



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2009**

*The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated August 5, 2009 of Supremex Income Fund (the "Fund") should be read together with the audited consolidated financial statements and related notes for the year ended December 31, 2008 and with the unaudited consolidated financial statements and related notes for the three and six-month periods ended June 30, 2009. The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year of the Fund ends on December 31. The Fund's reporting currency is the Canadian dollar. Per unit amounts are calculated using the weighted average number of units outstanding for the three and six-month periods ended June 30, 2009.*

*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. This MD&A also makes reference to certain non-GAAP measures to assist in assessing the Fund's financial performance. Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Distributable cash and Non-GAAP Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.*

**The Fund**

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Quebec by a Fund Declaration of Trust dated February 10, 2006 and amended and restated as of March 31, 2006. The Fund was established to acquire and hold the common shares of Supremex Inc. ("Supremex").

The Fund's units trade on the Toronto Stock Exchange under the symbol SXP.UN. Additional information relating to the Fund can be found at [www.sedar.com](http://www.sedar.com).

**Acquisition of Montreal Envelope**

On September 16, 2008, the Fund acquired substantially all the assets of Montreal Envelope Inc. and some related entities ("Montreal") for a consideration of \$13.2 million. The acquisition was funded with funds raised from the existing revolving credit facility.

Montreal was a significant envelope manufacturer in Eastern Canada with approximately \$13.0 million in revenue and 85 employees. The Montreal acquisition is consistent with the Fund's acquisition strategy to identify strategic opportunities within its existing core business segment and acquire well-established companies with complementary strengths and significant opportunities to achieve meaningful synergies. Corporate synergies are expected to consist primarily of cost savings relating to raw materials and reduction of overhead expenses. This strategy is intended to assist the Fund in achieving its goals and demonstrate its commitment to the future of its industry. Up to June 30, 2009, the Fund incurred \$1.0 million of restructuring costs of which \$0.9 form part of the Montreal purchase price allocation. However, the amount of these restructuring costs is subject to modification as management completes a detailed assessment of the assets and liabilities pursuant to the Montreal acquisition and changes may be made as more information becomes available.

## **Overview of the Fund**

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex employs approximately 700 people and is the only national envelope manufacturer in Canada, with 10 manufacturing facilities across seven 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.

Supremex has the largest share of the Canadian envelope manufacturing industry. This leading market share is due to Supremex's unparalleled ability to successfully compete both on a local and national basis across Canada.

## **Overall Performance**

Payout ratio for the second quarter was 56.9% compared with 89.6% for the comparable period in 2008. This significant change is explained by the reduction of the annual distribution the Fund is paying to its unitholders since the beginning of 2009. As planned, the excess free cash flow generated allowed the Fund to reduce its debt level in the second quarter by \$4 million, for a total of \$8 million since the beginning of 2009, in line with expectations. The credit facilities are classified as current liabilities as they mature on March 31<sup>st</sup> 2010. Discussions with the banks are ongoing for the renewal of the credit facilities. The Fund expects to have concluded the renewal in the third quarter.

Revenue in the second quarter of 2009 was \$41.2 million compared with \$43.6 million in the second quarter of 2008, representing a decrease of \$2.4 million or 5.5%. The decrease is attributable to the reduction of the volume by about 12% which has been offset by the increase of the average selling price of 10%. This significant increase in average selling price resulted from the pass through a portion of the raw material increases Supremex has faced since the fourth quarter of 2008 and a change in the product mix mainly in the US market. The reduction of volume, mostly coming from the Canadian market, is mainly attributable to the economic slowdown with a strong concentration in the direct mail, in sales to large corporations and financial institutions as well as a decline in the resale market. There is still a lot of pressure coming from the US manufacturers given the very soft market they are facing south of the border.

EBITDA for the second quarter of 2009 was \$9.0 million, a decrease of \$1.9 million compared with the EBITDA for the second quarter of 2008 of \$10.9 million. EBITDA margin was 21.9% compared to 25.0% in the second quarter of 2008. The lower EBITDA margin is explained by the higher cost of raw material due to the weakening of the Canadian dollar that has not been totally passed through to the customers.

No units were repurchased in the second quarter through the Normal Course Issuer Bid.

## Distributable Cash

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the cash flows available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to net earnings as a measure of profitability or as an alternative to the statement of cash flows. Quarterly distributable cash is not necessarily indicative of expected distributable cash for a full year. Distributable cash is not a recognized measure under GAAP and may not be comparable to similar measures used by other issuers.

### Determination of Distributable Cash

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows related to operating activities</b>	<b>7,179</b>	9,780	<b>13,156</b>	18,004
<i>Capital adjustment</i>				
Capital expenditures <sup>(1)</sup>	31	(89)	55	(664)
<i>Other adjustments</i>				
Net change in non-cash working capital balances <sup>(2)</sup>	524	(297)	3,223	1,696
Change in other post-retirement benefits obligation and change in accrued pension benefit assets	(7)	13	(40)	(255)
<b>Distributable cash<sup>(3)</sup></b>	<b>7,727</b>	9,407	<b>16,394</b>	18,781
<b>Distribution declared</b>	<b>4,395</b>	8,424	<b>8,789</b>	16,894
<b>Weighted average number of units outstanding</b>	<b>29,298</b>	29,312	<b>29,298</b>	29,418
<b>Distributable cash per unit</b>	<b>0.2637</b>	0.3209	<b>0.5596</b>	0.6384
<b>Distribution per unit</b>	<b>0.1500</b>	0.2874	<b>0.3000</b>	0.5743
<b>Payout ratio</b>	<b>56.9%</b>	89.6%	<b>53.6%</b>	90.0%

(1) Capital expenditures refer to maintenance capital expenditures, net of proceeds from disposal of assets replaced.

