



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2008**

The following management's discussion and analysis of financial condition and results of operations, dated August 6, 2008 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, 2007 and with the unaudited consolidated financial statements and related notes for the three and six-month periods ended June 30, 2008. The financial statements of the Fund are prepared in accordance with accounting principles generally accepted in Canada ("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, 2008.

This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. This discussion 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, Adjusted 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 made as of February 10, 2006 as amended and restated as of March 31, 2006. The Fund was established to acquire and hold the common shares of 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.

Acquisition of NPG

On August 9, 2007, the Fund acquired substantially all the assets of NPG Envelope ("NPG") for a cash payment of \$25.6 million, including a working capital adjustment. The cash payment was funded with a combination of funds raised from the existing revolving credit facility and cash on hand.

NPG was the second largest envelope manufacturer in Canada with approximately \$26 million in revenues. The NPG acquisition is consistent with the Fund's acquisition strategy to identify consolidation opportunities within its existing core business segment and acquire strong 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. This strategy is intended to assist the Fund in achieving its goals and demonstrates its commitment to the future of its industry. Up to June 30, 2008, we have incurred \$3.7 million of restructuring costs of which \$2.7 million form part of the NPG purchase price allocation. However, the amount of these restructuring costs is subject to modification as

management completes a detailed assessment of the assets acquired pursuant to the NPG acquisition and changes may be made as more information becomes available.

At the time of the acquisition, NPG had approximately 150 employees and operated in Hamilton, Ontario and in Winnipeg, Manitoba.

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 is the only national envelope manufacturer in Canada, with 10 manufacturing facilities across seven provinces and employs approximately 730 people. This national presence enables Supremex to satisfy the manufacturing requirements of large national customers, such as large Canadian corporations, nationwide resellers and governmental entities, 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

The distributable cash generated during the second quarter of 2008 is better than the comparative quarter of 2007 mainly due to the integration of the NPG business acquired in August 2007. The US sales have continued to decline due to the strong Canadian dollar and the soft US market while the Canadian volume increased, offsetting the US volume decline.

For the second quarter, revenue was \$43.6 million compared to \$43.7 million in 2007 and the Adjusted EBITDA was \$11.0 million compared to \$9.5 million in 2007, an improvement of 15.8%.

The Adjusted EBITDA margin was 25.3% for this quarter compared to 21.6% in 2007. Restructuring expenses amounting to \$123,000 were recorded in this quarter and represent costs related to the NPG restructuring that do not qualify to be recorded as part of the purchase price allocation.

The general envelope market in Canada remains relatively stable, taking into consideration the typically slower second quarter. The resale market remains under pressure given the cheaper imports which is negatively impacting the selling prices in that market. The exports to the US were down by 50.0% in this quarter once again due to the strength of the currency, the soft US market and the reduction of volume sold to Cenveo.

In the second quarter of 2008, we completed the integration of NPG by moving most of the machines acquired to our Montreal and Toronto facilities. The NPG Hamilton facility was sold in early July. The total headcount of Supremex is actually lower now than it was prior to the acquisition of NPG, demonstrating the rapid integration done by the management team.

The capital expenditures were low in the second quarter resulting from some disposal of equipment and the timing of the capital expenditures. We expect to spend more in the next quarters due to the delivery of a new web envelope machine, scheduled for the third quarter.

Distributable Cash

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash flows available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or as an alternative to the statement of cash flows. The quarterly distributable cash is not necessarily indicative of the 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 months ended June 30,		Six months ended June 30,	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash flows related to operating activities	9,780	6,464	18,004	12,710
<i>Capital adjustment</i>				
Capital expenditures (1)	(89)	(497)	(664)	(1,408)
<i>Non-recurring adjustments</i>				
Growth capital expenditures (1)	—	(125)	—	(125)
<i>Other adjustments</i>				
Net change in non-cash working capital balances (2)	(297)	1,841	1,696	5,889
Change in post-retirement benefits obligation and change in accrued pension benefit assets	13	150	(255)	280
Distributable cash (3)	9,407	7,833	18,781	17,346
Distribution declared	8,424	8,999	16,894	17,998
Weighted average number of units outstanding	29,312	31,312	29,418	31,312
Distributable cash per unit	0.3209	0.2502	0.6384	0.5540
Distribution per unit	0.2874	0.2874	0.5743	0.5748
Payout ratio	89.6%	114.9%	90.0%	103.8%

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

	Three months ended June 30,		Six months ended June 30,	
	2008 \$	2007 \$	2008 \$	2007 \$
Maintenance capital expenditures	215	627	1,024	1,731
Growth capital expenditures	—	(125)	—	(125)
Proceeds from disposal of assets	(126)	(5)	(360)	(198)
Capital expenditures	89	497	664	1,408

2. Distributable cash excludes change in non-cash working capital as the changes within 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, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures”.

The Fund generated \$9.4 million or \$0.3209 per unit and \$18.8 million or \$0.6384 per unit of distributable cash for the three and six-month periods ended June 30, 2008 compared to \$7.8 million or \$0.2502 per unit and \$17.3 million or \$0.5540 per unit for the comparative periods. More detail concerning cash flow related to operating activities is provided under the “Liquidity and Capital Resources” section.

The Fund declared distributions of \$8.4 million or \$0.2874 per unit and \$16.9 million or \$0.5743 per unit for the three and six-month periods ended June 30, 2008, which was funded by distributable cash generated during the period, compared to \$9.0 million or \$0.2874 per unit and \$18.0 million or \$0.5748 per unit for the comparative periods.

