Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2007

The following management's discussion and analysis of financial condition and results of operations, dated February 20, 2008 of Supremex Income Fund (the "Fund") should be read together with the audited consolidated financial statements and related notes as at December 31, 2007. 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 twelve months ended December 31, 2007. All financial information prior to March 31, 2006 is derived from the unaudited consolidated results of Supremex Inc. and Cenveo Depew division ("Supremex").

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.

Formation of the Fund

On March 31, 2006, the Fund completed its initial public offering ("IPO") with the sale of 17,500,000 trust units (the "units") for $10 per unit, for total net proceeds of $165,029,947 after deducting $9,970,053 which represents the underwriters' total fees of $9,625,000 and other issuance expenses of $5,309,640 less the related future income taxes of $4,964,587.

On March 31, 2006, in conjunction with the IPO, the Fund indirectly acquired Supremex from Cenveo Corporation and/or its related companies ("Cenveo") for $331,532,962. Consideration paid to Cenveo for the acquisition was comprised of cash of $212,924,527, units of the Fund with a value of $89,474,390, a payable of acquired businesses of $5,509,045 for a working capital adjustment and a note payable of $23,625,000. As part of the acquisition 2,364,228 units held in escrow and valued at $23,642,280 were issued to management employees of Supremex for a cash consideration of $23,642 to amend the then existing Management profit sharing plan.

The acquisition was accounted for by the purchase method with the results of Supremex's operations included in the Fund's earnings from the date of acquisition.

On April 28, 2006 the underwriters exercised in full their over-allotment option, resulting in the issuance by the Fund of 2,500,000 additional units at a price of $10 per unit for gross proceeds of $25,000,000 and net proceeds of $24,090,988 after deducting $909,012 which represents the underwriters' fees of $1,375,000 less related future income taxes of $465,988. The net cash proceeds were used by the Fund to repay the note payable to Cenveo.

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, subject to a working capital adjustment. There will be an adjustment up or down to the extent that the working capital of NPG is not $3.8 million. 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. As at December 31, 2007, management has accrued $1.6 million of restructuring costs estimated to be incurred. 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 11 manufacturing facilities in eight cities across seven provinces and employs approximately 780 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 fourth quarter has historically been our most profitable quarter and we are very pleased to report that this year is no exception. In fact, we just had our best quarter since the IPO in March 2006. The NPG acquisition made in August 2007 is already very accretive to EBITDA and net earnings and we are still deploying an integration plan to benefit from all possible synergies in 2008 and thereafter.

The level of profitability achieved during the fourth quarter resulted in a payout ratio of 76.7% and an annual payout ratio of 92.8%. In addition, during the quarter we purchased for cancellation 1,743,500 Fund Units at an average price of $5.91 under the normal course issuer bid ("NICB") announced in November. Considering this unit cancellation for a full year, this would have brought the payout ratio to 89.4% on a pro-forma basis which is below our initial payout ratio target of 90.0%. Consequently, the monthly distribution is maintained at its current level.

For the quarter, revenues were $49.7 million compared to $50.4 million in 2006 and the Adjusted EBITDA was $13.8 million compared to $12.7 million in 2006. These 2007 numbers include the results of NPG for the whole quarter. It is impossible to isolate the NPG results since we totally integrated their operations during the fourth quarter.

The Adjusted EBITDA margin was 27.7% for this quarter compared to 25.3% in 2006, and 24.2% for the full year compared to 24.7% in 2006. The lower sales in the US, which generate lower margins, compounded with the Canadian sales increase due to the NPG acquisition and the savings coming from the strengthening of the Canadian dollar explain the higher margin for the quarter. Restructuring expenses for an amount of $418,000 were recorded in this quarter coming from costs related to the NPG restructuring that do not qualify to be recorded as part of the purchase price allocation.

The market remains spotty. The direct mail market was good in the quarter, but there are more alternatives products in the mail, such as the self-mailers, postcards, etc., which are cheaper than traditional envelope products. The resale market remains under pressure, given the cheaper imports, and our exports to the US market are declining rapidly due to the strength of our currency and the reduction of volume sold to Cenveo since the fall of 2007 which coincides with their acquisition of Commercial Envelope.

At the end of December, the headcount was reduced to approximately 780 employees, from the 900 level following the NPG acquisition. The production capacity is consistently being re-evaluated and adjustments are made to the cost structure and staffing to balance the demand and the supply.

Key Factors Affecting the Business

The results of operations and financial condition of the Fund are subject to a number of risks and uncertainties, and are affected by a number of factors outside management's control. See "Risk Factors" for a discussion of such risks.

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 December 31, 2007 $	Three months ended December 31, 2006 $	**Twelve months ended December 31, 2007 $**	276-day period ended December 31, 2006 $
Cash flows related to operating activities	**13,802**	16,231	**39,425**	42,202
Capital adjustment				
Capital expenditures (1)	**(538)**	(942)	**(1,867)**	(4,079)
Non-recurring adjustments				
Non-cash inventory step-up charge	**—**	**—**	**—**	4,304
Growth capital expenditures (1)	**—**	**—**	**(125)**	2,500
Other adjustments				
Net change in non-cash working capital balances (2)	**(1,400)**	(4,499)	**1,497**	(13,417)
Change in post-retirement benefits obligation and change in accrued pension benefit assets	**(373)**	94	**(340)**	597
Distributable cash (3)	**11,491**	10,884	**38,590**	32,107
Distribution declared	**8,813**	8,999	**35,810**	26,997
Weighted average number of units outstanding	**30,933**	31,312	**31,216**	31,312
Distributable cash per unit	**0.3715**	0.3476	**1.2362**	1.0254
Distribution per unit	**0.2874**	0.2874	**1.1496**	0.8622
Payout ratio	**76.7%**	82.7%	**92.8%**	84.1%

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

	Three months ended December 31, 2007 $	Three months ended December 31, 2006 $	**Twelve months ended December 31, 2007 $**	276-day period ended December 31, 2006 $
Maintenance capital expenditures	**567**	958	**2,379**	1,968
Growth capital expenditures	**—**	—	**(125)**	2,500
Proceeds from disposal of assets	**(29)**	(16)	**(387)**	(389)
Capital expenditures	**538**	942	**1,867**	4,079

The growth capital expenditures are related to the pressure-sensitive label business and the Omet flexographic press acquired and have been shown as an addition to distributable cash since these expenditures are considered non-recurring.

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 $11.5 million or $0.3715 per unit and $38.6 million or $1.2362 per unit of distributable cash for the three and twelve-month periods ended December 31, 2007. More detail concerning cash flow related to operating activities is provided under the "Liquidity and Capital Resources" section.

The Fund declared distributions of $8.8 million or $0.2874 per unit and of $35.8 million or $1.1496 per unit for the three and twelve-month periods ended December 31, 2007, which was funded by distributable cash generated during the periods.

The distributable cash generated exceeds actual distributions by $2.7 million and $2.8 million for the three and twelve-month periods ended December 31, 2007. As a result, the Fund's payout ratio defined as distributions declared as a percentage of distributable cash generated was 76.7% and 92.8% for the three and twelve-month periods ended December 31, 2007, as compared to the targeted payout ratio of 90.0%. Since inception of the Fund, the payout ratio is 88.8%.