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Maintenance capital expenditures	282	215	326	1,024
Proceeds from disposal of assets	(313)	(126)	(381)	(360)
<b>Capital expenditures</b>	<b>(31)</b>	89	<b>(55)</b>	664

(2) Distributable cash excludes change in non-cash working capital as changes in working capital components are often temporary by nature and, if needed, can be financed with the Fund's revolving operating credit facility.

(3) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures".

The Fund generated \$7.7 million or \$0.2637 per unit and \$16.4 million or \$0.5596 per unit of distributable cash for the three and six-month periods ended June 30, 2009 compared with \$9.4 million or \$0.3209 per unit and \$18.8 million or \$0.6384 per unit for the comparable periods in 2008. More information on cash flow related to operating activities is provided under “Liquidity and Capital Resources.”

The Fund declared distributions of \$4.4 million or \$0.1500 per unit and \$8.8 million or \$0.3000 per unit for the three and six-month periods ended June 30, 2009, funded by distributable cash generated during the period, compared with \$8.4 million or \$0.2874 per unit and \$16.9 million or \$0.5743 per unit for the comparable period in 2008.

The distributable cash generated exceeds actual distributions by \$3.3 million and \$7.6 million for the three and six-month periods ended June 30, 2009. As a result, the Fund’s payout ratio, defined as distributions declared as a percentage of distributable cash generated, was 56.9% and 53.6% for the three and six-month periods ended June 30, 2009. Since inception of the Fund, the payout ratio is 85.3%.

### Distributions

The Fund makes monthly distributions to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. The per unit rate has been \$0.05 per month since the beginning of 2009. Distributions for the period January 1, 2009 to June 30, 2009 were as follows:

<b>Period</b>	<b>Record date</b>	<b>Payment date</b>	<b>Per unit \$</b>	<b>Distribution \$</b>
January 2009	January 31, 2009	February 16, 2009	0.05	1,464,888
February 2009	February 28, 2009	March 16, 2009	0.05	1,464,888
March 2009	March 31, 2009	April 15, 2009	0.05	1,464,888
April 2009	April 30, 2009	May 15, 2009	0.05	1,464,888
May 2009	May 31, 2009	June 15, 2009	0.05	1,464,888
June 2009	June 30, 2009	July 15, 2009	0.05	1,464,888
<b>Total</b>			<b>0.30</b>	<b>8,789,328</b>

The June distribution in the amount of \$1,464,888 was declared and accrued in June 2009 and paid to unitholders on July 15, 2009. The tax allocation of distributions for 2009 is expected to be 100% return on capital and distributions are therefore treated as income for unitholders.

## Source of Funding

The source of funding for the above distributions to unitholders was cash generated by operations, existing cash balances and cash equivalents.

*(In thousands of dollars)*

	<b>Three-month period ended June 30, 2009 \$</b>	<b>Six-month period ended June 30, 2009 \$</b>	<b>Since inception \$</b>
Distributable cash	7,727	16,394	123,484
Cash flows from operating activities	7,179	13,156	139,477
Net earnings (loss)	3,345	7,552	(66,992)
Actual cash distributions paid or payable relating to the period	4,395	8,789	105,338
<b>Excess of distributable cash over cash distribution</b>	<b>3,332</b>	<b>7,605</b>	<b>18,146</b>
<b>Excess of cash flows from operating activities over cash distribution</b>	<b>2,784</b>	<b>4,367</b>	<b>34,139</b>
<b>Shortfall of net earnings over cash distribution</b>	<b>(1,050)</b>	<b>(1,237)</b>	<b>(172,330)</b>

The shortfall of net earnings over cash distribution since inception is mainly related to the impairment of goodwill recorded in 2008 and the various amortization charges recorded that have no impact on cash generated.

## 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 Fund on a quarterly basis from July 1, 2007 to June 30, 2009.

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

	<b>June 30, 2009</b>	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	<b>41,172</b>	45,933	48,453	42,935	43,620	47,545	49,731	46,394
EBITDA <sup>(1)</sup>	<b>9,032</b>	10,017	10,563	10,842	10,920	11,315	13,337	10,876
Earnings (loss) before income taxes	<b>3,407</b>	4,638	(143,576)	5,359	4,940	5,940	7,907	5,769
Net earnings (loss)	<b>3,345</b>	4,207	(140,352)	5,762	5,570	6,332	9,554	6,446
Net earnings (loss) per unit	<b>0.1142</b>	0.1436	(4.7890)	0.1966	0.1900	0.2145	0.3089	0.2059

Notes

<sup>(1)</sup> See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures". EBITDA is not a recognized measure under GAAP and does not have standardized meanings prescribed by GAAP. EBITDA may not be comparable to similar measures presented by other issuers.

The period from July 1, 2007 to June 30, 2009 includes results of operations of the NPG Envelope ("NPG") business for the period from August 9, 2007 to June 30, 2009. The period from July 1, 2008 to June 30, 2009 includes results of operations of the Montreal business for the period from September 16, 2008 to June 30, 2009.

Excluding the seasonal patterns of the business, revenue has decreased over the last eight quarters mainly due to the decrease in volume sold in the United States as a result of the fluctuations of the Canadian dollar and the softness of the US market. The fourth quarter 2008 loss is attributable to the recording of the goodwill impairment.