The distributable cash generated exceeds actual distributions by \$1.0 million and \$1.9 million for the three and six-month periods ended June 30, 2008. As a result, the Fund’s payout ratio defined as distributions declared as a percentage of distributable cash generated was 89.6% and 90.0% for the three and six-month periods ended June 30, 2008, in line with the targeted payout ratio of 90.0%. Since inception of the Fund, the payout ratio is 89.1%.

The Fund does not currently anticipate changing distribution to unitholders.

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 current distribution rate per unit is \$0.0958 per month. Distributions for the period of January 1, 2008 to June 30, 2008 were as follows:

Period	Record date	Payment date	Per unit \$	Distribution \$
January 2008	January 31, 2008	February 15, 2008	0.0958	2,832,630
February 2008	February 29, 2008	March 17, 2008	0.0958	2,829,345
March 2008	March 31, 2008	April 15, 2008	0.0958	2,808,058
April 2008	April 30, 2008	May 15, 2008	0.0958	2,808,058
May 2008	May 31, 2008	June 16, 2008	0.0958	2,808,058
June 2008	June 30, 2008	July 15, 2008	0.0958	2,808,058
Total			0.5748	16,894,207

The June distribution in the amount of \$2,808,058 was declared and accrued in June 2008 and paid to unitholders on July 15, 2008. The tax allocation of distributions for 2008 is expected to be 100% return on capital, thus income.

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)

	Three months ended June 30, 2008	Six months ended June 30, 2008	Since Inception
	\$	\$	\$
Distributable cash	9,407	18,781	89,478
Cash flows from operating activities	9,780	18,004	99,631
Net earnings	5,570	11,903	60,047
Actual cash distributions paid or payable relating to the period	8,424	16,894	79,702
Excess of distributable cash over cash distribution	983	1,887	9,776
Excess of cash flows from operating activities over cash distribution	1,356	1,110	19,929
Shortfall of net earnings over cash distribution	(2,854)	(4,991)	(19,655)

The shortfalls of net earnings over cash distribution for the three and six months ended June 30, 2008 and since inception are mainly related to the various amortizations 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 the fall and the winter mainly due to the higher number of mailings related to events including the return to school, fund raisers, the holiday and tax seasons. The number of products sold by Supremex is generally lower during the spring and the 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 the revenue and financial performance which may be expected for the full year. However, to maintain production efficiencies, Supremex utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volumes.

The following table presents a summary of operating results of the Fund and Supremex on a quarterly basis from July 1, 2006 to June 30, 2008.

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

	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	43,620	47,545	49,731	46,394	43,727	47,710	50,417	48,636
EBITDA (1)	10,920	11,315	13,337	10,876	9,463	11,295	12,741	12,147
Adjusted EBITDA (1)	11,043	11,683	13,755	10,876	9,463	11,295	12,741	12,147
Earnings before income taxes	4,940	5,940	7,907	5,769	4,647	6,726	5,835	7,546
Net earnings	5,570	6,332	9,554	6,446	5,825	6,888	5,912	7,957
Net earnings per unit basic and diluted	0.1900	0.2145	0.3089	0.2059	0.1860	0.2200	0.1888	0.2541

Notes

(1) See “Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures”. EBITDA and Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

The period from July 1, 2007 to June 30, 2008 includes results of operations of the NPG business for the period from August 9, 2007 to June 30, 2008.

The Adjusted EBITDA for the fourth quarter of 2007 has been stronger due to the NPG acquisition and mainly due to the fact that it is typically a strong quarter in the envelope business. The Adjusted EBITDA for the first three quarters of 2007 has been impacted mainly by the decreased volume. The Adjusted EBITDA for the second quarter of 2007 has also been affected by the decrease of the average selling price due to a more competitive market place.

Selected Consolidated Financial Information
(In thousands of dollars, except for per unit amount)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue	43,620	43,727	91,164	91,437
Cost of goods sold, selling, general and administrative expenses	32,577	34,264	68,438	70,680
Adjusted EBITDA (1)	11,043	9,463	22,726	20,757
<i>Non Recurring Item:</i>				
Restructuring expenses (2)	123	—	491	—
EBITDA (1)	10,920	9,463	22,235	20,757
Amortization of property, plant and equipment	1,558	970	2,715	1,908
Amortization of intangible assets	1,502	1,405	3,003	2,811
Amortization of deferred compensation	1,363	1,391	2,687	2,720
Loss on disposal of property, plant and equipment	94	1	80	10
Net financing charges	1,463	1,049	2,869	1,936
Earnings before income taxes	4,940	4,647	10,881	11,372
Income taxes recovery	(630)	(1,178)	(1,021)	(1,340)
Net earnings	5,570	5,825	11,902	12,712
Basic and diluted net earnings per unit	0.1900	0.1860	0.4046	0.4060
Distribution declared per unit	0.2874	0.2874	0.5743	0.5748
Total assets	399,178	389,717	399,178	389,717
Secured credit facilities	101,726	74,599	101,726	74,599

1. See “Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures”.
2. Restructuring expenses are related to the plan adopted to integrate and restructure NPG following its acquisition. Any costs incurred relating to employees and facilities previously part of the Fund are charged to restructuring expenses as incurred.

Results of Operations

Three months ended June 30, 2008 compared to three months ended June 30, 2007

Revenue

Revenue for the three-month period ended June 30, 2008 was \$43.6 million, compared to \$43.7 million for the three-month period ended June 30, 2007, representing a decrease of \$0.1 million or 0.2%. The decrease of revenue from sales in the United States offset the increase of revenue from sales in Canada.

