2008 Annual Report

Richards Packaging Income Fund

Good Things Come in

Richards Packaging

McKernan PACKAGING CLEARING HOUSE

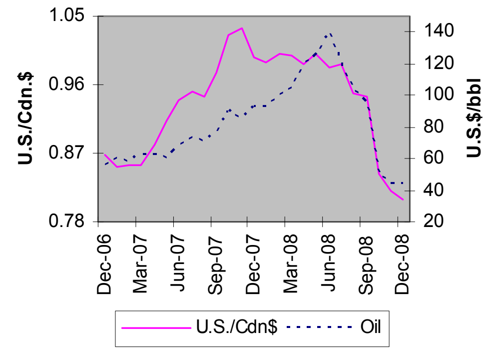
QUALITY DISCOUNT PACKAGING

Richards Packaging Income Fund

GLOBAL FINANCIAL CRISIS IMPACT

Financial Markets

- Market meltdown has led to global recession
- Resulting sell off in commodities, most notably oil – f/x and oil pricing tracking
- U.S./Cdn.$ exchange rate reset to 80¢
- Credit markets seized driving short term LIBOR rates to over 4% before settling in at 1/2%
- Bank margining increased offsetting the rate drops leaving borrowing costs unchanged



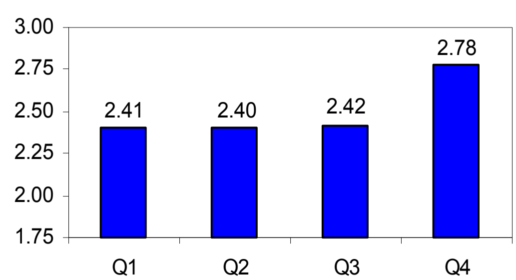
Fourth Quarter Results

- Organic & acquisition revenue growth of 4.3%
- Gross profit down 1.2%; one-half of decrease is short term inability to pass on f/x and one-half on liquidating surplus inventory
- Restructuring due to move of Toronto facilities
- EBITDA as a % of revenue drop of 0.9% due to a combination of gross profit decline and restructuring costs

($ millions)	2007	2008
Revenue	39.8	45.4
EBITDA[1]	4.9	5.1
	12.2%	*11.3%*
Payout Ratio[3]	*93%*	*98%*
Restructuring Adjusted		
EBITDA	5.0	5.4
	12.5%	*11.9%*
Payout Ratio	*93%*	*86%*

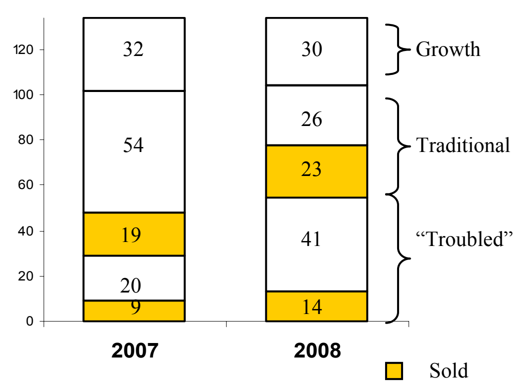
Debt to EBITDA[1]

- Bank debt soared by $8.6 mil. due to f/x decrease of U.S./Cdn. 13¢ in Q4
- Impact in Q4 due to f/x movement offset by $1.3 mil. repayment
- Obtained temporary covenant relief to 3.25 – returning to 2.75 for Sept 2009 to June 2011
- Without EBITDA improvements, debt reduction of $7 mil. required to reach management target of 2.50 by September 30, 2009



Business Trust Universe

- 4 conversions of trusts to common stock - growth (2), traditional (2)
- 9 trusts sell to private equity or strategic buyers
- 30 succumb to adverse economic conditions and cut distributions (2007 – 20)
- 25 acquisitions completed mainly with debt (2007 – 35)
- 22 normal course issuer bids (2007– 35)

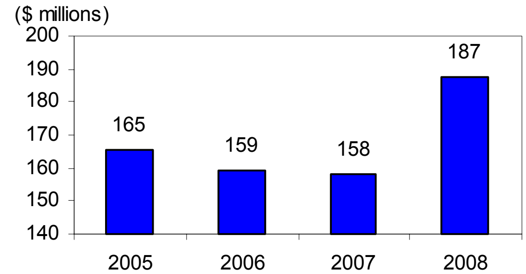


Richards Packaging Income Fund

PERFORMANCE SNAPSHOT

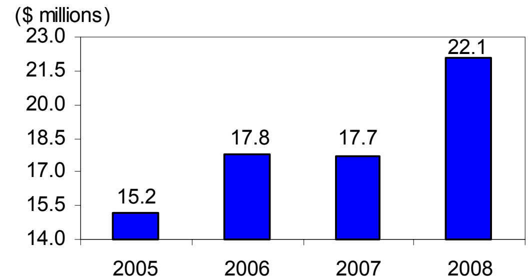
Revenue

- Organic growth and acquisition $27.8 mil. (2007 – $4.2 mil.)
- Non-cash currency translation gain $1.5 mil. (2007 – $2.5 mil. loss)
- US growth > 10% – Canada flat
- 9% glass and 5% closure increases



EBITDA[1]

- EBITDA 11.8% of sales (2007 – 11.2%)
- Profit improvement initiatives $0.2 mil. (2007 – $0.2 mil.); reorganization of Toronto area facilities and staffing improvements
- Reorganization costs $0.5 mil. (2007 – $0.3 mil. financial reorganization)
- Expansion capital impact $0.1 mil. (2007 – nil.)



Cash Management

- Working capital increase reflects:
  - f/x $4.5 mil. (2007 – $2.5 mil.)
  - inventory turns flat at 4x
  - past due receivables down $1 mil.
  - McKernan (2007 – $6.2 mil.)
- Debt refinanced in June for 3 years to 2011 and repaid term debt by US$1 mil. in Q4
- Debt translation loss $12.2 mil. (2007 – $4.6 mil. gain)

($ millions)	Dec-05	Dec-06	Dec-07	Dec-08
Working capital	29.8	27.0	33.6	36.9
Cash	0.5	1.9	0.1	0.2
Revolver	2.2	–	1.2	–
Acquisition	13.5	–	17.6	–
Term	21.3	35.0	29.4	61.9
Net Debt	36.5	33.1	48.1	61.7

Distribution Policy

- "Tax fairness plan" 2011 impact negligible for most taxable Canadian individuals & adverse for non-taxable unitholders
- Compounded distributable cash flow[2] growth of 7.5% will cover the 2011 Trust tax obligations
- Tax shields of $5 mil. available for 2011[5]
- Payout ratio[3] 91% (2007 – 96%)
- Temporary suspension to address debt to EBITDA ratio by Sept. 30, 2009

($ millions)	2011 [5]
2008 Distributable cash flow	14.8
Future organic growth & acquisitions	1.5
"Tax Fairness Plan"	-1.3
Future Distributable cash flow	15.0
Current distribution level	13.5
Payout Ratio	90%

Richards Packaging Income Fund

CEO'S REPORT TO UNITHOLDERS

December 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.

The 2008 results exceeded our expectations with revenue growth of 18.5%, strong acquisition integration performance and EBITDA[1] as a percent of sales up 0.6%, when compared with the same period in 2007. Revenue growth was due to double digit growth in the United States and the McKernan acquisition. EBITDA[1] as a percent of sales increased to a record 11.8%, despite the additional reorganization costs associated with the moves of our distribution center and plant in Toronto, which will lead to an annual savings of $0.1 million in facilities costs[4]. Net income was -$1.5 million, or -15¢ per Unit, down $12.8 million from the same period in 2007 which mainly reflects non-cash foreign currency translation expense of our U.S. dollar denominated debt.

Performance slowed for the fourth quarter with organic and acquisition revenue growth of 4.3% and EBITDA up $0.3 million, when compared with the same period in 2007. EBITDA for the fourth quarter reflected a drop in gross profits by 1.2% of sales, as we were not able to pass on the higher currency cost of goods due to previous pricing commitments and lower margins in Canada on sales of surplus inventory. However, we consider this a success given that the economic conditions created a "perfect storm" with currency dropping U.S./Cdn. 13¢, oil prices dropping to $40U.S./bbl. and a North American recession.

Richards Packaging borrowed $4 million early 2008 to increase our inventory levels of Asian glass ahead of the shutdowns in Asia due to the Chinese New Year. These funds were repaid by year end as inventory was realized as higher sales. On June 3rd the credit facilities were refinanced to add the acquisition borrowing to the term credit facility and to extend its maturity to June 2011. Unfortunately, our leverage covenant was adversely affected during the fourth quarter by the spot versus average spread gapping out U.S./Cdn. 13¢. Also, the Canadian dollar equivalent of our debt increased by $7.3 million. On December 10, 2008, covenant relief was provided by our lending syndicate through to September 30, 2009, at which point the covenant will be reset to 2.75 times debt to EBITDA.

Richards Packaging enters 2009 as a leading North American packaging distribution company with a clear business strategy, a high quality sales organization and a dedication to providing our customers with innovative value add packaging solutions. Our acquisitions since the inception of the Fund were all accretive and strong strategic fits and we are excited by the prospects of executing our strategic plan and growing the Richards Packaging family.

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 — March 5, 2009
Richards Packaging Inc.

Richards Packaging Income Fund

INDEPENDENT TRUSTEES' REPORT

December 31, 2008

It is our pleasure as independent trustees to provide this brief report on governance of the Fund.

The interests of unitholders are represented by five trustees, four independent trustees and the chief executive officer of Richards Packaging Inc. Trustees also serve as directors of certain wholly owned subsidiaries of Richards Packaging. The mandate of the trustees is to ensure the integrity of reporting to unitholders, while the directors monitor the strategic, business and financial plans of Richards Packaging, and the succession plan for senior management. Our approach to corporate governance is to meet or exceed the guidelines developed by the Ontario Securities Commission.

The trustees have established the audit committee which is responsible for overseeing the activities of the external auditors, PricewaterhouseCoopers LLP, the quality and thoroughness of financial reporting and the effectiveness of internal controls in providing financial information and safeguarding assets of Richards Packaging. The directors have established the compensation and corporate governance committee to assess senior management performance, review their compensation, set CEO compensation and oversee the succession planning process. All members of both committees are independent of management.

Each trustee, director and officer of Richards Packaging is a unitholder and combined own 30% of the Fund. Accordingly, our motivation and interests are aligned with the public unitholders. Overall, our goal as directors and officers is to add value to Richards Packaging by contributing our broad experience and expertise in directing a controlled growth-oriented enterprise.

Monthly distributions of 9.35¢ per Unit were paid by the Fund during the 2008 year, with annual distributions per Unit of $1.13. 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 year, 116,305 Units were purchased at an average price of $8.75 per Unit. The board of trustees is generally comfortable with a target payout ratio of approximately 90% and has maintained an average payout ratio at approximately that level for the 2008 year.

