4¢ per Unit on a diluted basis. A weighted-average total of 10,221,182 Units and 1,793,533 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding throughout the first quarter.

Distributable Cash Flow[2]

	Qtr. 1	
	2008	**2007**
	$	$
Cash provided by operating activities	**1,655**	**1,559**
Working capital changes	**2,241**	**1,728**
Non-cash charges	**1,562**	**1,094**
	5,458	**4,381**
Interest expense	**1,020**	**796**
Cash income tax expense	**542**	**298**
Maintenance capital expenditures	**136**	**205**
Loan principal payments	**10**	**10**
Distributable cash flow[2]	**3,750**	**3,072**
Diluted per Unit	***31.2¢***	***28.5¢***
Distributions and dividends	**3,370**	**3,024**
Diluted per Unit	***28.1¢***	***28.1¢***
Payout ratio[3]	***90%***	***98%***
Purchase of Units	**257**	**—**
Units outstanding on a diluted basis	**12,015**	**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 $7.0 million revolving facility available to Richards Packaging ($4.2 million drawn; 2007 - nil). 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.$18.0 million acquisition facility (U.S.$18 million drawn; 2007 - nil). Subsequent to quarter end, management obtained commitments from our Lending syndicate to convert the amounts drawn on the acquisition and revolving credits to the term facility and extend out the term credit maturity to June 2011. The new acquisition credit facility has been set at U.S.$10.0 million.

Distributable cash flow[2] for the first quarter of 2007 was $0.7 million higher than in the first quarter of 2007. Overall the increase was attributed to increased EBITDA[1] offset by higher interest and current income taxes associated with strengthening in the performance of Richards Packaging's subsidiaries in the United States. Maintenance capital expenditures were down by $0.1 million during the first quarter but for the 2008 year should track at management's target of $0.8 million[4].

Monthly distributions for the first quarter at 9.35¢ per Unit, represents an annual yield of 13.1% on an $8.57 price per Unit and a payout ratio of 90%. The Fund's payout ratio of 90% for the first quarter reflects the accretive nature of the McKernan acquisition. Approximately two-thirds of the surplus distributable cash available from the first quarter was deployed in our unit buyback program. 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 $1.7 million, up $0.1 million over the same period in 2007, primarily due to increased EBITDA[1] net of items not involving cash of $0.6 million offset by $0.5 million of working capital from the same period in 2007. During the first quarter working capital increased by $2.2 million comprised of $2.9 million inventory and prepaid investment made to fund growth for 2008, $0.6 million discharge of 2007 annual bonuses and $0.3 paid to cover the 2007 tax obligation.

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 $3.4 million with an additional $1.1 million declared for March, which was paid on April 15th.

Normal Course Issuer Bid

On November 15, 2007, the Fund initiated a normal course issuer bid to purchase up to 307,700 Units prior to November 14, 2008. During the first quarter, 28,900 Units were purchased at an average price of $8.88 per Unit representing 2/3 of the available distributable cash after distributions. Since inception, the Fund has acquired 54,200 Units at an average price of $9.05 per Unit.

Cash income taxes

The cash income tax expense for the first quarter was \$0.5 million, up \$0.2 million, representing current income tax for Richards Packaging subsidiaries in the United States. The loss carry forwards in Richards Packaging ensure that income tax leakage will be limited to Richards Packaging subsidiaries in the United States until the new tax imposed upon publicly traded income trusts takes effect in 2011[4].

Capital expenditures

Capital expenditures for the first quarter were \$0.2 million, incurred mainly on account of maintenance capital (2007 - \$0.2 million). 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 \$0.7 million for the remainder of the year[4]. Expansion capital of \$0.1 million was incurred during the first quarter on new customer programs and their associated business lines.