The Fund does not currently anticipate changing distribution to unitholders. The lower payout ratio for the three-month period ended December 31, 2007 is explained by a higher EBITDA generated during the fourth quarter, which is typically always a stronger period, combined with lower capital expenditures and lower distribution pursuant to the NCIB, as explained in the "Overall Performance" section.

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, 2007 to December 31, 2007 were as follows:

Period	Record date	Payment date	Per unit $	Distribution $
January 2007	January 31, 2007	February 15, 2007	0.0958	2,999,658
February 2007	February 28, 2007	March 15, 2007	0.0958	2,999,658
March 2007	March 31, 2007	April 16, 2007	0.0958	2,999,658
April 2007	April 30, 2007	May 15, 2007	0.0958	2,999,658
May 2007	May 31, 2007	June 15, 2007	0.0958	2,999,658
June 2007	June 30, 2007	July 16, 2007	0.0958	2,999,658
July 2007	July 31, 2007	August 15, 2007	0.0958	2,999,658
August 2007	August 31, 2007	September 17, 2007	0.0958	2,999,658
September 2007	September 30, 2007	October 15, 2007	0.0958	2,999,658
October 2007	October 31, 2007	November 15, 2007	0.0958	2,999,658
November 2007	November 30, 2007	December 17, 2007	0.0958	2,981,197
December 2007	December 31, 2007	January 15, 2008	0.0958	2,832,630
Total			1.1496	35,810,407

The December distribution in the amount of $2,832,630 was declared and accrued in December 2007 and paid to unitholders on January 15, 2008. The tax allocation of distributions for 2007 is 100% return on capital. The lower distributions for the months of November and December are the results of the normal course issuer bid started in November 2007.

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 December 31, 2007 $	Twelve months ended December 31, 2007 $	Since Inception $
Distributable cash	**11,491**	**38,590**	70,697
Cash flows from operating activities	**13,802**	**39,425**	81,627
Net earnings	**9,554**	**28,713**	48,144
Actual cash distributions paid or payable relating to the period	**8,813**	**35,810**	62,808
Excess of distributable cash over cash distribution	**2,678**	**2,780**	7,889
Excess of cash flows from operating activities over cash distribution	**4,989**	**3,615**	18,819
Excess (shortfall) of net earnings over cash distribution	**741**	**(7,097)**	(14,664)

The shortfalls of net earnings over cash distribution for the twelve months ended December 31, 2007 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 January 1, 2006 to December 31, 2007.

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

	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006	Jun. 30, 2006	Mar. 31, 2006 (1)
	$	$	$	$	$	$	$	$
Revenue	**49,731**	46,394	43,727	47,710	50,417	48,636	47,672	49,470
EBITDA (2)	**13,337**	10,876	9,463	11,295	12,741	12,147	7,408	11,187
Adjusted EBITDA (2)	**13,755**	10,876	9,463	11,295	12,741	12,147	11,712	11,905
Earnings from continuing operations before income taxes	**7,907**	5,769	4,647	6,726	5,835	7,546	2,677	9,434
Net earnings	**9,554**	6,446	5,825	6,888	5,912	7,957	5,395	N/A
Net earnings per unit basic and diluted	**0.3089**	0.2059	0.1860	0.2200	0.1888	0.2541	0.1723	N/A

Notes

(1) Derived from the unaudited consolidated financial statements of Supremex for the period from January 1, 2006 to March 30, 2006 and from the unaudited consolidated financial statements of the Fund for the 1-day period ended March 31, 2006.

(2) 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 December 31, 2007 includes results of operations of the NPG business for the period from August 9, 2007 to December 31, 2007.

EBITDA for the second quarter of 2006 decreased mainly due to the non-cash inventory step-up charge of $4.3 million related to the inventory revaluation at its fair value at acquisition. At the date of acquisition of Supremex, inventory was increased by $4.3 million to reflect its estimated fair market value less selling costs. The inventory was sold during the second quarter of 2006 and, accordingly, the quarter included an additional non-cash charge relating to the inventory sold.

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. The Adjusted EBITDA for the previous five quarters has been relatively stable with little impact from the seasonality of the envelope industry and the impact of the raw material increases on the revenue over that period, offset by the impact of the strengthening of the Canadian dollar.

Net earnings have not been presented for the quarter prior to the acquisition of Supremex by the Fund as it is not comparable due to the change to the capital structure of Supremex and the Fund in connection with the initial public offering completed on March 31, 2006.

Review of Operations

This is the eighth reporting period of the Fund since its inception on February 10, 2006 and the Fund was inactive prior to its acquisition of Supremex on March 31, 2006. As a result, the attached audited consolidated financial statements cover the year ended December 31, 2007 with comparative figures for the 276-day period ended December 31, 2006. To provide meaningful disclosure to the reader, this Management's Discussion and Analysis covers the three and the twelve-month periods ended December 31, 2007, compared to the three and the twelve-month periods ended December 31, 2006. All financial information prior to March 31, 2006 is derived from the unaudited consolidated results of Supremex and is provided for reference purposes only.

Selected Consolidated Financial Information

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

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006 (1)
	$	$	**$**	$
Revenue	**49,731**	50,417	**187,562**	196,195
Cost of goods sold, selling, general and administrative expenses	**35,976**	37,676	**142,173**	147,690
Adjusted EBITDA (2)	**13,755**	12,741	**45,389**	48,505
Non Recurring Items:				
Restructuring expenses (3)	**418**	-	**418**	-
Non-cash inventory step-up charge (4)	**-**	-	**-**	4,304
75% Management profit sharing (5)	**-**	-	**-**	718
EBITDA (2)	**13,337**	12,741	**44,971**	43,483
Amortization of property, plant and equipment	**1,205**	922	**4,215**	3,669
Amortization of intangible assets	**1,501**	1,405	**5,782**	4,232
Amortization of deferred compensation	**1,324**	3,384	**5,368**	6,352
Loss (gain) on disposal of property, plant and equipment	**52**	192	**49**	(237)
Net financing charges	**1,348**	1,003	**4,508**	3,975
Earnings from continuing operations before income taxes	**7,907**	5,835	**25,049**	25,492
Income taxes recovery	**(1,647)**	(77)	**(3,664)**	N/A
Net earnings from continuing operations	**9,554**	5,912	**28,713**	N/A
Basic and diluted net earnings per unit	**0.3089**	0.1888	**0.9198**	N/A
Distribution declared per unit	**0.2874**	0.2874	**1.1496**	N/A
Total assets			**404,780**	404,573
Secured credit facilities			**100,588**	74,580

1. Derived from the unaudited consolidated financial statements of Supremex for the period from January 1, 2006 to March 30, 2006 and from the audited consolidated financial statements of the Fund for the 276-day period ended December 31, 2006.

2. See "Definition of EBITDA, Adjusted EBITDA, Distributable Cash and Non-GAAP Measures".

3. 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.

4. The non-cash inventory set-up charge of $4.3 million is related to the inventory revaluation at its fair value at acquisition. At the date of acquisition of Supremex, inventory was increased by $4.3 million to reflect its estimated fair market value, less selling costs. The inventory was sold during the second quarter of 2006 and, accordingly, the quarter included an additional non-cash charge relating to the inventory sold.