The Trustees of the Fund believe it is prudent to be proactive by suspending the monthly distribution to unitholders until a targeted 2.50 times debt to EBITDA ratio is reached. A payment of $7 million of bank debt, at current operating and foreign exchange levels, is required to achieve this result. By taking this action, we believe our target will be achieved by September 30, 2009. The Trustees recognize the importance of distributions to unitholders but the primary consideration must be the long-term value of the Fund. Monthly distributions will be reset when this target has been achieved[5].

In closing, we are satisfied with the progress made on governance of the Fund during its fourth year of existence and will continue to strive to serve the interests of the public unitholders, applying the highest standards of duty and care.

"Don Wright"	*"Wayne McLeod"*	*"Rami Younes"*	*"Derek Ridout"*
Chairman	Chair - audit committee	Trustee	Chair – compensation & corporate governance committee

March 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

(*expressed in thousands, except where otherwise indicated and per Unit amounts*)

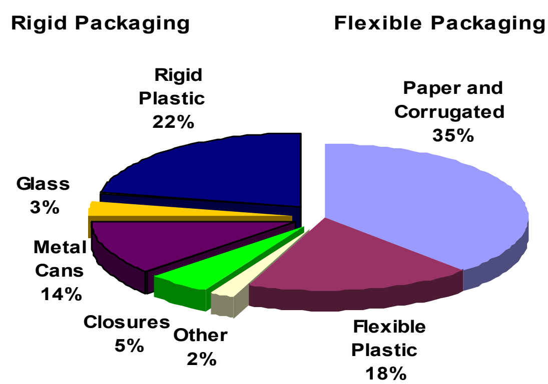
March 5, 2009

This management's discussion and analysis of Richards Packaging Income Fund ("MD&A") for the 2008 year should be read in conjunction with the attached audited consolidated financial statements for the year ended December 31, 2008, the quarterly reports for the periods ended March 31, June 30 and September 30, 2008, and the Annual Information Form dated March 5, 2009. 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 annual financial statements.

North American Packaging Industry

Packaging is pervasive, as almost all products are delivered in some form of packaging. The properties of packaging fulfils not only the practical, transportability, protection functions and shelf life, but also serves to differentiate products and communicate branding messages such as quality, safety and consumer satisfaction. The latest ergonomically complex packaging components' design reflects significant investment in market research and product development. To meet the needs of this changing marketplace, the packaging industry has segmented into different product types outlined in the adjacent chart. Market growth in 2008 was 3% for plastics, 1% for glass and flat for metal.

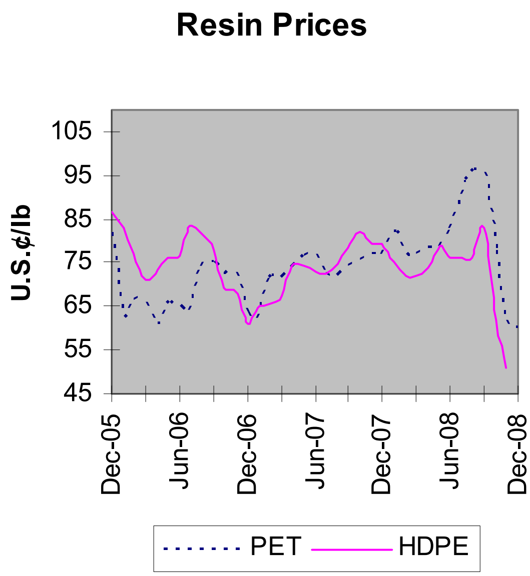
Industry Segmentation by Product Type

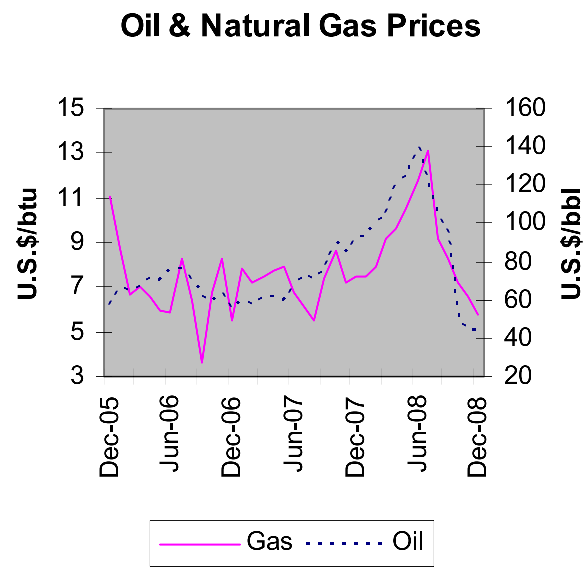


North American Market Size = U.S.$139 Billion

As large product marketers have consolidated, packaging companies have embarked on a parallel industry consolidation strategy to meet their needs. Concentration is high in the glass, metal and paper segments with two to five companies controlling approximately 90% of their market and concentration is medium in the rigid plastic, flexible plastic and closure segments with 10 to 15 companies controlling 50% to 60% of their market. In 2008 there were over 250 acquisitions in the global packaging industry, down 35% over 2007 with an average value of U.S.$170 million at a median multiple of 6.9 times EBITDA (2007 – 7.4). For each of the last two years the top 20 companies have spent $2.0 billion on capital at the cautious rate of 4% of revenue. At the same time, excess capacity is continually being addressed with divestitures by conglomerates. Overall sales growth for these companies averaged 7% for the last two years.

Energy prices continue to be a major factor for the industry affecting glass furnace economics, resin costs and freight costs. In 2008, oil and natural gas prices were extremely volatile with prices doubling driven by speculators and then tumbling driven by the global economic downturn. Resin prices were more stable due to traditional summer market softening with the dampening impact only felt in the fourth quarter. Financing structures in place at most packaging companies are similar to that of an income trust, with significant use of debt priced anywhere from 7% to 13% and free cash flow as defined within the industry at 6%, which ensures that a disciplined approach to passing cost increases through will remain in place. Clear evidence is that for the top 20 companies, their EBITDA as defined within the industry as a percent of sales has remained at a healthy 13% overall for 2008.





PET – Polyethylene terephthalate; HDPE – High Density Polyethylene

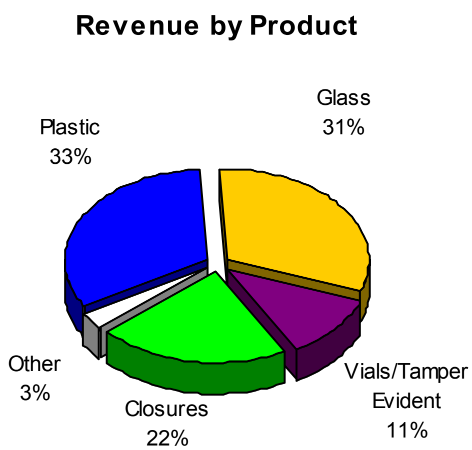
Description of the Business and Fund Profile

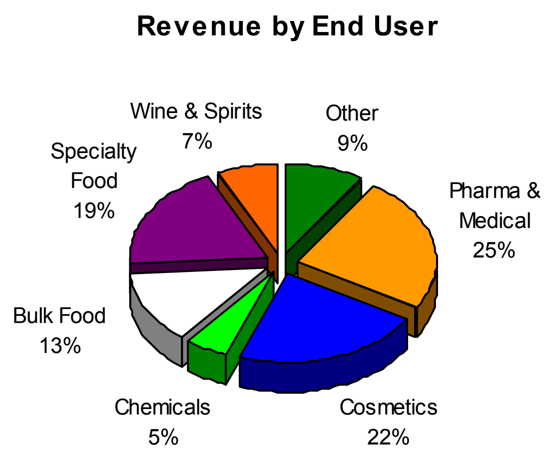
Within the North American Packaging Industry a $3 billion distributor-based market for rigid packaging exists to serve regional small- to medium-sized premium product marketers. Approximately 60 distributors provide marketing and package design expertise, source multiple packaging components from around the world, aggregate orders ensuring access to large manufacturers and provide inventory and logistics support to deliver a complete packaging solution. Concentration in this segment is low with the top five companies controlling approximately 40% of their market. Richards Packaging Holdings Inc. and its subsidiaries ("Richards Packaging") is the largest packaging distributor in Canada and the third largest in North America. Other distributors consist mainly of local or regional family-owned companies who specialize to meet the unique needs of their customers.

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 17% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(expressed in thousands, except where otherwise indicated and per Unit amounts)

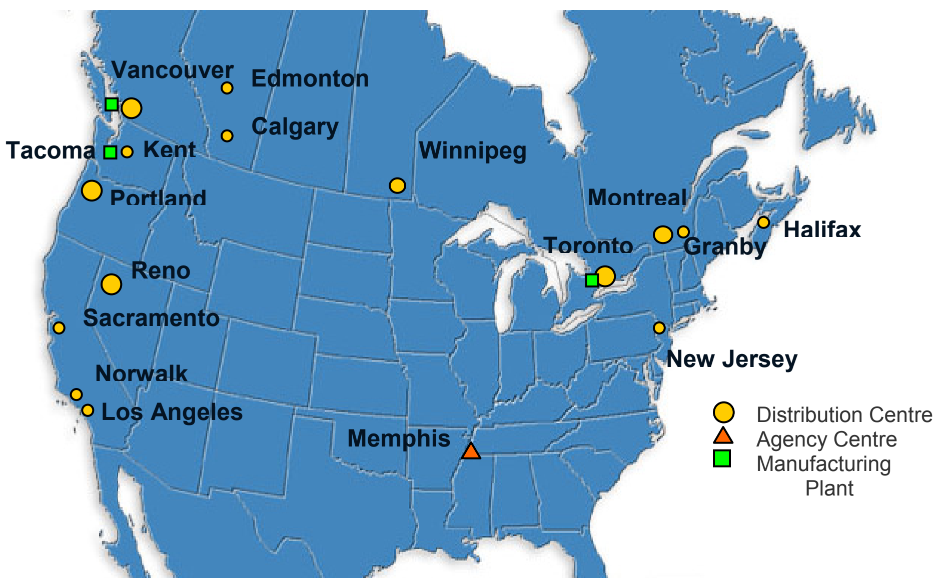
March 5, 2009





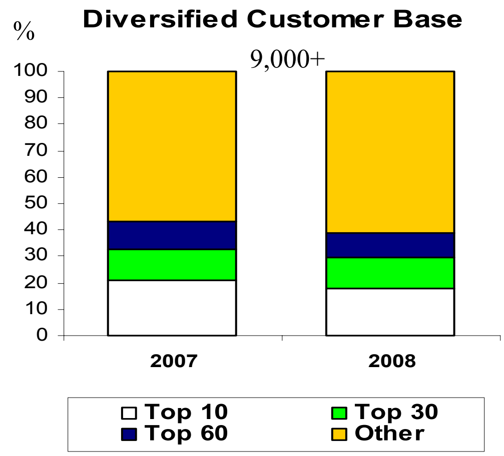
Cosmetics and closures up due to McKernan acquisition;

Richards Packaging Locations



The cornerstones of Richards Packaging's strategy include:

- Focusing on a diversified customer base dominated by small regional premium product marketers,
- Providing a complete one-stop source of packaging solutions,
- Being one of the largest distributors of European and Asian glass for the specialty food, wine and spirits markets,
- Being the largest supplier of packaging to the prescription drug and pharmaceutical markets in Canada,
- Being the largest distributor of surplus packaging, and
- Being the only major distributor with dedicated in-house plastics manufacturing capability.



