



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2011

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated June 1, 2011, of Supremex Inc. (the "Company") should be read together with the accompanying unaudited interim consolidated financial statements and related notes of the Company for the three-month period ended March 31, 2011. These consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements present our results and financial position under IFRS for the first time. We also recommend you read the audited consolidated financial statements and related notes of Supremex Income Fund (the "Fund") for the year ended December 31 2010, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of shares outstanding for the three-month period ended March 31, 2011. The consolidated financial statements for the three-month period ended March 31, 2011 have not been audited or reviewed by the Company's auditors.

This MD&A contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. In addition to our results reported in accordance with IFRS, the MD&A may contain other non-IFRS financial measures. Terms by which non-GAAP financial measures are identified include, but are not limited to, "EBITDA" or other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and therefore may not be directly comparable to similar measures used by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. See "Definition of EBITDA and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.

Financial statements and adoption of IFRS

This MD&A should be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes. In February 2008, the Canadian Accounting Standards Board confirmed that IFRS would replace Canadian GAAP for publicly accountable enterprises for fiscal years beginning on and after January 1, 2011. The accompanying unaudited consolidated interim financial statements for the three months ended March 31, 2010 have been restated to reflect our adoption of IFRS with effect from January 1, 2010 (the "Transition date"). Periods prior to the Transition date have not been restated. Our consolidated financial statements subsequent to this report will be prepared in accordance with IFRS.

Note 23 in the accompanying unaudited consolidated interim financial statements contain a detailed description of our conversion to IFRS, including reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, net income and comprehensive income. It also includes reconciliations of: the consolidated balance sheets as at January 1, 2010, March 31, 2010 and December 31, 2010; the consolidated statements of earnings and the consolidated statements of comprehensive income for the three-month period ended March 31, 2010 and the twelve-month period ended December 31, 2010.

Conversion to a Corporation

On January 1, 2011 (the “Effective Date”), the Fund completed its conversion from an income trust structure into a corporation. On May 7, 2010, the unitholders of the Fund approved the plan of arrangement (the “Arrangement”) pursuant to which the Fund will convert from an income trust structure to a public corporation named Supremex Inc. The final order of the Superior Court of Québec with respect to the Arrangement was obtained on May 10, 2010.

Under the Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of Supremex.

The Arrangement has been accounted for as a continuity of interests of the Fund since Supremex will continue to operate the business of the Fund and there were no ownership changes. Under the continuity of interests’ method of accounting, the transfer of the assets, liabilities and equity of the Fund to Supremex is recorded at the net book value as at the Effective Date of transaction. As a result, for accounting purposes, the transaction is required to be accounted for as though the Company was a continuation of the Fund but with its capital reflecting the exchange of Fund units for Supremex shares. Therefore, certain terms such as shareholder/unitholder, dividend/distribution and share/unit may be used interchangeably throughout this MD&A. For the periods reported up to the Effective Date of the conversion, all payments to unitholders were in the form of fund unit distributions, and after that date all payments to shareholders will be in the form of dividends, if any.

Any reference to the Fund for periods after January 1, 2011, shall mean Supremex Inc. as the successor of the Fund. Comparative figures presented in the consolidated financial statements and the MD&A of the Company include all amounts previously reported by the Fund. Reference to “company”, “share”, “dividends” and “shareholders” means “fund”, “unit”, “distributions” and “unitholders” for transactions that occurred before the conversion of the Fund into a corporation.

Pursuant to the Arrangement, the stated capital for the common shares was reduced to an amount of \$10 million as of the Effective Date.

Overview

Supremex is Canada’s leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex employs approximately 650 people and is the only national envelope manufacturer in Canada, with eight manufacturing facilities across six provinces. This national presence allows Supremex to meet the manufacturing needs of large national customers, such as large Canadian corporations, nationwide resellers and government bodies, as well as paper merchants and solution and process providers.

Overall Performance

EBITDA before restructuring expenses for the first quarter of 2011 was \$8.1 million compared with EBITDA before restructuring expenses of \$9.9 million recorded for the first quarter of 2010. Revenue in the first quarter of 2011 was \$39.1 million compared with \$41.2 million in the first quarter of 2010, representing a decrease of \$2.1 million or 5.1%, of which \$0.8 million is explained by the negative impact of foreign exchange. In the first quarter, the total volume slightly decreased by 1.7%, coming from the reduced volume in Canada, offset by the volume generated by the new US partnership in Buffalo and new contracts signed in the second half of 2010. The US sales volume was up by 21.0% and the Canadian volume was down by 4.2%.

EBITDA before restructuring expenses margin was 20.7% compared with 24.0% in the first quarter of 2010. The first quarter margin of 2011 was affected by non-recurrent expenses of \$0.3 million related mostly to the Toronto reorganization following the announced closure of the Markham facility and by higher raw material costs due to supplier increases.

In the first quarter of 2011, a restructuring expense of \$0.2 million was recorded mostly in relation with the previously announced closure of the Markham facility. The restructuring plan is now completed and the Markham facility was sold in the first quarter of 2011 for \$5.8 million. In the first quarter, we have started the project of merging the two Montreal facilities into the one located in Lasalle. The Notre-Dame facility lease will expire on October 31, 2011 and will not be renewed. Capital expenditures estimated to \$1.5 million will be required in order to merge these two plants. The estimated payback is about one year.

The Company reduced its debt by \$3.4 million in the first quarter of 2011. As of March 31, 2011, the total leverage ratio, as defined in the credit agreement, was 1.94.

Summary of Quarterly Results

Supremex's revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of products sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fund-raising, and the holiday and tax seasons. The number of products sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, Supremex's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year. To maintain production efficiencies, Supremex utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volume.

The following table presents a summary of operating results of the Company on a quarterly basis from April 1, 2009 to March 31, 2011. The Company adopted IFRS on January 1, 2011, effective January 1, 2010 and therefore comparative figures for 2010 are presented under IFRS, and figures for 2009 are presented under previous GAAP.

(In thousands of dollars, except for per share/unit amounts)

	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	39,101	40,244	36,407	35,231	41,241	41,560	37,567	41,172
EBITDA ⁽¹⁾	7,893	7,670	7,383	6,008	9,920	10,503	8,389	9,032
Earnings (loss) before income taxes	3,995	3,613	3,461	137	5,568	(39,143)	3,047	3,407
Net earnings (loss)	2,873	2,910	2,692	143	4,073	(37,771)	3,072	3,345
Net earnings (loss) per share/unit	0.0980	0.0993	0.0919	0.0049	0.1390	(1.2892)	0.1048	0.1142

Notes

⁽¹⁾ See "Definition of EBITDA". EBITDA is not a recognized measure under IFRS and GAAP and does not have standardized meanings prescribed by IFRS or GAAP. EBITDA may not be comparable to similar measures presented by other issuers.

Excluding the seasonal patterns of the business, revenue has decreased over the last eight quarters mainly due to the decrease in volume sold in Canada as a result of the softness of the envelope market and the strength of the Canadian dollar. The fourth quarter 2009 loss is attributable to the recording of goodwill impairments. The lower earnings before income taxes and net earnings for the three-month period ended June 30, 2010 is explained by the restructuring expenses and the additional amortization expense recorded following the announcement of the restructuring of the Toronto operations.

Selected Consolidated Financial Information

(In thousands of dollars, except for per share/unit amounts)

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Revenue	39,101	41,241
Operating expenses	25,840	26,648
Selling, general and administrative expenses	5,149	4,676
Restructuring expenses ⁽¹⁾	219	(3)
EBITDA ⁽²⁾	7,893	9,920
Amortization of property, plant and equipment	1,162	1,156
Amortization of intangible assets	1,541	1,541
Amortization of deferred compensation	—	315
Loss on disposal of property, plant and equipment	26	13
Operating income	5,164	6,895
Net financing charges	1,169	1,327
Earnings before income taxes	3,995	5,568
Income taxes expenses	1,122	1,495
Net earnings	2,873	4,073
Basic net earnings per share/unit	0.0980	0.1390
Dividend/distribution declared per share/unit	0.0300	0.0300
Total assets	172,676	185,853
Secured credit facilities	65,865	87,478

⁽¹⁾ Restructuring expenses are mainly related to the restructuring and improvement initiatives to reduce the Company's operating costs, especially the closure of the Markham facility.

⁽²⁾ See "Definition of EBITDA".

Results of Operations

Three-month period ended March 31, 2011 compared with three-month period ended March 31, 2010

Revenue

Revenue for the three-month period ended March 31, 2011 was \$39.1 million compared with \$41.2 million for the three-month period ended March 31, 2010, a decrease of \$2.1 million or 5.1%. The decrease in revenue is mainly attributable to a reduction in the number of units sold in Canada and the strength of the Canadian dollar.

Sales revenue in Canada decreased by \$2.2 million or 5.7%, from \$38.4 million to \$36.2 million, and sales revenue in the United States increased by \$0.1 million or 3.6%, from \$2.8 million to \$2.9 million.

The decrease in sales revenue in Canada was driven by a 1.7% decrease in the average selling prices combined with a 4.2% decrease in the number of units sold. The decrease in the number of units sold was seen in most markets.

The increase in sales revenue in the United States was due to a 21.3% increase in the number of units sold offset by a 14.2% decrease in the average selling prices. The increase in the number of units sold is mainly attributable to the new US partnership in Buffalo and new contracts signed in the second half of 2010 and the decrease in the average selling prices reflects the change in the product mix.

