

Q2 QUARTERLY REPORT

Richards Packaging Income Fund

Quarter ended June 30, 2008

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Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

June 30, 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.

Revenue during the second quarter reflected a one-time increase of \$4 million over the first quarter mainly due to the successful sale of the \$3 million inventory build up in the first quarter to capitalize on port and plant disruptions associated with the Beijing Olympic Games. Revenue increased 23% to \$48.9 million, EBITDA¹ increased 39% to \$6.0 million and distributable cash² increased 32% to \$4.1 million from the same period in 2007. Gross profit increased 0.8% from the same period in 2007 reflecting our continuing shift to higher margin products. EBITDA as a percent of sales continued at 12% for the second quarter meeting our new long-term target. Net income was \$3.1 million, or 30.2¢, down \$0.8 million from the same period in 2007 which mainly reflects the difference in non-cash expense for the foreign currency translation of our U.S. dollar denominated debt.

Richards Packaging lowered inventory on hand and in transit by \$1.5 million due to higher sales off the first quarter inventory investment. The associated cash, when realized, will be deployed to reduce bank debt⁴.

The Fund paid monthly distributions of 9.35¢ per Unit for January through June, which represents an annualized yield of 13.3% on the June 30th closing price of \$8.45 per Unit. The payout ratio³ for the second quarter was 82% down from 96% in 2007. During the second quarter, an additional 43,700 Units were purchased at an average price of \$8.63 per Unit representing one-half 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"
Chief Executive Officer
Richards Packaging Inc.

July 31, 2008

Richards Packaging Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

[expressed in thousands, except where otherwise indicated]

July 31, 2008

This management's discussion and analysis ("MD&A") of Richards Packaging Income Fund for the second quarter should be read in conjunction with the attached interim unaudited consolidated financial statements dated June 30, 2008, the first quarter report dated May 5, 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 second quarter 2008 include:

- Revenue growth of \$9.1 million, or 22.8% from the same period in 2007, includes one-time increase of \$4 million,
- EBITDA¹ growth of \$1.7 million, or 38.8% from the same period in 2007, representing 12.3% of sales,
- Refinanced with the existing lending syndicate to add the acquisition borrowing to the term credit facility and extend its maturity until June 2011,
- Increased distributable cash flow² by 5.5¢ per Unit resulting in an 82% payout ratio³, down from 96% for the 2007 year,
- Purchased 43,700 Units (@\$8.63/Unit) representing one-half of available distributable cash,
- Paid monthly distributions of 9.35¢ per Unit to yield a 13.3% annualized return on the June 30th closing price of \$8.45.

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This MD&A covers the three and six months ended June 30, 2008 (generally referred to in this MD&A as the “second quarter” and the “first half”, respectively). The following table sets out selected consolidated financial information of the Fund:

	Qtr. 2		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Income Statement Data:				
Revenue	48,899	39,830	93,440	80,163
EBITDA ¹	6,034	4,347	11,492	8,728
<i>Diluted per Unit</i>	50.4¢	40.3¢	95.8¢	81.0¢
Net income	3,078	3,905	3,426	5,961
<i>Diluted per Unit</i>	30.2¢	38.1¢	33.6¢	58.1¢
Balance Sheet Data:				
Total assets	180,521	147,127		
Bank debt	53,975	31,950		
Cash Flow Statement Data:				
Distributions and dividends	3,365	3,024	6,735	6,048
<i>Diluted per Unit</i>	28.1¢	28.0¢	56.2¢	56.1¢
Payout ratio ³	82%	97%	86%	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.