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 \$7.0 million in revolving debt to fund working capital expansion and up to U.S.\$18.0 million for expansion capital and/or acquisition financing. Subsequent to the quarter end, the U.S.\$30.0 term loan was increased to U.S.\$52.0 million to include U.S.\$18.0 million drawn on the acquisition facility and \$4.0 million drawn on the revolving facility and was extended to June 5, 2011. The available acquisition credit facility was reduced to U.S.\$10.0 million and together with the current revolving credit facility were renewed for an additional year and mature on June 3, 2009. In addition, the revolving, acquisition and term loan facilities will bear interest at LIBOR plus a premium of 2.0% to 2.75% (2007 – 1.4% to 2.0%) or at the prime rate plus a premium of 1.0% to 1.75% (2007 – 0.4% to 1.0%).

Richards Packaging's credit facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios, most notably the leverage ratio. The leverage ratio covenant is to ensure that our debt is less than 2.75 times the trailing twelve month EBITDA[1]. As of March 31, 2008 our proforma leverage ratio was 2.41. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

Approximately half (2007 – one quarter) of distributable cash flow for the first quarter was provided by Richards Packaging subsidiaries in the United States. This increase reflects the 8.5% organic growth experienced in the United States and the McKernan acquisition. As a consequence, the interest on the U.S. denominated debt and dividends on the U.S. denominated exchangeable shares negate approximately two-thirds of the inherent foreign currency exchange risk. 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. During 2007, Richards Packaging entered into interest rate swap contracts with approved creditworthy counterparties to June 5, 2009 on a notional principal amount equal to U.S.$30 million term debt outstanding. The mark-to-market valuation of the swap contracts as at March 31, 2008 gave rise to an unrealized loss of $0.6 million.

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 $5.5 million, up $1.1 million against the same period in 2007. Management will continue to focus its attention on achieving operational improvements during 2008 and integrate the McKernan operation. Management's target continues to be to deliver a compounded annual growth rate in distributable cash flow[2] in excess of 7.5% in order to allow the Fund to maintain distributions for 2011 and beyond at current levels.

Interest expense was up $0.2 million in the first quarter and is expected to be $0.1 million higher per quarter for the remainder of the year as interest rates reflect the 0.75% higher margining provided on refinancing.

Cash income tax expense is expected to come in at $2.2 million due to the significant growth experienced in Richards Packaging's subsidiaries in the United States. Based upon Richards Canada's current tax profile, we expect to have approximately $5 million of loss carry forwards which will partially shield taxes in 2011. However, in 2011, the new 29.5% tax on distributions, net of return of capital, will take effect.

Maintenance capital will continue to be funded by cash flow from operations and is expected to grow in line with sales.

Management intends to continue to deploy a prudent portion of surplus distributable cash flow[2] in our Unit buyback program.

Risks and Uncertainties

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 2007 Annual Information Form dated March 4, 2008. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the first quarter of 2008.

Disclosure of the following risks have been enhanced upon adopting the Canadian Institute of Chartered Accountants Handbook Section 3862, *Financial Instruments - Disclosure* as described in the section below titled "Change in Accounting Policies".

(expressed in thousands, except where otherwise indicated)

Credit Risk

Richards Packaging's financial assets that are exposed to credit risk consist primarily of short-term accounts receivable arising from the sale of goods. Other credit risks include counter party exposure associated with the fixed interest rate swap contracts in the event that the there is non-performance by the counterparty to the contracts. As at March 31, 2008, there is no risk because the mark-to-market value of the interest rate swap contracts represented a financial liability.

Concentration of credit risk with respect to accounts receivable is limited due to the large number of customers and geographical dispersion. As at March 31, 2008, no customer represented 10% or more of accounts receivable. The accounts receivable amount recorded in the balance sheet is net of an allowance of doubtful accounts estimated based on prior experience and the aging of the individual customer account. The allowance for doubtful accounts as of March 31, 2008 is sufficient to cover the amount of impaired accounts over 90 days past due.