Revenue from sales in Canada increased by \$3.1 million or 8.3%, from \$37.3 million to \$40.4 million, and the revenue from sales in the United States decreased by \$3.2 million or 50.0%, from \$6.4 million to \$3.2 million.

The results of the operations of the NPG business are included for the whole quarter and cannot be isolated due to the integration of its activities in our systems. Consequently, the increase in revenue from sales in Canada was driven by an increase in the combined number of units sold of 7.2% combined to an increase of the average selling price of 1.0%.

The decrease in revenue from sales in the United States was due to a decrease in the number of units sold of 56.4% offset by an increase of the average selling price of 15.2% considering the strengthening of the Canadian dollar of 8.1%. The strengthening of the Canadian dollar and the softness of the US market were the major factors 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, 2008 was \$32.6 million, compared to \$34.3 million for the three-month period ended June 30, 2007, representing a decrease of \$1.7 million or 5.0%.

The cost of goods sold for the three-month period ended June 30, 2008 was \$28.3 million compared to \$30.1 million for the same period in 2007, representing a decrease of \$1.8 million or 6.0%. The decrease results from the strengthening of the Canadian dollar and the product mix offset by the increased cost of raw material.

The gross profit (revenue less cost of goods sold excluding the amortization of property, plant and equipment) was \$15.3 million for the three-month period ended June 30, 2008, compared to a gross profit of \$13.6 million for the comparable period in 2007, representing an increase of \$1.7 million or 12.5%. As a percentage of sales, the gross profit increased by 4.1% in 2008 compared to 2007.

Selling, general and administrative expenses were \$4.3 million for the three-month period ended June 30, 2008, compared to \$4.2 million for the same period in 2007, representing an increase of \$0.1 million or 2.4%.

Adjusted EBITDA

As a result of the changes described above, the Adjusted EBITDA was \$11.0 million for the three-month period ended June 30, 2008, compared to \$9.5 million for the same period in 2007, representing an increase of \$1.5 million or 15.8%.

Non-recurring item

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

EBITDA

As a result of the changes described above, the EBITDA was \$10.9 million for the three-month period ended June 30, 2008, compared to \$9.5 million for the same period in 2007, representing an increase of \$1.4 million or 14.7%.

Amortization

The aggregate amortization expense for the three months ended June 30, 2008 amounted to \$4.4 million, compared to \$3.8 million for the same period in 2007, representing an increase of \$0.6 million or 15.8%. This increase is attributable to the additional amortization of property, plant and equipment following the NPG acquisition and the write-down of \$0.4 million of the Hamilton building measured at its fair value as at June 30, 2008 and sold at the beginning of July 2008.

Net financing charges

Net financing charges amounted to \$1.5 million for the three months ended June 30, 2008 compared to \$1.0 million for the same period in 2007, representing an increase of \$0.5 million or 50.0%, mainly related to the financing of the NPG acquisition and the purchase of Fund units for cancellation.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were \$4.9 million for the three months ended June 30, 2008, compared to \$4.7 million for the same period in 2007, representing an increase of \$0.2 million or 4.3%.

Income taxes recovery

During the three months ended June 30, 2008, the Fund recorded an income tax recovery of \$0.6 million. The income tax recovery takes into consideration, in addition to the income taxes expense at statutory rate of \$1.6 million, a reduction of \$2.8 million attributable to the impact of interest income earned by the Fund and paid by Supremex. This recovery was partially offset by an amount of \$0.6 million mainly related to the non-deductible amortization of deferred compensation, the effect of change in enacted tax rate and other non-deductible expenses.

Net earnings

As a result of the changes described above, net earnings were \$5.6 million for the three-month period ended June 30, 2008 compared to \$5.8 million for the same period in 2007, representing a decrease of \$0.2 million or 3.4%.

Six months ended June 30, 2008 compared to six months ended June 30, 2007

Revenue

Revenue for the six-month period ended June 30, 2008 was \$91.2 million, compared to \$91.4 million for the six-month period ended June 30, 2007, representing a decrease of \$0.2 million or 0.2%. The increase of revenue from sales in Canada almost completely offset the decrease of revenue from sales in the United States.

Revenue from sales in Canada increased by \$6.0 million or 7.7%, from \$78.3 million to \$84.3 million, and the revenue from sales in the United States decreased by \$6.2 million or 47.3%, from \$13.1 million to \$6.9 million.

The results of the operations of the NPG business are included for the six-month period ended June 30, 2008 and cannot be isolated due to the integration of their activities in our systems. Consequently, the increase in revenue from sales in Canada was driven by an increase in the combined number of units sold of 9.0% offset by a decrease of the average selling price of 1.2%.

The decrease in revenue from sales in the United States was due to a decrease in the number of units sold of 53.0% offset by an increase of the average selling price of 11.8% considering the strengthening of the Canadian dollar of 11.3%. The strengthening of the Canadian dollar and the softness of the US market were the major factors 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, 2008 was \$68.4 million, compared to \$70.7 million for the six-month period ended June 30, 2007, representing a decrease of \$2.3 million or 3.3%.

The cost of goods sold for the six-month period ended June 30, 2008 was \$58.9 million compared to \$61.0 million for the same period in 2007, representing a decrease of \$2.1 million or 3.4%. The decrease results from the strengthening of the Canadian dollar and the product mix offset by the increased cost of raw material.

The gross profit (revenue less cost of goods sold excluding the amortization of property, plant and equipment) was \$32.3 million for the six-month period ended June 30, 2008, compared to a gross profit of \$30.4 million for the comparable period in 2007, representing an increase of \$1.9 million or 6.3%. As a percentage of sales, the gross profit increased by 2.1% in 2008 compared to 2007.