Review of Operations

Richards Packaging’s operations during the second quarter 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 for the second quarter increased by \$9.1 million, or 22.8% from the same period in 2007 due to organic growth, including \$4 million on the successful sale of the first quarter inventory build up, and revenue from McKernan of 25.1% (\$10.0 million) offset by the translation of Richards US revenue due to the Canadian dollar strengthening by 7.8¢ to U.S./Cdn.\$0.99 (\$0.9 million). Revenue for the first half increased by \$13.3 million, or 16.6%, from the same period in 2007 entirely due to organic growth and revenue from McKernan of 20.0% (\$16.0 million) offset by the translation impact on Richards US revenue of the Canadian dollar strengthening by 11.0¢ to U.S./Cdn.\$0.99

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[expressed in thousands, except where otherwise indicated]

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(\$2.7 million). The impact of exchange translation for the remainder of 2008 is expected to be \$0.5 million at the current exchange rates of U.S./Cdn.\$1.00⁴.

	Qtr. 2		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue	48,899	39,830	93,440	80,163
Cost of products sold	40,318	33,192	76,848	66,813
Gross profit.....	8,581	6,638	16,592	13,350
	17.5%	16.7%	17.8%	16.7%
Expenses	2,483	2,266	4,971	4,592
Foreign exchange loss (gain) from operations.....	42	(17)	86	(54)
Long-term incentive plan.....	22	42	43	84
EBITDA ¹	6,034	4,347	11,492	8,728
	12.3%	10.9%	12.3%	10.9%
Amortization and debt accretion.....	2,136	1,946	4,295	3,910
Interest expense	1,019	770	2,039	1,566
Unrealized losses (gains) on financial instruments.....	(778)	(2,685)	1,698	(3,057)
Income tax expense (recovery).....	75	211	(531)	43
Non-controlling interests	504	200	565	305
Net Income	3,078	3,905	3,426	5,961

Cost of products sold for the second quarter increased by \$7.1 million, or 21.5%, from the same period in 2007 on higher revenue. Cost of products sold for the first half increased by \$10.0 million or 15.0% from the same period in 2007 also on higher revenue. Gross profit margins continued at above 17% for the second quarter consistent with the first quarter and up 0.8% from the same periods in 2007. This strength continues to be driven by the integration of our acquisitions, the shift to higher margin products such as Asian glass and the results of cost reduction initiatives undertaken in 2007. The volatility in the price of resins during the first half did not have a material impact on gross profit as a result of management's practice of immediately passing through increases or decreases to customers.

General and administrative expenses for the second quarter and the first half increased by \$0.2 million and \$0.4 million, respectively, from the same periods in 2007. This was due to additional expenses associated with the McKernan acquisition, partially offset by expenditure reductions in the Canadian operations.

The foreign exchange loss from operations resulted from exchange rate changes applied to our US dollar denominated working capital position in the Canadian operations and should reverse as the Canadian dollar approaches par⁴.

EBITDA¹ for the second quarter increased by \$1.7 million, or 38.8%, and increased \$2.8 million, or 31.7% for the first half. As a percent of sales, EBITDA was 12.3% for the second quarter and for the first half compared to 10.9% for the same periods in 2007, respectively. Changes were a result of the factors referred to above. Significant progress continues to be made to optimize the performance and exceed management's long-term target of 12%⁴.

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Amortization and debt accretion of \$2.1 million for the second quarter and \$4.3 million for the first half was mainly comprised of \$1.6 million and \$3.2 million respectively for intangibles, which represents a charge for customer relationships and patents. The remaining amortization amounts consisted of debt accretion of \$0.3 million for the first half (previously deferred financing amortization) and capital asset amortization of \$0.4 million per quarter, which is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

Interest expense for the second quarter and the first half increased by \$0.2 million and \$0.5 million, respectively from the same periods in 2007 due to the \$22.0 million additional borrowing mainly for the McKernan acquisition. This was offset by net interest rate reductions of 1.0% from the same periods in 2007 with the U.S. Federal Reserve rate reductions of 3.0% offset by the negative impact of our floating to fixed interest rate hedge on \$30.0 million of debt and a 0.75% margining increase upon refinancing.