## Selected Consolidated Financial Information

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Revenue</b>	<b>41,172</b>	43,620	<b>87,106</b>	91,164
Cost of goods sold, selling, general and administrative expenses	<b>32,093</b>	32,577	<b>67,971</b>	68,438
Restructuring expenses <sup>(1)</sup>	<b>47</b>	123	<b>86</b>	491
<b>EBITDA</b> <sup>(2)</sup>	<b>9,032</b>	10,920	<b>19,049</b>	22,235
Amortization of property, plant and equipment	<b>1,161</b>	1,558	<b>2,352</b>	2,715
Amortization of intangible assets	<b>1,541</b>	1,502	<b>3,082</b>	3,003
Amortization of deferred compensation	<b>1,344</b>	1,363	<b>2,638</b>	2,687
Loss on disposal of property, plant and equipment	<b>195</b>	94	<b>124</b>	80
Net financing charges	<b>1,385</b>	1,463	<b>2,809</b>	2,869
<b>Earnings before income taxes</b>	<b>3,406</b>	4,940	<b>8,044</b>	10,881
Provision for income taxes (recovery)	<b>62</b>	(630)	<b>493</b>	(1,021)
<b>Net earnings</b>	<b>3,344</b>	5,570	<b>7,551</b>	11,902
Basic net earnings per unit	<b>0.1142</b>	0.1900	<b>0.2578</b>	0.4046
Distribution declared per unit	<b>0.1500</b>	0.2874	<b>0.3000</b>	0.5743
Total assets	<b>248,179</b>	399,178	<b>248,179</b>	399,178
Secured credit facilities	<b>102,893</b>	101,726	<b>102,893</b>	101,726

(1) Restructuring expenses are related to the plan adopted to integrate and restructure NPG and Montreal following their acquisition. Any costs incurred relating to employees and facilities previously part of the Fund are charged to restructuring expenses as incurred.

(2) See “Definition of EBITDA, Distributable Cash and Non-GAAP Measures”.

## Results of Operations

### *Three-month period ended June 30, 2009 compared with three-month period ended June 30, 2008*

#### *Revenue*

Revenue for the three-month period ended June 30, 2009 was \$41.2 million compared with \$43.6 million for the three-month period ended June 30, 2008, a decrease of \$2.4 million or 5.5%. The decrease in revenue is attributable to a reduction of sales in Canada.

Sales revenue in Canada decreased by \$2.5 million, or 6.2%, from \$40.4 million to \$37.9 million, and sales revenue in the United States remained stable at \$3.2 million.

The decrease in sales revenue in Canada was driven by a 11.1% decrease in the number of units sold, offset by a 5.5% increase in the average selling price. The decrease in the number of units sold is explained by the softness of the market.

The sales revenue in the United States remain stable in spite of a 20.0% decrease in the number of units sold which has been offset by a 26.6% increase in the average selling price given the weakening of the Canadian dollar. The weak US market was the major factor affecting sales in the United States.

#### *Cost of goods sold, selling, general and administrative expenses*

Cost of goods sold, selling, general and administrative expenses for the three-month period ended June 30, 2009 was \$32.1 million, compared to \$32.6 million for the three-month period ended June 30, 2008, representing a decrease of \$0.5 million or 1.5%.

Cost of goods sold for the three-month period ended June 30, 2009 was \$28.1 million compared with \$28.3 million for the same period in 2008, a decrease of \$0.2 million or 0.7%. The decrease in the units sold and lower labor cost offset by the rising cost of raw materials, including the effect of the weakening Canadian dollar, explain the decrease in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was \$13.1 million for the three-month period ended June 30, 2009 compared with gross profit of \$15.3 million for the comparable period in 2008, a decrease of \$2.2 million or 14.4%. As a percentage of sales, gross profit fell by 3.5% in 2009 compared with 2008.

Selling, general and administrative expenses were \$4.0 million for the three-month period ended June 30, 2009 compared with \$4.3 million for the same period in 2008, a decrease of \$0.3 million or 7.0%. The decrease is mainly attributable to lower profit sharing and travelling and entertainment expenses.

#### *EBITDA*

As a result of the changes described above, EBITDA was \$9.0 million for the three-month period ended June 30, 2009 compared with \$10.9 million for the same period in 2008, a decrease of \$1.9 million or 17.4%.

#### *Amortization*

Aggregate amortization expense for the three months ended June 30, 2009 amounted to \$4.0 million, compared to \$4.4 million for the same period in 2008, representing a decrease of \$0.4 million or 9.1%. The decrease is explained by the write-down of \$0.4 million of the Hamilton building measured at its fair value recorded during the second quarter of 2008.

#### *Net financing charges*

Net financing charges for the three months ended June 30, 2009 amounted to \$1.4 million, compared to \$1.5 million for the same period in 2008, representing a decrease of \$0.1 million or 6.7%, mainly due to lower interest rates.



### *Earnings before income taxes*

Due to the changes in revenue and expenses described herein, the earnings before income taxes was \$3.4 million for the three months ended June 30, 2009 compared with \$4.9 million for the same period in 2008, a decrease of \$1.5 million or 30.6%.

### *Provision for income taxes (recovery)*

During the three months ended June 30, 2009, the Fund recorded a provision for income taxes of \$0.1 million. Provision for income taxes takes into consideration, in addition to income taxes expense of \$1.0 million at the statutory rate, an amount of \$0.4 million related to the non-deductible amortization of deferred compensation and a reduction of \$1.4 million attributable to the impact of interest income earned by the Fund and paid by Supremex.

### *Net earnings*

As a result of the changes described above, net earnings were \$3.3 million for the three-month period ended June 30, 2009 compared to \$5.6 million for the same period in 2008, a decrease of \$2.3 million or 41.7%.