5. Represents the portion of Supremex's Management profit sharing plan eliminated due to its conversion into units.

Net earnings in total and on a per unit basis and distribution declared per unit for the first quarter of 2006 have not been presented as they are not comparable due to changes to the capital structure of Supremex and the Fund in connection with the initial public offering completed on March 31, 2006.

Results of Operations

Three months ended December 31, 2007 compared to three months ended December 31, 2006

Revenue

Revenue for the three-month period ended December 31, 2007 was $49.7 million, compared to $50.4 million for the three-month period ended December 31, 2006, representing a decrease of $0.7 million or 1.4%. The decrease is attributable mainly to sales in the United States offset by the increased sales in Canada.

Revenue from sales in Canada increased by $2.4 million or 5.6%, from $42.8 million to $45.2 million, and the revenue from sales in the United States decreased by $3.1 million or 40.8%, from $7.6 million to $4.5 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 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 2.7% combined with an increase of the average selling price of 2.7%.

The decrease in revenue from sales in the United States was due to a decrease in the number of units sold of 37.2% and the strengthening of the Canadian dollar of 13.8% offset by an increase in the average selling price in US dollars of 10.8%. The strengthening of the Canadian dollar and the reduction of volume sold to Cenveo were the major factors affecting the volume of 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 December 31, 2007 was $36.0 million, compared to $37.7 million for the three-month period ended December 31, 2006, representing a decrease of $1.7 million or 4.5%.

The cost of goods sold for the three-month period ended December 31, 2007 was $31.3 million compared to $32.2 million for the same period in 2006, representing a decrease of $0.9 million or 2.8%. The decrease results from the decrease of units sold and the strengthening of the Canadian dollar 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 $18.4 million for the three-month period ended December 31, 2007, compared to a gross profit of $18.2 million for the comparable period in 2006, representing an increase of 0.2 million or 1.1%. As a percentage of sales, the gross profit increased by 0.9% in 2007 compared to 2006.

Selling, general and administrative expenses were $4.7 million for the three-month period ended December 31, 2007, compared to $5.5 million for the same period in 2006, representing a decrease of $0.8 million or 14.5% mainly attributable to a general reduction of expenses and a lower profit sharing expense.

Adjusted EBITDA

As a result of the changes described above, the Adjusted EBITDA was $13.8 million for the three-month period ended December 31, 2007, compared to $12.7 million for the same period in 2006, representing an increase of $1.1 million or 8.7%.

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 $13.3 million for the three-month period ended December 31, 2007, compared to $12.7 millions for the same period in 2006, representing an increase of $0.6 million or 4.7%.

Amortization

The aggregate amortization expense for the three months ended December 31, 2007 amounted to $4.0 million, compared to $5.7 million for the same period in 2006, representing a decrease of $1.7 million or 29.8%. This decrease is attributable to the additional amortization of deferred compensation recorded in 2006 following the departure of certain employees, offset by the additional amortization of property, plant and equipment following the NPG acquisition.

Net financing charges

Net financing charges amounted to $1.3 million for the three months ended December 31, 2007 compared to $1.0 million for the same period in 2006, representing an increase of $0.3 million or 30.0%, mainly related to the financing of the NPG acquisition.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were $7.9 million for the three months ended December 31, 2007, compared to $5.8 million for the same period in 2006, representing an increase of $2.1 million or 36.2%.

Income taxes recovery

During the three months ended December 31, 2007, the Fund recorded an income tax recovery of \$1.6 million. The income tax recovery takes into consideration, in addition to the income taxes expense at statutory rate of \$2.7 million, a reduction of \$3.1 million attributable to the impact of interest income earned by the Fund and paid by Supremex and the effect of change in enacted tax rate of \$1.8 million. This recovery was partially offset by an amount of \$0.6 million related to the non-deductible amortization of deferred compensation and other non-deductible expenses.

Net earnings

As a result of the changes described above, net earnings were \$9.6 million for the three-month period ended December 31, 2007 compared to \$5.9 million for the same period in 2006, representing an increase of \$3.7 million or 62.7%.

Twelve months ended December 31, 2007 compared to twelve months ended December 31, 2006

Revenue

Revenue for the twelve-month period ended December 31, 2007 was \$187.6 million, compared to \$196.2 million for the twelve-month period ended December 31, 2006, representing a decrease of \$8.6 million or 4.4%. The decrease is attributable to both the sales in the United States and in Canada.

Revenue from sales in Canada decreased by \$2.0 million or 1.2%, from \$166.2 million to \$164.2 million, while revenue from sales in the United States decreased by \$6.6 million or 22.0%, from \$30.0 million to \$23.4 million.

The decrease in revenue from sales in Canada results from a decrease in the number of units sold of 1.0% combined with a decrease of the average selling price of 0.2%. Increased competition, slowdown in the reseller market and in direct mail as well as a soft market in general explain the reduction of volume which has been partially offset by the additional volume resulting from the NPG acquisition in August 2007.

The decrease in revenue from sales in the United States was mainly due to a decrease in the number of units sold of 19.7% and the strengthening of the Canadian dollar of 5.3% offset by an increase in the average selling price in US dollars of 2.5%.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the twelve-month period ended December 31, 2007 was \$142.2 million, compared to \$147.7 million for the twelve-month period ended December 31, 2006, representing a decrease of \$5.5 million or 3.7%.

The cost of goods sold for the twelve-month period ended December 31, 2007 was \$123.3 million compared to \$126.7 million for the same period in 2006, representing a decrease of \$3.4 million or 2.7%. The decrease results from the decrease of units sold and the strengthening of the Canadian dollar 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 and the inventory step-up charge) was $64.3 million for the twelve-month period ended December 31, 2007, compared to a gross profit of $69.5 million for the comparable period in 2006, representing a decrease of $5.2 million or 7.5%. As a percentage of sales, the gross profit decreased by 1.1% in 2007 compared to 2006.

Selling, general and administrative expenses were $18.9 million for the twelve-month period ended December 31, 2007, compared to $21.0 million for the same period in 2006, representing a decrease of $2.1 million or 10.0%. The decrease is mainly attributable to lower profit sharing expense due to the reduced profitability and a general reduction of expenses in 2007.

Adjusted EBITDA

As a result of the changes described above, the Adjusted EBITDA was $45.4 million for the twelve-month period ended December 31, 2007, compared to $48.5 million for the same period in 2006, representing a decrease of $3.1 million or 6.4%.

Non-recurring items

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

The non-cash inventory step-up charge of $4.3 million in 2006 relates to the inventory revaluation at its fair value at acquisition. At the date of acquisition of Supremex, inventory was increased by $4.3 million to reflect its estimated fair market value, less selling costs. The inventory was sold during the second quarter of 2006 and, accordingly, the quarter included an additional non-cash charge relating to the inventory sold.

The Management profit sharing represents the conversion of a portion of the Management profit sharing plan into units with the acquisition of Supremex by the Fund.

EBITDA

As a result of the changes described above, the EBITDA was $45.0 million for the twelve-month period ended December 31, 2007, compared to $43.5 million for the same period in 2006, representing an increase of $1.5 million or 3.4%.