Past due accounts are aged as follows:	**2008** $	**2007** $
Not impaired		
0 – 60 days past due	**7,030**	8,475
61 – 90 days past due	**150**	446
Impaired		
Over 90 days past due	**667**	628

Credit quality is assessed prior to establishing customer accounts. Management continuously monitors the collection of overdue accounts. For customers with overdue accounts, internal collection staff takes appropriate action, including the placement of accounts on hold, with third party collection or legal action is taken. On a quarterly basis, the allowance for doubtful accounts is reviewed by management. Richards Packaging considers the age of the accounts and the explanations of why the account has not been collected. For accounts that are not overdue or not impaired, management does not review the credit quality of the accounts.

Liquidity Risk *(formerly Leverage and restrictive covenants)*

Richards Packaging's ability to make scheduled payments of interest or to refinance will depend on leverage and future cash flow, which is subject to operational performance, prevailing economic conditions, interest rate levels, and financial, competitive and other factors, many of which are beyond its control. These factors might inhibit Richards Packaging from refinancing the indebtedness at all, or on favourable terms. In addition, the credit facilities contain 1) restrictive covenants that limit the discretion of management with respect to certain business matters and 2) financial covenants that require Richards Packaging to meet certain financial ratios and financial condition tests. Failure to comply with obligations in the credit facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that Richards Packaging's assets would be sufficient to repay in full that indebtedness. Richards

Packaging's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due. Cash levels are monitored daily to ensure sufficient continuity of funding.

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, 2008 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 2008, relative to December 31, 2007. 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 2007 Annual Report.

Change in Accounting Policies

Effective January 1, 2008 the Fund adopted the Canadian Institute of Chartered Accountants Handbook Section 3031, *Inventories* and Section 3862, *Financial Instruments - Disclosure*.

The adoption of Section 3031 had no impact, given the short-term nature of our raw material inventory changing the inventory valuation policy from the lower of replacement cost to net realizable value was negligible. Richards Packaging did not experience any partial write-downs or write-ups during the during the three months ended March 31, 2008 and has no partially written-down inventory that would require separate disclosure.

In accordance with Sections 3862, "*Credit risk*", "*Interest rate risk*" and "*Foreign currency risk*" subsections formerly disclosed in the annual financial statements "FINANCIAL INSTRUMENTS" note are now incorporated in the "Risks and Uncertainties". The "*Leverage and restrictive covenants*" section has been renamed "*Liquidity risk*" and the disclosure enhanced to incorporate working capital management and the leverage covenant. Disclosures have also been enhanced in the "*Credit risk*" section to include an analysis of the short-term accounts receivable arising from the sale of goods that are past due.

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, 2008 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, 2008 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

1 *Management defines EBITDA as earnings before amortization, 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, 2008 and December 31, 2007

	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	**174**	**103**
Accounts receivable	**21,579**	**21,177**
Inventory *[note 3]*	**35,112**	**31,835**
Prepaid expenses	**2,681**	**2,267**
Income taxes recoverable	**20**	**20**
Total current assets	**59,566**	**55,402**
Capital assets	**4,253**	**4,395**
Intangible assets	**48,858**	**49,847**
Future income taxes assets	**—**	**74**
Goodwill	**71,427**	**70,187**
	184,104	**179,905**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**872**	**1,259**
Accounts payable and accrued liabilities	**21,871**	**20,395**
Income taxes payable	**432**	**277**
Distributions and dividends payable	**1,124**	**1,123**
Due to previous shareholder of acquired company	**810**	**779**
Short-term debt and current portion of long-term debt *[note 4]*	**22,636**	**18,804**
Total current liabilities	**47,745**	**42,637**
Long-term debt *[note 4]*	**30,655**	**29,426**
Future income tax liabilities	**13,129**	**14,176**
Total liabilities	**91,529**	**86,239**
Non-controlling interests *[note 5]*	**15,283**	**15,409**
UNITHOLDERS' EQUITY		
Units *[note 6]*	**95,269**	**95,526**
Deficit	**(12,587)**	**(10,068)**
Accumulated other comprehensive loss	**(5,390)**	**(7,201)**
	(17,977)	**(17,269)**
Total unitholders' equity	**77,292**	**78,257**
	184,104	**179,905**

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 NET INCOME AND COMPREHENSIVE INCOME, DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Unaudited

[expressed in thousands of dollars except for per Unit amounts]