Selling, general and administrative expenses were \$9.6 million for the six-month period ended June 30, 2008, compared to \$9.7 million for the same period in 2007, representing a decrease of \$0.1 million or 1.0%.

Adjusted EBITDA

As a result of the changes described above, the Adjusted EBITDA was \$22.7 million for the six-month period ended June 30, 2008, compared to \$20.8 million for the same period in 2007, representing an increase of \$1.9 million or 9.1%.

Non-recurring item

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

EBITDA

As a result of the changes described above, the EBITDA was \$22.2 million for the six-month period ended June 30, 2008, compared to \$20.8 million for the same period in 2007, representing an increase of \$1.4 million or 6.7%.

Amortization

The aggregate amortization expense for the six months ended June 30, 2008 amounted to \$8.4 million, compared to \$7.4 million for the same period in 2007, representing an increase of \$1.0 million or 13.5%. This increase is attributable to the additional amortization of property, plant and equipment following the NPG acquisition and the write-down of \$0.4 million of the Hamilton building measured at its fair value as at June 30, 2008 and sold at the beginning of July 2008.

Net financing charges

Net financing charges amounted to \$2.9 million for the six months ended June 30, 2008 compared to \$1.9 million for the same period in 2007, representing an increase of \$1.0 million or 52.6%, mainly related to the financing of the NPG acquisition and the purchase of Fund units for cancellation.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were \$10.9 million for the six months ended June 30, 2008, compared to \$11.4 million for the same period in 2007, representing a decrease of \$0.5 million or 4.4%.

Income taxes recovery

During the six months ended June 30, 2008, the Fund recorded an income tax recovery of \$1.0 million. The income tax recovery takes into consideration, in addition to the income taxes expense at statutory rate of \$3.4 million, a reduction of \$5.6 million attributable to the impact of interest income earned by the Fund and paid by Supremex. This recovery was partially offset by an amount of \$1.2 million mainly related to the non-deductible amortization of deferred compensation, the effect of change in enacted tax rate and other non-deductible expenses.

Net earnings

As a result of the changes described above, net earnings were \$11.9 million for the six-month period ended June 30, 2008 compared to \$12.7 million for the same period in 2007, representing a decrease of \$0.8 million or 6.3%.

Segmented Information

The Fund currently operates in one business segment, being the manufacturing and sale of envelopes. The Fund's net assets amounted to \$259.4 million in Canada and \$1.2 million in the United States as at June 30, 2008.

In Canada, the Fund's revenue amounted to \$40.4 million and \$84.3 million for the three and six-month periods ended June 30, 2008 compared to \$37.3 million and \$78.3 million for the same periods in 2007, representing an increase of \$3.1 million or 8.3% and of \$6.0 million or 7.7%. In the United States, the Fund's revenue amounted to \$3.2 million and \$6.9 million for the three and six-month periods ended June 30, 2008 compared to \$6.4 million and \$13.1 million for the same periods in 2007, representing a decrease of \$3.2 million or 50.0% and of \$6.2 million or 47.3%.

Liquidity and Capital Resources

Cash flows from operating activities were \$18.0 million for the six-month period ended June 30, 2008, primarily attributable to earnings generated in the period, non-cash items including various amortization charges offset by an increase in non-cash working capital and a future income taxes recovery.

Cash flows used in investing activities, amounting to \$0.7 million for the six-month period ended June 30, 2008, are attributable to the net additions to property, plant and equipment.

Cash flows used in financing activities were \$17.5 million for the six-month period ended June 30, 2008 mainly related to the distribution paid on fund units and the purchase of Fund units for cancellation offset by the amount drawn on the revolving operating credit facility.

Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Fund's audited consolidated financial statements as of December 31, 2007 and did not significantly change since that date. Information with respect to the interest rate Swap is disclosed in note 13 to the interim consolidated financial statements for the six-month period ended June 30, 2008.

Financial Position Highlights

(In thousands of dollars except for ratio)

	June 30, 2008	December 31, 2007
	\$	\$
Working capital	23,780	22,161
Total assets	399,178	404,780
Total secured credit facilities	101,726	100,588
Unitholders' equity	260,558	264,802
Long-term debt to equity ratio	39.0%	38.0%

The Fund was in compliance with the covenants of its credit facilities as at June 30 2008.

Capitalization

As at August 6, 2008, there are 29,311,667 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, 2008, amounting to \$9,212,345 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.

In the first quarter of 2008, the Fund purchased 256,500 units at prices ranging from \$5.60 to \$5.80 per unit as part of a normal course issuer bid initiated on November 8, 2007, and thus completed it in the first quarter of 2008.

New Accounting Policies

In the first quarter of 2008, the Fund has adopted four new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): section 1535, *Capital Disclosures*; section 3862, *Financial Instruments - Disclosures*; section 3863, *Financial Instruments - Presentation* and section 3031, *Inventories*. These new standards establish standards for disclosing and presenting information related to financial instruments and to the entity's capital, as well as determination of inventory measurement. The application of these new standards had a negligible effect on the Fund's financial statements and financial position.

In the first quarter of 2007, the Fund has adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): section 1530, Comprehensive Income; section 3855, Financial Instruments – Recognition and Measurement; and section 3865, Hedges. These new standards establish standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives. Certain changes in the value of these financial instruments are presented in a new financial statement, Comprehensive Income. The application of these new standards had a negligible effect on the Fund's financial statements and financial position.