Operating, selling, general and administrative expenses

Operating, selling, general and administrative expenses for the three-month period ended March 31, 2011 was \$31.0 million compared with \$31.3 million for the three-month period ended March 31, 2010, representing a decrease of \$0.3 million or 1.0%.

Operating expenses for the three-month period ended March 31, 2011 was \$25.8 million compared with \$26.6 million for the same period in 2010, a decrease of \$0.8 million or 3.0%. The impact of the strengthening of the Canadian dollar and the reduced volume mainly explain the decrease in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was \$13.3 million for the three-month period ended March 31, 2011 compared with \$14.6 million for the comparable period in 2010, a decrease of \$1.3 million or 8.9%. As a percentage of sales, gross profit decreased by 1.6% in 2011 compared with 2010.

Selling, general and administrative expenses were \$5.1 million for the three-month period ended March 31, 2011 compared with \$4.7 million for the same period in 2010, an increase of \$0.4 million or 8.5% mainly due to increased compensation and additional resources.

Restructuring expenses

Restructuring expenses of \$0.2 million are mainly related to the restructuring and improvement initiatives to reduce the Company's operating costs.

EBITDA

As a result of the changes described above, EBITDA was \$7.9 million for the three-month period ended March 31, 2011 compared with \$9.9 million for the same period in 2010, a decrease of \$2.0 million or 20.2%.

Amortization

Aggregate amortization expense for the three-month period ended March 31, 2011 amounted to \$2.7 million compared with \$3.0 million for the comparable period in 2010 representing a decrease of \$0.3 million or 10.0%. The decrease is mainly attributable to the amortization of deferred compensation for which no equivalent charge has been booked in 2011.

Net financing charges

Net financing charges for the three months ended March 31, 2011 amounted to \$1.2 million compared with \$1.3 million for the same period in 2010, representing a decrease of \$0.1 million or 7.7%, resulting from the partial repayment of the credit facilities.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were \$4.0 million for the three months ended March 31, 2011 compared with \$5.6 million for the same period in 2010, a decrease of \$1.6 million.

Provision for income taxes

During the three months ended March 31, 2011, the Company recorded a provision for income taxes of \$1.1 million, at the statutory rate. For the three months ended March 31, 2010, the provision for income taxes at statutory rate was reduced by the impact of the interest paid by the Company to the Fund.

Net earnings

As a result of the changes described above, net earnings were \$2.9 million for the three-month period ended March 31, 2011 compared with \$4.1 million for the same period in 2010, a decrease of \$1.2 million.

Segmented Information

The Company currently operates in one business segment; the manufacture and sale of envelopes. The Company's non-current assets amounted to \$136.5 million in Canada and \$1.1 million in the United States as at March 31, 2011.

In Canada, the Company's revenue amounted to \$36.2 million for the three-month period ended March 31, 2011 compared with \$38.4 million for the same period in 2010, representing a decrease of \$2.2 million or 5.7%. In the United States, the Company's revenue amounted to \$2.9 million for the three-month period ended March 31, 2011 compared with \$2.8 million for the same period in 2010, representing an increase of \$0.1 million or 3.6%.

Liquidity and Capital Resources

Operating activities

Cash of \$1.0 million was used in operating activities during the first quarter of 2011 compared with cash generated of \$6.9 million during the same quarter of 2010. The decrease in net cash flows from operating activities is primarily due to the decrease of net earnings in addition to a net change in non-cash working capital balances and deferred income tax expense. Higher working capital level at March 31 2011, excluding current portion of the secured credit facilities, resulted from a decrease in accounts payable and accrued liabilities combined with an increase in inventory, prepaid expenses and accounts receivable balances.

Investing activities

Cash generated from investing activities was \$4.5 million during the first quarter of 2011 mainly related to the sale of the Markham facility offset by acquisition of property, plant and equipment. In the prior-year quarter, cash of \$0.2 million was used in investing activities related to acquisition of property, plant and equipment.

Financing activities

In the first quarter of 2011, cash of \$3.7 million was used in financing activities related to the repayment of the revolving and term credit facilities and distribution paid on Fund units. Similarly, in prior-year quarter, \$6.7 million was used in financing activities for repayment of the credit facilities and distribution paid on Fund units.

Liquidity and capital resources summary

Our ability to generate cash flows from operations, as well as our ability to obtain debt financing, are expected to provide sufficient liquidity to meet anticipated needs for existing and future projects.

Off-Balance Sheet Arrangements

The Company has no other off-balance sheet arrangements.

Financial Position Highlights

(In thousands of dollars except for ratio)

	March 31, 2011	December 31, 2010
	\$	\$
Working capital (deficiency)	(50,493)	1,180
Total assets	172,676	176,990
Total secured credit facilities	65,865	69,070
Equity	71,037	70,829

The Company was in full compliance with the covenants of its credit facilities as at March 31, 2011. The secured credit facilities, which mature on January 4, 2012, have been classified as current liabilities and resulted in a working capital deficiency as of March 31, 2011.

On an informal basis, many discussions are taking place with financial institutions and preliminary indications point to a favourable debt market. With the reduction of the total leverage ratio the Company achieved in the last year, the renewal of the credit facilities should be executed at better terms and conditions than the actual ones.

On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of \$30 million at a fixed rate of 2.84% until January 14, 2016, excluding the applicable margin.

Supremex pays quarterly dividends to shareholders at the discretion of the Board of Directors. Dividend declared in the first quarter of 2011 was \$878,933 or \$0.03 per share.

Capitalization

As at June 1, 2011, the Company had 29,297,767 common shares outstanding.

Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures are designed to ensure that all important information about Supremex, including operating and financial activities, is communicated fully, accurately and in a timely way and that they provide Supremex with assurance that the financial reporting is accurate.

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

As at March 31, 2011, the Company's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2011 Supremex did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Significant accounting policies and estimates

In our 2010 annual audited consolidated financial statements and notes thereto, as well as in our 2010 annual MD&A, we have identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. On January 1, 2011, with the adoption of IFRS, the critical accounting policies and estimates have been updated to conform with this adoption. Please refer to Notes 2 and 3 of our first quarter 2011 unaudited interim consolidated financial statements for our adoption of IFRS and a detailed discussion regarding our significant accounting policies, application of critical accounting estimates and judgments, and recent accounting pronouncements.

New Accounting Policies

Recent Accounting Pronouncements

International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. Our first annual IFRS consolidated financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting with this quarterly report, we have provided unaudited consolidated quarterly financial information in accordance with IFRS including comparative figures for 2010. Please refer to Note 23 of our first quarter 2011 unaudited interim consolidated financial statements for a summary of the differences between our consolidated financial statements previously prepared under Canadian GAAP and to those under IFRS as at January 1, 2010, for the three months ended March 31, 2010, and as at and for the year ended December 31, 2010.

IFRS 9, Financial Instruments

In October 2010, the IASB issued IFRS 9, *Financial Instruments* (“IFRS 9”). IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* (“IFRS 10”). IFRS 10, which replaces SIC-12, *Consolidation – Special Purpose Entities* and part of IAS 27, *Consolidated and Separate Financial Statements*, provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”). IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

These new standards are effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of these new standards on its consolidated financial statements.

Recent event

As publicly announced by Canada Post, the Union representing 45,000 Canada Post workers received a strike mandate from their members recently. A 72 hours notice need to be given by law from either party in case of a strike or a lockout. Although the outcome of the negotiations cannot be determined at this time and that both parties have publicly stated that they would like to get to an agreement, in the event of a work stoppage, the envelope volume in the Canadian market may be affected and thus Supremex's business, results of operations and financial condition could be materially adversely affected. On May 30th, 2011, the Union notified Canada Post of their intention to begin strike activities on June 3rd, 2011

Risk Factors

As a result of operations, business prospects and financial condition, the Company is subject to a number of risks and uncertainties, and is affected by a number of factors outside the control of the management. Details are provided in the “Risk Factors” section of the Company’s 2010 Annual Information Form, dated March 22, 2011 (which can be found at www.sedar.com).

Forward-Looking Statements

This MD&A contains “forward-looking statements” within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA projection, future performance of Supremex and similar statements concerning anticipated future results, circumstances, performance or expectations. A statement is forward-looking when it uses what Supremex knows and expects today to make a statement about the future. Forward-looking statements may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook,

plan, seek, should, strive, target and will. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking statements reflect current assumptions, expectations and estimates of management and are based on information currently available to Supremex as at the date of this MD&A.

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for the fiscal year 2010 and, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements. Supremex disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Definition of EBITDA and Non-IFRS Measures

References to “EBITDA” are to earnings before net financing charges, income taxes, amortization of property, plant and equipment, intangible assets and deferred compensation, impairment of goodwill and loss (gain) on disposal of property, plant and equipment.