For the three months ended March 31

	2008 $	2007 $
Revenue	**44,541**	**40,333**
Cost of products sold	**36,530**	**33,621**
	8,011	**6,712**
General and administrative expenses	**2,488**	**2,326**
Foreign currency loss (gain) from operations	**44**	**(37)**
Long-term incentive plan	**21**	**42**
Income before under noted items, income taxes and non-controlling interests	**5,458**	**4,381**
Amortization		
Capital assets	**389**	**488**
Intangible assets	**1,598**	**1,437**
Debt accretion	**172**	**39**
Interest expense	**1,020**	**796**
Unrealized losses (gains) on financial instruments		
Interest rate swap contracts	**566**	**—**
Foreign currency translation of debt	**1,910**	**(372)**
Income (loss) before income taxes and non-controlling interests	**(197)**	**1,993**
Provision for (recovery of) income taxes *[note 7]*		
Current	**542**	**298**
Future	**(1,148)**	**(466)**
	(606)	**(168)**
Non-controlling interests	**61**	**105**
Net income for the period	**348**	**2,056**
Basic income per Unit *[note 6]*	**$0.034**	**$0.200**
Diluted income per Unit	**$0.034**	**$0.200**
Other comprehensive income (loss)		
Unrealized foreign currency translation of US operations	**1,811**	**(377)**
Comprehensive income for the period	**2,159**	**1,679**
STATEMENT OF DEFICIT		
Deficit, beginning of period	**(10,068)**	**(9,843)**
Net income for the period	**348**	**2,056**
Distributions declared to unitholders	**(2,867)**	**(2,877)**
Deficit, end of period	**(12,587)**	**(10,664)**
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Accumulated other comprehensive loss, beginning of period	**(7,201)**	**(3,528)**
Other comprehensive income (loss)	**1,811**	**(377)**
Accumulated other comprehensive loss, end of period	**(5,390)**	**(3,905)**

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

	2008 $	2007 $
OPERATING ACTIVITIES		
Net income for the period	**348**	**2,056**
Add (deduct) items not involving cash		
Amortization and debt accretion	**2,159**	**1,964**
Future income taxes	**(1,148)**	**(466)**
Non-controlling interests	**61**	**105**
Unrealized losses on financial instruments	**566**	**—**
Unrealized foreign currency (gain) loss on debt	**1,910**	**(372)**
	3,896	**3,287**
Net change in non-cash operating elements of working capital *[note 8]*	**(2,241)**	**(1,728)**
Cash provided by operating activities	**1,655**	**1,559**
INVESTING ACTIVITIES		
Additions to capital assets	**(205)**	**(215)**
Expenditures on patents	**(115)**	**(48)**
Cash used in investing activities	**(320)**	**(263)**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**(387)**	**425**
Proceeds from debt	**3,000**	**—**
Repayment of short-term debt	**(10)**	**(10)**
Purchase of trust units for cancellation	**(257)**	**—**
Dividends paid to exchangeable shareholders	**(500)**	**(147)**
Distributions paid to unitholders	**(2,870)**	**(2,877)**
Cash used in financing activities	**(1,024)**	**(2,609)**
Foreign currency loss	**(240)**	**(416)**
Net increase (decrease) in cash and cash equivalents	**71**	**(1,729)**
Cash and cash equivalents, beginning of period	**103**	**1,858**
Cash and cash equivalents, end of period	**174**	**129**

See accompanying notes

1. FORMATION OF THE FUND AND ACQUISITIONS

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 acquisition of 96% of the shares of Richards Packaging Inc. and an indenture note through a series of transactions for consideration of $86,161. The ownership position is currently at 85% due to the issuance of shares exchangeable into Units in order to facilitate the financing of two subsequent acquisitions.

The Fund indirectly acquired all the shares of Kay Containers Ltd., Calgary Plastics Container Supply Ltd. and M.A. Foss Distributors Ltd. on November 30, 2004 for consideration of $7,636, Dispill Inc. on July 29, 2005 for consideration of $7,514 and The E.J. McKernan Co. on October 31, 2007 for consideration of $28,587.