Recently issued

In February 2008, the 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. The Fund is currently assessing the impact of adoption of IFRS on its consolidated financial statements.

In February 2008, CICA Handbook Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. It establishes financial reporting for recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Fund will adopt this new section for its fiscal year beginning January 1, 2009. The Fund is currently assessing the impact of the adoption of this standard on the consolidated financial statements.

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 February 20, 2008 (which can be found at www.sedar.com).

Disclosure Controls and Internal Controls

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, 2008. 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 management's discussion and analysis 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 2007 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, Adjusted 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 gain or loss on disposal of property, plant and equipment.

"Adjusted EBITDA" is EBITDA adjusted to take into consideration the restructuring expenses and the non-cash inventory step-up charge resulting from the adjustment to fair value of inventory at the date of acquisition of Supremex by the Fund.

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 and Adjusted EBITDA are metrics 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 and Adjusted EBITDA are useful supplementary measures from which to make adjustments to determine distributable cash.

EBITDA, Adjusted EBITDA and Distributable cash are not earnings measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and Distributable cash may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA, Adjusted 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

Consolidated Financial Statements

Supremex Income Fund

Unaudited

For the three and six-month periods ended June 30, 2008

All amounts expressed in Canadian dollars

Supremex Income Fund

CONSOLIDATED BALANCE SHEETS

As at	June 30, 2008 \$	December 31, 2007 \$
	[Unaudited]	
ASSETS (note 6)		
Current		
Cash	308,195	442,509
Accounts receivable	25,090,521	27,947,811
Income taxes receivable	56,576	462
Inventories (note 11)	17,128,414	15,575,227
Prepaid expenses	2,278,268	1,808,112
Assets held for sale (note 12)	1,664,085	—
Total current assets	46,526,059	45,774,121
Property, plant and equipment, net	42,655,898	46,450,563
Accrued pension benefit asset	4,918,400	5,286,000
Intangible assets, net	47,051,207	50,054,657
Goodwill	258,025,959	257,215,080
	399,177,523	404,780,421
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	18,248,901	19,316,203
Accrued restructuring provision (note 5)	754,149	1,042,136
Distribution payable (note 9)	2,808,058	2,832,630
Payable to NPG (note 2)	—	158,504
Current portion of derivative liability (note 13)	935,334	263,306
Total current liabilities	22,746,442	23,612,779
Secured credit facilities (note 6)	101,726,401	100,588,056
Future income tax liabilities	12,837,123	14,341,083
Derivative liability (note 13)	505,385	520,395
Other post-retirement benefits obligation	803,700	916,600
Unitholders' equity		
Funds units (note 8)	282,932,492	285,408,373
Contributed surplus	7,541,735	6,525,689
Deferred compensation	(9,212,345)	(11,899,000)
Deficit	(19,654,278)	(14,662,862)
Accumulated other comprehensive loss (note 10)	(1,049,132)	(570,692)
	260,558,472	264,801,508
	399,177,523	404,780,421

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 period ended June 30,		Six-month period ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue	43,619,805	43,726,992	91,164,488	91,436,637
Cost of good sold, selling, general and administrative expenses	32,576,748	34,264,122	68,438,392	70,679,352
Earnings before the following	11,043,057	9,462,870	22,726,096	20,757,285
Amortization of property, plant and equipment (note 12)	1,558,100	969,502	2,715,033	1,907,703
Amortization of intangible assets	1,501,725	1,405,500	3,003,450	2,811,000
Amortization of deferred compensation	1,362,932	1,390,982	2,686,655	2,720,315
Loss on disposal of property, plant and equipment	93,635	882	79,707	9,569
Net financing charges (note 6)	1,462,934	1,049,439	2,869,353	1,936,253
Restructuring expenses (note 5)	122,890	—	490,595	—
	6,102,216	4,816,305	11,844,793	9,384,840
Earnings before income taxes	4,940,841	4,646,565	10,881,303	11,372,445
Income tax recovery (note 7)	(629,602)	(1,178,322)	(1,021,488)	(1,340,249)
Net earnings	5,570,443	5,824,887	11,902,791	12,712,694
Deficit, beginning of period	(16,800,547)	(9,676,876)	(14,662,862)	(7,565,709)
Distribution declared (note 9)	(8,424,174)	(8,998,974)	(16,894,207)	(17,997,948)
Deficit, end of period	(19,654,278)	(12,850,963)	(19,654,278)	(12,850,963)
Basic and diluted net earnings per unit	0.1900	0.1860	0.4046	0.4060
Weighted average number of units outstanding (note 8)	29,311,667	31,311,667	29,418,386	31,311,667

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS
[Unaudited]