### ***Six-month period ended June 30, 2009 compared with six-month period ended June 30, 2008***

#### *Revenue*

Revenue for the six-month period ended June 30, 2009 was \$87.1 million compared with \$91.2 million for the six-month period ended June 30, 2008, a decrease of \$4.1 million or 4.5%. The decrease in revenue is mainly attributable to a reduction of sales in Canada.

Sales revenue in Canada decreased by \$4.0 million, or 4.7%, from \$84.3 million to \$80.3 million, and sales revenue in the United States decreased by \$0.1 million or 1.4%, from \$6.9 million to \$6.8 million.

The decrease in sales revenue in Canada was driven by a 10.6% decrease in the number of units sold, offset by a 6.6% increase in the average selling price. The decrease in the number of units sold is explained by the softness of the market.

The decrease in sales revenue in the United States was due to a 23.5% decrease in the number of units sold, offset by a 28.6% increase in the average selling price given the weakening of the Canadian dollar. The weak US market was the major factor affecting sales in the United States.

#### *Cost of goods sold, selling, general and administrative expenses*

Cost of goods sold, selling, general and administrative expenses for the six-month period ended June 30, 2009 was \$68.0 million, compared to \$68.4 million for the six-month period ended June 30, 2008, representing a decrease of \$0.4 million or 0.6%.

Cost of goods sold for the six-month period ended June 30, 2009 was \$59.3 million compared with \$58.9 million for the same period in 2008, an increase of \$0.4 million or 0.7%. The rising cost of raw materials, including the effect of the weakening Canadian dollar, offset by the decrease in units sold and lower labour cost explains the increase in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was \$27.8 million for the six-month period ended June 30, 2009 compared with gross profit of \$32.3 million for the comparable period in 2008, a decrease of \$4.5 million or 13.9%. As a percentage of sales, gross profit fell by 3.5% in 2009 compared with 2008.

Selling, general and administrative expenses were \$8.7 million for the six-month period ended June 30, 2009 compared with \$9.6 million for the same period in 2008, a decrease of \$0.9 million or 9.4%. The decrease is mainly attributable to lower profit sharing and travelling and entertainment expenses.

#### *EBITDA*

As a result of the changes described above, EBITDA was \$19.0 million for the six-month period ended June 30, 2009 compared with \$22.2 million for the same period in 2008, a decrease of \$3.2 million or 14.4%.

#### *Amortization*

Aggregate amortization expense for the six months ended June 30, 2009 amounted to \$8.1 million, compared to \$8.4 million for the same period in 2008, representing a decrease of \$0.3 million or 3.6%.

#### *Net financing charges*

Net financing charges for the six months ended June 30, 2009 amounted to \$2.8 million, compared to \$2.9 million for the same period in 2008, representing a decrease of \$0.1 million or 3.4%, mainly due to lower interest rates.

#### *Earnings before income taxes*

Due to the changes in revenue and expenses described herein, the earnings before income taxes was \$8.0 million for the six months ended June 30, 2009 compared with \$10.9 million for the same period in 2008, a decrease of \$2.9 million or 26.6%.

#### *Provision for income taxes (recovery)*

During the six months ended June 30, 2009, the Fund recorded a provision for income taxes of \$0.5 million. Provision for income taxes takes into consideration, in addition to income taxes expense of \$2.5 million at the statutory rate, an amount of \$0.8 million related to the non-deductible amortization of deferred compensation and a reduction of \$2.8 million attributable to the impact of interest income earned by the Fund and paid by Supremex.

#### *Net earnings*

As a result of the changes described above, net earnings were \$7.6 million for the six-month period ended June 30, 2009 compared to \$11.9 million for the same period in 2008, a decrease of \$4.3 million or 36.1%.

### **Segmented Information**

The Fund currently operates in one business segment; the manufacture and sale of envelopes. The Fund's net assets amounted to \$111.4 million in Canada and \$1.1 million in the United States as at June 30, 2009.

In Canada, the Fund's revenue amounted to \$37.9 million and \$80.3 million for the three and six-month periods ended June 30, 2009 compared with \$40.4 million and \$84.3 million for the same periods in 2008, representing a decrease of \$2.5 million or 6.2% and of \$4.0 million or 4.7%. In the United States, the Fund's revenue amounted to \$3.2 million and \$6.8 million for the three and six-month periods ended June 30, 2009 compared with \$3.2 million and \$6.9 million for the same periods in 2008, representing a decrease of \$0.1 million or 1.4% for the six-month periods.

### Liquidity and Capital Resources

Cash flows from operating activities were \$13.2 million for the six-month period ended June 30, 2009, primarily attributable to earnings generated in the period, non-cash items including various amortization charges and future income taxes expense offset by an increase in non-cash working capital.

Cash flows from investing activities, amounting to \$0.1 million for the six-month period ended June 30, 2009, are mainly attributable to the receipt of the working capital adjustment following the Montreal acquisition.

Cash flows used in financing activities were \$18.1 million for the six-month period ended June 30, 2009, mainly related to the distribution paid on Fund units and the amount paid on the revolving credit facility.

The Fund is generating enough free cash flow per year to meet its financial obligations. The reduction in distributions at the beginning of 2009 will allow the Fund to continue to reduce its debt over the next few years. The Fund has tax losses that can be used to reduce income tax that would otherwise be payable.

### Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Fund's audited consolidated financial statements as of December 31, 2008 and did not significantly change since that date.