Amortization

The aggregate amortization expense for the twelve months ended December 31, 2007 amounted to $15.4 million, compared to $14.3 million for the same period in 2006, representing an increase of $1.1 million or 7.7%. This increase is attributable mainly to the amortization of intangible assets recorded at the acquisition of Supremex by the Fund and the amortization of deferred compensation resulting from the conversion of the Management profit sharing plan into units, which occurred as at March 31, 2006 and the amortization of property, plant and equipment related to the NPG acquisition made in August 2007, offset by the additional amortization of deferred compensation recorded in 2006 following the departure of certain employees.

Net financing charges

Net financing charges amounted to $4.5 million for the twelve-month period ended December 31, 2007 compared to $4.0 million for the same period in 2006, representing an increase of $0.5 million or 12.5% mainly related to the financing of the NPG acquisition.

Earnings from continuing operations before income taxes

Due to the changes in revenue and expenses described herein, the earnings from continuing operations before income taxes were $25.0 million for the twelve months ended December 31, 2007, compared to $25.5 million for the same period in 2006, representing a decrease of $0.5 million or 2.0%.

Income taxes recovery

During the twelve months ended December 31, 2007, the Fund recorded an income tax recovery of $3.7 million. The income tax recovery takes into consideration, in addition to the income taxes expense at the statutory rate of $8.5 million, a reduction of $12.4 million attributable to the impact of interest income earned by the Fund and paid by Supremex and the effect of change in enacted tax rate of $2.0 million. This recovery was partially offset by an amount of $2.2 million related to the non-deductible amortization of deferred compensation and other non-deductible expenses.

Net earnings

As a result of the changes described above, net earnings were $28.7 million for the twelve-month period ended December 31, 2007.

Segmented Information

The Fund currently operates in one business segment, being the manufacturing and sale of envelopes. The Fund's net assets amounted to $263.3 million in Canada and $1.5 million in the United States as at December 31, 2007. In Canada, the Fund's revenue amounted to $45.2 million and to $164.2 million for the three and twelve-month periods ended December 31, 2007 compared to $42.8 million and $166.2 million for the same periods in 2006, representing an increase of $2.4 million or 5.6% and a decrease of $2.0 million or 1.2% respectively. In the United States, the Fund's revenue amounted to $4.5 million and to $23.4 million for the three and twelve-month periods ended December 31, 2007 compared to $7.6 million and $30.0 million for the same periods in 2006, representing respectively a decrease of $3.1 million or 40.8% and of $6.6 million or 22.0%.

Related party transactions

The Fund's financial statements include $2.1 million of sales and $0.5 million of raw materials purchases with Cenveo for the period from January to March 2007, after which Cenveo sold its participation in the Fund. The transactions were conducted in the normal course of business and recorded at the exchange value.

Liquidity and Capital Resources

Cash flows from operating activities were $39.4 million for the twelve-month period ended December 31, 2007, 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 $27.3 million for the twelve-month period ended December 31, 2007, are attributable to the acquisition of NPG and to the net additions to property, plan and equipment.

Cash flows used in financing activities were $25.9 million for the twelve-month period ended December 31, 2007 mainly related to the distribution paid on fund units and the purchase of trust units for cancellation offset by amount drawn on the revolving operating credit facility.

The decrease in cash during the twelve-month period ended December 31, 2007 results mainly from the payment of the amount payable to Cenveo and the portion of the NPG purchase price paid with existing cash balance.

Contractual Obligations

The following chart outlines the Fund's contractual obligations as at December 31, 2007.

(In thousands of dollars)

		Payments due by fiscal year		
	Total	**2008**	**2009-2010**	**2011 and thereafter**
Secured credit facilities	**100,957**	—	100,957	—
Operating leases	**8,680**	2,231	3,532	2,917
Payable to NPG	**159**	159	—	—
Total	**109,796**	2,390	104,489	2,917

Financing

Supremex 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. As at December 31, 2007, Supremex had drawn $75 million on the term credit facility and $26 million on the revolving operating credit facility.

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 no scheduled repayments of principal are required prior to maturity.

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 on those rates. As at December 31, 2007, the interest rates on the revolving and term credit facilities were 5.89% and 5.96% respectively. The Fund was in compliance with the covenants of its credit facilities as at December 31, 2007.

On April 3, 2006, the Fund entered into an interest rate swap agreement for the full amount of 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, 5.741% from April 1, 2008 to March 31, 2009 and 5.942% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as a cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit facility.

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

Capitalization

The following sets forth the capitalization of the Fund as at February 20, 2008:

	# Issued	Amounts ($)
Units issued	29,568,167	285,408,373
Deferred compensation		(11,899,000)
	29,568,167	273,509,373

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 as described in note 2 of the financial statements, the unamortized value of such units as at December 31, 2007, amounting to $11,899,000, is recorded as deferred compensation and is recorded as compensation expense over the vesting period. Employees are entitled to distribution on these units. Each unit entitles the holder to participate equally in all allocations and distributions of the Fund and to one vote at all meetings of unitholders.

The Fund announced on November 5, 2007 its intention to purchase for cancellation, by way of a NCIB, some of its Units through the facilities of the Toronto Stock Exchange, beginning on November 8, 2007 and ending November 7, 2008.

Under the NCIB, the Fund may repurchase for cancellation up to 2,000,000 Units. This represented approximately 9.1% of its public float of 21,955,231 Units as of November 5, 2007. At the same date, 31,311,667 Units were outstanding. The average daily trading volume of the Fund's Units over the most recently completed six calendar months was 53,596. Accordingly, the Fund is entitled to purchase, on any trading day, up to 13,399 Units. The cash consideration that the Fund will pay for any Units acquired by it under the NCIB will be the market price of such Units at the time of the acquisition. For the year ended December 31, 2007, the Fund purchased for cancellation an aggregate of 1,743,500 Fund Units at an average price of $5.91 for a total of $10,303,543.

The Fund believes that the purchase of its own Units may, in appropriate circumstances, be a responsible investment of its available cash.

Financial Instruments

Interest rate and foreign exchange risk

The Fund's credit facilities bear interest at a floating rate which give rises to the risk that its earnings and cash flows may be adversely impacted by fluctuations in interest rates. On April 3, 2006, the Fund entered into an interest rate swap agreement for the full amount of 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, 5.741% from April 1, 2008 to March 31, 2009 and 5.942% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as a cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit facility.

The Fund operates in Canada and in the United States, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in the exchange rate between the US and Canadian dollar. In the past, purchases and capital expenditures in US dollars were similar to the revenue earned in US dollars, which has mitigated the Fund's foreign exchange exposure. Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities include balances denominated in US dollars at the end of the period.

Fair value

The fair value of the Fund's financial instruments is indicated in Note 20 to the Fund's audited consolidated financial statements for the twelve-month period ended December 31, 2007.

Off-Balance Sheet Arrangements

The Fund has no other off-balance sheet arrangements.

Financial Position Highlights
(In thousands of dollars except for ratio)

	December 31, 2007 $	**December 31, 2006 $**
Working capital	**22,161**	26,851
Total assets	**404,780**	404,573
Total secured credit facilities	**100,588**	74,580
Unitholders' equity	**264,802**	277,405
Long-term debt to equity ratio	**38.0%**	26.9%

The Fund has drawn $26 million under its revolving credit facility for the NPG acquisition and the NCIB, and was in compliance with the covenants of its credit facilities as at December 31, 2007.