	Three-month period ended June 30,		Six-month period ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net earnings	5,570,443	5,824,887	11,902,791	12,712,694
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	1,558,100	969,502	2,715,033	1,907,703
Amortization of intangible assets	1,501,725	1,405,500	3,003,450	2,811,000
Amortization of deferred compensation	1,362,932	1,390,982	2,686,655	2,720,315
Amortization of deferred financing costs	41,028	51,874	82,055	85,614
Loss on disposal of property, plant and equipment	93,635	882	79,707	9,569
Future income tax recovery	(632,402)	(1,188,884)	(1,024,288)	(1,368,365)
Change in post-retirement benefits obligation	(108,400)	(4,500)	(112,900)	(4,500)
Change in accrued pension benefit assets	95,600	(145,400)	367,600	(275,100)
Net change in non-cash working capital balances	297,280	(1,840,801)	(1,695,829)	(5,889,003)
Cash flows related to operating activities	9,779,941	6,464,042	18,004,274	12,709,927
INVESTING ACTIVITIES				
Business acquisitions, net of cash acquired (note 2)	—	—	(4,195)	—
Additions to property, plant and equipment	(215,299)	(501,791)	(1,024,493)	(1,605,421)
Proceeds from disposal of property, plant and equipment	126,617	4,494	360,333	197,941
Cash flows related to investing activities	(88,682)	(497,297)	(668,355)	(1,407,480)
FINANCING ACTIVITIES				
Purchase of Fund units for cancellation (note 8)	—	—	(1,459,835)	—
Revolving credit facility	(1,100,867)	—	1,056,290	—
Repayment of the payable to NPG (note 2)	—	—	(147,909)	—
Distributions paid on Fund units	(8,424,174)	(8,998,974)	(16,918,779)	(17,997,948)
Repayment of the payable to Cenveo	—	—	—	(5,509,045)
Financing costs incurred	—	—	—	(66,967)
Cash flows related to financing activities	(9,525,041)	(8,998,974)	(17,470,233)	(23,573,960)
Net change in cash and cash equivalents	166,218	(3,032,229)	(134,314)	(12,271,513)
Cash and cash equivalents, beginning of period	141,977	5,012,275	442,509	14,251,559
Cash and cash equivalents, ending of period	308,195	1,980,046	308,195	1,980,046
Supplemental information				
Interest paid	1,377,198	1,086,148	2,607,240	2,113,922
Income taxes paid	—	205,369	—	330,363

See accompanying notes

Supremex Income Fund

**CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

[Unaudited]

	Three-month period ended June 30,		Six-month period ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net earnings	5,570,443	5,824,887	11,902,791	12,712,694
Other comprehensive income				
Change in fair value of derivative designated as cash flow hedge net of income taxes	411,310	902,971	(559,808)	1,009,448
Reclassification adjustment for loss (gain) on derivative designated as cash flow hedge transferred to net earnings net of income taxes	135,619	6,844	81,368	(14,271)
Comprehensive income	6,117,372	6,734,702	11,424,351	13,707,871

See accompanying notes

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[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.

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, 2007, except for the new accounting policies described in note 3. These interim 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, 2007 as contained in the Fund’s 2007 annual report.

Supremex is 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 higher number of mailings related to events including the return to school, fund raisers 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, 2008 are not necessarily indicative of the revenue and financial performance that may be expected for a full year.

2. BUSINESS ACQUISITION

Acquisition of NPG Envelope

On August 9, 2007, the Fund acquired substantially all the assets of NPG Envelope (“NPG”) for \$25.6 million, including a working capital adjustment. The cash payment was funded with a combination of funds raised from the existing revolving credit facility and cash on hand.

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

2. BUSINESS ACQUISITION - (Continued)

The acquisition has been accounted for by the purchase method with the results of NPG's operations included in the Fund's earnings from the date of acquisition. The preliminary purchase price allocation is as follows:

	Total
	\$
Accounts receivable	3,597,155
Inventories	2,079,691
Prepaid expenses	7,131
Property, plant and equipment	6,984,638
Future income tax assets	822,678
Intangible assets	3,849,000
Goodwill	12,962,238
Accounts payable and accrued liabilities	(1,686,067)
Accrued restructuring provision	(2,748,278)
Post-retirement benefits obligation	(278,500)
Net assets acquired	25,589,686
Consideration	
Cash	25,441,777
Payable to NPG	147,909

Estimated liabilities of \$2,748,278 have been included in the preliminary purchase price allocation, 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 POLICIES

Adopted in 2008

In the first quarter of 2008, the Fund adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 "*Capital Disclosures*" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

3. NEW ACCOUNTING POLICIES – (Continued)

- Its objectives, policies and processes for managing capital;
- Summary quantitative data about what it manages as capital;
- Whether during the period it complied with any externally imposed capital requirements to which it is subject;
- When the entity has not complied with such requirements, the consequences of such non-compliance.

Section 3862 “*Financial Instruments - Disclosures*” modifies the disclosure requirements for financial instruments that were included in Section 3861 “*Financial Instruments - Disclosure and Presentation*”. The new standards require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity’s financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 “*Financial Instruments – Presentation*” carries forward unchanged the presentation requirements of the old Section 3861 “*Financial Instruments – Disclosure and Presentation*”.

Section 3031 “*Inventories*” prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, allows the use of the retail method, prohibits use in the future of the last-in, first-out (LIFO) method, and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and the cost of sales.

The adoption of these guidelines did not have any material effect on the Fund’s results, financial position or cash flows.

Recently issued

In February 2008, the 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. The Fund is currently assessing the impact of adoption of IFRS on its consolidated financial statements.

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

3. NEW ACCOUNTING POLICIES – (Continued)

In February 2008, CICA Handbook Section 3064, *Goodwill and Intangible Assets*, replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. It establishes financial reporting for recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Fund will adopt this new section for its fiscal year beginning January 1, 2009. The Fund is currently assessing the impact of the adoption of this standard on the consolidated financial statements.

4. EMPLOYEE DEFINED BENEFIT PLANS

The Fund's total benefit cost for the pension plans was \$466,000 and \$938,000 for the three and six-month periods ended June 30, 2008 (\$453,000 and \$912,000 for the comparable periods of 2007).

5. ACCRUED RESTRUCTURING PROVISION

In connection with the acquisition of NPG as described in note 2, the Fund adopted a plan to integrate and restructure the acquired business. As a result, the Fund recognized a provision of \$2,748,278 for severance and relocation and exit costs relating to certain employees and facilities of the acquired business. The Fund expects that these activities will be completed in 2008. The liabilities relating to these costs have been included in the allocation of the purchase price of NPG.