EBITDA is not earning measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company’s performance.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com

Consolidated Financial Statements

Supremex Inc.
(Formerly Supremex Income Fund)

Unaudited
For the three-month periods ended March 31, 2011 and March 31, 2010

All amounts expressed in Canadian dollars

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
ASSETS				
Current assets				
Cash		—	148,874	38,962
Accounts receivable	6	20,716,253	19,595,945	21,092,867
Inventories	7	13,204,689	11,939,720	13,921,726
Prepaid expenses		1,154,417	425,193	1,429,144
Assets held for sale	8	—	5,568,000	—
Total current assets		35,075,359	37,677,732	36,482,699
Assets held for sale	8	348,048	348,048	—
Property, plant and equipment	9	30,279,870	30,449,945	40,056,241
Intangible assets	10	31,221,954	32,762,929	38,926,829
Goodwill	11	75,751,125	75,751,125	75,501,125
Total assets		172,676,356	176,989,779	190,966,894
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	12	17,206,152	20,111,812	18,534,512
Provisions	13	627,139	931,297	795,018
Income tax payable		991,057	745,683	—
Dividends payable	14	878,933	—	—
Distribution payable	14	—	292,978	1,464,888
Current portion of secured credit facilities	15	65,865,108	14,415,489	7,500,000
Current portion of derivative financial liability		—	—	808,652
Total current liabilities		85,568,389	36,497,259	29,103,070
Secured credit facilities	15	—	54,654,387	84,379,377
Deferred income tax liabilities	16	6,795,855	7,376,780	5,665,294
Accrued pension benefit liability	17	8,589,200	6,984,300	5,487,500
Other post-retirement benefit obligations	17	627,300	648,300	657,000
Derivative financial liability		58,970	—	—
Equity				
Share capital	18	10,000,000	—	—
Fund units	18	—	282,798,322	282,798,322
Contributed surplus		280,423,746	7,625,424	7,625,424
Deferred compensation		—	—	(315,079)
Deficit		(216,069,419)	(218,062,781)	(224,364,863)
Accumulated other comprehensive loss		(3,317,685)	(1,532,212)	(69,151)
Total equity		71,036,642	70,828,753	65,674,653
Total liabilities and equity		172,676,356	176,989,779	190,966,894

Commitments and contingencies [note 20]

See accompanying notes

On behalf of the Directors:

By: (Signed) L.G. Serge Gadbois
Director

By: (Signed) Gilles Cyr
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31		2011	2010
[Unaudited]	Notes	\$	\$
Revenue		39,100,587	41,241,072
Operating expenses	19	25,839,684	26,648,134
Selling, general and administrative expenses	19	5,149,488	4,676,476
Operating earnings before amortization, loss on disposal of property, plant and equipment and restructuring expenses		8,111,415	9,916,462
Amortization of property, plant and equipment	9	1,162,186	1,156,130
Amortization of intangible assets	10	1,540,975	1,540,975
Amortization of deferred compensation		—	315,079
Loss on disposal of property, plant and equipment		26,181	12,483
Restructuring expenses	13	218,429	(3,627)
Operating earnings		5,163,644	6,895,422
Financing charges	15	1,169,038	1,327,069
Earnings before income taxes		3,994,606	5,568,353
Income taxes expense	16	1,122,311	1,495,047
Net earnings		2,872,295	4,073,306
Basic and diluted net earnings per share/unit		0.0980	0.1390
Weighted average number of shares/units outstanding		29,297,767	29,297,767

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31	2011	2010
[Unaudited]	\$	\$
Net earnings	2,872,295	4,073,306
Other comprehensive income		
Recognized actuarial (loss) gain on defined benefit pension plans net of income taxes recovery of \$616,129 [2010 – expense of \$690,972]	(1,786,871)	2,003,928
Recognized actuarial gain (loss) on other post-retirement benefit, net of income taxes of \$2,385 [2010 – recovery of \$1,820]	6,915	(5,280)
Foreign currency translation adjustments to earnings	(5,517)	(12,141)
Other comprehensive (loss) income	(1,785,473)	1,986,507
Total comprehensive income	1,086,822	6,059,813

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31
[Unaudited]

	Share Capital [notes 1 & 18] \$	Fund Units [notes 1 & 18] \$	Contributed Surplus \$	Deferred compensation \$	Deficit \$	Total Accumulated other comprehensive income \$	Total equity \$
As at December 31, 2010	—	282,798,322	7,625,424	—	(218,062,781)	(1,532,212)	70,828,753
Net earnings	—	—	—	—	2,872,295	—	2,872,295
Other comprehensive loss	—	—	—	—	—	(1,785,473)	(1,785,473)
Total comprehensive income	—	—	—	—	2,872,295	(1,785,473)	1,086,822
Conversion into a corporation	282,798,322	(282,798,322)	—	—	—	—	—
Reduction of stated capital	(272,798,322)	—	272,798,322	—	—	—	—
Dividends declared	—	—	—	—	(878,933)	—	(878,933)
As at March 31, 2011	10,000,000	—	280,423,746	—	(216,069,419)	(3,317,685)	71,036,642
As at January 1, 2010	—	282,798,322	7,625,424	(315,079)	(224,364,863)	(69,151)	65,674,653
Net earnings	—	—	—	—	4,073,306	—	4,073,306
Other comprehensive income	—	—	—	—	—	1,986,507	1,986,507
Total comprehensive income	—	—	—	—	4,073,306	1,986,507	6,059,813
Amortization of deferred compensation	—	—	—	315,079	—	—	315,079
Distributions declared	—	—	—	—	(878,934)	—	(878,934)
As at March 31, 2010	—	282,798,322	7,625,424	—	(221,170,491)	1,917,356	71,170,611

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three-month periods ended March 31		2011	2010
[Unaudited]	Notes	\$	\$
OPERATING ACTIVITIES			
Net earnings		2,872,295	4,073,306
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment	9	1,162,186	1,156,130
Amortization of intangible assets	10	1,540,975	1,540,975
Amortization of deferred compensation		—	315,079
Amortization of deferred financing costs	15	211,502	201,468
Loss on disposal of property, plant and equipment		26,181	12,483
Loss on valuation of derivative financial instruments	15	58,970	—
Deferred income tax expense	16	32,819	1,495,047
Working capital adjustments			
Variation in accounts receivable		(1,120,308)	2,074,310
Variation in inventories		(1,264,969)	484,301
Variation in prepaid expenses		(729,224)	42,439
Variation in accounts payable and accrued liabilities		(2,905,660)	(4,133,015)
Variation in provisions		(304,158)	(144,205)
Variation in income tax payable		245,374	—
Change in accrued pension benefit liability		(798,100)	(252,900)
Change in other post-retirement benefit obligation		(11,700)	(2,500)
Net cash flows from operating activities		(983,817)	6,862,918
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	(1,056,434)	(221,323)
Proceeds from sale of property, plant and equipment		32,562	14,277
Proceeds from sale of assets held for sale	8	5,548,000	—
Net cash flows from investing activities		4,524,128	(207,046)
FINANCING ACTIVITIES			
Repayment of revolving credit facility		(1,541,270)	(2,695,559)
Repayment of term credit facility		(1,875,000)	(1,875,000)
Distributions paid on Fund units	14	(292,978)	(2,050,844)
Financing cost incurred		—	(32,765)
Net cash flows from financing activities		(3,709,248)	(6,654,168)
Net change in cash		(168,937)	1,704
Net foreign exchange difference		20,063	(9,835)
Cash, beginning of period		148,874	38,962
Cash, ending of period		—	30,831
Supplemental information			
Interest paid ⁽¹⁾		1,021,031	1,303,514
Interest received ⁽¹⁾		3,483	2,935
Income taxes paid ⁽¹⁾		844,230	4,877

⁽¹⁾ Amounts paid and received for interest and for income taxes were reflected as cash flows from operating activities in the consolidated statements of cash flows.

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

1. CORPORATE INFORMATION

Supremex Inc. (the “Company” or “Supremex”) was incorporated on March 31, 2006 under the *Canadian Business Corporation Act*. The common shares (“Common Share”) of the Company are listed on the Toronto Stock Exchange (“TSX”) under the symbol SXP. The registered office is located at 7213 Cordner Street in LaSalle, Quebec. The Company is the successor to Supremex Income Fund (the “Fund”) following the completion of the conversion of the Fund from an income trust into a corporation, on January 1, 2011 (the “Effective Date”).

These consolidated financial statements were approved by the Company’s Board of Directors on June 1, 2011.

On May 7, 2010, the unitholders of the Fund approved the plan of arrangement (the “Arrangement”) pursuant to which the Fund will convert from an income trust structure to a public corporation named Supremex Inc. The final order of the Superior Court of Québec with respect to the Arrangement was obtained on May 10, 2010.

Under the Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of Supremex.

The Arrangement has been accounted for as a continuity of interests of the Fund since Supremex will continue to operate the business of the Fund and there are no ownership changes. Under the continuity of interests method of accounting, the transfer of the assets, liabilities and equity of the Fund to Supremex is recorded at the net book value as at the Effective Date of transaction. As a result, for accounting purposes, the transaction is required to be accounted for as though the Company was a continuation of the Fund but with its capital reflecting the exchange of Fund units for Supremex shares. Therefore, certain terms such as shareholder/unitholder, dividend/distribution and share/unit may be used interchangeably throughout these consolidated financial statements. For the periods reported up to the Effective Date of the conversion, all payments to unitholders were in the form of fund unit distributions, and after that date all payments to shareholders will be in the form of dividends, if any.

Any reference to the Fund for periods after January 1, 2011, shall mean Supremex Inc. as a successor of the Fund. Comparative figures presented in the consolidated financial statements of the Company include all amounts previously reported by the Fund. Reference to “company”, “share”, “dividends” and “shareholders” means “fund”, “unit”, “distributions” and “unitholders” for transactions that occurred before the conversion of the Fund into a corporation.