### Financial Position Highlights

*(In thousands of dollars except for ratio)*

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	\$	\$
Working capital (deficiency)	<b>(84,169)</b>	19,042
Total assets	<b>248,179</b>	262,669
Total secured credit facilities	<b>102,893</b>	110,752
Unitholders' equity	<b>112,489</b>	110,298

The secured credit facilities which mature on March 31, 2010, have been classified as current liabilities and resulted in a working capital deficiency as of June 30, 2009. Discussions with the banks are ongoing for the renewal of the secured credit facilities. We expect to have concluded the renewal within the next quarter.

The Fund was in compliance with the covenants of its credit facilities as at June 30, 2009.

## *Capitalization*

As at August 5, 2009, there are 29,297,767 units issued by the Fund.

Units issued include 2,364,228 units valued at \$23,642,280 issued to employees for a cash consideration of \$23,642 as part of the business acquisitions and to amend the then existing Management profit sharing plan. As these units will vest over four years, subject to earlier vesting, the unamortized value of such units as at June 30, 2009, amounting to \$3,816,135 is recorded as deferred compensation and is recorded as compensation expense over the vesting period. 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.

During the six-month period ended June 30, 2009, the Fund did not purchase any units as part of a normal course issuer bid initiated on November 21, 2008.

## **New Accounting Policies**

In the first quarter of 2009, the Fund has adopted the new standard issued by the Canadian Institute of Chartered Accountants (CICA): Section 3064, “*Goodwill and Intangible Assets*”. This new standard establishes financial reporting for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The application of this new standard had a negligible effect on the Fund’s financial statements and financial position.

In February 2008, CICA announced that Canadian public companies will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”) effective January 1, 2011. As a result of this announcement, the Fund is developing a plan to convert its consolidated financial statements to IFRS. As planned, during the first two quarters the Fund has continued to work on the identification of the preliminary differences between IFRS and the Fund’s current accounting policies, as well as assessing the alternatives available upon adoption, and has not yet quantified the effect of adopting IFRS on its financial statements, systems and business activities. This will be an ongoing process as the IASB and the Accounting Standards Board issue new standards and recommendations in the coming months.

## **Risk Factors**

As a result of operations, business prospects and financial condition, the Fund 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 Fund’s Annual Information Form, dated March 19, 2009 (which can be found at [www.sedar.com](http://www.sedar.com)).

## **Disclosure Controls and Internal Controls over Financial Reporting**

The Fund’s CEO and CFO have assessed the effectiveness of the disclosure procedures and controls used for the consolidated financial statements and Management’s Discussion and Analysis as at June 30, 2009. Their assessment led them to conclude that the disclosure procedures and controls used for the financial statements and Management’s Discussion and Analysis were effective.

The CEO and the CFO are responsible for designing internal control over financial reporting (ICFR), or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There were no changes in the Fund's ICFR during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Fund's ICFR.

### **Forward-Looking Statements**

This MD&A contains forward-looking statements relating to the future performance of the Fund. A statement is forward-looking when it uses what the Fund 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 ability 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 the Fund as at the date of this document.

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. Consequently, we cannot guarantee that any forward-looking statements will materialize. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for the fiscal year 2008 and, in particular, in "Risk Factors". Consequently, readers should not place any undue reliance on such forward-looking statements. The Fund 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, Distributable Cash and Non-GAAP Measures**

References to "EBITDA" are to earnings before net financing charges, income taxes, amortization of property, plant and equipment, intangible assets, deferred compensation and loss on disposal of property, plant and equipment.

Management views distributable cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. Distributable cash is defined as cash flow related to operating activities adjusted for the net change in non-cash working capital balances, change in post-retirement benefits obligation, change in accrued pension benefit assets and maintenance capital expenditures. Distributable cash is important as it summarizes the funds available for distribution to unitholders. As the Fund will distribute substantially all of its cash on an on-going basis and since EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that in addition to net earnings, EBITDA is a useful supplementary measure from which to make adjustments to determine distributable cash.

EBITDA and Distributable cash are not earnings measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Distributable cash may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA and Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as indicators of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

**Additional Information**

Additional information relating to the Fund is available on SEDAR at [www.sedar.com](http://www.sedar.com)

Consolidated Financial Statements

**Supremex Income Fund**

Unaudited

For the three and six-month periods ended June 30, 2009

All amounts expressed in Canadian dollars

**Supremex Income Fund**

**CONSOLIDATED BALANCE SHEETS**

As at	June 30, 2009 \$	December 31, 2008 \$
	[Unaudited]	
<b>ASSETS [note 6]</b>		
<b>Current</b>		
Cash	195,620	4,989,775
Accounts receivable	20,930,732	24,949,289
Income taxes receivable	96,231	16,654
Inventories [note 11]	16,915,564	17,327,065
Prepaid expenses	1,660,591	1,211,788
Future income tax	890,278	1,133,356
<b>Total current assets</b>	<b>40,689,016</b>	<b>49,627,927</b>
Property, plant and equipment, net	42,089,196	44,620,759
Accrued pension benefit asset	4,925,000	4,973,900
Intangible assets, net	42,008,779	45,090,729
Goodwill	118,467,000	118,356,050
	<b>248,178,991</b>	<b>262,669,365</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	17,204,180	23,610,131
Accrued restructuring provision [note 5]	844,579	1,327,080
Distribution payable [note 9]	1,464,888	2,806,726
Current portion of secured credit facilities [note 6]	102,892,541	—
Current portion of derivative liability	2,452,140	2,842,065
<b>Total current liabilities</b>	<b>124,858,328</b>	<b>30,586,002</b>
Secured credit facilities [note 6]	—	110,751,797
Future income tax	9,978,902	9,470,216
Derivative liability	—	701,913
Other post-retirement benefits obligation	852,700	861,700
<b>Unitholders' equity</b>		
Fund units [note 8]	282,798,322	282,798,322
Contributed surplus	7,625,424	7,625,424
Deferred compensation	(3,816,135)	(6,454,110)
Deficit	(172,328,732)	(171,091,173)
Accumulated other comprehensive loss [note 10]	(1,789,818)	(2,580,726)
	<b>112,489,061</b>	<b>110,297,737</b>
	<b>248,178,991</b>	<b>262,669,365</b>