During 2008, management continued to strategically reposition Richards Packaging in the marketplace to optimize the concentration of large customers and focus on customers with the highest value for the unique product offering and services we provide. In addition, exposure to the US marketplace increased beyond the Richards Packaging, Inc. operations ("Richards US") to include The E.J. McKernan Co. ("McKernan"), collectively referred to herein as "Richards US operations" to take advantage of higher growth opportunities relative to the Canadian marketplace as customers in Canada are hindered by the strong Canadian dollar.

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 purchased 96% of the securities of Richards Packaging. The ownership is currently at 85% due to issuance of shares exchangeable into Units in order to facilitate the financing of two acquisitions and purchases under our normal course issuer bid.

Impact of Changes in Financial Markets

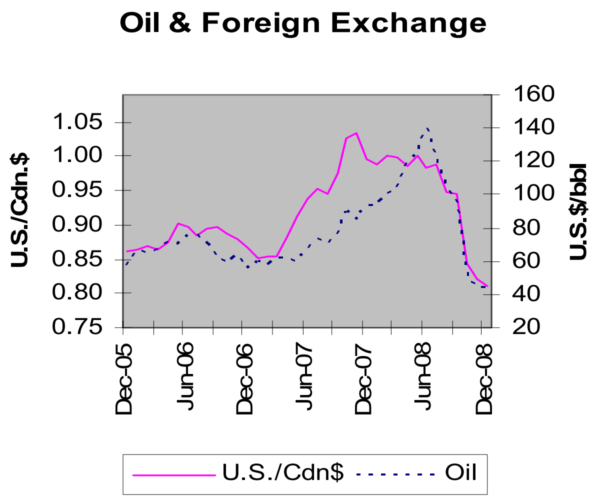
The global economic downturn that began in late 2008 continues in 2009 and impacted the foreign exchange and credit markets and the economic climate.

Foreign Exchange

During the fourth quarter of 2008, the exchange rate decreased dramatically by U.S./Cdn. 13¢. Since the Richards Packaging's debt is denominated in US dollars (primarily to match the interest expense with cash flows from US operations), this exchange rate decrease caused an increase of $8.6 million on a Cdn. equivalent basis and the leverage ratio to grow by 0.36x up to 2.78x debt to EBITDA[1] and together with the degradation in the Unit price, prohibited any further growth through acquisition. As a result, the Fund immediately shifted away from its acquisition strategy and normal course issuer bid and Richards Packaging focused on deploying excess cash flow to reducing debt beginning with a U.S. $1 million repayment on November 30, 2008.

Credit Markets and Interest rates

With the unraveling of the sub-prime lending market came the eventual tightening in credit markets in mid-2008 at a time when the acquisition debt facility was up for renewal. This tightening, although in the early stages of the eventual financial market meltdown, led to a 0.75% increase in borrowing costs. This would later increase to 1.75% as we were required to reset our leverage covenant due to the dramatic increase in the leverage ratio. These increases in interest rates have been fully mitigated by dramatic declines in US LIBOR rates, which is used to set the interest rates.



Economic Recession

During the fourth quarter, the gross domestic product in the United States and Canada dropped by 6.2% and 3.4%, respectively. This slowed the organic growth rate in our US operations from 17.6% to 4.3% for the fourth quarter. Our Canadian operations are currently experiencing no impact.

Highlights and Selected Financial Information

Highlights of the overall performance for the 2008 year include:

- Revenue growth of 18.5%, mainly due to double digit growth in the United States and the McKernan acquisition,
- EBITDA growth of 25.0% representing 11.8% of sales, which includes reorganization costs at 0.3% of sales,
- Reorganized the Toronto area facilities reducing leased space by 29,000 square feet,
- Refinanced on June 3rd to add the acquisition borrowing to the term credit facility and extend its maturity to June 2011 and on Dec 10th to obtain temporary covenant relief until Sept 2009,
- Working capital decrease of $1.2 million reflects the successful $1.0 mil. recovery of past due accounts,
- Purchased 116,305 Units (@$8.75/Unit) under our Normal Course Issuer Bid,
- Paid monthly distributions of 9.35¢ per Unit to yield a 19.0% annualized return (@$5.90/Unit – Dec 31st),
- Maintained distributable cash flow[2] of $1.24 per Unit. Given the annual distributions declared of $1.13 per Unit, the implied payout ratio[3] was 91%.

The MD&A covers the three months ended December 31, 2008, the 12 months ended December 31, 2008 and 2007 (generally referred to in this MD&A as the "fourth quarter", the "2008 year" and the "2007 year" respectively). The following table sets out selected consolidated financial information:

MANAGEMENT'S DISCUSSION AND ANALYSIS

(expressed in thousands, except where otherwise indicated and per Unit amounts)

March 5, 2009

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr.4		12 months		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2006
	$	$	$	$	$	$	$	$	$	$	$
Income Statement Data:											
Revenue	**44,541**	**40,333**	**48,899**	**39,830**	**48,476**	**38,064**	**45,400**	**39,781**	**187,316**	**158,008**	**159,005**
EBITDA[1]	**5,458**	**4,381**	**6,034**	**4,347**	**5,488**	**4,085**	**5,116**	**4,861**	**22,096**	**17,674**	**17,806**
Diluted per Unit	*45.4¢*	*40.6¢*	*50.4¢*	*40.3¢*	*46.1¢*	*37.9¢*	*43.0¢*	*41.9¢*	*$1.85*	*$1.61*	*$1.65*
Net income (loss)	**348**	**2,056**	**3,078**	**3,905**	**525**	**3,313**	**(5,433)**	**2,006**	**(1,482)**	**11,280**	**8,510**
Diluted per Unit	*3.4¢*	*20.0¢*	*30.2¢*	*38.1¢*	*5.1¢*	*32.3¢*	*(53.7¢)*	*17.3¢*	*($0.15)*	*$1.08*	*$0.83*
Balance Sheet Data:											
Total assets	**184,104**	**149,943**	**180,521**	**147,127**	**180,686**	**143,476**			**189,991**	**179,905**	**154,791**
Bank debt	**53,556**	**34,645**	**53,975**	**31,950**	**55,115**	**31,127**			**62,455**	**48,656**	**35,027**
Cash Flow Statement Data:											
Distributions	**3,370**	**3,024**	**3,361**	**3,024**	**3,357**	**3,024**	**3,394**	**3,256**	**13,482**	**12,328**	**12,096**
Diluted per Unit	*28.1¢*	*28.1¢*	*28.0¢*	*28.0¢*	*28.1¢*	*28.0¢*	*28.4¢*	*28.1¢*	*$1.13*	*$1.12*	*$1.12*
Payout ratio[3]	*90%*	*98%*	*82%*	*97%*	*98%*	*95%*	*98%*	*93%*	*91%*	*96%*	*93%*

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 upon net income due to various non-cash accounting charges that depress net income such as amortization, unrealized gains or losses on financial instruments and future income taxes. The Fund's payout ratio of 91% for the 2008 year was a 5% improvement over the 2007 year.

Review of Operations

Richards Packaging's operations were approximately half (2007 – two-thirds) in Canada and half (2007 – one-third) in the United States. Approximately one-third 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 $5.6 million, or 14.1%, for the fourth quarter, and by $29.3 million, or 18.5%, for the 2008 year (2007 – $1.0 million decrease, or 0.6%), from the same periods in 2007, respectively. During the fourth quarter, revenue increased $5.6 million on organic growth and revenue from McKernan of $1.7 million, or 4.3% (2007 – $1.9 million, or 4.7%) and the translation impact of Richards US operations with the Canadian dollar weakening 19.2¢ to U.S./Cdn.$0.83 of $3.9 million (2007 – $1.7 million decrease). For the 2008 year, organic growth and revenue from McKernan of $27.8 million, or 17.6% (2007 – $4.2 million) contributed to the revenue increase along with a $1.5 million translation increase from Richards US operations due to a U.S./Cdn. 1.1¢ strengthening (2007 – $2.5 million decrease).

(expressed in thousands, except where otherwise indicated and per Unit amounts)

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		12 months		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2006
	$	$	$	$	$	$	$	$	$	$	$
Revenue	**44,541**	**40,333**	**48,899**	**39,830**	**48,476**	**38,064**	**45,400**	**39,781**	**187,316**	**158,008**	**159,005**
Cost	**36,530**	**33,621**	**40,318**	**33,192**	**40,216**	**31,566**	**37,689**	**32,551**	**154,753**	**130,930**	**132,001**
Gross profit	**8,011**	**6,712**	**8,581**	**6,638**	**8,260**	**6,498**	**7,711**	**7,230**	**32,563**	**27,078**	**27,004**
	18.0%	*16.7%*	*17.5%*	*16.7%*	*17.0%*	*17.1%*	*17.0%*	*18.2%*	*17.4%*	*17.1%*	*17.0%*
Expenses	**2,509**	**2,368**	**2,505**	**2,308**	**2,479**	**2,338**	**2,536**	**2,428**	**10,029**	**9,442**	**9,231**
Reorganization [a]	—	—	—	—	**253**	**149**	**293**	**104**	**546**	**253**	—
FX [b]	**44**	**(37)**	**42**	**(17)**	**40**	**(74)**	**(234)**	**(163)**	**(108)**	**(291)**	**(33)**
EBITDA[1]	**5,458**	**4,381**	**6,034**	**4,347**	**5,488**	**4,085**	**5,116**	**4,861**	**22,096**	**17,674**	**17,806**
	12.3%	*10.9%*	*12.3%*	*10.9%*	*11.3%*	*10.7%*	*11.3%*	*12.2%*	*11.8%*	*11.2%*	*11.2%*
Amortization	**2,159**	**1,964**	**2,136**	**1,946**	**2,076**	**1,947**	**2,279**	**2,162**	**8,650**	**8,019**	**8,430**
Interest	**1,020**	**796**	**1,019**	**770**	**1,136**	**745**	**1,323**	**910**	**4,498**	**3,221**	**3,045**
UFI [b]	**2,476**	**(372)**	**(778)**	**(2,685)**	**1,950**	**(2,013)**	**8,948**	**751**	**12,596**	**(4,319)**	**215**
Income tax	**(606)**	**(168)**	**75**	**211**	**(286)**	**(77)**	**(1,081)**	**(1,103)**	**(1,898)**	**(1,137)**	**(2,829)**
NCI [b]	**61**	**105**	**504**	**200**	**87**	**170**	**(920)**	**135**	**(268)**	**610**	**435**
Net Income (loss)	**348**	**2,056**	**3,078**	**3,905**	**525**	**3,313**	**(5,433)**	**2,006**	**(1,482)**	**11,280**	**8,510**

a) *represents one time cost of $251 and expenses of $295 to move the Toronto facilities in 2008 and the US financial reorganization in 2007.*

b) FX=*foreign currency losses/(gains) from operations and a decrease in the net investment in Richards US operations*, UFI=*unrealized losses/(gains) on financial instruments, NCI=non-controlling interests*.