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 the amounts accrued and paid relating to restructuring expenses.

	June 30, 2008	December 31, 2007
	\$	\$
Balance, beginning of period	1,042,136	—
Accrued restructuring included in the purchase allocation	1,107,778	1,640,500
Restructuring expenses charged against earnings	490,595	418,635
Cash payments	(1,886,360)	(1,016,999)
Balance, end of period	754,149	1,042,136

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

6. SECURED CREDIT FACILITIES

The Fund has senior secured credit facilities consisting of a revolving operating credit facility of up to \$40 million and a term credit facility of \$75 million. Both facilities bear interest at a floating rate based on the Canadian prime rate, U.S. base rate, LIBOR or bankers' acceptance rates plus an applicable margin to those rates.

The revolving operating 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.

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

	June 30, 2008	December 31, 2007
	\$	\$
Revolving credit facility	27,013,241	25,956,951
Term credit facility	75,000,000	75,000,000
Less: deferred financing costs, net	(286,840)	(368,895)
	101,726,401	100,588,056

As at June 30, 2008, the interest rate on both the revolving and term credit facilities was 4.69%. The Fund entered into an interest swap agreement for its term credit facility to pay a fixed rate of 5.426% until March 31, 2007, 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 (see note 13).

Under the terms of the credit facilities, the Fund is required, amongst other conditions, to meet certain covenants. The Fund was in compliance of these covenants as at June 30, 2008.

The credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Fund and its subsidiaries.

Net financing charges

	Three-month period ended June 30,		Six-month period ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest on secured credit facilities	1,435,832	1,056,759	2,814,832	2,095,518
Other interest	(13,926)	(59,194)	(27,534)	(244,879)
Amortization of deferred financing costs	41,028	51,874	82,055	85,614
	1,462,934	1,049,439	2,869,353	1,936,253

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

7. INCOME TAXES

The income taxes expense differs from the expenses that would be obtained by applying the combined Canadian income tax (federal and provincial) as a result of the following:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2008 \$	2007 \$	2008 \$	2007 \$
Earnings before income taxes	4,940,841	4,646,565	10,881,303	11,372,445
Income taxes at combined federal and provincial statutory rate	1,556,365	1,553,346	3,427,610	3,801,808
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	(2,785,414)	(3,088,444)	(5,584,104)	(6,144,084)
Effect of change in enacted tax rates	100,669	(366,349)	162,755	(198,628)
Impact of amortization of deferred compensation not deductible for tax purposes	429,324	465,005	846,296	909,401
Non deductible expenses and other	69,454	258,120	125,955	291,254
Provision of income taxes (recovery)	(629,602)	(1,178,322)	(1,021,488)	(1,340,249)

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 at 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.

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

8. UNITHOLDERS' EQUITY – (Continued)

Fund units issued

As at June 30, 2008, there are 29,311,667 units issued by the Fund. No units were issued during the three and six-month periods ended June 30, 2008.

Pursuant to the normal course issuer bid, which began on November 8, 2007, the Fund could purchase for cancellation up to 2,000,000 units until November 7, 2008. During the six-month period ended June 30, 2008, the Fund purchased for cancellation 256,500 units at prices ranging from \$5.60 to \$5.80 per unit and thus completed its normal course issuer bid. No units were redeemed during the three-month period ended June 30, 2008.

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 \$2,808,058 was declared and accrued in June 2008 and paid to unitholders on July 15, 2008. Distributions for the period from January 1, 2008 to June 30, 2008 are as follows:

Period	Record date	Payment date	Per unit \$	Distribution \$
January 2008	January 31, 2008	February 15, 2008	0.0958	2,832,630
February 2008	February 29, 2008	March 17, 2008	0.0958	2,829,345
March 2008	March 31, 2008	April 15, 2008	0.0958	2,808,058
April 2008	April 30, 2008	May 15, 2008	0.0958	2,808,058
May 2008	May 31, 2008	June 16, 2008	0.0958	2,808,058
June 2008	June 30, 2008	July 15, 2008	0.0958	2,808,058
			0.5748	16,894,207

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

A derivative designated as cash flow hedge constitutes the sole item in Accumulated Other Comprehensive Income. The changes that occurred during the year were as follows:

	June 30, 2008	December 31, 2007
	\$	\$
Opening balance, net of income taxes	(570,692)	(629,411)
Change in fair value of derivative designated as cash flow hedge, net of income taxes	(559,808)	172,501
Reclassification adjustment for loss (gain) on derivative designated as cash flow hedge transferred to net earnings net of income taxes	81,368	(113,782)
Accumulated other comprehensive loss	(1,049,132)	(570,692)

11. INVENTORIES AND COST OF SALES

	June 30, 2008	December 31, 2007
	\$	\$
Raw materials	4,167,800	4,034,804
Work in process	174,827	160,868
Finished goods	12,785,787	11,379,555
	17,128,414	15,575,227

The costs of inventories recognized as an expense are \$29,762,476 and \$61,426,816 for the three and six-month periods ended June 30, 2008.

12. ASSETS HELD FOR SALE

As at June 30, 2008, the Fund has classified as assets held for sale some envelop manufacturing equipments and a building located in Hamilton, Ontario. The building, sold at the beginning of July 2008, is accounted for at its fair value less cost to sell resulting in a write-down of \$410,000 for the three-month period ended June 30, 2008 included in the amortization of property, plant and equipment.