Pursuant to the Arrangement, the stated capital for the common shares was reduced to an amount of \$10 million as of the Effective Date.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim consolidated financial statements represent the Company’s initial presentation of its results of operations and financial position prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable for periods beginning on or after January 1, 2011, as described in the accounting policies. The Company adopted IFRS in accordance with IAS 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of International Reporting Standards*. The first date at which IFRS was applied was January 1, 2010 (the “transition date”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

The Company's consolidated financial statements for all periods up to and including the year ended December 31, 2010 were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these consolidated financial statements, management has amended certain accounting, measurement and consolidation methods previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. Reconciliations and descriptions of the effect of transition from Canadian GAAP to IFRS on the Company's consolidated financial statements are provided in note 23.

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for derivative financial instruments and assets held for sale that have been measured at fair value.

Principles of consolidation

The interim consolidated financial statements comprise the financial statements of Supremex Inc. and its subsidiaries as at March 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Basic and diluted net earnings per share

The Company presents basic net earnings per share for its common shares, calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value at the date of the acquisition. Acquisition costs incurred are expensed.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Foreign currency translation

Supremex consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Supremex and its subsidiaries determine their own functional currency and items included in their financial statements are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of earnings.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Subsidiaries

The assets and liabilities of foreign operations are translated into Canadian dollar at the rate of exchange prevailing at the reporting date and their statements of earnings are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of earnings.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts, and after eliminating intercompany sales.

Revenue from the sale of goods is recognized when the following criteria are met:

- The risks and rewards of ownership, including managerial involvement, have been transferred to the buyer;
- The amount of revenue can be measured reliably;
- The receipt of economic benefits is probable; and
- Costs incurred or to be incurred can be measured reliably.

In addition to the above general principles, the Company applies specific revenue recognition for bill and hold transactions. When customers request a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are shipped within a specified period of time and are segregated from other inventory, the risk of ownership of the goods is assumed by the customer, and the terms and collection experience on the related billings are consistent with all other sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of earnings except to the extent it is related to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- Are generally recognized for all taxable temporary differences;
- Are recognized for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- Are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences (carry-forward of unused tax credits and unused tax losses) can be utilized ; and
- Are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. The transaction does not affect accounting profit or taxable profit upon completion. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Accounts receivables and trade payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of the accounts payable and accrued liabilities in the consolidated statement of financial position.

Employee future benefits

The Company maintains three defined benefit pension plans, two of which are hybrid, by also having a defined contribution component, substantially covering all of its employees. In the past, the acquired businesses have also provided post-retirement and post-employment benefits plans to a limited number of employees covering health care, dental care and life insurance. These benefits are unfunded.

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The determination of the net periodic pension expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, expected mortality, the expected retirement age, the expected rate of future compensation increase and the expected healthcare cost trend rate. The assets are valued at fair value. Actual results will differ from results which are estimated based on assumptions. The vested portion of past service cost arising from plan amendments is recognized immediately in the consolidated statement of earnings. The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits become vested.

The asset or liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation for service accrued at calculation date is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in other comprehensive income. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable taking into account future contributions for unfunded liability. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Payments to defined contribution plans are expensed as incurred, which is as the related employee service is rendered.

Share-based compensation plan

The Company operates a cash-settled share-based compensation plan under which it received services from employees as consideration of cash payment. The cost of the cash-settled share-based plan is measured initially at fair value at grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense.

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Cash

Cash includes cash and highly liquid investments with an initial term of three months or less and are stated at cost, which approximates market value.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the normal course of business, less applicable variable selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated using the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Leasehold improvements	Over the terms of the leases
Machinery and equipment	Seven to 15 years
Office equipment	Three to five years
Computer equipment	Three years

Residual values, method of amortization and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Intangible assets

Upon acquisition, identifiable intangible assets are recorded at fair value if in a business acquisition, if not, at cost and are carried at cost less accumulated amortization. Intangible assets acquired are comprised of customer relationships and non-compete agreements which are amortized on a straight-line basis over ten years.

Impairment of non financial assets

Impairments are recorded when the recoverable amount of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

The carrying values of all intangible assets and non-financial assets with finite lives such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The Company bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of four years.

Impairment testing of goodwill

Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the recoverable amount of the cash-generating unit to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to earnings in the period in which the impairment occurs.

Valuation technique

The Company uses the discounted cash flows ("DCF") method to determine the fair value of its cash-generating unit and did not make any changes to the valuation methodology used to assess goodwill impairment since the last annual impairment test.

Significant assumptions

The income approach is predicated upon the value of the future cash flows that a business will generate going forward. The DCF method was used as at December 31, 2010 which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth or decline rates, operating margins, tax rate and discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]*Growth or decline of revenue*

The assumptions used were based on the Company's internal budget. The Company projected revenue, operating margins and cash flows for a period of four years and applied a perpetual long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends as well as industry and market trends.

Discount rate

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industry. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows.

The key assumptions used in performing the impairment test were as follows:

	Assumption
Discount rate	17%
Tax rate	26%
Perpetual growth rate	0%

Sensitivity to changes in assumptions

As at December 31, 2010, the recoverable amount was in excess of the carrying value. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continued use and such sale is considered highly probable with the asset on disposal group available for immediate sale in its present condition. The criteria for classification as held for sale includes a firm decision by management or the board of directors to dispose of a business or a group of selected assets and the expectation that such disposal will be completed within a 12 month-period. Assets held for sales are measured at the lower of their carrying amounts or their fair value less costs to sell and are no longer amortized. Assets held for sale are classified as discontinued operations if the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Company and they:

- Represent a separate major line of business or geographical area of operations;
- Are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Are a subsidiary acquired exclusively with a view to resale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financing charge.

Restructuring provisions

Restructuring provisions are only recognized when general recognition criteria for provisions are fulfilled. Additionally, the Company needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time-line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. Classification is re-assessed if the terms of the lease are changed.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized in the consolidated statement of earnings on a straight-line basis over the period of the lease.

Finance lease

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charges and the liability. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial instruments

The Company classifies its financial assets in the following categories: at fair value through the earnings and loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Fair value through the earnings

Classification

Financial assets are classified at fair value through the earnings if acquired principally for the purpose of selling in the short-term, such as financial assets held for trading, or if so designated by the Company. Assets in this category principally include derivatives which do not qualify for hedge accounting and cash.

Recognition and measurement

Financial assets carried at fair value through the earnings are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statement of earnings. Transaction costs are expensed.

Loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "accounts receivable" in the consolidated statement of financial position.

Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the consolidated statement of earnings.

Financial liabilities

Accounts payable and accrued liabilities, provisions, dividends payable and secured credit facilities are classified as financial liabilities. They are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows or hedge items.

Non-performance risk, including the Company's own credit risk, is considered when determining the fair value of financial instruments.

Segment reporting

The Company operates in one business segment; the manufacturing and sale of a broad range of stock and custom envelopes and related products.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Intangible assets and goodwill

Intangible assets and goodwill arise out of business combinations for which the Company applied the purchase method of accounting to these transactions. The purchase method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital [see note 2].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS [Cont'd]

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future.

As at December 31, 2010, the Company performed a goodwill impairment test using the discounted cash flows method based upon management's best estimates which reflects the Company's planned course of action in light of market conditions. The Company concluded that there was no impairment in the carrying amount of its goodwill. The Company will continue to monitor the resulting impact of market changes.

Employee future benefits

The Company sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the expected mortality, the expected retirement age, the expected rate of future compensation increase and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results will differ from results which are estimated based on assumptions.

Income taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the normal course of business. The Company maintains provision for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS [Cont'd]

Impairment of long-lived assets

Long-lived assets of the Company, including property, plant and equipment, are tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. Impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are recognized for the amount by which the carrying value of an asset exceeds its fair value. The Company periodically reviews the estimated useful lives of all long-lived assets and revises them if necessary.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after January 1, 2012 or later periods. The standards impacted that are applicable to the Company are as follows:

- IFRS 9, *Financial Instruments*

In October 2010, the IASB issued IFRS 9, *Financial Instruments* (“IFRS 9”). IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

- IFRS 10, *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* (“IFRS 10”). IFRS 10, which replaces SIC-12, *Consolidation – Special Purpose Entities* and part of IAS 27, *Consolidated and Separate Financial Statements*, provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

- IFRS 12, *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”). IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

These new standards are effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of these new standards on its consolidated financial statements.