Exchange translation will now contribute to significant revenue increases with the depreciated U.S./Cdn.$ exchange rates. Its impact for the fourth quarter is expected to continue throughout 2009 at approximately $13 million for the year based on exchange rates at U.S./Cdn$0.80. It is our view that the exchange rate depreciation will prevail and organic revenue growth will be at the higher end of the historic rate of between 1 to 3% per annum[5].

Cost of products sold increased by $5.1 million for the fourth quarter, or 15.8%, and by $23.8 million for the 2008 year, or 18.2% (2007 – $1.1 million decrease, or 0.8%), from the same periods in 2007, respectively. These increases were in line with the increases in revenue for the same periods however, the inability to pass on the f/x impact due to prior pricing commitments along with the selling of aged inventory on hand deploying the marketing knowledge obtained from the McKernan organization resulted in a 1.2% decrease in gross profit margins during the fourth quarter from the same period in 2007. For the 2008 year, gross profit margins were up 0.3% (2007 – 0.1%) from the same period in 2007 primarily due to the successful integration of our acquisitions and continued shift into higher margin products. The volatility in the price of resins continues to 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 including reorganization costs increased $0.3 million, or 0.7% of sales for the fourth quarter and $0.9 million, or 0.5% of sales for the 2008 year (2007 – $0.5 million), over the same periods in 2007, respectively mainly due to the additional expenses from the McKernan organization and reorganization costs incurred to move the Toronto facilities. The foreign exchange loss/(gain) from operations results from exchange rate

changes applied to our U.S. denominated working capital position within our Canadian operations and a decrease in the net investment in Richards US operations.
EBITDA[1] increased by $0.3 million for the fourth quarter and by $4.4 million for the 2008 year (2007 – $0.1 million decrease), over the same periods in 2007, respectively. As a percent of sales, EBITDA was at 11.3% for the fourth quarter and 11.8% for the 2008 year (2007 – 11.2%). Changes were due to the factors outlined above, namely the organic growth and revenue from McKernan.

Other expenses comprise amortization, including debt accretion, and interest, which were higher due to the addition of the intangible assets and financing associated with the McKernan acquisition; and unrealized losses/(gains) on financial instruments comprised of foreign exchange gains on translation of U.S. denominated debt, which reflects the movement in the U.S./Cdn.$ exchange rate, and the mark-to-market gain or loss on the fixed interest rate swap. The only cash item in other expenses is the interest paid by Richards Packaging.

Amortization of $2.3 million for the fourth quarter was mainly comprised of $1.6 million for intangible assets, which represents a charge for customer relationships and patents. The remaining amortization amounts consisted of debt accretion of $0.1 million and capital asset amortization of $0.6 million per quarter, which annualized, is approximately twice Richards Packaging's annual maintenance capital expenditure spending requirement.

Interest expense for the fourth quarter and the 2008 year increased by $0.4 million and $1.3 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 as the U.S. Federal Reserve rate reductions of 4.0% were offset by the negative impact of our interest rate swap on $30.0 million of debt and a 1.75% refinancing margin increase.

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. Term debt outstanding at December 31, 2008 totaled U.S.$51.0 million, which gave rise to an unrealized loss of $8.6 million for the fourth quarter. Also included is $0.3 million of unrealized loss on the mark-to-market of the fixed interest rate swap set on September 10, 2007 as variable interest rates dropped 200 bps during the quarter. For the 2008 year, unrealized foreign currency losses were $12.2 million and together with the loss on the fixed interest rate swap noted above, net unrealized losses were $12.6 million. On December 31, 2007 the exchange rate was U.S./Cdn.$1.01, while in the fourth quarter it decreased to as much as U.S./Cdn.$0.77 and closed on December 31, 2008 at U.S./Cdn.$0.82. 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.

Current income taxes reflect the tax deductions inherent in distributions to unitholders. For the 2008 year, current income taxes were $2.0 million (2007 – $0.8 million) representing tax leakage predominately for the Richards US operations. Future income tax recoveries for the 2008 year were $3.9 million (2007 – $2.0 million) representing temporary differences due primarily to the reversal of accounting amortization and the recognition of loss carry forwards. Net future tax assets available to shield income taxes are $4.5 million, which include a loss carry forward of $4.0 million, $0.3 million of initial public offering and financing fees and $0.6 million of working capital offset by $0.4 million of capital assets.

(expressed in thousands, except where otherwise indicated and per Unit amounts)

Net loss for the fourth quarter was $5.4 million, and for the 2008 year was $1.5 million, which represented 53.7¢ and 15.0¢ per Unit on a diluted basis, respectively. A time-weighted average total of 10,158,325 Units and 1,793,533 exchangeable shares, exchangeable into Units on a one-for-one basis, were outstanding in 2008.

Distributable Cash Flow

	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		12 months		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2006
	$	$	$	$	$	$	$	$	$	$	$
Cash provided by operating activities	1,655	1,559	3,492	3,173	5,853	1,980	5,851	2,850	16,851	9,562	18,034
Working capital changes	2,241	1,728	848	196	(2,275)	1,347	(2,038)	783	(1,224)	4,054	(4,090)
Non-cash charges	1,562	1,094	1,694	978	2,163	758	1,596	1,228	7,015	4,058	3,862
	5,458	4,381	6,034	4,347	5,741	4,085	5,409	4,861	22,642	17,674	17,806
Reorganization costs [a)]	—	—	—	—	253	(149)	293	(104)	546	(253)	—
Interest	1,020	796	1,019	770	1,136	745	1,323	910	4,498	3,221	3,045
Cash income taxes	542	298	675	208	774	13	(20)	318	1,971	837	817
Maintenance capital	136	205	213	239	137	291	177	240	663	975	884
Reorganization capital [b)]	—	—	—	—	—	—	154	—	154	—	—
Loan payments	10	10	10	10	7	10	—	10	27	40	40
Distributable cash flow[2]	3,750	3,072	4,117	3,120	3,434	3,175	3,482	3,487	14,783	12,854	13,020
Diluted per Unit	*31.2¢*	*28.5¢*	*34.4¢*	*28.9¢*	*28.8¢*	*29.4¢*	*29.2¢*	*30.0¢*	*$1.24*	*$1.17*	*$1.21*
Distributions	3,370	3,024	3,361	3,024	3,357	3,024	3,394	3,256	13,482	12,328	12,096
Diluted per Unit	*28.1¢*	*28.1¢*	*28.0¢*	*28.0¢*	*28.0¢*	*28.0¢*	*28.5¢*	*28.1¢*	*$1.13*	*$1.12*	*$1.12*
Payout ratio[3]	*90%*	*98%*	*82%*	*97%*	*98%*	*95%*	*98%*	*93%*	*91%*	*96%*	*93%*
Units purchased	257	—	379	—	382	—	—	246	1,018	246	—
Units outstanding on a diluted basis	12,015	10,781	11,971	10,781	11,914	10,781	11,908	11,611	11,952	10,990	10,781

a) represents one time cost of $251 and expenses of $295 to move the Toronto facilities in 2008 and the US financial reorganization in 2007.
b) represents expenditures associated with leaseholds on the new Toronto and the Portland facilities.

The distributable cash flow[2] definition excludes changes in working capital and capital expenditures for expansion of the business, 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 (nil drawn; 2007 – $1.2 million).

Distributable cash flow[2] for the fourth quarter at $3.5 million was flat with the same period in 2007 as increased EBITDA[1] and lower cash income taxes were more than offset with reorganization costs and associated capital and higher interest from the McKernan acquisition and refinancing. Maintenance capital expenditures comprised primarily of moulds and were on target for the fourth quarter but lower than target for the year as funds were deployed for reorganization capital. Management plans to return to the annual target of $0.9 million for the foreseeable future[5].

The distribution for the 2008 year at $1.13 per Unit represents an annual yield of 19.0% on a $5.90 price per Unit at December 31, 2008 and a payout ratio[3] of 91% (2007 – 96%). Based upon the 2008 year, 80% of the distributions will represent interest on the subordinated note held by the Fund and 20% will be treated as a return of capital.

Liquidity and Financing

Cash flows from operating activities

Cash flow from operating activities increased by $3.0 million for the fourth quarter and $7.3 million for the 2008 year, over the same periods in 2007. The increases were due primarily to a combination of increased EBITDA[1], net of increased interest, along with decreases in working capital associated with the successful recovery of past due accounts. The recovery of cash income taxes during the fourth quarter represents the decrease in withholding taxes with the ratification of the US/Canada tax treaty in December and annual adjustments for taxes owing in the Richards US operations.

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 2008 year were $13.5 million with an additional $1.1 million declared for December, which was paid January 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 2008 year, 116,305 Units were purchased at an average price of $8.75 per Unit. The Fund has not reinstated the normal course issuer bid for 2009.

Cash income taxes

The cash income tax expense for the 2008 year was $2.0 million (2007 – $0.8 million) predominately made up of current income tax for the Richards US operations and increased $1.2 million due to organic growth and McKernan. The loss carry forwards in Richards Packaging ensure that income tax leakage will be limited to Richards US operations until the new tax imposed upon publicly traded income trusts takes effect in 2011[5].

Capital expenditures

Capital expenditures for the 2008 year were $2.0 million (2007 – $1.2 million), of which $1.2 million (2007 – $0.2 million) was on account of expansion capital and $0.8 million on account of maintenance capital (2007 – $1.0 million). 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 expenditures were mainly incurred on new equipment and moulds for new customer programs.

Acquisitions

On October 31, 2007, management completed the acquisition of McKernan, a successful direct mail, catalogue and telemarketing packaging distributor and the largest provider of surplus packaging in the United States, for an aggregate purchase price 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 the President of Richards Packaging at a price of $9.25 per share. The balance of the purchase price was funded through the issuance of shares exchangeable into 1,052,632 Units of the Fund indirectly to Mr. McKernan.

(expressed in thousands, except where otherwise indicated and per Unit amounts)

Financing activities and instruments

Richards Packaging's credit facilities include a U.S.$51.0 million term loan with repayment on June 3, 2011 and up to $7.0 million in revolving debt to fund working capital expansion. During the 2008 year, the U.S.$18.0 million draw on a previously available acquisition facility and the then outstanding $4.0 million draw on the revolving facility were added to the term loan which was extended to 2011 and U.S.$1.0 million of the term loan was repaid. On December 10, 2008, the acquisition facility was cancelled. During the 2007 year, the revolving and acquisition facilities were increased in order to facilitate the acquisition of McKernan.