See accompanying notes

On behalf of the Trustees:

By: (Signed) L.G Serge Gadbois  
Trustee

By: (Signed) Gilles Cyr  
Trustee



**Supremex Income Fund**

**CONSOLIDATED STATEMENTS OF EARNINGS  
AND DEFICIT**  
[Unaudited]

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Revenue</b>	<b>41,172,375</b>	43,619,805	<b>87,105,681</b>	91,164,488
Cost of good sold, selling, general and administrative expenses	<b>32,093,448</b>	32,576,748	<b>67,970,725</b>	68,438,392
<b>Earnings before the following</b>	<b>9,078,927</b>	11,043,057	<b>19,134,956</b>	22,726,096
Amortization of property, plant and equipment	<b>1,160,587</b>	1,558,100	<b>2,352,107</b>	2,715,033
Amortization of intangible assets	<b>1,540,975</b>	1,501,725	<b>3,081,950</b>	3,003,450
Amortization of deferred compensation	<b>1,344,317</b>	1,362,932	<b>2,637,975</b>	2,686,655
Loss on disposal of property, plant and equipment	<b>194,617</b>	93,635	<b>123,806</b>	79,707
Net financing charges <i>[note 6]</i>	<b>1,384,149</b>	1,462,934	<b>2,808,510</b>	2,869,353
Restructuring expenses <i>[note 5]</i>	<b>46,862</b>	122,890	<b>85,502</b>	490,595
	<b>5,671,507</b>	6,102,216	<b>11,089,850</b>	11,844,793
Earnings before income taxes	<b>3,407,420</b>	4,940,841	<b>8,045,106</b>	10,881,303
Provision for income taxes (recovery) <i>[note 7]</i>	<b>62,605</b>	(629,602)	<b>493,337</b>	(1,021,488)
<b>Net earnings</b>	<b>3,344,815</b>	5,570,443	<b>7,551,769</b>	11,902,791
Deficit, beginning of period	<b>(171,278,883)</b>	(16,800,547)	<b>(171,091,173)</b>	(14,662,862)
Distribution declared <i>[note 9]</i>	<b>(4,394,664)</b>	(8,424,174)	<b>(8,789,328)</b>	(16,894,207)
<b>Deficit, end of period</b>	<b>(172,328,732)</b>	(19,654,278)	<b>(172,328,732)</b>	(19,654,278)
<b>Basic net earnings per unit</b>	<b>0.1142</b>	0.1900	<b>0.2578</b>	0.4046
<b>Weighted average number of units outstanding</b>	<b>29,297,767</b>	29,311,667	<b>29,297,767</b>	29,418,386

*See accompanying notes*

**Supremex Income Fund**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[Unaudited]

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	3,344,815	5,570,443	7,551,769	11,902,791
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	1,160,587	1,558,100	2,352,107	2,715,033
Amortization of intangible assets	1,540,975	1,501,725	3,081,950	3,003,450
Amortization of deferred compensation	1,344,317	1,362,932	2,637,975	2,686,655
Amortization of deferred financing costs	49,712	41,028	99,423	82,055
Loss on disposal of property, plant and equipment	194,617	93,635	123,806	79,707
Future income taxes expense (recovery)	61,496	(632,402)	492,228	(1,024,288)
Change in post-retirement benefits obligation	(4,500)	(108,400)	(9,000)	(112,900)
Change in accrued pension benefit assets	11,000	95,600	48,900	367,600
Net change in non-cash working capital balances	(524,301)	297,280	(3,223,424)	(1,695,829)
<b>Cash flows related to operating activities</b>	<b>7,178,718</b>	<b>9,779,941</b>	<b>13,155,734</b>	<b>18,004,274</b>
<b>INVESTING ACTIVITIES</b>				
Business acquisitions, net of cash acquired [note 2]	—	—	84,306	(152,104)
Additions to property, plant and equipment	(281,575)	(215,299)	(325,760)	(1,024,493)
Proceeds from disposal of property, plant and equipment	312,712	126,617	381,410	360,333
<b>Cash flows related to investing activities</b>	<b>31,137</b>	<b>(88,682)</b>	<b>139,956</b>	<b>(816,264)</b>
<b>FINANCING ACTIVITIES</b>				
Purchase of Fund units for cancellation	—	—	—	(1,459,835)
Revolving credit facility	(3,958,679)	(1,100,867)	(7,958,679)	1,056,290
Distributions paid on Fund units	(4,394,664)	(8,424,174)	(10,131,166)	(16,918,779)
<b>Cash flows related to financing activities</b>	<b>(8,353,343)</b>	<b>(9,525,041)</b>	<b>(18,089,845)</b>	<b>(17,322,324)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,143,488)</b>	<b>166,218</b>	<b>(4,794,155)</b>	<b>(134,314)</b>
Cash and cash equivalents, beginning of period	1,339,108	141,977	4,989,775	442,509
<b>Cash and cash equivalents, ending of period</b>	<b>195,620</b>	<b>308,195</b>	<b>195,620</b>	<b>308,195</b>
<b>Supplemental information</b>				
Interest paid	1,233,131	1,377,198	2,355,248	2,607,240
Income taxes paid	—	—	2,057	—