5. BUSINESS ACQUISITION

On September 16, 2010, the Company acquired substantially all the assets of Pioneer Envelopes Ltd. (“Pioneer”) for a cash consideration of \$1.6 million which was funded from the cash generated from the operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

5. BUSINESS ACQUISITION [Cont'd]

The acquisition has been accounted for using the purchase method with operating results included in the Company's earnings from the date of acquisition. The purchase price allocation is as follows:

	\$
Accounts receivable	578,098
Inventories	483,823
Prepaid expenses	27,021
Property, plant and equipment	620,000
Goodwill	250,000
Accounts payable and accrued liabilities	(328,645)
Net assets acquired	1,630,297
Consideration	
Cash	1,739,920
Balance of sale receivable	(109,623)

6. ACCOUNTS RECEIVABLE

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Trade receivables	19,828,879	18,439,189	19,694,737
Less: Allowance for doubtful accounts	(193,858)	(62,714)	(45,353)
Trade receivables - net	19,635,021	18,376,475	19,649,384
Other receivables	1,081,232	1,219,470	1,443,483
	20,716,253	19,595,945	21,092,867

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

The aging analysis of trade receivables, at each reporting date, was as follows:

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Current	14,503,151	12,724,734	13,603,619
31 – 60 days	4,070,705	4,083,148	4,973,185
61 – 90 days	854,785	1,277,228	979,059
91 – 120 days	222,389	298,281	115,850
Over 120 days	177,849	55,798	23,024
	19,828,879	18,439,189	19,694,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

6. ACCOUNTS RECEIVABLE [Cont'd]

Allowance for doubtful accounts

The change in allowance for doubtful accounts was as follows:

	March 31, 2011	December 31, 2010
	\$	\$
Balance, beginning of period	62,714	45,353
Charge for the period	132,726	36,132
Pioneer acquisition	—	19,271
Utilized	(1,238)	(37,868)
Impact of foreign exchange gains (losses)	(344)	(174)
Balance, end of period	193,858	62,714

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer credit worthiness is evaluated before credit is extended.

7. INVENTORIES

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Raw materials	3,175,942	3,309,476	3,386,049
Work in progress	247,482	217,681	365,755
Finished goods	9,781,265	8,412,563	10,169,922
	13,204,689	11,939,720	13,921,726

The cost of inventories recognized as an expense and included in operating expenses, including the related amortization of property, plant and equipment allocated to inventories, during the three-month period ended March 31, 2011, is \$26,949,460 [2010 - \$27,753,339].

8. ASSETS HELD FOR SALE

Pursuant to the restructuring of the Toronto operations, the following items were reclassified as assets held for sale. The Company expects that these items will be sold within the next year.

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Land and buildings	—	5,568,000	—
Machinery and equipment	348,048	348,048	—
	348,048	5,916,048	—
Current portion	—	5,568,000	—
Long-term portion of assets held for sale	348,048	348,048	—

An impairment loss of \$2.2 million on the measurement of these assets to the lower of its carrying amount and its fair value less costs to sell was recognized as amortization expense in fiscal 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

9. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements \$	Machinery and equipment \$	Office and computer equipment \$	Total \$
Cost:				
At January 1, 2010	21,122,423	33,231,440	1,154,468	55,508,331
Additions	249,895	2,816,947	167,195	3,234,037
Pioneer acquisition	—	605,000	15,000	620,000
Disposals	(14,021)	(2,235,239)	(1,118)	(2,250,378)
Transfer to assets held for sale	(7,575,803)	(945,496)	—	(8,521,299)
Translation adjustment	(650)	(38,476)	(3,702)	(42,828)
At December 31, 2010	13,781,844	33,434,176	1,331,843	48,547,863
Additions	103,531	905,004	47,899	1,056,434
Disposals	—	(97,540)	—	(97,540)
Translation adjustment	(289)	(28,451)	(1,734)	(30,474)
At March 31, 2011	13,885,086	34,213,189	1,378,008	49,476,283
Amortization and impairment:				
At January 1, 2010	1,842,781	12,770,804	838,505	15,452,090
Amortization	539,776	3,776,136	157,447	4,473,359
Impairment [note 8]	1,542,809	645,457	—	2,188,266
Disposals	(14,021)	(1,387,224)	(1,118)	(1,402,363)
Transfer to assets held for sale	(2,007,803)	(597,448)	—	(2,605,251)
Translation adjustment	(499)	(4,478)	(3,206)	(8,183)
At December 31, 2010	1,903,043	15,203,247	991,628	18,097,918
Amortization	110,866	1,008,238	43,082	1,162,186
Disposals	—	(58,797)	—	(58,797)
Translation adjustment	(260)	(3,014)	(1,620)	(4,894)
At March 31, 2011	2,013,649	16,149,674	1,033,090	19,196,413
Net book value:				
At January 1, 2010	19,279,642	20,460,636	315,963	40,056,241
At December 31, 2010	11,878,801	18,230,929	340,215	30,449,945
At March 31, 2011	11,871,437	18,063,515	344,918	30,279,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

10. INTANGIBLE ASSETS

	Customer relationships \$	Non-compete agreements \$	Total \$
Cost	60,884,000	755,000	61,639,000
Accumulated amortization:			
At January 1, 2010	22,428,839	283,332	22,712,171
Amortization	6,088,400	75,500	6,163,900
At December 31, 2010	28,517,239	358,832	28,876,071
Amortization	1,522,100	18,875	1,540,975
At March 31, 2011	30,039,339	377,707	30,417,046
Net book value:			
At January 1, 2010	38,455,161	471,668	38,926,829
At December 31, 2010	32,366,761	396,168	32,762,929
At March 31, 2011	30,844,661	377,293	31,221,954

11. GOODWILL

	\$
Cost:	
At January 1, 2010	75,501,125
Acquisition of Pioneer	250,000
At December 31, 2010	75,751,125
At March 31, 2011	75,751,125

Impairment test of goodwill

The Company conducted its annual impairment test as at December 31, 2010, in accordance with its policy described in note 2. The recoverable amount of the cash-generating unit exceeded its carrying values. As a result, no goodwill impairment was recorded.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Trade payables	9,573,714	11,363,273	10,043,239
Accrued liabilities	7,632,438	8,748,539	8,491,273
	17,206,152	20,111,812	18,534,512

Trade payables are non-interest bearing and are normally settled on 20 to 60 day terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

13. PROVISIONS

In connection with the acquisitions of NPG Envelope (“NPG”) in 2007, Montreal Envelope Inc. (“Montreal”) in 2008 and Pioneer [see note 5], the Company adopted a plan for the integration and restructuring of the acquired businesses. As a result, the Company recognized a provision for severance, relocation and exit costs relating to certain employees and facilities of the acquired businesses. As at March 31, 2011, the amount of the remaining accrued restructuring provision was \$0.5 million.

The Company incurred additional restructuring expenses during 2011 and 2010 in the form of severances and other restructuring costs as a result of the restructuring of the Toronto and Montreal operations. The amount of the remaining accrued restructuring provision in connection of the restructuring of the Toronto and Montreal operations as at March 31, 2011 was approximately \$0.1 million. The restructuring is expected to be completed by the end of 2011.

The following is a summary of amounts accrued and paid relating to restructuring expenses.

	March 31, 2011	December 31, 2010
	\$	\$
Balance, beginning of period	931,297	795,018
Restructuring expenses charged against earnings	218,429	2,054,519
Cash payments	(522,587)	(1,918,240)
Balance, end of period	627,139	931,297

14. DIVIDENDS AND DISTRIBUTIONS PAYABLE

Dividends declared from January 1, 2011 to March 31, 2011 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
March 18, 2011	March 31, 2011	April 15, 2011	0.03	878,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

14. DIVIDENDS AND DISTRIBUTIONS PAYABLE [Cont'd]

Prior to the conversion of the Fund to a corporate structure [see note 1], Supremex Income Fund made monthly distributions of its available cash to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. Distributions for the period from January 1, 2010 to December 31, 2010 were as follows:

Period	Record date	Payment date	Per unit \$	Distribution \$
January 2010	January 31, 2010	February 15, 2010	0.01	292,978
February 2010	February 29, 2010	March 15, 2010	0.01	292,978
March 2010	March 31, 2010	April 15, 2010	0.01	292,978
April 2010	April 30, 2010	May 17, 2010	0.01	292,978
May 2010	May 31, 2010	June 15, 2010	0.01	292,978
June 2010	June 30, 2010	July 15, 2010	0.01	292,978
July 2010	July 31, 2010	August 16, 2010	0.01	292,978
August 2010	August 31, 2010	September 15, 2010	0.01	292,978
September 2010	September 30, 2010	October 15, 2010	0.01	292,978
October 2010	October 31, 2010	November 15, 2010	0.01	292,978
November 2010	November 30, 2010	December 15, 2010	0.01	292,978
December 2010	December 31, 2010	January 17, 2011	0.01	292,978
			0.12	3,515,736

15. SECURED CREDIT FACILITIES

As at March 31, 2011, the Company had secured credit facilities consisting of a \$35 million revolving facility and a \$63.8 million term credit facility (\$65.6 million and \$73.1 million as at December 31, 2010 and January 1, 2010, respectively). Both facilities bear interest at a floating rate based on the Canadian prime rate, the US base rate, LIBOR or bankers' acceptance rates plus an applicable margin on those rates.

The revolving credit facility may be used for general corporate purposes, working capital requirements and permitted acquisitions. Both facilities mature on January 4, 2012 and therefore they were included in the current liabilities of the Company as of March 31, 2011. The term credit facility is repayable in quarterly instalments of \$1,875,000, principal only. In addition, 75% of the excess cash flow, as defined in the agreement, will be applied against the term credit facility until the ratio of debt to EBIDTA reaches 2.25, and 50% thereafter. A \$10 million permitted acquisition basket is allowed as per these credit facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

15. SECURED CREDIT FACILITIES [Cont'd]

Amounts drawn under revolving and term credit facilities are as follows:

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Revolving credit facility	2,749,616	4,290,886	20,324,181
Term credit facility	63,750,000	65,625,000	73,125,000
Less: deferred financing costs, net	(634,508)	(846,010)	(1,569,804)
	65,865,108	69,069,876	91,879,377
Current portion	(65,865,108)	(14,415,489)	(7,500,000)
Long-term portion of secured credit facilities	—	54,654,387	84,379,377

Under the terms of the secured credit facilities, the Company is required, among other conditions, to meet certain covenants. The Company was in compliance with these covenants as at March 31, 2011. The secured credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Company and its subsidiaries.