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 maintain debt less than 3.25 times the trailing twelve month EBITDA[1] until June 30, 2009 and is reduced to 2.75 times as at September 30, 2009. As of December 31, 2008 our proforma leverage ratio was 2.78. In order to ensure we achieve our target of 2.50 times leverage ratio by September 30, 2009, beginning in March 2009, distributions have been temporarily suspended. Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[5].

Approximately half (2007 – 33%) of distributable cash flow for the 2008 was provided by Richards US operations. This increase reflects the 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.

Richards Packaging entered into an interest rate swap contract with approved creditworthy counterparties to June 5, 2009 on a notional principal amount equal to U.S.$30,000 of term debt outstanding. The mark-to-market valuation of the swap contract as at December 31, 2008 gave rise to an unrealized loss of $354 (2007 – $309).

Commitments and contractual obligations

	Total $	**< 1 year** $	**1-3 years** $	**4-5 years** $	**Thereafter** $
Bank debt	**61,916**	**—**	**61,916**	**—**	**—**
Due to previous shareholder	**966**	**966**	**—**	**—**	**—**
Patents and trademarks	**400**	**200**	**200**	**—**	**—**
Annual bonus plans	**824**	**489**	**335**	**—**	**—**
Operating leases	**17,672**	**3,464**	**4,224**	**4,140**	**5,844**
	81,778	**5,119**	**66,675**	**4,140**	**5,844**

A competitor has filed an action against Richards Packaging to establish that a product they launched in July 2006 does not infringe our Dispill patent and trademark. The patent and trademark expenditures above reflect management's estimate of ongoing legal costs to defend this action. If their action fails, there could be a positive effect on profitability in the future.

Outlook[5]

Management believes that the performance of Richards Packaging is on track to meet ongoing requirements for working capital and capital expenditures.

Revenue growth for the fourth quarter and 2008 year were above the long term industry average of 2-3% however, given the current economic climate, management expects Richards Packaging's organic growth rate to be more in line with the industry average.

EBITDA[1] for the fourth quarter was $5.1 million and $22.1 million for the 2008 year and continues to track at levels exceeding 11% of revenue. Management will continue to focus its attention on achieving operational improvements during 2009 and integrate the McKernan operation to drive this level up. Management's strategy is to deliver a compounded growth rate in distributable cash flow[2] in excess of 7.5%.

The cash income tax expense is expected to be $2.5 million in 2009 due to tax leakage from the Richards US operations offset by a further reduction in the withholding tax rate to 4%. Based upon Richards Canada's current tax profile we expect to have approximately $5 million of loss carry forwards which will partially shield taxes beginning 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. Expansion capital is expected to be in the order of $2 to $3 million cumulatively over the next few years to support the launch of new marketing programs by our customers, although no major expenditures are pending. These expenditures will be funded by debt.

Risks and Uncertainties

Business risks

Investment in Units involves risks inherent in the ordinary course of business of Richards Packaging including: sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier agreements, competition from other packaging companies, the extent and duration of an economic downturn, 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 2008 Annual Information Form dated March 5, 2009.

Liquidity Risk

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, exchange rate fluctuations, 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.

Income taxes

During 2007, the Income Tax Act was amended to change the manner in which most publicly traded income trusts such as the Fund and the distributions from such trusts are taxed. Generally, the new rules apply an entity level tax on income earned by the trust at a rate approximately equal to the tax rate applicable to income earned by a Canadian public corporation, and treat the distributions of such income received by unitholders as taxable dividends received from a Canadian corporation. The new rules will be effective in 2011 unless the Fund were to grow in excess of $50 million per year at which point the tax would be immediately effective.

Richards Packaging's capital structure involves commercially reasonable inter-company financing generating interest expense, which serves to reduce income and therefore income taxes payable in the United States. Management has taken steps to ensure that these financings are commercially reasonable, however there can be no assurance that the Internal Revenue Service will not challenge the tax filing position taken by Richards US operations, in which case some or all of the otherwise deductible interest would be treated as non-deductible distributions.

Transactions with Related Parties

Richards Packaging leased four of its facilities in 2008 from various former owners of Richards Packaging, who are currently officers or 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.

Outstanding Share Data

At March 5, 2009, the Fund had 10,114,722 Units and Holdings had 1,793,533 exchangeable shares outstanding, respectively. See notes 10 and 11 of the attached consolidated financial statements for further discussion on the terms of the Units and exchangeable shares.

(expressed in thousands, except where otherwise indicated and per Unit amounts)

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting practices requires Management to make estimates and assumptions which affect the reported, and disclosure of contingent, amounts for assets and liabilities as at December 31, 2008 and revenue and expenses for the year then ended. Critical accounting estimates used in preparation of the consolidated financial statements are outlined below.

Allowance for doubtful accounts

An allowance for doubtful accounts is reviewed periodically on an account-by-account basis with a focus on the creditworthiness, aging and historical collection experience. Based on this review, management believes the allowance as at December 31, 2008 is sufficient to cover risks inherent in outstanding receivables.

Inventory obsolescence

Richards Packaging monitors future demand for its inventory on a product-by-product basis, inventory aging and prevailing demand in local markets to record an allowance for obsolescence. Based upon this review, management believes the obsolescence provision is adequate to cover risks inherent in inventory on hand as at December 31, 2008.

Intangible assets

Richards Packaging has recognized an additional intangible asset in connection with the McKernan acquisition valued at $9.1 million as of October 31, 2007 pertaining to the future customer relationships that are not under long-term contract. The basis of valuation assumed that the margin percent would remain constant and the duration of these relationships would be impacted by a retention rate of approximately 90% per year. In addition, Richards Packaging recognized trademark intangible assets of $2.9 million and an associated $1.1 million future income tax liability. The customer relationship intangible and associated $3.6 million future income tax liability as at December 31, 2007 will be amortized to income over 15 years. It should be noted that although this item, together with previously recognized patent and customer relationship intangible assets, affect net income, they do not impact distributable cash flow[2].

Goodwill

	Book $	**Units** $	**Private** $	**DCF** $
Goodwill value, December 31, 2007	**70,187**	**87,747**	**58,652**	**81,928**
Currency translation gain *(20¢ U.S./Cdn.)*	**7,368**	**7,368**	**7,368**	**7,368**
Earnings net of distributions		**2,516**	**2,516**	**2,516**
Unit buyback *(116 units)*		**(1,076)**		
Unit price decrease *($3.35/unit)*		**(39,893)**		
EBITDA improvement			**28,579**	**25,580**
Multiple contraction *(-0.5x)*			**(8,837)**	**(2,404)**
Debt currency translation *(20¢ U.S./Cdn.)*			**(13,799)**	**(13,799)**
Goodwill value, December 31, 2008	**77,555**	**56,662**	**74,479**	**101,189**

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the net assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if impairment indicators arise. The book value of goodwill increased by $7,368 to reflect a currency translation gain related to the translation of Richards US operations ("Book"). The price of Units in the Fund traded on the Toronto Stock Exchange fell to $5.90/unit as at December 31, 2008 (2007 – $9.25/unit) which management believes is temporary in nature and more reflective of the overall mood of financial markets rather than indicative of the fair value of the goodwill of the Fund ("Units"). We compared the private prices paid on sales of packaging businesses as outlined in the Annual Deal Review report provided by BMO Capital Markets using the average multiple of 6.9 times EBITDA[1] less debt for the year ended December 31, 2008 and noted that the multiple was consistent throughout the year ("Private"). On this basis, the fair value of the Fund increased significantly mainly due to organic growth and the McKernan acquisition partially offset by the increase in the U.S. dollar denominated debt due to a drop in the exchange rate by U.S./Cdn 20¢. To determine fair value, management relies mainly upon a valuation method based on a discounted cash flow model ("DCF") that assumes revenue growth and inflation of 2% per annum respectively. The discount rate applied to these cash flows reflects the weighted average cost of capital, which is based on the Fund's capital structure and the associated costs of debt and equity funding at December 31, 2008. Overall the carrying value of goodwill continues to be supported by the fair value of the Fund.

Change in Accounting Policies

Effective January 1, 2008 the Canadian Institute of Chartered Accountants Handbook Section 3031 *Inventories,* Sections 1535 *Capital Disclosures* and Sections 3862 & 3863 *Financial Instruments – Disclosure &* Presentation were adopted. 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 2008 year and has no partially written-down inventory that would require separate disclosure. In accordance with Section 1535, management of the Fund's capital has been disclosed in the financial statements. In accordance with Section 3862 & Section 3863, disclosures were revised and enhanced to incorporate working capital management. 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.

Effective January 1, 2007 the Canadian Institute of Chartered Accountants Handbook Sections 1530 & 3251 *Comprehensive Income and Equity*, Section 3855 *Financial Instruments – Recognition and Measurement* were adopted. In accordance with Sections 1530 and 3251, comprehensive income and its components are presented as part of the financial statements. Gains and losses from the translation of Richards Packaging subsidiaries in the United States are presented in our statement of comprehensive income (loss) as other comprehensive income (loss). Previously, these gains and losses were included in unitholders' equity as cumulative translation adjustment. In accordance with Section 3855, Richards Packaging 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 our debt bears interest at variable rates, there was no material impact on 2007 or prior periods. Deferred financing fees of $380 were deducted from long-term debt as of January 1, 2007 and, together with additional fees paid, are amortized over the effective interest period as debt accretion.

New Accounting Pronouncements

The Canadian Institute of Chartered Accountants recently issued accounting standard Section 3064 *Goodwill and Intangible Assets* that establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. Management is currently evaluating the standard and cannot reasonably determine the effect at this time.

International Financial Reporting Standards *("IFRS")*

In 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for interim and annual reporting purposes beginning January 1, 2011. As a result Richards Packaging has developed a plan to convert its consolidated financial statements to IFRS. A team represented by managers in the areas of Accounting, Taxation and IT are involved in the implementation. Richards Packaging has completed the initial assessment phase which involved a high level review of the differences between current Canadian GAAP and IFRS. Richards Packaging will complete a detailed assessment of the accounting and disclosure standards as well as the impact of IFRS conversion on the systems, processes and controls, regulatory and taxation in 2009.

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 and operating effectiveness of internal controls over financial reporting as of December 31, 2008 and have concluded that such controls and procedures are adequate and effective. Management determined that there were no material weaknesses in the Fund's internal controls over financial reporting as of December 31, 2008 and there have been no changes in the Fund's internal controls over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal controls 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, 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 annual 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 *Management defines EV as enterprise value. The private equity standard multiple of EBITDA is 6.9 in the North American packaging industry. EV does not have a standardized meaning prescribed by GAAP and therefore the Fund's method of calculating EV may not be comparable to similar measures presented by other companies or income trusts.*

5 *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. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession 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 foregoing factors and various other 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.*

MANAGEMENT'S REPORT TO UNITHOLDERS

The accompanying consolidated financial statements of Richards Packaging Income Fund (the "Fund") and Management's Discussion and Analysis included in this Annual Report have been prepared by management and approved by the Board of Trustees of the Fund. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report dated March 5, 2009.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared.