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 December 31, 2007. 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.

Critical Accounting Policies and Estimates

The Fund prepares its financial statements in conformity with GAAP, which requires management to make estimates, judgments and assumptions that Management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions, which it believes are reasonable under the circumstances. Management also assesses its estimates on an on-going basis. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period a change occurs.

The significant accounting policies of the Fund are described in note 3 to the Fund's audited consolidated financial statements for the year ended December 31, 2007.

The policies which the Fund believes are most critical to assist in fully understanding and evaluating its reported results include the following:

Goodwill

At the time of acquisition, goodwill is determined and recorded as the excess of the purchase price over the fair value of identifiable tangible and tangible assets acquired. The Fund performs an impairment test for goodwill at least once annually by using the discounted cash flows method to determine the fair value of its business. As at December 31, 2007, the Fund performed a goodwill impairment test using the discounted cash flows method based upon management's best estimates which reflects the Fund's planned course of action in light of market conditions and the impact of the new Canadian tax legislation for publicly-traded income trusts which results in taxing the Funds distributions at a rate of 29.5% beginning in the year 2011 [see Risk factors – income tax matters]. The Fund concluded that there was no impairment in the carrying amount of its goodwill. The Fund management will continue to monitor the resulting impact of market changes and of the new tax legislation on the income trust equity market and will review its estimates and assumptions accordingly and any changes in such estimates and assumptions in future periods could result in a goodwill impairment which could be significant.

Intangible assets

The Fund has recognized intangible assets that are comprised of customer relationships and non-compete agreements. These intangible assets have definite lives and are amortized on a straight-line basis over ten years. Management's judgment is required to determine the useful life of the intangible assets and, where it is believed to be required, an impairment provision is recorded.

Inventory

Raw materials, consisting of paper, window film, boxes, adhesives and ink are carried at the lower of cost, determined on a first-in, first-out basis, and replacement cost. Work in process and finished goods are carried at the lower of cost, including labor and overhead, determined on a first-in, first-out basis, and net realizable value. Supremex regularly assesses the level of slow moving or obsolete inventory, and estimates the provision required based on several factors including passage of time. The estimates could therefore vary from actual experience.

Impairment of long-lived assets

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

Foreign currency

The Fund follows the temporal method to translate its foreign currency balances and transactions, including its integrated foreign subsidiary. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date and the other items in the balance sheet and statement of earnings are translated at the exchange rates in effect at the date of transaction. Exchange gains and losses are included in net earnings for the year.

Revenue recognition

The Fund recognizes revenue when persuasive evidence of an arrangement exists, product delivery has occurred, pricing is fixed or determinable, and collection is reasonably assured. In circumstances where the customer requests that we bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and prepared for shipment.

Income taxes

The Fund's corporate subsidiaries are subject to corporate income taxes and use the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using tax rates substantially enacted at the balance sheet date. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in earnings in the period that the change becomes substantially enacted.

Since Supremex operates in all jurisdictions in Canada and in the United States having different statutory rates, the determination of the future income tax assets and liabilities is also subject to Supremex's estimates as to any future changes in the proportion of its business derived from each of the jurisdictions. These estimates could therefore vary materially from actual experience. The Fund is not subject to income taxes to the extent that its taxable income in a year is paid or payable to a unitholder. Accordingly, no provision for current income taxes for the Fund is made.

The Fund is contractually committed to distribute to its unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable in the Fund. The Fund intends to continue to meet the requirements under the Income Tax Act (Canada) applicable to such trusts, and there is no indication that the Fund will fail to meet those requirements.

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to the taxation of publicly traded income trusts. The changes were enacted in 2007 and will result in the taxation, at the rate of 29.5%, of distributions made by the Fund beginning in the year 2011.

Employee future benefits

The Fund maintains three registered defined benefit pension plans covering substantially all of its employees. Two of these plans are hybrid by also having a defined contribution component. In addition, the Fund maintains a defined contribution plan. The Fund has also provided in the past post retirement and post employment benefits plans to a limited number of employees including health care, dental care and life insurance coverage.

The Fund accrues its obligations for the defined benefit component of its pension plans and other post retirement and employment benefits and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined, at least every three years, using the projected benefit method prorated on service and Management's best estimate of plan's investment performance, salary escalating, retirement age of employees and estimated health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The fair value is market value. The most recent actuarial valuations were performed on December 31, 2006 for two plans, and December 31, 2005 for the other. The Fund expects to perform actuarial valuations every three years.

Financial instruments

The Fund uses interest rate swaps to hedge interest rate exposures on the term credit facility. The Fund's objective is to offset gains and losses resulting from interest rate exposures with losses and gains on the derivative contracts used to hedge it. The Fund does not use derivative contracts for speculative purposes. To qualify as a hedge, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, which includes the item and risk that is being hedged, as well as how effectiveness is assessed. The derivative used must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. If a hedge relationship is found to be ineffective, it not longer qualifies as a hedge and any excess gain or losses attributable to such ineffectiveness, as well as subsequent changes in fair value, are recognized in income.

The Fund has designated its interest rate swap on its variable interest term credit facility as a hedge against the fluctuation in interest expense due to change in the interest rate. Accordingly, since 2007, the fair value of this financial instrument and any changes thereto are recorded in the consolidated financial statements. These derivatives are marked-to-market at each period end and resulting gains/losses are recognized in comprehensive income to the extend the hedging relationship is effective.

Recent Accounting Pronouncements

Adopted in 2007

On January 1, 2007, the Fund adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources.

Section 3855, *Financial Instruments – Recognition and Measurement*, establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives.

The new standard lays out how financial instruments are to be recognized depending on their classification. Depending on financial instruments' classification, changes in subsequent measurements are recognized in net earnings or comprehensive income.

The Fund has implemented the following classification:

- Cash is classified as "Financial Assets Held for Trading". These financial assets are marked-to-market through net earnings at each period end.
- Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost.
- Accounts payable and accrued liabilities, accrued restructuring provision, distribution payable, payable to NPG, credit facilities and other post-retirement benefits obligation are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost. Transaction costs are added to the initial amount recorded.

Section 3865, *Hedges*, whose application is optional, establishes how hedge accounting may be applied. The Fund, in keeping with its risk management strategy, has decided to apply hedge accounting to its interest rate swaps and treat them as cash flow hedges. These derivatives are marked-to-market at each period end and resulting gains/losses are recognized in comprehensive income to the extent the hedging relationship is effective.

These new standards have to be applied without restatement of prior period amounts. Upon initial application all adjustments to the carrying amount of financial assets and liabilities shall be recognized as an adjustment to the opening balance of the deficit or accumulated other comprehensive income, depending on the classification of existing assets or liabilities. The Fund has recognized a $629,411 adjustment to the opening balance of accumulated other comprehensive loss with respect to the unrealized loss on the interest rate swap designated as cash flow hedge. Finally, the deferred financing costs previously shown in the long-term assets have been reclassified as a reduction of the term credit facility.

Recently issued

The following accounting standards were recently issued by the CICA.