See accompanying notes

**Supremex Income Fund**

**CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**

[Unaudited]

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Net earnings</b>	<b>3,344,815</b>	5,570,443	<b>7,551,769</b>	11,902,791
<b>Other comprehensive income</b>				
Change in fair value of derivative designated as cash flow hedge net of income taxes	<b>(41,037)</b>	411,310	<b>(189,359)</b>	(559,808)
Reclassification adjustment for loss on derivative designated as cash flow hedge transferred to net earnings net of income taxes	<b>570,649</b>	135,619	<b>980,267</b>	81,368
<b>Comprehensive income</b>	<b>3,874,427</b>	6,117,372	<b>8,342,677</b>	11,424,351

*See accompanying notes*

## **Supremex Income Fund**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009

[Unaudited]

#### **1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

Supremex Income Fund (the “Fund”) is an unincorporated open-ended trust established under the laws of the Province of Québec pursuant to a Declaration of Trust dated February 10, 2006, as may be amended, supplemented or restated from time to time and began its operations on March 31, 2006.

The Fund owns Supremex Inc. (“Supremex”), a manufacturer and marketer of a broad range of stock and custom envelopes and related products.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to the seasonal advertising and mailing patterns of its customers whereby highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons occurs during that period. As a result, revenue and financial performance for the three and six-month periods ended June 30, 2009 are not necessarily indicative of the revenue and financial performance that may be expected for a full year.

The unaudited interim consolidated financial statements include the accounts of the Fund and its subsidiaries and have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures have been omitted or condensed. The accounting principles applied are consistent with those as set out in the Fund’s audited consolidated financial statements for the year ended December 31, 2008, except for the new accounting policies described in note 3. These unaudited interim consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statement of the Fund for the year ended December 31, 2008 as contained in the Fund’s 2008 annual report.

#### **2. BUSINESS ACQUISITION**

On September 16, 2008, the Fund acquired substantially all the assets of Montreal Envelope (“Montreal”) for \$13.2 million. The cash payment was funded with funds raised from the existing revolving credit facility.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

[Unaudited]

#### 2. BUSINESS ACQUISITION [Cont'd]

The acquisitions have been accounted using the purchase method with operating results included in the Fund's earnings from the date of acquisition. The preliminary purchase price allocation is as follows:

	\$
Accounts receivable	1,731,851
Inventories	1,589,619
Prepaid expenses	52,823
Property, plant and equipment	1,947,299
Future income tax assets	272,523
Intangible assets	1,570,000
Goodwill	8,042,886
Accounts payable and accrued liabilities	(1,053,082)
Accrued restructuring provision	(921,807)
Post-retirement benefits obligation	(80,900)
<b>Net assets acquired</b>	<b>13,151,212</b>
<b>Consideration</b>	
Cash	13,235,518
Balance of sale receivable	(84,306)

Estimated liabilities of \$921,807 have been included in the preliminary purchase price allocation of Montreal, relating to estimated costs associated with severance and exit costs. Management is currently carrying out detailed assessments of the assets acquired, liabilities assumed and the integration plan. Changes will be made to the preliminary purchase price allocation when more information becomes available.

#### 3. NEW ACCOUNTING POLICY

##### *Adopted in 2009*

In the first quarter of 2009, the Fund adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA): Section 3064, "*Goodwill and Intangible Assets*". This new standard establishes financial reporting for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The adoption of this guideline did not have any material effect on the Fund's results, financial position or cash flows.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

[Unaudited]

#### 4. EMPLOYEE DEFINED BENEFIT PLANS

The Fund's total benefit cost for the pension plans was \$607,000 and \$1,282,000 for the three and six-month periods ended June 30, 2009 [2008 - \$466,000 and \$938,000].

#### 5. ACCRUED RESTRUCTURING PROVISION

In connection with the acquisition of NPG Envelope ("NPG") and Montreal, the Fund adopted a plan for the integration and restructuring of the acquired businesses. As a result, the Fund recognized a provision of \$3,927,385 for severance, relocation and exit costs relating to certain employees and facilities of the acquired businesses. The liabilities relating to these costs have been included in the allocation of the purchase price of NPG and Montreal.

Any costs incurred relating to employees or facilities previously part of the Fund are charged to restructuring expenses as incurred in the consolidated statements of earnings and deficit.

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

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	\$	\$
Balance, beginning of period	<b>1,327,080</b>	1,042,136
Accrued restructuring included in purchase allocation	<b>152,344</b>	2,134,541
Restructuring expenses charged against earnings	<b>85,502</b>	698,748
Cash payments	<b>(720,347)</b>	(2,548,345)
Balance, end of period	<b>844,579</b>	1,327,080

#### 6. SECURED CREDIT FACILITIES

As at June 30, 2009 the Fund has senior secured credit facilities consisting of a revolving operating credit facility of up to \$45 million and a term credit facility of \$75 million. 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 March 31, 2010 and there are no scheduled repayments of principal required prior to maturity.

**Supremex Income Fund**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2009

[Unaudited]

**6. SECURED CREDIT FACILITIES [Cont'd]**

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

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b>\$</b>	<b>\$</b>
Revolving credit facility	<b>28,041,321</b>	36,000,000
Term credit facility	<b>75,000,000</b>	75,000,000
Less: deferred financing costs, net	<b>(148,780)</b>	(248,203)
	<b>102,892,541</b>	110,751,797
Current portion	<b>102,892,541</b>	—
Long-term portion of secured credit facilities	—	110,751,797

As at June 30, 2009, the interest rates on the revolving and term credit facilities were 1.83% and 1.84%, respectively. The Fund entered into an interest rate swap agreement for its term credit facility at a fixed rate of 5.538% from April 1, 2007 to March 31, 2008, 5.991% from April 1, 2008 to March 31, 2009 and 6.192% from April 1, 2009 to March 31, 2010.