The Fund's Audit Committee is comprised of trustees who are neither employees nor officers of the Fund. The Audit Committee meets with management as well as with the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the Auditors' Report. The external auditors have direct access to the Audit Committee of the Board of Trustees.

The consolidated financial statements have been independently audited by PricewaterhouseCoopers LLP on behalf of the unitholders, in accordance with generally accepted auditing standards in Canada. The Auditors' Report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Fund.

"*Gerry Glynn*"	"*Enzio Di Gennaro*"
Chief Executive Officer Richards Packaging Inc.	Chief Financial Officer Richards Packaging Inc.

Toronto, Ontario
March 5, 2009

AUDITORS' REPORT

To the Unitholders of Richards Packaging Income Fund

We have audited the consolidated balance sheets of Richards Packaging Income Fund ("the Fund") as at December 31, 2008 and 2007 and the consolidated statements of net income (loss) and comprehensive income, deficit and accumulated other comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed*) "PricewaterhouseCoopers LLP"*

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 5, 2009

Richards Packaging Income Fund

CONSOLIDATED BALANCE SHEETS

[expressed in thousands of dollars]

As at December 31

	2008 $	2007 $
ASSETS *[note 9]*		
Current		
Cash and cash equivalents	**202**	**103**
Accounts receivable	**20,458**	**21,177**
Inventory *[note 3]*	**38,254**	**31,835**
Prepaid expenses	**1,687**	**2,267**
Income taxes recoverable	**416**	**20**
Total current assets	**61,017**	**55,402**
Capital assets *[note 6]*	**4,797**	**4,395**
Intangible assets *[note 7]*	**46,569**	**49,847**
Future income tax assets *[note 13]*	**53**	**74**
Goodwill *[notes 5 and 8]*	**77,555**	**70,187**
	189,991	**179,905**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	**258**	**1,259**
Accounts payable and accrued liabilities	**23,290**	**20,395**
Income taxes payable	—	**277**
Distributions and dividends payable *[notes 10 and 11]*	**1,135**	**1,123**
Due to previous shareholder of acquired company *[note 5]*	**966**	**779**
Short-term debt and current portion of long-term debt *[notes 3 and 9]*	—	**18,804**
Total current liabilities	**25,649**	**42,637**
Long-term debt *[note 9]*	**61,916**	**29,426**
Future income tax liabilities *[note 13]*	**11,274**	**14,176**
Total liabilities	**98,839**	**86,239**
Non-controlling interests *[note 10]*	**15,177**	**15,409**
Unitholders' equity		
Units *[note 11]*	**94,508**	**95,526**
Deficit	**(22,947)**	**(10,068)**
Accumulated other comprehensive income (loss) *[note 3]*	**4,414**	**(7,201)**
	(18,533)	**(17,269)**
Total unitholders' equity	**75,975**	**78,257**
	189,991	**179,905**

Commitments and contingencies *[notes 16 and 17]*
Subsequent event *[note 12]*

The accompanying notes are an integral part of these consolidated financial statements.

"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 (LOSS) AND COMPREHENSIVE INCOME, DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *[note 3]*

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

For the years ended December 31

	2008 $	2007 $
Revenue	**187,316**	**158,008**
Cost of products sold	**155,004**	**130,930**
	32,312	**27,078**
General and administrative expenses	**10,324**	**9,695**
Foreign currency gain *[note 16]*	**(108)**	**(291)**
Income before under noted items, income taxes and non-controlling interests	**22,096**	**17,674**
Amortization		
Capital assets	**1,801**	**1,969**
Intangible assets	**6,439**	**5,821**
Debt accretion *[note 3]*	**410**	**229**
Interest expense *[note 9]*	**4,498**	**3,221**
Unrealized losses (gains) on financial instruments *[note 16]*		
Interest rate swap contract	**354**	**309**
Foreign currency translation of debt	**12,242**	**(4,628)**
Income (loss) before income taxes and non-controlling interests	**(3,648)**	**10,753**
Provision for (recovery of) income taxes *[note 13]*		
Current	**1,971**	**837**
Future	**(3,869)**	**(1,974)**
	(1,898)	**(1,137)**
Non-controlling interests *[note 10]*	**(268)**	**610**
Net income (loss) for the year	**(1,482)**	**11,280**
Basic income (loss) per Unit *[note 11]*	**($0.15)**	**$1.10**
Diluted income (loss) per Unit	**($0.15)**	**$1.08**
Other comprehensive income (loss)		
Unrealized foreign currency translation of US operations	**11,615**	**(3,673)**
Comprehensive income for the year	**10,133**	**7,607**
STATEMENT OF DEFICIT		
Deficit, beginning of year	**(10,068)**	**(9,843)**
Net income (loss) for the year	**(1,482)**	**11,280**
Distributions declared to unitholders *[note 11]*	**(11,397)**	**(11,505)**
Deficit, end of year	**(22,947)**	**(10,068)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Accumulated other comprehensive loss, beginning of year	**(7,201)**	**(3,528)**
Other comprehensive income (loss)	**11,615**	**(3,673)**
Accumulated other comprehensive income (loss), end of year	**4,414**	**(7,201)**

The accompanying notes are an integral part of these consolidated financial statements.

Richards Packaging Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

[expressed in thousands of dollars]

For the years ended December 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Net income (loss) for the year	**(1,482)**	**11,280**
Add (deduct) items not involving cash		
Amortization and debt accretion	**8,650**	**8,019**
Future income taxes	**(3,869)**	**(1,974)**
Non-controlling interests	**(268)**	**610**
Unrealized losses (gains) on financial instruments	**12,596**	**(4,319)**
	15,627	**13,616**
Net change in non-cash operating elements of working capital *[note 18]*	**1,224**	**(4,054)**
Cash provided by operating activities	**16,851**	**9,562**
INVESTING ACTIVITIES		
Additions to capital assets	**(1,972)**	**(1,238)**
Expenditures on patents	**(307)**	**(130)**
Acquisition, net of cash acquired of $622 *[note 5]*	**—**	**(18,498)**
Cash used in investing activities	**(2,279)**	**(19,866)**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**(1,001)**	**1,259**
Proceeds from debt, net	**4,020**	**18,022**
Repayment of short and long-term debt	**(2,975)**	**(40)**
Proceeds from exchangeable share issue, net	**—**	**1,988**
Purchase of trust units for cancellation *[note 11]*	**(1,018)**	**(246)**
Dividends paid to exchangeable shareholders	**(2,073)**	**(821)**
Distributions paid to unitholders	**(11,409)**	**(11,507)**
Cash provided by (used in) financing activities	**(14,456)**	**8,655**
Foreign currency loss	**(17)**	**(106)**
Net increase (decrease) in cash and cash equivalents	**99**	**(1,755)**
Cash and cash equivalents, beginning of year	**103**	**1,858**
Cash and cash equivalents, end of year	**202**	**103**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31, 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 [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 *[note 5]*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Principles of consolidation

The consolidated financial statements include the accounts of the Fund, Richards Packaging Holdings Inc. ["Holdings"], Richards Packaging Inc. ["Richards Canada"], Richards Packaging Holdings (US) Inc., 071907 Inc., Richards Packaging, Inc. ["Richards US"], The E.J. McKernan Company ["McKernan"] and 50% of Vision Plastics Inc. ["Vision"]. Vision, which is jointly controlled, is one of our three plastic container manufacturing plants. The non-controlling interest in the investments of the Fund is 15% [2007 - 15%]. Holdings and its subsidiaries are referred to as "Richards Packaging".

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, significant risks and benefits of ownership are transferred, the sales price to the customer is fixed or is determinable and collection of the resulting receivable is reasonably assured. The significant risks and benefits of ownership are normally transferred in accordance with the shipping terms agreed to with the customer. The Fund estimates and records an allowance for product returns and discounts for each reporting period.

Cash and cash equivalents & bank indebtedness

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with a term to maturity of three months or less at the date of purchase. Bank indebtedness represents issued and outstanding cheques which have not yet been applied to the revolving credit facility. Cash balances with the right of offset are netted against bank indebtedness.

Inventory

Raw materials and products available for sale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Capital assets

Capital assets are initially recorded at cost. Repairs and maintenance are charged to income as incurred. Amortization is computed using the straight-line or diminishing balance method over the remaining estimated useful lives of the capital assets as outlined below:

Manufacturing equipment	straight-line over 7 years
Moulds	straight-line over 4 years
Computer equipment	30% diminishing balance
Computer software and systems implementation	straight-line over 5 years
Warehouse and office equipment	20% diminishing balance
Leasehold improvements	straight-line over lease term

Intangible assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the period of expected future benefit. Costs for patents also include legal defense expenditures. Customer relationships and contracts are amortized over 10 or 15 years and patents over 12 years. Trademarks have indefinite lives and therefore are not amortized.

Goodwill

At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over the fair value of the net assets acquired.

Management performs an impairment test on its goodwill annually, or more frequently if circumstances indicate a possible impairment. The carrying amount of goodwill is reviewed for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, a second step will be conducted whereby the fair value of goodwill is determined on the same basis as in a business combination. If the fair value of goodwill is less than its carrying value, goodwill will then be written down to its estimated fair value.

Long-lived assets

Long-lived assets are comprised of capital assets and intangible assets which are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, a test is performed using undiscounted future net cash flows. Should impairment exist, the loss would be measured as the difference between the carrying value and the fair value and recognized by way of an additional current period amortization charge. Management has not identified any such impairment losses to date.

Income taxes

The consolidated entities of the Fund follow the liability method to account for income taxes whereby future tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax basis of assets and liabilities. Future tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Future tax assets are recognized only to the extent that it is more likely than not that the assets will be realized.

Foreign currency translation

The unit of measure for the Fund and its investments, except for Richards Packaging subsidiaries in the United States, is the Canadian dollar and accounts in foreign currencies have been translated into Canadian dollars. Monetary items are recorded at exchange rates in effect at the consolidated balance sheet dates and non-monetary items are recorded at the exchange rates in effect on the date of the transaction. Revenue and expenses are recorded at average exchange rates prevailing during the year, except for amortization, which is translated at rates prevailing when the related assets were acquired. Gains and losses arising from foreign currency translations are included in income.

Richards Packaging subsidiaries in the United States are treated as self sustaining foreign operations. All assets and liabilities are translated at exchange rates in effect on the consolidated balance sheet dates. Revenue and expenses, including amortization, are translated at average exchange rates prevailing during the year. Any resulting gains or losses are included in unitholders' equity as accumulated other comprehensive income (loss).

Derivative financial instruments

Derivative financial instruments are utilized from time to time to reduce interest rate risks on Richards Packaging's debt. Management does not enter into financial instruments for trading or speculative purposes. Richards Packaging has not designated its interest rate swap contract as a hedge for accounting purposes and, accordingly, records the fair value of these derivatives using a mark-to-market valuation basis, with changes during the year recognized in income as unrealized gains/losses on financial instruments.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses recognized for the period reported. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results may differ from these estimates.

Comparative financial statements

Certain amounts in the comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 consolidated financial statements.