Capital and financial instruments

In December 2006, the CICA issued three new Handbook sections regarding capital and financial instruments, i.e. Sections 1535, 3862 and 3863, which are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund intends to apply these new standards in the first quarter ending March 31, 2008, and does not foresee that these new sections will have a material effect on its results, financial position or cash flows.

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:

- Its objectives, policies and processes for managing capital;
- A summary of 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"*.

Inventories

In March 2007, the CICA issued the new Section 3031 "*Inventories*" which will replace Section 3030 "*Inventories*". The new Section 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 new standards will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Fund is currently evaluating their effect on its results, financial position and cash flows.

Risk Factors

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of Supremex's management.

Impact of the Internet and other alternative media and introduction of new incentive measures

Supremex's envelope manufacturing business is highly dependent upon the demand for envelopes sent through the mail. Supremex may compete with product substitutes, which can impact demand for its products. Usage of the Internet and other electronic media continues to grow. Consumers use these media to purchase goods and services, and for other purposes such as paying utility and credit card bills. Advertisers use the Internet and electronic media for targeted campaigns directed at specific electronic user groups. Large and small businesses use electronic media to conduct business, send invoices and collect bills. The demand for envelopes and other printed materials for transactional purposes is expected to decline in the future.

There can be no assurance that the acceleration of the trend towards electronic media such as the Internet and other alternative media or the introduction of incentive objectives, measures, standards, policies or programs to decrease paper consumption will not cause a decrease in the demand for its products, which could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions. Supremex follows the transactional mail trends closely and invests in high added value equipment to compensate for this risk.

Customer relationships

The envelope industry in which Supremex competes is generally characterized by individual orders from customers or short-term contracts. Most customer orders are for specific manufacturing jobs, and repeat business largely depends on the customers' satisfaction with the product and service. Although Supremex's business is not dependent upon any one customer or group of customers, there can be no assurance that any particular customer will continue to do business with Supremex for any period of time.

Supremex typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with Supremex at any time. In addition, even if customers should decide to continue their relationship with Supremex, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. Supremex's customer base is well diversified with no single account representing more than 10% of sales, thus reducing the dependence on a single customer.

Increases in the cost of raw materials or other operating costs

The cost of paper represents the most significant portion of Supremex's cost of goods sold. Additionally, Supremex utilizes a number of other raw materials, including window film, boxes, glue and ink, that are subject to price fluctuations beyond its control. Supremex is also subject to cost increases relating to any future rise in the price of fuel, labour costs and other costs relating to its operations generally. There has historically been a time lag, which may be more pronounced in the United States, before any increases in the price of raw materials or in any other operating costs could be passed on to Supremex's customers. There can be no assurance that the price of Supremex's raw materials or other operating costs will not increase in the future or that Supremex will be able to pass on any increases to its customers consistent with past industry practice. In addition, Supremex cannot be certain that future price increases will not result in decreased volumes of units sold.

Supremex has long term relationships with most of its suppliers and sources its purchases from many different suppliers, making sure that the pricing is competitive on a North American basis.

Limited growth in the envelope and related industries

The North American envelope manufacturing and mailing industries are not expected to grow significantly in the foreseeable future, due to a general progressive decline in the use of traditional paper-based products. The Business depends on transactional mail and direct mail activities. The transactional mail volumes are thought to have been declining in the last few years due in part to the increasing use of non-traditional sources of communication and information transfer, such as facsimile machines, electronic mail and the Internet. While Management believes that the direct mail industry has experienced growth in envelope volumes and which has partially offset declines in the transactional mail industry, there is no assurance that the direct mail industry will grow in the future and sufficiently offset any declines in transactional mail. As a result, there can be no assurance that Supremex will be able to grow its sales or even maintain historical levels of sales.

Competition

Despite Supremex's leading market position in Canada, there may be new entrants in the Canadian envelope market which may have an impact on sales and margins and continued strength in the Canadian dollar versus the US dollar may create an incentive for U.S.-based competitors to increase market penetration in Canada.

Foreign exchange

The distributions to unitholders is denominated in Canadian dollars. However, a portion of Supremex's revenue is earned in US dollars and a portion of Supremex's expenses, including part of the cost of paper and other raw materials as well as certain capital expenditures, are incurred in US dollars. Supremex also derives a portion of its revenue from sales in Canadian dollars to certain customers in respect of whom the selling price is sensitive to competition from U.S. players. As a result, the Canadian dollar selling price to these customers may be under pressure as the Canadian dollar strengthens, as we saw and faced in 2007.

Movements in the exchange rate between US and Canadian dollar could have an effect on Supremex's ability to successfully market its products in the United States.

As a result, fluctuations in the exchange rate between US and Canadian dollar could have an adverse impact on Supremex's operating results and financial condition, depending on the level of sales in the US and purchases from the US. We are trying to keep a natural hedge in place.

Litigation

Supremex, like other manufacturing and sales organizations, is subject to potential liabilities connected with its business operations, including expenses associated with product defects, performance, reliability or delivery delays. Supremex is threatened from time to time with, or is named as a defendant in, legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Supremex, or the imposition of a significant fine or penalty, as a result of a finding that Supremex failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

One of the predecessor companies of Supremex is currently the target of an inquiry by the Competition Bureau with respect to alleged price maintenance offences under section 61 of the Competition Act and Management understands that Supremex may become the subject of further inquiries by the Competition Bureau regarding price fixing or market sharing activities in connection with the sale of envelopes, contrary to section 45 of the Competition Act.

If Supremex is found guilty of the alleged price maintenance offences under section 61 of the Competition Act or as a result of any inquiry into price fixing or market sharing activities contrary to section 45 of the Competition Act, the resulting fines and negative publicity could be substantial and could have a material adverse effect on the business, results of operation and financial condition of Supremex, and on cash available for distributions. In addition, Supremex could be the target of class action lawsuits in such circumstances.

Supremex and the Fund exposure toward the above matters are mitigated by the fact that the acquisition agreement also contains representation and warranties and related indemnities for any liabilities arising before September 30, 2008 in favour of the Fund.

Postal services

Because the majority of envelopes consumed in Canada and the United States are mailed, any strike or other work stoppage by unionized postal workers would effectively result in a temporary suspension of the mail activities of most of the customers of Supremex and could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

In addition, postal rates are a significant factor affecting envelope usage and any increases in postal rates, relative to changes in the cost of alternative delivery means or advertising media, could result in reductions in the volume of mail sent. No assurance can be provided that future increases in postal rates will not have a negative effect on the level of mail sent, or the volume of envelopes purchased. Such occurrences could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions. Canada Post has renewed its bargaining agreement with the majority of its employees in the last year, reducing the risk of a strike.

Reliance on key personnel

Supremex's ability to successfully implement its business strategy and to operate profitably is dependent on the abilities, experience and efforts of members of its senior management and key sales and operations personnel. While Supremex has entered into employment agreements and/or confidentiality and non-compete agreements with some of its key employees, should any of its key employees become unable or unwilling to continue their employment, Supremex could be significantly adversely impacted. In addition, Supremex's continued success depends on its ability to attract and retain experienced key employees.