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 2007 audited annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with the 2007 audited annual consolidated financial statements except as disclosed in note 3.

3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2008 the Fund adopted the following new Canadian Institute of Chartered Accountants Handbook recommendations and in accordance with the transitional provisions these standards were adopted on a prospective basis.

Inventories *[Section 3031]*

Given the short-term nature of our raw inventory there was no impact to changing the inventory valuation policy from the lower of replacement cost to net realizable value. Richards Packaging did not experience any partial write-downs or write-ups during the during the three months ended March 31, 2008 and has no partially written-down inventory that would require separate disclosure.

Financial Instruments – Disclosure *[Section 3862]*

"*Credit risk*", "*Interest rate risk*" and "*Foreign currency risk*" subsections formerly disclosed in the annual financial statements "FINANCIAL INSTRUMENTS" note are now incorporated in the "Risks and Uncertainties" section of the management's discussion and analysis. The "*Leverage and restrictive covenants*" section has been renamed "*Liquidity risk*" and the disclosure enhanced to incorporate working capital management and the leverage covenant. Disclosures have also been enhanced in the "*Credit risk*" section to include an analysis of the short-term accounts receivable arising from the sale of goods that are past due.

[expressed in thousands of dollars]

4. SHORT- AND LONG-TERM DEBT

Richards Packaging Inc. has a revolving credit facility of $7,000 and an acquisition credit facility of U.S.$18,000 of which $4,200 and U.S.$18,000, respectively was drawn as at March 31, 2008. Debt reflects a decrease of $265 for unamortized debt issue costs [2007 – $426].

Subsequent to the quarter end, Richards Packaging Inc. repaid the outstanding balance of the revolving and acquisition credit facilities with proceeds from a new term debt facility bringing the total term debt to U.S.$52,000 and providing up to U.S.$10,000 in credit for future acquisitions. Due dates of the revolving and acquisition credit were extended to June 3, 2009 and the term debt facility to June 5, 2011. Also, the interest premium over LIBOR, or prime rate, was increased by 0.75% to reflect current market conditions.

5. NON-CONTROLLING INTERESTS

As at March 31, 2008, 1,793,533 exchangeable shares remain outstanding [December 31, 2007 – 1,793,533]. The change in carrying value of the non-controlling interests represents $61 of net income [2007 – $105] and $317 of unrealized gain from the translation of Richards US [2007 – $18 loss], offset by $504 of dividends [2007 – $147].

6. UNITS

The change in capital contributed by unitholders is as follows:	Number of Units	$
Balance, December 31, 2007	**10,231,027**	**95,526**
Units purchased, including costs incurred	**(28,900)**	**(257)**
Balance, March 31, 2008	**10,202,127**	**95,269**

	2008	2007
Weighted average number of Units outstanding		
Basic	**10,221,182**	**10,256,327**
Diluted	**12,014,715**	**10,781,012**

[expressed in thousands of dollars]

7. INCOME TAXES

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

	2008 $	2007 $
Income (loss) before income taxes and non-controlling interests	**(197)**	**1,993**
Distributions to unitholders, not subject to income taxes in the Fund	**(2,387)**	**(2,410)**
Loss subject to income taxes	**(2,584)**	**(417)**
Statutory tax rate	***36.1%***	***36.1%***
Income taxes at statutory tax rate	**(933)**	**(151)**
Recovery of future income taxes	**1,148**	**466**
Current period adjustments	**327**	**(17)**
Provision for current income taxes	**542**	**298**

8. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2008 $	2007 $
Accounts receivable	**(123)**	**(257)**
Inventory	**(2,500)**	**1,284**
Prepaid expenses	**(374)**	**(25)**
Accounts payable and accrued liabilities	**618**	**(2,516)**
Income taxes recoverable/payable	**138**	**(214)**
	(2,241)	**(1,728)**

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

	2008 $	2007 $
Interest paid	**939**	**788**
Income taxes paid	**304**	**501**