3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2008 the Fund adopted the following new Canadian Institute of Chartered Accountants Handbook recommendations:

Inventories *[Section 3031]*

This standard relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. It also outlines the treatment for the subsequent write-up of inventory previously written-down to net realizable value requiring separate disclosure for inventories that were written-down to net realizable value and recognition of the expense or income resulting from changes in value. Richards Packaging has no partially written-down inventory that would require separate disclosure as at December 31, 2008. Given the short-term nature of our inventory there was no impact to changing valuation policy of raw material from the lower of cost and replacement cost to the lower of cost and net realizable value. Finished goods represent 98% of total inventory as at December 31, 2008. Richards Packaging increased its obsolescence provision by $327 during the year.

Capital Disclosures *[Section 1535]*

This standard establishes requirements for the disclosure of qualitative and quantitative information about an entity's capital structure and how it is managed *[note 12]*.

Financial Instruments – Disclosure and Presentation *[Sections 3862 and 3863]*

These standards replace *Section 3861, Financial Instruments-Disclosure and Presentation*, revising and enhancing disclosure requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how Richards Packaging manages those risks *[note 16]*.

Effective January 1, 2007 the Fund adopted the following new Canadian Institute of Chartered Accountants Handbook recommendations:

Comprehensive Income and Equity *[Sections 1530 and 3251]*

Comprehensive income and its components have been presented as part of the financial statements. Gains and losses from the translation of Richards Packaging subsidiaries in the United States, our self sustaining foreign operations, are presented in our statement of comprehensive income as other comprehensive income (loss). Previously, these gains and losses were included in unitholders' equity as cumulative translation adjustment.

Financial Instruments – Recognition and Measurement *[Section 3855]*

Financial assets and 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. Initial differences between fair value and maturity value are amortized using the effective interest rate method. Given the short-term nature of our financial assets and liabilities and that our debt facilities bear interest at variable rates there was no material impact on 2007 or prior periods. Deferred financing fees of $380 were deducted from long-term debt as of January 1, 2007 and, together with additional fees paid, are amortized over the effective interest period as debt accretion. Previously, these deferred financing fees were deferred and amortized using the straight line method.

In accordance with the transitional provisions these new standards were adopted on a prospective basis however, prior period unrealized gains and losses related to the translation of self sustaining foreign operations are now included in accumulated other comprehensive loss. Adoption of these standards did not have a significant impact on the Fund's earnings and cash flows.

4. NEW ACCOUNTING PRONOUNCEMENTS

Goodwill and Intangible Assets *[Section 3064]*

Effective January 1, 2009, the Fund will adopt the new accounting standards for Goodwill and Intangible Assets. This new pronouncement establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. Management is currently assessing the impact of this standard on the consolidated financial statements.

5. ACQUISITION

On October 31, 2007, Richards Packaging indirectly acquired all the shares of The E.J McKernan Co., a direct mail, catalogue and telemarketing packaging distributor and the largest provider of surplus packaging in the United States, for $28,587 (U.S.$30,095) including acquisition costs of $90 (U.S.$95). The consideration was satisfied by a cash payment of $18,998 (U.S.$20,000), which was financed by a draw of $17,098 on the acquisition credit facility *[note 9]* and by a $2,000 private placement of exchangeable shares to the President and the CEO of Richards Packaging *[note 10]*. The balance of the purchase price of $9,499 (U.S.$10,000) was satisfied by the issuance of 1,052.632 shares exchangeable into 1,052,632 Units of the Fund *[note 10]*. The market value of the Units were used as a basis to value the exchangeable shares.

This acquisition has been accounted for by the purchase method. Consequently, the results of operations and cash flows are included in these consolidated financial statements from the effective date of acquisition. The allocation of the purchase price is outlined below:

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

	$		$
Current assets	**9,059**	Current liabilities	**2,508**
Capital assets	**335**	Due to previous shareholder	**749**
Trademark	**2,850**	Future income tax liabilities	**4,544**
Customer relationships	**9,119**		
Total assets acquired	**21,363**	**Total liabilities assumed**	**7,801**
Fair value of net assets acquired			**13,562**
Goodwill *[note 8]*			**15,025**
Purchase price			**28,587**

6. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value 2008	Net book value 2007
	$	$	$	$
Manufacturing equipment	**5,032**	**3,716**	**1,316**	**1,219**
Moulds	**4,458**	**3,085**	**1,373**	**1,378**
Computer equipment	**960**	**588**	**372**	**380**
Computer software and systems implementation	**1,512**	**1,203**	**309**	**582**
Warehouse and office equipment	**1,192**	**537**	**655**	**587**
Leasehold improvements	**975**	**203**	**772**	**249**
	14,129	**9,332**	**4,797**	**4,395**

7. INTANGIBLE ASSETS

	Cost	Accumulated amortization	Net book value 2008	Net book value 2007
	$	$	$	$
Customer relationships and contracts	**65,056**	**25,823**	**39,233**	**43,131**
Patents	**4,697**	**1,265**	**3,432**	**3,521**
Trademarks	**3,904**	**—**	**3,904**	**3,195**
	73,657	**27,088**	**46,569**	**49,847**

Intangible assets amortization is not deductible for tax purposes.

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

8. GOODWILL

	2008 $	2007 $
Goodwill, beginning of year	**70,187**	**57,276**
Acquired on acquisition *[note 5]*	**—**	**15,025**
Foreign currency translation gain (loss)	**7,368**	**(2,114)**
Goodwill, end of year	**77,555**	**70,187**

The foreign currency translation gain (loss) is associated with the goodwill related to Richards Packaging subsidiaries in the United States. Goodwill is not deductible for tax purposes.

9. SHORT- AND LONG-TERM DEBT

On June 3, 2008 Richards Packaging Inc. converted the then outstanding balance of the revolving and acquisition credit facilities into 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. The interest premium over LIBOR, or prime rate, was increased by 0.75% to reflect current market conditions. On November 30, 2008 U.S.$1,000 of the term debt was repaid. On December 10, 2008 the acquisition credit facility was cancelled and additional covenant relief was provided with the interest premium over LIBOR increasing an additional 1.00% *[note 12]*. The term loan is presented net of unamortized debt issue costs of $539.

Debt facility	Due date	Interest rate	Outstanding balance 2008 $	2007 $	Total facilities $
Revolving credit	June 3, 2009	See [i] below	**—**	**1,200**	**7,000**
Acquisition credit	December 10, 2008	See [ii] below	**—**	**17,577**	**—**
Term loan	August 5, 2008	See [iii] below	**—**	**27**	**—**
Short-term debt and current portion of long-term debt			**—**	**18,804**	**7,000**
Long-term debt	June 3, 2011	See [iv] below	**61,916**	**29,426**	**61,916**

[i] The revolving credit facility consists of an operating line of credit of $7,000 [2007 – $7,000] bearing interest at the prime rate plus a premium of 1.75% to 2.75%. The effective interest rate at December 31, 2008 is 6.2% [2007 – 6.9%].

[ii] The acquisition credit facility consisted of a line of credit of U.S.$10,000 [2007 – U.S.$18,000] bearing interest at LIBOR plus a premium of 2.0% to 2.75%. The effective interest rate prior to cancellation was 5.3% [2007 – 6.7%].

[iii] The term loan bore interest at the prime rate plus 0.75% with monthly principal repayments of $3. The effective interest rate at August 31, 2008 was 5.8% [2007 – 6.9%].

[iv] The term loan consists of a U.S.$51,000 loan [2007 – U.S.$30,000] bearing interest at LIBOR plus a premium of 2.75% to 3.75%. The effective interest rate at December 31, 2008 is 6.4% subject to an interest rate swap on U.S.$30,000 through June 3, 2009 [2007 – 6.8%].

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

Interest expense for the year ended December 31, 2008 is comprised as follows: term loan, revolving credit and acquisition credit interest of $3,717 [2007 – $2,625], credit card commission charges of $576 [2007 – $340] and credit facility charges of $205 [2007 – $256].

Richards Canada has provided a first charge over all of its assets as collateral for the revolving credit facility and the term loan.

10. NON-CONTROLLING INTERESTS

The non-controlling interests represent exchangeable shares issued by Richards Packaging to officers on the initial public offering *[note 1]* and in connection with two business acquisitions.

	Issue date	**Number of shares**	$
Balance, December 31, 2006		**524,685**	**4,291**
Shares issued to officers, net	Oct. 31, 2007	**216,216**	**1,988**
Consideration for acquisition, net *[note 5]*	Oct. 31, 2007	**1,052,632**	**9,467**
Other comprehensive loss allocation			**(8)**
Share of income			**610**
Dividends			**(939)**
Balance, December 31, 2007		**1,793,533**	**15,409**
Other comprehensive income allocation			**2,133**
Share of loss			**(268)**
Dividends			**(2,097)**
Balance, December 31, 2008		**1,793,533**	**15,177**

The exchangeable shares are redeemable by Richards Packaging on the fifth anniversary of their issue date, or prior to that date in limited circumstances, and are retractable by the shareholders at any time. A retraction or redemption of exchangeable shares will be paid in Units on a one-for-one basis. The exchangeable shares issued as consideration for the McKernan acquisition are retractable on a limited basis by the shareholder in increments of up to U.S.$2,000 at the end of each issue anniversary however, the Fund has the option to settle the redemption in cash. Exchangeable shares carry the right to vote at any meeting that unitholders are entitled to vote on the same basis.

Dividends paid to the exchangeable shareholders are not subordinated to distributions to unitholders and are declared on the same basis net of applicable taxes. Dividends are made monthly to shareholders of record on the last business day of each month and paid on the 15th day of the following month.

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

11. UNITS

The Fund initiated a normal course issuer bid on November 15, 2007 to purchase up to 307,700 Units prior to November 14, 2008. During the year, 116,305 Units [2007-25,300] were purchased for an average price of $8.75/Unit [2007 – $9.25/Unit].

	Number of Units	$
Balance, December 31, 2006	**10,256,327**	**95,772**
Units purchased, including costs incurred	**(25,300)**	**(246)**
Balance, December 31, 2007	**10,231,027**	**95,526**
Units purchased, including costs incurred	**(116,305)**	**(1,018)**
Balance, December 31, 2008	**10,114,722**	**94,508**

	2008	2007
Weighted average number of Units outstanding		
Basic	**10,158,325**	**10,253,545**
Diluted	**11,951,858**	**10,990,284**

Fund Units

The Declaration of Trust provides that an unlimited number of Units may be issued. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund. All Units have equal rights and privileges. Each Unit entitles the holder thereof to participate equally in allocations and distributions and to one vote at all meetings of unitholders for each whole Unit held. The Units issued are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market prices at the time, subject to a maximum of $50 in cash redemptions by the Fund in any particular month.

Distributions

Distributions are made monthly to unitholders of record on the last business day of each month and paid on the 15th day of the following month. Distributions declared monthly during the year ended December 31, 2008 began at $957 and ended at $946 reflecting the unit buyback activity by the Fund [2007 – began at $959 and ended at $957] or 9.35¢ per Unit [2007 – 9.35¢ per Unit].