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 term loan outstanding at June 30, 2008 totaled U.S.\$52.0 million, which gave rise to an unrealized foreign currency translation gain of \$0.4 million in the second quarter. Richards Packaging has borrowed mainly in U.S. dollars to match the U.S. dollar interest obligations with the cash it receives from Richards US. It is management's intention to continue to borrow funds denominated in U.S. dollars for the foreseeable future⁴ to fund acquisitions.

Current income taxes of \$0.7 million for the second quarter and \$1.2 million for the first half 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 \$3.3 million.

Net income for the second quarter was \$3.1 million and \$3.4 million for the first half, which represented 30.2¢ and 33.6¢ per Unit on a diluted basis, respectively. A weighted-average total of 10,199,392 Units and 1,793,533 exchangeable shares, were outstanding throughout the first half.

Distributable Cash Flow²

	Qtr. 2		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash provided by operating activities	3,492	3,173	5,147	4,732
Working capital changes	848	196	3,089	1,924
Non-cash charges	1,694	978	3,256	2,072
	6,034	4,347	11,492	8,728
Interest expense	1,019	770	2,039	1,566
Cash income tax expense	675	208	1,217	506
Maintenance capital expenditures	213	239	349	444
Loan principal payments	10	10	20	20
Distributable cash flow²	4,117	3,120	7,867	6,192
<i>Diluted per Unit</i>	<i>34.4¢</i>	<i>28.9¢</i>	<i>65.6¢</i>	<i>57.4¢</i>

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Distributions and dividends	3,361	3,024	6,731	6,048
<i>Diluted per Unit</i>	<i>28.1¢</i>	<i>28.0¢</i>	<i>56.2¢</i>	<i>56.1¢</i>
Payout ratio ³	82%	97%	86%	98%
Purchase of Units	379	—	636	—
Units outstanding on a diluted basis	11,971	10,781	11,993	10,781

The distributable cash flow² 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 (\$1.0 million drawn; 2007 - \$1.0 million drawn). Likewise capital expenditures for expansion of the business are excluded as they are intended to generate future growth in distributable cash and are financed primarily by a U.S.\$10.0 million acquisition facility (nil drawn; 2007 – nil drawn).

Distributable cash flow² of \$4.1 million for the second quarter and \$7.9 million for the first half increased by \$1.0 million and \$1.7 million, respectively compared to the same periods in 2007. Overall, the increases were attributable to higher EBITDA¹ offset by higher current income taxes and interest associated with strengthening in the performance of Richards Packaging's subsidiaries in the United States. Maintenance capital expenditures are expected to track at management's annual target of \$0.8 million⁴ for the year.

Monthly distributions for the second quarter at 9.35¢ per Unit, represents an annual yield of 13.3% on a \$8.45 price per Unit and a payout ratio of 82%. The Fund's payout ratio 86% for the first half reflects the accretive nature of the McKernan acquisition. Approximately one-half of the surplus distributable cash available from the second quarter was deployed in our unit buyback program. Based upon the first half, 81% of the distributions will represent interest on the subordinated note held by the Fund and 19% will be treated as a return of capital to the unitholders.

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities for the second quarter was \$3.5 million, up \$0.3 million over the same period in 2007 primarily due to increased EBITDA¹ net of items not involving cash of \$1.0 million offset by \$0.7 million of working capital from the same period in 2007. For the first half, cash flow from operating activities was \$5.1 million, up \$0.4 million primarily due to increased EBITDA net of items not involving cash of \$1.6 million offset by \$1.2 million of working capital. During the first half, working capital increased by \$3.1 million comprised of \$1.5 million inventory and prepaid investment made to fund growth for 2008, \$0.6 million discharge of 2007 annual bonuses and public company fees and \$0.3 million paid to cover the 2007 tax obligations.

The financial structure of the Fund allows for maximum distributions of cash flow from operations to the unitholders and shareholders as outlined above in the distributable cash discussion. Actual distributions and dividends paid during the second quarter were \$3.4 million with an additional \$1.1 million declared for June, which was paid on July 15th.