Minimum required payments on secured credit facilities will be as follows:

	\$
2011	12,540,489
2012	53,959,127

As at March 31, 2011, the interest rates on the revolving and term credit facilities were 4.75% and 4.01%, respectively (4.90% and 5.25% respectively as at December 31, 2010 and 4.85% and 4.76% respectively as at January 1, 2010). As of January 14, 2011, the Company entered into an interest rate swap agreement for an amount of \$30 million at a fixed rate of 2.84% until January 14, 2016, excluding the applicable margin.

Financing charges

	Three-month period ended March 31,	
	2011 \$	2010 \$
Interest on secured credit facilities	897,575	1,124,456
Other interest	991	1,145
Amortization of deferred financing costs	211,502	201,468
Loss on valuation of derivative financial instrument	58,970	—
	1,169,038	1,327,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

16. INCOME TAXES

Income tax expense

The major components of income tax expense recognized in the consolidated statement of earnings were as follows:

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Current income tax:		
Current income tax expense	1,089,492	—
Deferred income tax:		
Origination and reversal of temporary differences	32,819	1,495,047
Income tax expense	1,122,311	1,495,047

Income taxes on items recognized in other comprehensive income were as follows:

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Deferred income tax related to items charged or credited directly to equity during the period:		
Deferred tax (benefit) expense on recognized actuarial (loss) gain on defined benefit pension plans	(616,129)	690,972
Deferred tax expense (benefit) on recognized actuarial gain (loss) on other post-retirement benefit	2,385	(1,820)
Income tax (benefit) expense charged to other comprehensive income	(613,744)	689,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

16. INCOME TAXES [Cont'd]

The income tax expense differs from the expense that would be obtained by applying the combined Canadian income tax (federal and provincial) as follows:

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Earnings before income taxes	3,994,606	5,568,353
Income tax expense at combined federal and provincial statutory rate of 27.16% [2010 – 31.1%]	1,084,935	1,727,982
Effect of change in enacted tax rates	(447)	(48,368)
Impact of interest expense of Supremex paid to the Fund (prior to conversion in corporate structure), eliminated on consolidation	—	(351,853)
Impact of amortization of deferred compensation not deductible for tax purposes	—	97,990
Non-deductible expenses and other	37,823	69,296
Income tax expense	1,122,311	1,495,047

Change in statutory rate mainly results from the reduction in the federal and Ontario corporation tax rate, as well as a change in the proportion of the Company's earnings in each jurisdiction, which have different tax rates.

Deferred income tax

Deferred income tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of earnings	
	March 31, 2011	December 31, 2010	January 1, 2010	Three-month period ended	
	\$	\$	\$	March 31, 2011	March 31, 2010
	\$	\$	\$	\$	\$
Deferred tax assets					
Non-capital losses	173,744	173,744	4,185,320	—	1,628,578
Goodwill	1,784,926	1,839,833	2,037,010	54,907	57,687
Accrued pension benefit liability	2,201,897	1,790,470	1,406,756	204,702	64,716
Initial public offering expenses	5,875	211,362	1,033,315	205,487	205,488
Other	441,440	489,577	433,544	45,752	24,011
	4,607,882	4,504,986	9,095,945	510,848	1,980,480
Deferred tax liabilities					
Intangible assets	6,990,641	7,363,061	8,848,543	372,420	371,371
Property, plant and equipment	3,737,880	3,819,238	4,987,876	81,358	114,062
Other	675,216	699,467	924,820	24,251	—
	11,403,737	11,881,766	14,761,239	478,029	485,433
Deferred tax expense				32,819	1,495,047
Net deferred income tax liabilities	6,795,855	7,376,780	5,665,294		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

16. INCOME TAXES [Cont'd]

Reconciliation of net deferred tax liabilities

	March 31, 2011 \$	December 31, 2010 \$
Balance – beginning of the period	7,376,780	5,665,294
Tax expense during the period recognized in the consolidated statement of earnings	32,819	2,210,953
Tax income recognized in other comprehensive income	(613,744)	(499,467)
Balance – end of period	6,795,855	7,376,780

17. PENSIONS AND OTHER POST-EMPLOYMENTS BENEFIT PLANS

(a) Pension Plans

The Company maintains three defined benefit pension plans covering certain salaried and hourly employees. Two of these pension plans are hybrid because they also have a defined contribution component.

The following table show a reconciliation of the funded status to the accrued pension benefit liability:

	December 31, 2010 \$	January 1, 2010 \$
Reconciliation of funded status		
Benefit obligation	(78,380,400)	(71,445,600)
Fair value of plan assets	73,126,800	67,231,400
Plan deficit	(5,253,600)	(4,214,200)
Asset limit and minimum funding adjustment	(1,730,700)	(1,273,300)
Accrued pension benefit liability	(6,984,300)	(5,487,500)

The defined benefit and defined contribution plans expenses included in operating, selling, general and administrative expenses, are as follows:

	Three-month period ended March 31,	
	2011 \$	2010 \$
Defined benefit plans		
Current service costs	677,100	752,600
Interest expense on benefit obligation	1,075,000	1,114,700
Actual return on plan assets	(1,145,200)	(1,051,000)
Defined benefit plans expense	606,900	816,300
Defined contribution plan expense	135,000	126,000
Pension plans expense	741,900	942,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

17. PENSIONS AND OTHER POST-EMPLOYMENTS BENEFIT PLANS [Cont'd]

Total cash payments contributed by the Company for its defined benefit and defined contribution plans for the three-month period ended March 31, 2011 were approximately \$1,506,000 [2010 - \$1,160,000].

(b) Post-retirement benefits other than pension

The components of other post-retirement benefit expense included in operating, selling, general and administrative expenses for the three-month period ended March 31, 2011, was \$8,500 [2010 - \$9,675].

18. SHARE CAPITAL/FUND UNITS

Share capital

An unlimited number of Commons Shares are issuable. Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and ratably in any dividends of the Company, if any, and, in the event of any required distribution of all of the property of the Company, in the net assets of the Company remaining after satisfaction of all liabilities.

Fund units

The Fund Declaration of Trust provided that an unlimited number of units may be issued. Each unit was transferable and represented an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units were of the same class with equal rights and privileges. Each unit entitled the holder to participate equally in all allocations and distributions and to one vote at all meetings of unitholders for each whole unit held.

The Fund units were redeemable at any time at the option of the holder at the lesser of 90% of the weighted average price of the Fund unit during the last ten trading days of the units on an open market and the closing market price on the redemption date. All redemptions were subject to a maximum of \$50,000 in cash redemptions by the Fund in any particular month. Redemptions in excess of this amount would have been paid by way of a distribution *in specie* of the assets of the Fund.

Employees units

Units issued as of March 31, 2006, at the time of the initial public offering, included 2,364,228 units valued at \$23,642,280 issued to employees for a cash consideration of \$23,642 to amend the then existing management profit sharing plan. These units vested over four years and the unamortized value of such units was recorded as deferred compensation and recorded as compensation expense over the vesting period. Employees were entitled to distributions on these units. Each unit entitles the holder to participate equally in all allocations and distributions of the Fund and to one vote at all meetings of unitholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

18. SHARE CAPITAL/FUND UNITS [Cont'd]

The change in share capital and fund units was as follows:

	Supremex Income Fund		Supremex Inc.	
	Number of units	Fund units \$	Number of common shares	Share capital \$
Balance as of January 1, 2010	29,297,767	282,798,322	—	—
Balance, as of December 31, 2010	29,297,767	282,798,322	—	—
Conversion into a corporation [Note 1]	(29,297,767)	(282,798,322)	29,297,767	10,000,000
Balance, as of March 31, 2011	—	—	29,297,767	10,000,000

On January 1, 2011, all the outstanding units of the Fund were exchanged for common shares of Supremex on a one-for-one basis [see note 1].

19. OPERATING, SELLING, GENERAL AND ADMINISTRATION EXPENSES

Employee benefits expenses

	Three-month period ended March 31,	
	2011 \$	2010 \$
Wages and salaries	9,017,021	8,747,442
Social security costs	1,781,675	1,665,024
Pension costs [see note 17]	741,900	942,300
Post-employment benefits other than pensions [see note 17]	8,500	9,675
Share-based program expense	8,314	3,966
Total employee benefits expenses	11,557,410	11,368,407

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has entered into operating leases mainly for buildings.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	March 31, 2011 \$	December 31, 2010 \$
Within one year	1,888,861	2,266,891
After one year but not more than five years	4,475,672	4,687,801
More than five years	2,051,020	2,228,811
	8,415,553	9,183,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

20. COMMITMENTS AND CONTINGENCIES [Cont'd]

Legal claim

In the normal course of its operations, the Company is exposed to various claims, disputes and legal proceedings. These disputes may involve numerous uncertainties and the outcome of individual cases is unpredictable. According to management, these disputes should not have a significant negative impact on the Company's financial position.