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

13. FINANCIAL INSTRUMENTS

Fair value

As at June 30, 2008, the carrying amounts of the financial assets designated as loans and receivables consisting primarily of receivables and short-term financial liabilities classified as other financial liabilities approximate their fair value given that they are expected to be realized or settled in the short term. The carrying amount of secured credit facilities approximates its fair value given its nature and floating interest rate.

The fair value of the derivative financial instruments generally reflects the estimates of the amounts the Fund would receive by way of settlement of favorable contracts or that it would pay to terminate unfavorable contracts at the balance sheet date. The fair values of the interest rate swaps are calculated using the quotes obtained from major financial institutions.

The fair value and carrying amounts of the interest rate swap designated as cash flow hedge are as follows:

	June 30, 2008	December 31, 2007
	Liabilities	Liabilities
	\$	\$
Short-term	935,334	263,306
Long-term	505,385	520,395
	1,440,719	783,701

Management of risks arising from financial instruments

In the normal course of business, the Fund is exposed to a variety of financial risks, which include credit risk, liquidity risk and market risk. In order to limit the effects of these risks on its revenues, expenses and cash flows, the Fund can avail itself of various derivative financial instruments. The Fund's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

13. FINANCIAL INSTRUMENTS – (Continued)

Credit risk

The use of financial instruments and derivatives may lead to a credit risk that corresponds to the risk of financial loss resulting from a counter party's inability or refusal to completely fulfill their obligations. The Fund's surplus cash and interest rate swap are placed with Schedule 1 banks.

Credit risk stems primarily from the potential inability of clients to discharge their obligations. Accounts receivable credit risk is mitigated through established monitoring activities and also by the fact that there is no customer's concentration. Historically, the Fund has never made any significant write-off of its accounts receivables.

Interest rate risk

The Fund is exposed to interest rate fluctuations, primarily due to its variable-rate credit facilities. The Fund manages interest rate exposure by entering into swap agreement for its term credit facility consisting in exchanging variable rates for fixed rates.

Furthermore, interest rate fluctuations could have an impact on the interest expense on its revolving credit facility and on income the Fund derives from its cash and cash equivalents. The Fund invests its cash and cash equivalents into highly liquid investment instruments in order to safeguard its capital while generating a reasonable return.

On June 30 2008, a 25 b.p. rise or fall in interest rates, assuming that all other variables had remained the same, would have resulted in a \$21,736 increase or decrease in the Fund's net earnings for the six-month period ended June 30, 2008, whereas other comprehensive income would have increased or decreased by approximately \$198,000.

Liquidity risk

The Fund is exposed to the risk of being unable to honor its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Fund manages liquidity risk by maintaining adequate cash and cash equivalents balances and by appropriately using the Fund's revolving credit facilities. The Fund continuously reviews both actual and forecasted cash flows to ensure that the Fund has appropriate credit facility capacity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

13. FINANCIAL INSTRUMENTS – (Continued)

Foreign exchange risk

The Fund is exposed to fluctuations in U.S. exchange rate due to the fact that a portion of its activities are conducted in the United States. In the past, purchases and capital expenditures in U.S. dollars were similar to the revenue earned in U.S. dollars which have limited the Fund's foreign exchange exposure. The Fund continuously reviews its exposure to the fluctuations of the U.S. exchange rate and has decided at this time not to enter into derivatives as the exposure is not significant.

The net financial liabilities in Canadian dollars of the Fund, denominated in U.S. dollars, as at June 30, 2008, amounted to \$337,645.

On June 30, 2008, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$16,885 increase or decrease in the Fund's net earnings for the six-month period ended June 30, 2008, whereas other comprehensive income would have been unchanged. However, the above change in net earnings may have been offset by adjustments to the Canadian pricing required to stay competitive with imports from the United States, mainly in the commodity products.

14. CAPITAL MANAGEMENT

The Fund's capital consists of its unitholder's interest and secured credit facilities. The Fund maintains a capital level that enables it to meet several objectives, namely:

- Longevity of its capital to support continued operations;
- Optimize leverage position by targeting a 25% to 40% net indebtedness/total capitalization ratio;
- Preserve its financial flexibility in order to benefit from potential opportunities as they arise;
- Providing optimal unitholders returns in terms of Distributable Cash; and
- Sustaining growth of unit's value.

The Fund continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Fund's strategy, economic conditions and risks characteristics of the business in order to maximize its unitholders long term return and distributions.

The Fund monitors capital on the basis of the net indebtedness/total capitalization. For calculation purposes, net indebtedness refers to the secured credit facilities less cash and cash equivalents. Total capitalization comprises net indebtedness and unitholders' equity.

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

14. CAPITAL MANAGEMENT – (Continued)

As at June 30, 2008, the net indebtedness/total capitalization was 28.0% (27.4% as at December 31, 2007). Capital management objectives, policies and procedures were unchanged since the last period.

The Fund is not subject to any capital requirement imposed by a regulator.

15. SEGMENTED INFORMATION

The Fund currently operates in one business segment being the manufacturing and sale of envelopes. The Fund's net assets amounted to \$259,339,893 in Canada and \$1,218,579 in United States as at June 30, 2008.

The Fund's revenue amounted to \$40,414,072 and \$84,240,920 in Canada and \$3,205,733 and \$6,923,568 in the United States for the three and six-month periods ended June 30, 2008 (2007 - \$37,342,385 and \$78,259,794 in Canada and \$6,384,607 and \$13,176,843 in the United States).

16. COMPARATIVE FIGURES

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

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