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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 half year, 72,600 Units were purchased at an average price of \$8.73 per Unit representing just over one-half of the available distributable cash after distributions. Since inception, the Fund has acquired 97,900 Units at an average price of \$8.86 per Unit.

Cash income taxes

The cash income tax expense for the second quarter was \$0.7 million and \$1.2 million for the first half of 2008, 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 2011⁴.

Capital expenditures

Capital expenditures for the second quarter were \$0.4 million, primarily incurred on account of maintenance capital. For the first half of 2008, capital expenditures were \$0.6 million, \$0.3 on account of maintenance capital. Expenditures classified as maintenance capital are mainly comprised of new moulds or refurbishment of moulds for replacement packaging driven by customer marketing programs. Maintenance capital is expected to be an additional \$0.4 million for the remainder of the year⁴. Expansion capital of \$0.3 million was incurred during the first half on new customer programs and associated business lines.

Financing activities and instruments

Richards Packaging's credit facilities include a U.S.\$52.0 million term loan with repayment on June 3, 2011, up to \$7.0 million in revolving debt to fund working capital expansion and up to U.S.\$10.0 million for expansion capital and/or acquisition financing. On June 3, 2008, 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 million and providing up to U.S.\$10.0 million in credit for future acquisitions. Due dates of the revolving and acquisition credits were extended to June 3, 2009 and the term debt facility to June 3, 2011. Also, the interest premium over LIBOR, or prime rate, was increased by 0.75% to reflect current market conditions.

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 EBITDA¹. As of June 30, 2008 our proforma leverage ratio was 2.40. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future⁴.

Approximately half (2007-30%) of distributable cash flow for the first half was provided by Richards US. The increase reflects the 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.

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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. The mark-to-market valuation of the swap contracts as at June 30, 2008 gave rise to an unrealized loss of \$0.2 million in the first half.

Outlook⁴

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.

EBITDA¹ for the second quarter was \$6.0 million and \$11.5 million for the first half, up \$1.7 million and \$2.8 million, respectively over the same periods in 2007. Management will continue to focus its attention on achieving operational improvement during 2008 and integrate the McKernan acquisition. Management's target continues to be to deliver a compounded annual growth rate in distributable cash flow² 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 and \$0.5 million 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 flow² 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

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refer to the 2007 Annual Information Form dated March 4, 2008 and the first quarter report dated May 5, 2008. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the second quarter of 2008.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting practices requires the Fund to make estimates and assumptions which affect the reported, and disclosure of, amounts for assets and liabilities as at June 30, 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 half 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 six months ended June 30, 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 were incorporated in "Risks and Uncertainties" section of the first quarter report. The "*Leverage and restrictive covenants*" section were renamed "*Liquidity risk*" and the disclosure enhanced to incorporate working capital management and the leverage covenant. Disclosures were also 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 June 30, 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 and six months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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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

- 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 flow². 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*

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July 31, 2008

filings made by us with securities regulatory authorities and available at www.sedar.com. While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.

Notice to Unitholders

The attached consolidated financial statements have not been reviewed
by the Fund's external auditors

Richards Packaging Income Fund

CONSOLIDATED BALANCE SHEETS

Unaudited
[expressed in thousands of dollars]