Long-term incentive plan

Key senior management of Richards Packaging are eligible to participate in the long-term incentive plan [the "LTIP"]. Units awarded under the LTIP will vest over a three- year period, with one-third of the Units vesting each year. The contributions to the LTIP ceased as of April 4, 2007 and the yearly vesting period is to be completed by 2009.

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

12. CAPITAL STRUCTURE

The Fund's capital consists of unitholders' equity, non-controlling interests represented by exchangeable shareholders and secured credit facilities. Capital levels are maintained to meet the following objectives: (i) optimizing the cost of capital at acceptable risk levels while providing an appropriate return to its unitholders and shareholders; (ii) balancing the interests of equity, non-controlling interests and debt holders; (iii) maintaining compliance with financial covenants; and (iv) preserving financial flexibility to benefit from potential opportunities as they arise. The leverage ratio covenant is 3.25 times until June 30, 2009 and is reduced to 2.75 times as at September 30, 2009. As of December 31, 2008 our leverage ratio was 2.78. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.50x and a minimum net worth of $70,000.

The Fund continually assesses the adequacy of its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of underlying assets. Adjustments may include changes in distributions and dividends, purchases of units for cancellation pursuant to normal course issuer bids, issues of new shares and/or Units, and refinancing the debt to replace existing debt with different characteristics. Subsequent to year end the Trustees temporarily suspended distributions. The resulting surplus cash flow is expected to be used to repay debt.

13. INCOME TAXES

The provision for (recovery of) income taxes 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	**(3,648)**	**10,753**
Distributions to unitholders, not subject to income taxes in the Fund	**(9,534)**	**(9,751)**
Income (loss) subject to income taxes	**(13,182)**	**1,002**
Statutory tax rate	***32.5%***	***36.1%***
Income taxes expense (recovery) at statutory tax rate	**(4,284)**	**362**
Future income tax recovery	**3,869**	**1,974**
Current period adjustments		
Change in enacted tax rates	**—**	**(672)**
Foreign currency translation of debt	**2,991**	**(722)**
Withholding tax	**327**	**423**
Other items	**(932)**	**(528)**
Current income taxes	**1,971**	**837**

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

Significant components of future income tax assets and liabilities are as follows:

	2008 $	2007 $
Future income tax assets – long-term		
Capital assets	**(13)**	**(5)**
Customer relationships and contracts	**—**	**(334)**
Equity placement fees	**31**	**269**
Loss for income taxes not utilized	**35**	**144**
Other	**—**	**—**
	53	**74**
Future income tax liabilities – long term		
Capital assets	**345**	**348**
Unrealized gains on financial instruments	**(208)**	**1,003**
Customer relationships and contracts	**14,666**	**15,360**
Patents	**1,044**	**1,021**
Equity placement fees	**(74)**	**(356)**
Loss for income taxes not utilized	**(3,924)**	**(2,572)**
Working capital	**(550)**	**(408)**
Other	**(25)**	**(220)**
	11,274	**14,176**

In addition to the equity placement fees accounted for above, the Fund has approximately $108 of fees available to be deducted over the next two years [2007 – $514] and Richards Canada has $1,103 of realized net capital losses available, for which a valuation allowance has been taken, to be deducted indefinitely. The reversal of the patents and customer relationships and contracts accounts above will not give rise to income taxes payable.

During 2007, the Income Tax Act was amended to change the manner in which most publicly traded income trusts such as the Fund and the distributions from such trusts are taxed. Generally, the new rules apply an entity level tax on income earned by the trust at a rate approximately equal to the tax rate applicable to income earned by a Canadian public corporation, and treat the distributions of such income received by unitholders as taxable dividends received from a Canadian corporation. The new rules will be effective in 2011 unless the Fund were to grow, through the issuance of units and/or convertible debt, in excess of $50,000 per year.

Richards Packaging's capital structure involves commercially reasonable intercompany financing generating interest expense, which serves to reduce income and therefore income taxes payable in the United States. Management has taken steps to ensure that these financings are commercially reasonable, however there can be no assurance that the Internal Revenue Service will not challenge the tax filing position taken by Richards Packaging subsidiaries in the United States, in which case some or all of the otherwise deductible interest would be treated as non-deductible distributions.

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

14. RELATED PARTY TRANSACTIONS

Richards Packaging entered into the following related party transactions, which were measured at the exchange amount:

	2008 $	2007 $
Leases of facilities from certain officers and their related entities	**803**	476
Product purchases from Vision *[note 15]*	**8,098**	8,892

15. JOINT VENTURE

Richards Canada owns a 50% interest in a joint venture, Vision. Financial information relating to the joint venture before inter-company eliminations is as follows:

	2008 $	2007 $		2008 $	2007 $
Balance sheet					
Assets			**Liabilities**		
Current assets	**1,355**	1,690	Current liabilities	**528**	752
Capital assets	**704**	989	Long-term debt	**—**	55
Future income taxes	**42**	—	Future income taxes	**—**	41
Total assets	**2,101**	**2,679**	**Total liabilities**	**528**	**848**

	2008 $	2007 $
Statement of income		
Revenue	**8,098**	8,892
Expenses	**8,356**	9,091
Net loss	**(258)**	**(199)**
Additional information		
Cash provided by operating activities	**279**	250
Cash used in investing activities	**25**	186
Cash used in financing activities	**55**	82

Since all of the sales of Vision are to Richards Canada, the above table reflects 100% of the balances and transactions of Vision.

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

16. FINANCIAL INSTRUMENTS

Fair value

Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, distributions and dividends payable and due to previous shareholder are all short-term in nature and, as such, their carrying values approximate fair values. Cash and cash equivalents and bank indebtedness are classified as held for trading and accounts receivable are classified as loans and receivables. All financial liabilities other than bank indebtedness are classified as other financial liabilities.

The fair value of short- and long-term debt approximates the carrying value as these financial instruments bear interest at rates comparable to current market rates.

The fair value of the interest rate swap contract represents an unrealized loss of $663 [2007- $309].

Credit risk

Richards Packaging's financial assets that are exposed to credit risk consist primarily of trade accounts receivable arising from the sale of goods. Other credit risks include counter party exposure associated with the fixed interest rate swap contract in the event that the there is non-performance by the counterparty to the contract. As at December 31, 2008, there is no risk because the mark-to-market value of the interest rate swap contract 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 December 31, 2008 and 2007, no customer represented 10% or more of accounts receivable or sales. 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.

Past due accounts are aged as follows:	**2008** $	**2007** $
Not impaired		
Up to 60 days past due	**7,131**	**8,485**
61 – 90 days past due	**838**	**446**
Impaired		
Over 90 days past due	**624**	**591**

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 taken. On a quarterly basis, the allowance for doubtful accounts is reviewed by management. The allowance for doubtful accounts as of December 31, 2008 is sufficient to cover current accounts and impaired accounts.

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

Liquidity risk

Richards Packaging's approach to managing liquidity risk is to ensure that sufficient funds are available to meet financial obligations as they come due *[note 17]*. This is achieved through a combination of cash balances, availability to credit facilities *[note 9]*, surplus cash flow from operations, distribution policy and matching the maturities of financial assets and liabilities.

Interest rate risk

Richards Packaging is exposed to interest rate risk due to variable interest rates on the revolving credit facility and term loans. During 2007, Richards Packaging entered into interest rate swap contract with approved creditworthy counterparties to June 5, 2009 on a notional principal amount equal to the U.S.$30,000 term debt outstanding. The mark-to-market valuation of the swap contract as at December 31, 2008 gave rise to an unrealized loss of $354 [2007 – $309]. The remaining U.S.$21,000 term debt was subject to variable interest rates and a 1.0% movement in interest rates would have impacted net income by $150.

Foreign currency risk

Richards Packaging is exposed to U.S./Cdn. currency fluctuations on cross-border transactions and on translation of U.S. dollar denominated debt and the earnings of Richards Packaging subsidiaries in the United States. A foreign currency gain of $108 has been recorded for the year ended December 31, 2008 [2007 – $291]. A foreign currency loss of $12,242 [2007 – $4,628 gain] from the translation of the U.S. dollar denominated debt has been recorded as a result of the change in the U.S./Cdn. rate from $0.99 to $1.23 for the year ended December 31, 2008. A movement of U.S./Cdn. 1¢ would have impacted net income by $500.

17. COMMITMENTS AND CONTINGENCIES

The minimum rental payments, exclusive of occupancy charges, required under the leases for Richards Packaging's premises are as follows:

	Related parties $	**Other** $	**Total** $
2009	**551**	**2,913**	**3,464**
2010	**568**	**1,596**	**2,164**
2011	**585**	**1,475**	**2,060**
2012	**602**	**1,516**	**2,118**
2013	**620**	**1,402**	**2,022**
Thereafter	**4,024**	**1,820**	**5,844**

In the ordinary course of business, Richards Packaging is involved in litigation and other claims. It is management's opinion that the ultimate outcome of these matters will not have a material adverse effect on the financial position or operating results of Richards Packaging.

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

18. CONSOLIDATED STATEMENTS OF CASH FLOWS

Components of cash and cash equivalents consist entirely of cash. The net change in non-cash operating elements of working capital consists of the following:

	2008 $	2007 $
Accounts receivable	**2,309**	868
Inventory	**(1,797)**	(2,147)
Prepaid expenses	**728**	(1,203)
Accounts payable and accrued liabilities	**616**	(1,161)
Income taxes recoverable/payable	**(632)**	(411)
	1,224	(4,054)

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

	2008 $	2007 $
Interest paid	**4,484**	3,165
Income taxes paid	**2,726**	894

Non cash investing and financing activities

On October 31, 2007, Richards Packaging acquired all the outstanding shares of McKernan with U.S.$10,000 of the purchase price being settled by the issuance of 1,052.632 exchangeable shares valued at U.S.$9.50 per share *[notes 5 and 10]*.

19. SEGMENTED INFORMATION

Richards Packaging operations consist of one reporting segment, principally in the distribution of plastic and glass containers. The geographic distribution of revenue, capital assets and goodwill is as follows:

	Canada		United States	
	2008 $	2007 $	2008 $	2007 $
Revenue	**104,680**	104,925	**82,636**	53,083
Capital assets and goodwill	**41,672**	41,531	**40,680**	33,051

Revenue by geographic segment is determined based on the country of shipment.

Richards Packaging Income Fund

UNITHOLDER INFORMATION

Management Team

Gerry Glynn
Chief executive officer

David Prupas
President and Chief operating officer

Enzio Di Gennaro
Chief financial officer

Terry Edwards
Vice president

Timothy McKernan
President, McKernan Packaging

Corporate Information

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Transfer agent and registrar

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Toronto Stock Exchange listing

Symbol : RPI.UN

Investor information

Investor information is available at www.richardspackaging.com, SEDAR at www.sedar.com and TSX at www.tsx.com

Annual meeting

Friday May 15th at 9:30 a.m.
Brookfield Place
181 Bay Street, Suite 2500
Toronto, Ontario M5J 2T7