21. CAPITAL MANAGEMENT

The Company's capital consists of equity and secured credit facilities. The Company maintains a capital level that enables it to meet several objectives:

- Assure the longevity of its capital to support continued operations;
- Satisfy certain financial covenants under the secured credit facilities;
- Preserve its financial flexibility to benefit from potential opportunities as they arise; and
- Sustain growth in share value.

The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments in view of the Company's strategy, economic conditions and the risk characteristics of the business to achieve the above objectives. The Company also monitors its capital to ensure full adherence to the "secured credit facilities/EBITDA ratio" as defined in the credit facilities agreement.

The Company's capital structure is composed of equity, secured credit facilities, less cash. The capital structure of continuing operation is as follows:

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Secured credit facilities	65,865,108	69,069,876	91,879,377
Cash	—	(148,874)	(38,962)
Net liabilities	65,865,108	68,921,002	91,840,415
Equity	71,036,642	70,828,753	65,674,653

The Company is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its secured credit facilities, which relate to permitted acquisitions, normal course issuer bid and payment of dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

22. SEGMENTED INFORMATION

The Company currently operates in one business segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$136,509,335 in Canada and \$1,091,662 in the United States as at March 31, 2011 [at December 31, 2010 - \$138,349,434 and \$962,613 respectively]. The Company's revenue amounted to \$36,188,256 in Canada and \$2,912,331 in the United States for the three-month period ended March 31, 2011 based on the location of the customers [2010 - \$38,442,017 and \$2,799,055, respectively].

23. TRANSITION TO IFRS

These interim consolidated financial statements represent the Company's initial presentation of its results of operations and financial position prepared in accordance with IFRS, as issued by the IASB. The Company adopted IFRS in accordance with IAS34, *Interim Financial Reporting* and IFRS 1, *First-time adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). In accordance with IFRS, the Company has:

- provided comparative financial information; and
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards that will be effective as at December 31, 2011, as required, and;
- applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP.

Elected exemption from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

(a) Business combinations

The Company elected not to retrospectively apply IFRS 3R (revised), *Business Combinations*, to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions and is their deemed cost at the date of the acquisition.

(b) Employee benefits

The Company elected to recognize all cumulative actuarial gains and losses and past service costs on defined benefit plan that existed at its Transition Date in opening deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Mandatory exception to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied a mandatory exception from full retrospective application of IFRS. The mandatory exception applied from full retrospective application of IFRS is described below.

(a) Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, earnings, comprehensive income and cash flows for prior periods. The impact of converting to IFRS on the Company's consolidated statements of cash flows compared with its previously released Canadian GAAP consolidated statements of cash flows is directly related to the impacts on the consolidated statements of earnings, consolidated statements of comprehensive income and the consolidated statements of financial position as described below. The lines of the consolidated financial statements of cash flows most affected by the conversion to IFRS are: net earnings, amortization of deferred compensation, change in accrued pension benefit liability, business acquisition, deferred income tax expense and variation in provisions.

The following represents the reconciliation from Canadian GAAP to IFRS for the respective periods noted for equity, net earnings and comprehensive income:

Reconciliation of Equity

As of	Note	December 31, 2010	March 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		80,084,279	76,882,574	73,345,631
Differences decreasing reported shareholders' equity:				
Employee benefits	A	(8,987,151)	(5,711,963)	(7,670,978)
Business combinations	C	(268,375)	—	—
Total equity under IFRS		70,828,753	71,170,611	65,674,653

Reconciliation of Net Earnings

For the period ended	Note	December 31, 2010	March 31, 2010
Net earnings under Canadian GAAP		8,993,872	3,155,365
Differences increasing (decreasing) reported earnings:			
Employee benefits	A	132,361	(39,634)
Deferred compensation	B	945,433	945,433
Business combinations	C	(268,375)	—
Foreign currency translation	D	14,527	12,142
Net earnings under IFRS		9,817,818	4,073,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Reconciliation of Comprehensive Income

For the period ended	Note	December 31, 2010	March 31, 2010
Comprehensive income under Canadian GAAP		8,993,872	3,155,365
Differences increasing (decreasing) reported comprehensive income:			
Employee benefits	A	(1,316,173)	1,959,015
Deferred compensation	B	945,433	945,433
Business combinations	C	(268,375)	—
Comprehensive income under IFRS		8,354,757	6,059,813

A. Employee benefits

- (i) Upon adoption of IFRS, actuarial gains and losses are recognized immediately in other comprehensive income, as permitted by IAS 19, *Employee Benefits* (“IAS 19”). Under previous Canadian GAAP, the Company used the corridor method to amortize actuarial gains or losses over the coverage remaining service life of the employees. At the date of transition, all previously unrecognized cumulative actuarial gains and losses, including the unamortized transitional obligation, were recognized in deficit, resulting in an increase of deficit of \$6.6 million.
- (ii) In compliance with IAS 19, past service costs are recognized immediately if vested, or on a straight-line basis over the average remaining vesting period if unvested. Under Canadian GAAP, past service costs were recognized over the expected average remaining service period of active employees expected to receive benefits under the plan. At the date of transition all previously unrecognized past service costs amounting to \$0.1 million were fully vested and as such were recognized in the deficit.
- (iii) In addition, IAS 19 and IFRIC 14, *IAS 19, the Limit on a defined Benefit Asset, Minimum Funding Requirement and their Interaction*, limit the amount that can be recognized as an asset on the statement of financial position on the present value of available contribution reductions or refunds plus unrecognized actuarial losses and unrecognized past service costs. This restriction has resulted in a limit on the asset that can be recorded for one of the Company’s defined benefit plans, which results in a further reduction of \$1.0 million that has been recognized in deficit at the transition date.

B. Deferred compensation

The Company amortized the deferred compensation on a straight-line basis over 4 years under Canadian GAAP. Under IFRS, the deferred compensation should be amortized using the graded approach over the vesting period of the Supremex Income Fund units. The impact of this difference at the Transition Date, was an increase of \$0.9 million to deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

C. Business combinations

The Company included all acquisition-related and restructuring costs in goodwill under Canadian GAAP. Under IFRS, the acquisition-related and restructuring costs should be expensed as incurred. As a result, the transaction costs and restructuring provision related to the Pioneer acquisition in September 2010, previously included in goodwill, were expensed under IFRS.

D. Foreign currency translation

Under Canadian GAAP, the Company had determined that its US subsidiary was an integrated foreign operation and that the functional and reporting currency was the Canadian dollar. IFRS requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. Under IFRS, the functional currency of the US subsidiary is the US dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

24. TRANSITION TO IFRS [Cont'd]

Restated Supremex consolidated financial statements

The following are reconciliations of the consolidated financial statements previously presented under Canadian GAAP to the amended consolidated financial statements prepared under IFRS.