As at June 30, 2008 and December 31, 2007

	2008	2007
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	243	103
Accounts receivable	21,556	21,177
Inventory <i>[note 3]</i>	34,462	31,835
Prepaid expenses	1,735	2,267
Income taxes recoverable	21	20
Total current assets	58,017	55,402
Capital assets	4,164	4,395
Intangible assets	47,203	49,847
Future income tax assets	—	74
Goodwill	71,137	70,187
	180,521	179,905
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	1,214	1,259
Accounts payable and accrued liabilities	19,563	20,395
Income taxes payable	64	277
Distributions and dividends payable	1,119	1,123
Due to previous shareholder of acquired company	803	779
Short-term debt and current portion of long-term debt <i>[note 4]</i>	1,007	18,804
Total current liabilities	23,770	42,637
Long-term debt <i>[note 4]</i>	52,465	29,426
Future income tax liabilities	12,488	14,176
Total liabilities	88,723	86,239
Non-controlling interests <i>[note 5]</i>	15,215	15,409
Unitholders' equity		
Units <i>[note 6]</i>	94,890	95,526
Deficit	(12,364)	(10,068)
Accumulated other comprehensive loss	(5,943)	(7,201)
	(18,307)	(17,269)
Total unitholders' equity	76,583	78,257
	180,521	179,905

See accompanying notes

"Wayne McLeod"
 Chair - Audit Committee

"Gerry Glynn"
 CEO - Richards Packaging Inc.

"Enzio Di Gennaro"
 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 and six months ended June 30

	Three months		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue	48,899	39,830	93,440	80,163
Cost of products sold	40,318	33,192	76,848	66,813
	8,581	6,638	16,592	13,350
General and administrative expenses	2,483	2,266	4,971	4,592
Foreign currency loss (gain) from operations	42	(17)	86	(54)
Long-term incentive plan	22	42	43	84
Income before under noted items, income taxes and non-controlling interests	6,034	4,347	11,492	8,728
Amortization				
Capital assets	414	468	803	956
Intangible assets	1,599	1,439	3,197	2,876
Debt accretion	123	39	295	78
Interest expense	1,019	770	2,039	1,566
Unrealized losses (gains) on financial instruments				
Interest rate swap contracts	(386)	—	180	—
Foreign currency translation of debt	(392)	(2,685)	1,518	(3,057)
Income before income taxes and non-controlling interests	3,657	4,316	3,460	6,309
Provision for (recovery of) income taxes [note 7]				
Current	675	208	1,217	506
Future	(600)	3	(1,748)	(463)
	75	211	(531)	43
Non-controlling interests	504	200	565	305
Net income for the period	3,078	3,905	3,426	5,961
Basic and diluted income per Unit [note 6]	\$0.30	\$0.38	\$0.34	\$0.58
Other comprehensive income (loss)				
Unrealized foreign currency translation of US operations	(553)	(2,723)	1,258	(3,100)
Comprehensive income for the period	2,525	1,182	4,684	2,861
STATEMENT OF DEFICIT				
Deficit, beginning of period	(12,587)	(10,664)	(10,068)	(9,843)
Net income for the period	3,078	3,905	3,426	5,961
Distributions declared to unitholders	(2,855)	(2,877)	(5,722)	(5,754)
Deficit, end of period	(12,364)	(9,636)	(12,364)	(9,636)
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Accumulated other comprehensive loss, beginning of period	(5,390)	(3,905)	(7,201)	(3,528)
Other comprehensive income (loss)	(553)	(2,723)	1,258	(3,100)
Accumulated other comprehensive loss, end of period	(5,943)	(6,628)	(5,943)	(6,628)

See accompanying notes

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited
[expressed in thousands of dollars]