Labour Disputes and Unions

Some of Supremex's employees are subject to collective bargaining agreements. Other employees are not part of a union and there are no assurances that such employees will not form or join a union. The unionization of these employees could result in increased labour costs and may have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Although Supremex has not experienced any work stoppages due to employee-related disputes in the past 14 years under current Management and Management believes that it has a good relationship with its employees, there can be no assurance that work stoppages or other labour disturbances will not occur in the future. Such occurrences could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Future Acquisitions and Ability to Integrate Acquired Businesses

Historically, Supremex has been successful in growing revenue and profits through acquisitions and integration of acquired envelope manufacturers. Supremex may pursue acquisitions that are economically and strategically justified in the future. However, there can be no assurance that Supremex will be able to identify attractive acquisition candidates in the future, or that it will succeed in: (i) acquiring additional target companies at attractive prices; (ii) financing such acquisitions; (iii) obtaining any required regulatory approvals, including that of the Competition Bureau; (iv) effectively managing the integration of acquired businesses, including the leveraging of corporate overhead and (v) keeping the business volume of the combined companies as some customers may not want to concentrate their purchase volume with only one supplier.

Supremex may be required to raise capital in the future if it decides to make additional acquisitions. The availability of future borrowing and access to capital markets for financing depends on prevailing market conditions and the acceptability of financing terms offered to Supremex. There can be no assurance that future borrowings or equity financing will be available to Supremex, or available on acceptable terms, in an amount sufficient to satisfy Supremex's needs.

Unpredictability and Volatility of Unit Price

A publicly-traded income trust will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Units will trade cannot be predicted. The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, monthly distributions, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of the Fund's operating performance and there can be no assurance that the price of the Units will remain at current levels. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

Income tax matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of units.

For example, on October 31, 2006, the Minister of Finance (Canada) announced the "Tax Fairness Plan" and tabled a Notice of Ways and Means Motion that proposes to significantly change the income tax treatment of most publicly traded trusts and partnerships (other than certain real estate investment trusts) and the distributions and allocations, as the case may be, from these entities to their investors. The changes were enacted in 2007. Certain income earned by these entities will be taxed in a manner similar to income earned by a corporation and distributions or allocations on such income made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. The deemed dividend will be eligible for the proposed new enhanced dividend tax credit if paid or allocated to a resident of Canada. It will be effective beginning in the 2011 taxation year for trusts and partnerships that were publicly traded prior to November 1, 2006, such as the Fund. In addition, the Department of Finance has issued guidelines under which an income trust such as the Fund will be limited as to the amount of new units it can issue after October 31, 2006 in order to avoid becoming subject to these proposals prior to the 2011 taxation year. The payment of such taxes would reduce the cash flow of the Fund thereby reducing the amount available for distributions to the Fund's unitholders. Since the announcement of the changes, management of Supremex and the Trustees have been monitoring the changes in the income trust environment and are continuing to review potential impacts on the Fund's current strategy and the alternatives available to the Fund, consistent with protecting and enhancing unitholder value.

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 from continuing operations before net financing charges, income taxes, amortization of property, plant and equipment, intangible assets, deferred compensation and loss on disposal of machinery and equipment.

"Adjusted EBITDA" is EBITDA adjusted to take into consideration the restructuring expenses, the conversion at Closing of a portion of Supremex's Management profit sharing plan into units 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, non-cash inventory step-up charges and maintenance capital expenditures. Distributable cash is important as it summarizes the funds available for distribution to unitholders. As the Fund will distributes 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

December 31, 2007 and 2006

All amounts expressed in Canadian dollars

AUDITORS' REPORT

To the Unitholders of
Supremex Income Fund

We have audited the consolidated balance sheets of **Supremex Income Fund** [the "Fund"] as at December 31, 2007 and 2006 and the consolidated statements of earnings and deficit, cash flows and comprehensive income for the year ended December 31, 2007 and for the 276-day period ended December 31, 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and the 276-day period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Montréal, Canada
February 8, 2008

Chartered Accountants

Supremex Income Fund

CONSOLIDATED BALANCE SHEETS

As at December 31	2007 $	2006 $
ASSETS (note 12)		
Current		
Cash	**442,509**	14,251,559
Accounts receivable (note 5)	**27,947,811**	28,062,695
Income taxes receivable	**462**	860,622
Inventories (note 6)	**15,575,227**	15,193,161
Prepaid expenses	**1,808,112**	1,565,583
Total current assets	**45,774,121**	59,933,620
Property, plant and equipment, net (note 7)	**46,450,563**	41,863,507
Accrued pension benefit asset (note 8)	**5,286,000**	5,723,700
Intangible assets, net (note 9)	**50,054,657**	51,988,032
Goodwill (note 2)	**257,215,080**	245,063,721
	404,780,421	404,572,580
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 10)	**19,316,203**	24,574,117
Accrued restructuring provision (note 11)	**1,042,136**	—
Distribution payable (note 16)	**2,832,630**	2,999,658
Payable to Cenveo (note 2)	—	5,509,045
Payable to NPG (note 2)	**158,504**	—
Current portion of derivative liability (note 20)	**263,306**	—
Total current liabilities	**23,612,779**	33,082,820
Secured credit facilities (note 12)	**100,588,056**	74,579,886
Future income tax liabilities (note 13)	**14,341,083**	18,768,539
Derivative liability (note 20)	**520,395**	—
Other post-retirement benefits obligation (note 8)	**916,600**	736,200
Unitholders' equity		
Funds units (note 14)	**285,408,373**	302,237,605
Contributed surplus (note 15)	**6,525,689**	—
Deferred compensation (note 2)	**(11,899,000)**	(17,266,761)
Deficit	**(14,662,862)**	(7,565,709)
Accumulated other comprehensive loss (notes 4 and 17)	**(570,692)**	—
	264,801,508	277,405,135
	404,780,421	404,572,580

Commitments, contingencies and guarantees (note 18)

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

	Year ended December 31, 2007 $	276-day period ended December 31, 2006 $
Revenue	**187,561,997**	147,223,009
Cost of good sold, selling, general and administrative expenses	**142,172,772**	114,714,676
Earnings before the following	**45,389,225**	32,508,333
Amortization of property, plant and equipment	**4,214,698**	2,678,500
Amortization of intangible assets	**5,782,375**	4,231,968
Amortization of deferred compensation	**5,367,761**	6,351,877
Loss (gain) on disposal of property, plant and equipment	**49,444**	(35,442)
Net financing charges (note 12)	**4,507,388**	3,055,470
Restructuring expenses (note 11)	**418,635**	—
	20,340,301	16,282,373
Earnings before income taxes	**25,048,924**	16,225,960
Income tax recovery (note 13)	**(3,664,330)**	(3,205,253)
Net earnings	**28,713,254**	19,431,213
Deficit, beginning of period	**(7,565,709)**	—
Distribution declared (note 16)	**(35,810,407)**	(26,996,922)
Deficit, end of period	**(14,662,862)**	(7,565,709)
Basic and diluted net earnings per unit	**0.9198**	0.6206
Weighted average number of units outstanding (note 14)	**31,216,108**	31,311,667