Under the terms of the secured credit facilities, the Fund is required, among other conditions, to meet certain covenants. The Fund was in compliance with these covenants as at June 30, 2009. The secured credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Fund and its subsidiaries.

Discussions with the banks are ongoing for the renewal of the secured credit facilities. The Fund expects to have concluded the renewal within the next quarter.

Net financing charges

	<b>Three-month periods ended June 30,</b>		<b>Six-month periods ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest on secured credit facilities	<b>1,329,180</b>	1,435,832	<b>2,704,665</b>	2,814,832
Other interest	<b>5,257</b>	(13,926)	<b>4,422</b>	(27,534)
Amortization of deferred financing costs	<b>49,712</b>	41,028	<b>99,423</b>	82,055
	<b>1,384,149</b>	1,462,934	<b>2,808,510</b>	2,869,353

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

[Unaudited]

#### 7. INCOME TAXES

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 periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Earnings before income taxes	<b>3,407,420</b>	4,940,841	<b>8,045,106</b>	10,881,303
Income taxes expense at combined federal and provincial statutory rate	<b>1,041,156</b>	1,556,365	<b>2,502,028</b>	3,427,610
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	<b>(1,414,269)</b>	(2,785,414)	<b>(2,849,648)</b>	(5,584,104)
Effect of change in enacted tax rates	<b>(65,272)</b>	100,669	<b>(132,789)</b>	162,755
Impact of amortization of deferred compensation not deductible for tax purposes	<b>412,908</b>	429,324	<b>820,410</b>	846,296
Non deductible expenses and other	<b>88,082</b>	69,454	<b>153,336</b>	125,955
Provision for income taxes (recovery)	<b>62,605</b>	(629,602)	<b>493,337</b>	(1,021,488)

#### 8. UNITHOLDERS' EQUITY

##### Fund units

The Fund Declaration of Trust provides that an unlimited number of units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units are of the same class with equal rights and privileges. Each unit entitles 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 are 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 are subject to a maximum of \$50,000 in cash redemptions by the Fund in any particular month. Redemptions in excess of this amount will be paid by way of a distribution *in specie* of the assets of the Fund.

As at June 30, 2009, there are 29,297,767 units issued by the Fund. No units were issued during the three and six-month periods ended June 30, 2009.

Pursuant to the normal course issuer bid, which began on November 21, 2008, the Fund could purchase for cancellation up to 1,800,000 units until November 20, 2009. During the three and six-month periods ended June 30, 2009, the Fund did not purchase any units for cancellation.



## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

[Unaudited]

#### 9. DISTRIBUTION

The Fund makes 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 to unitholders are recorded on an accrual basis. The June distribution in the amount of \$1,464,888 was declared and accrued in June 2009 and paid to unitholders on July 15, 2009. Distributions for the period from January 1, 2009 to June 30, 2009 are as follows:

Period	Record date	Payment date	Per unit	Distribution \$
January 2009	January 31, 2009	February 16, 2009	0.05	1,464,888
February 2009	February 28, 2009	March 16, 2009	0.05	1,464,888
March 2009	March 31, 2009	April 15, 2009	0.05	1,464,888
April 2009	April 30, 2009	May 15, 2009	0.05	1,464,888
May 2009	May 31, 2009	June 15, 2009	0.05	1,464,888
June 2009	June 30, 2009	July 15, 2009	0.05	1,464,888
			0.30	8,789,328

#### 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

A derivative designated as a cash flow hedge constitutes the sole item in accumulated other comprehensive loss. Changes that occurred during the periods were as follows:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Opening balance, net of income taxes	(2,319,430)	(1,596,061)	(2,580,726)	(570,692)
Change in fair value of derivative designated as cash flow hedge, net of income taxes	(41,037)	411,310	(189,359)	(559,808)
Reclassification adjustment for loss on derivative designated as cash flow hedge transferred to net earnings, net of income taxes	570,649	135,619	980,267	81,368
<b>Accumulated other comprehensive loss</b>	<b>(1,789,818)</b>	<b>(1,049,132)</b>	<b>(1,789,818)</b>	<b>(1,049,132)</b>

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

[Unaudited]

#### 11. INVENTORY AND COST OF GOOD SOLD

	<b>June 30, 2009</b>	December 31, 2008
	\$	\$
Raw materials	<b>3,402,898</b>	4,456,695
Work in process	<b>191,128</b>	359,069
Finished goods	<b>13,321,538</b>	12,511,301
	<b>16,915,564</b>	17,327,065

The costs of inventories recognized as an expense are \$28,757,170 and \$61,074,037 for the three and six-month periods ended June 30, 2009 [2008 - \$29,762,476 and \$61,426,816].

#### 12. SEGMENTED INFORMATION

The Fund currently operates in one business segment: the manufacturing and sale of envelopes. The Fund's net assets amounted to \$111,384,816 in Canada and \$1,104,245 in the United States as at June 30, 2009. The Fund's revenue amounted to \$37,923,263 and \$80,291,188 in Canada and \$3,242,112 and \$6,814,493 in the United States for the three and six-month periods ended June 30, 2009.

#### 13. COMPARATIVE FIGURES

Certain comparative figures from the previous year were reclassified to conform to the presentation adopted for the current year.

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