Reconciliation of Consolidated Statement of Financial Position as of January 1, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
ASSETS					
Cash	38,962	—	—	38,962	Cash
Accounts receivable	21,092,867	—	—	21,092,867	Accounts receivable
Inventories	13,921,726	—	—	13,921,726	Inventories
Prepaid expenses	1,429,144	—	—	1,429,144	Prepaid expenses
Future income tax	3,635,038	—	(3,635,038)	—	
Total current assets	40,117,737	—	(3,635,038)	36,482,699	Total current assets
Property, plant and equipment, net	40,056,241	—	—	40,056,241	Property, plant and equipment
Accrued pension benefit asset	4,985,800	(10,473,300)	5,487,500	—	
Intangible assets, net	38,926,829	—	—	38,926,829	Intangible assets
Goodwill	75,501,125	—	—	75,501,125	Goodwill
Total assets	199,587,732	(10,473,300)	1,852,462	190,966,894	Total assets
LIABILITIES AND EQUITY					
Accounts payable and accrued liabilities	18,534,512	—	—	18,534,512	Accounts payable and accrued liabilities
Accrued restructuring provision	795,018	—	—	795,018	Provisions
Distribution payable	1,464,888	—	—	1,464,888	Distribution payable
Current portion of secured credit facilities	7,500,000	—	—	7,500,000	Current portion of secured credit facilities
Current portion of derivative liability	808,652	—	—	808,652	Current portion of derivative financial instrument
Total current liabilities	29,103,070	—	—	29,103,070	Total current liabilities
Secured credit facilities	84,379,377	—	—	84,379,377	Secured credit facilities
Future income tax	11,945,354	(2,645,022)	(3,635,038)	5,665,294	Deferred income tax liabilities
	—	—	5,487,500	5,487,500	Accrued pension benefit liability
Other post-retirement benefits obligation	814,300	(157,300)	—	657,000	Other post-retirement benefits obligations
Unitholders' equity					Equity
Fund units	282,798,322	—	—	282,798,322	Fund units
Contributed surplus	7,625,424	—	—	7,625,424	Contributed surplus
Deferred compensation	(1,260,512)	945,433	—	(315,079)	Deferred compensation
Deficit	(215,817,603)	(8,547,260)	—	(224,364,863)	Deficit
	—	(69,151)	—	(69,151)	Accumulated other comprehensive loss
	73,345,631	(7,670,978)	—	65,674,653	Total equity
	199,587,732	(10,473,300)	1,852,462	190,966,894	Total liabilities and equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Reconciliation of Consolidated Statement of Financial Position as of March 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
ASSETS					
Cash	30,831	—	—	30,831	Cash
Accounts receivable	19,018,557	—	—	19,018,557	Accounts receivable
Inventories	13,437,425	—	—	13,437,425	Inventories
Prepaid expenses	1,386,705	—	—	1,386,705	Prepaid expenses
Future income tax	1,969,492	—	(1,969,492)	—	
Total current assets	35,843,010	—	(1,969,492)	33,873,518	Total current assets
Property, plant and equipment, net	39,092,368	—	—	39,092,368	Property, plant and equipment
Accrued pension benefit asset	5,290,000	(7,829,700)	2,539,700	—	
Intangible assets, net	37,385,854	—	—	37,385,854	Intangible assets
Goodwill	75,501,125	—	—	75,501,125	Goodwill
Total assets	193,112,357	(7,829,700)	570,208	185,852,865	Total assets
LIABILITIES AND EQUITY					
Accounts payable and accrued liabilities	14,401,497	—	—	14,401,497	Accounts payable and accrued liabilities
Accrued restructuring provision	650,813	—	—	650,813	Provisions
Distribution payable	292,978	—	—	292,978	Distribution payable
Current portion of secured credit facilities	7,500,000	—	—	7,500,000	Current portion of secured credit facilities
Current portion of derivative liability	808,652	—	—	808,652	Current portion of derivative financial instrument
Total current liabilities	23,653,940	—	—	23,653,940	Total current liabilities
Secured credit facilities	79,977,521	—	—	79,977,521	Secured credit facilities
Future income tax	11,788,522	(1,969,537)	(1,969,492)	7,849,493	Deferred income tax liabilities
	—	—	2,539,700	2,539,700	Accrued pension benefit liability
Other post-retirement benefits obligation	809,800	(148,200)	—	661,600	Other post-retirement benefits obligations
Unitholder's Equity					Equity
Fund units	282,798,322	—	—	282,798,322	Fund units
Contributed surplus	7,625,424	—	—	7,625,424	Contributed surplus
Deficit	(213,541,172)	(7,629,319)	—	(221,170,491)	Deficit
	—	1,917,356	—	1,917,356	Accumulated other comprehensive loss
	76,882,574	(5,711,963)	—	71,170,611	Total equity
	193,112,357	(7,829,700)	570,208	185,852,865	Total liabilities and equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Reconciliation of Consolidated Statement of Financial Position as of December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
ASSETS					
Cash	148,874	—	—	148,874	Cash
Accounts receivable	19,595,945	—	—	19,595,945	Accounts receivable
Inventories	11,939,720	—	—	11,939,720	Inventories
Prepaid expenses	425,193	—	—	425,193	Prepaid expenses
Assets held for sale	5,568,000	—	—	5,568,000	Assets held for sale
Future income tax	379,410	—	(379,410)	—	
Total current assets	38,057,142	—	(379,410)	37,677,732	Total current assets
Assets held for sale	348,048	—	—	348,048	Assets held for sale
Property, plant and equipment, net	30,449,945	—	—	30,449,945	Property, plant and equipment
Accrued pension benefit asset	5,222,600	(12,206,900)	6,984,300	—	
Intangible assets, net	32,762,929	—	—	32,762,929	Intangible assets
Goodwill	76,058,491	(307,366)	—	75,751,125	Goodwill
Total assets	182,899,155	(12,514,266)	6,604,890	176,989,779	Total assets
LIABILITIES AND EQUITY					
Accounts payable and accrued liabilities	20,111,812	—	—	20,111,812	Accounts payable and accrued liabilities
Accrued restructuring provision	931,297	—	—	931,297	Provisions
Income tax payable	745,683	—	—	745,683	Income tax payable
Distribution payable	292,978	—	—	292,978	Distribution payable
Current portion of secured credit facilities	14,415,489	—	—	14,415,489	Current portion of secured credit facilities
Total current liabilities	36,497,259	—	—	36,497,259	Total current liabilities
Secured credit facilities	54,654,387	—	—	54,654,387	Secured credit facilities
Future income tax	10,894,031	(3,137,841)	(379,410)	7,376,780	Deferred income tax liabilities
	—	—	6,984,300	6,984,300	Accrued pension benefit liability
Other post-retirement benefits obligation	769,200	(120,900)	—	648,300	Other post-retirement benefits obligations
Unitholder's Equity					Equity
Fund units	282,798,322	—	—	282,798,322	Fund units
Contributed surplus	7,625,424	—	—	7,625,424	Contributed surplus
Deficit	(210,339,468)	(7,723,313)	—	(218,062,781)	Deficit
	—	(1,532,212)	—	(1,532,212)	Accumulated other comprehensive loss
	80,084,278	(9,255,525)	—	70,828,753	Total equity
	182,899,155	(12,514,266)	6,604,890	176,989,779	Total liabilities and equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Reconciliation of Consolidated Statement of Earnings for the three-month period ended March 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
Revenue	41,241,072	—	—	41,241,072	Revenue
Cost of goods sold, selling, general and administrative expenses	31,283,451	41,159	(4,676,476)	26,648,134	Operating expenses Selling, general and administrative expenses
	—	—	4,676,476	4,676,476	
Earnings before the following	9,957,621	(41,159)	—	9,916,462	Operating earnings before amortization, loss on disposal of property, plant and equipment and restructuring expenses
Amortization and of property, plant and equipment	1,156,130	—	—	1,156,130	Amortization of property, plant and equipment
Amortization of intangible assets	1,540,975	—	—	1,540,975	Amortization of intangible assets
Amortization of deferred compensation	1,260,512	(945,433)	—	315,079	Amortization of deferred compensation
Loss on disposal of property, plant and equipment	12,483	—	—	12,483	Loss on disposal of property, plant and equipment
Net financing charges	1,327,069	—	(1,327,069)	—	
Restructuring expenses	(3,627)	—	—	(3,627)	Restructuring expenses
	—	904,274	1,327,069	6,895,422	Operating earnings
	—	—	1,327,069	1,327,069	Financing charges
Earnings before income taxes	4,664,079	904,274	—	5,568,353	Earnings before income taxes
Provision for incomes taxes	1,508,714	(13,667)	—	1,495,047	Income taxes expense
Net earnings	3,155,365	917,941	—	4,073,306	Net earnings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Reconciliation of Consolidated Statement of Earnings for the year ended December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
Revenue	153,124,398	—	—	153,124,398	Revenue
Cost of goods sold, selling, general and administrative expenses	120,128,914	(192,526)	(17,000,754)	102,935,634	Operating expenses Selling, general and administrative expenses
	—	—	17,000,754	17,000,754	
Earnings before the following	32,995,484	192,526	—	33,188,010	Operating earnings before amortization, loss on disposal of property, plant and equipment and restructuring expenses
Amortization and write-down of property, plant and equipment	6,661,624	—	—	6,661,624	Amortization of property, plant and equipment
Amortization of intangible assets	6,163,900	—	—	6,163,900	Amortization of intangible assets
Amortization of deferred compensation	1,260,512	(945,433)	—	315,079	Amortization of deferred compensation
Loss on disposal of property, plant and equipment	340,169	—	—	340,169	Loss on disposal of property, plant and equipment
Net financing charges	4,720,981	—	(4,720,981)	—	
	—	152,070	—	152,070	Transaction fees
Restructuring expenses	1,845,676	208,843	—	2,054,519	Restructuring expenses
		777,046	4,720,981	17,500,649	Operating earnings
		—	4,720,981	4,720,981	Financing charges
Earnings before income taxes	12,002,622	777,046	—	12,779,668	Earnings before income taxes
Provision for incomes taxes	3,008,750	(46,900)	—	2,961,850	Income taxes expense
Net earnings	8,993,872	823,946	—	9,817,818	Net earnings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

[Unaudited]

23. TRANSITION TO IFRS [Cont'd]

Reconciliation of Consolidated Statement of Comprehensive Income for the three-month period ended March 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS Balance	IFRS accounts
Net earnings	3,155,365	917,941	—	4,073,306	Net earnings
Other comprehensive income:					Other comprehensive income:
	—	2,003,928	—	2,003,928	Recognized actuarial gain on defined benefit plan, net of income taxes of \$690,972
	—	(5,280)	—	(5,280)	Recognized actuarial loss on other post-retirement benefit, net of a recovery of income taxes of \$1,820
	—	(12,141)	—	(12,141)	Foreign currency translation adjustments to earnings
Other comprehensive income	—	1,986,507	—	1,986,507	Other comprehensive income
Comprehensive income	3,155,365	2,904,448	—	6,059,813	Total comprehensive income

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS Balance	IFRS accounts
Net earnings	8,993,872	823,946	—	9,817,818	Net earnings
Other comprehensive income:					Other comprehensive income:
	—	(1,427,415)	—	(1,427,415)	Recognized actuarial loss on defined benefit plan, net of income taxes of \$492,185
	—	(21,118)	—	(21,118)	Recognized actuarial loss on other post-retirement benefit, net of income taxes of \$7,282
	—	(14,528)	—	(14,528)	Foreign currency translation adjustments to earnings
Other comprehensive income	—	(1,463,061)	—	(1,463,061)	Other comprehensive income
Comprehensive income	8,993,872	(639,115)	—	8,354,757	Total comprehensive income