For the three and six months ended June 30

	Three months		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income for the period	3,078	3,905	3,426	5,961
Add (deduct) items not involving cash				
Amortization and debt accretion	2,136	1,946	4,295	3,910
Future income taxes	(600)	3	(1,748)	(463)
Non-controlling interests	504	200	565	305
Unrealized losses (gains) on financial instruments	(386)	—	180	—
Unrealized foreign currency loss (gain) on debt	(392)	(2,685)	1,518	(3,057)
	4,340	3,369	8,236	6,656
Net change in non-cash operating elements of working capital <i>[note 8]</i>	(848)	(196)	(3,089)	(1,924)
Cash provided by operating activities	3,492	3,173	5,147	4,732
INVESTING ACTIVITIES				
Additions to capital assets	(359)	(292)	(564)	(507)
Expenditures on patents	(60)	(52)	(175)	(100)
Cash used in investing activities	(419)	(344)	(739)	(607)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	342	683	(45)	1,108
Proceeds from debt, net	457	—	3,457	—
Repayment of short-term debt	(10)	(10)	(20)	(20)
Purchase of trust units for cancellation	(379)	—	(636)	—
Dividends paid to exchangeable shareholders	(506)	(147)	(1,006)	(294)
Distributions paid to unitholders	(2,859)	(2,877)	(5,729)	(5,754)
Cash used in financing activities	(2,955)	(2,351)	(3,979)	(4,960)
Foreign exchange loss	(49)	(313)	(289)	(729)
Net increase (decrease) in cash and cash equivalents	69	165	140	(1,564)
Cash and cash equivalents, beginning of period	174	129	103	1,858
Cash and cash equivalents, end of period	243	294	243	294

See accompanying notes

Richards Packaging Income Fund

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited
[expressed in thousands of dollars]

June 30, 2008

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 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. 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 six months ended June 30, 2008 and has no partially written-down inventory that would require separate disclosure.

Financial Instruments – Disclosure *[Section 3862]*

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 were incorporated in “Risks and Uncertainties” section of the first quarter report. The “*Leverage and restrictive covenants*” section were renamed “*Liquidity risk*” and the disclosure

Richards Packaging Income Fund

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited
[expressed in thousands of dollars]

June 30, 2008

enhanced to incorporate working capital management and the leverage covenant. Disclosures were also 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.

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.\$10,000 of which \$1,000 and nil respectively was drawn as at June 30, 2008. Long-term debt reflects a decrease of \$503 for unamortized debt issue costs [2007 – \$426].

On June 3, 2008 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 credits were extended to June 3, 2009 and the term debt facility was renewed to mature on June 3, 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 June 30, 2008, 1,793,533 exchangeable shares remain outstanding [December 31, 2007 – 1,793,533]. The change in carrying value of the non-controlling interests for the six months ended June 30, 2008 represents \$565 of net income [2007 – \$305] and \$250 of unrealized gain from the translation of Richards US [2007 – loss of \$158], offset by \$1,009 of dividends [2007 – \$294].

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	(72,600)	(636)
Balance, June 30, 2008	10,158,427	94,890

	Three months		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Weighted average number of Units outstanding				
Basic	10,177,603	10,256,327	10,199,392	10,256,327
Diluted	11,971,136	10,781,012	11,992,925	10,781,012

Richards Packaging Income Fund

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited
[expressed in thousands of dollars]

June 30, 2008

7. INCOME TAXES

The income tax expense differs from the provision computed at statutory rates as outlined below:

	Three months		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Income before income taxes and non-controlling interests	3,657	4,316	3,460	6,309
Distributions to unitholders, not subject to tax in the Fund	(2,378)	(2,432)	(4,765)	(4,842)
Income subject to income taxes	1,279	1,884	(1,305)	1,467
Statutory tax rate	36.1%	36.1%	36.1%	36.1%
Income taxes at statutory tax rate	462	681	(471)	530
Recovery of (provision for) future income taxes	600	(3)	1,748	463
Current period adjustments	(387)	(470)	(60)	(487)
Provision for current income taxes	675	208	1,217	506

8. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounts receivable	(42)	181	(165)	(76)
Inventory	473	(1,423)	(2,027)	(139)
Prepaid expenses	940	(595)	566	(620)
Accounts payable and accrued liabilities	(1,849)	1,848	(1,231)	(668)
Income taxes recoverable/payable	(370)	(207)	(232)	(421)
	(848)	(196)	(3,089)	(1,924)

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

	Three months		Six months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest paid	1,142	789	2,081	1,577
Income taxes paid	1,189	375	1,493	876