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2007 $	276-day period ended December 31, 2006 $
OPERATING ACTIVITIES		
Net earnings	**28,713,254**	19,431,213
Items not affecting cash and cash equivalents		
Amortization of property, plant and equipment	**4,214,698**	2,678,500
Amortization of intangible assets	**5,782,375**	4,231,968
Amortization of deferred compensation	**5,367,761**	6,351,877
Amortization of deferred financing costs	**148,185**	97,386
Loss (gain) on disposal of property, plant and equipment	**49,444**	(35,442)
Future income tax recovery	**(3,692,863)**	(3,373,901)
Change in post-retirement benefits obligation	**(98,100)**	(27,400)
Change in accrued pension benefit assets	**437,700**	(569,200)
Net change in non-cash working capital balances	**(1,497,324)**	13,416,629
Cash flows related to operating activities	**39,425,130**	42,201,630
INVESTING ACTIVITIES		
Business acquisitions, net of cash acquired (note 2)	**(25,437,582)**	(207,752,714)
Additions to property, plant and equipment	**(2,253,687)**	(4,468,450)
Proceeds from disposal of property, plant and equipment	**387,127**	389,182
Cash flows related to investing activities	**(27,304,142)**	(211,831,982)
FINANCING ACTIVITIES		
Purchase of trust units for cancellation (note 14)	**(10,303,543)**	—
Revolving credit facility proceed	**25,956,951**	—
Repayment of the payable to Cenveo	**(5,509,045)**	—
Distributions paid on Fund units	**(35,977,435)**	(23,997,264)
Financing costs incurred	**(96,966)**	(517,500)
Issuance of trust units on initial public offering (note 2)	**—**	175,000,000
Issuance of trust units at the exercise of the over-allotment option (note 2)	**—**	25,000,000
Issuance of trust units to management (note 2)	**—**	23,642
Expenses related to initial issuance of Fund units (note 2)	**—**	(16,309,640)
Term credit facility proceed	**—**	75,000,000
Repayment of the due to an entity under common control	**—**	(26,692,327)
Repayment of the note payable to Cenveo (note 2)	**—**	(23,625,000)
Cash flows related to financing activities	**(25,930,038)**	183,881,911
Net change in cash and cash equivalents	**(13,809,050)**	14,251,559
Cash and cash equivalents, beginning of period	**14,251,559**	—
Cash and cash equivalents, ending of period	**442,509**	14,251,559
Supplemental information		
Interest paid	**5,035,218**	4,180,572
Income taxes paid	**330,363**	12,039

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2007 **$**	276-day period ended December 31, 2006 $
Net earnings	**28,713,254**	19,431,213
Other comprehensive income		
Change in fair value of derivative designated as cash flow hedge (net of income taxes)	**172,501**	—
Reclassification adjustment for gain on derivative designated as cash flow hedge transferred to net earnings (net of income taxes)	**(113,782)**	—
Comprehensive income	**28,771,973**	19,431,213

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

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 Fund was created to indirectly acquire and hold all the shares of Supremex Inc. and the net assets of Cenveo Depew Division (“Supremex”). The Fund remained inactive until it indirectly acquired Supremex on March 31, 2006 (note 2).

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. Therefore, the Fund’s results for the comparative period from March 31, 2006 to December 31, 2006 are not necessarily indicative of the results that may be expected for a full year.

2. BUSINESS ACQUISITIONS

Acquisition of NPG Envelope

On August 9, 2007, the Fund acquired substantially all the assets of NPG Envelope (“NPG”) for $25.6 million, subject to a working capital adjustment. There will be an adjustment up or down to the extent that the working capital of NPG is not $3.8 million. The cash payment was funded with a combination of funds raised from the existing revolving credit facility and cash on hand.

2. BUSINESS ACQUISITIONS - (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	3,597,838
Inventories	2,079,691
Prepaid expenses	7,131
Property, plant and equipment	6,984,638
Future income tax assets	521,584
Intangible assets	3,849,000
Goodwill	12,151,359
Accounts payable and accrued liabilities	(1,676,155)
Accrued restructuring provision	(1,640,500)
Post-retirement benefits obligation	(278,500)
Net assets acquired	25,596,086
Consideration	
Cash	25,437,582
Payable to NPG	158,504

Estimated liabilities of $1,640,500 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.

Acquisition of Supremex and initial public offering

On March 31, 2006, the Fund completed its initial public offering ("IPO") with the sale of 17,500,000 trust units (the "units") for $10.00 per unit, for total net proceeds of $165,029,947 after deducting $9,970,053 which represents the underwriters' total fees of $9,625,000 and other issuance expenses of $5,309,640 less related future income taxes of $4,964,587.

On March 31, 2006, in conjunction with the IPO, the Fund indirectly acquired Supremex from Cenveo Corporation and/or its related companies ("Cenveo") for $331,532,962. Consideration paid to Cenveo for the acquisition was comprised of cash of $212,924,527, units of the Fund with a value of $89,474,390, a payable for acquired businesses of $5,509,045 for a working capital adjustment and a note payable of $23,625,000.

2. BUSINESS ACQUISITIONS - (Continued)

The acquisition was accounted for by the purchase method with the results of Supremex's operations included in the Fund's earnings from the date of acquisition. These consolidated financial statements reflect the allocation of the consideration to the assets acquired and liabilities assumed based on their fair values as follows:

	Supremex	Cenveo Depew division	Total $
Cash and cash equivalents	5,171,813		5,171,813
Accounts receivable	27,077,695	378,589	27,456,284
Inventories	20,539,428	467,509	21,006,937
Income taxes receivable	6,465,881		6,465,881
Prepaid expenses	1,138,130	28,925	1,167,055
Property, plant and equipment	40,253,650	173,647	40,427,297
Accrued pension benefit asset	5,154,500		5,154,500
Intangible assets	56,220,000		56,220,000
Goodwill	245,063,721		245,063,721
Accounts payable and accrued liabilities	(21,371,322)	(200,262)	(21,571,584)
Due to an entity under common control	(26,692,327)		(26,692,327)
Future income tax liabilities	(27,573,015)		(27,573,015)
Post-retirement benefits obligation	(763,600)		(763,600)
Net assets acquired	330,684,554	848,408	331,532,962
Consideration			
Cash			212,924,527
Units			89,474,390
Payable to Cenveo			5,509,045
Note payable to Cenveo			23,625,000

As part of the acquisition 2,364,228 units valued at $23,642,280 were issued to management employees of Supremex for a cash consideration of $23,642 to amend the then existing Management profit sharing plan. These units are held in escrow and 50% will be released on March 31, 2008, 25% on March 31, 2009 and 25% on March 31, 2010, subject to earlier release under certain circumstances or sold to Supremex for a nominal consideration of $0.01 per unit in the event of the voluntary departure of the employee or termination by Supremex for cause prior the expiry of the four year escrow period. Employees are entitled to distributions declared on these units. The initial value of such units, net of the cash consideration received, is recorded as deferred compensation and is recorded as compensation expense over the vesting period.

2. BUSINESS ACQUISITIONS - (Continued)

On April 28, 2006 the underwriters exercised in full their over-allotment option, resulting in the issuance by the Fund of 2,500,000 additional units at a price of $10 per unit for gross proceeds of $25,000,000 and net proceeds of $24,090,988 after deducting $909,012 which represents the underwriters' fees of $1,375,000 less related future income taxes of $465,988. The net cash proceeds were used by the Fund to repay the note payable to Cenveo.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period the change occurs.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of the Fund and its subsidiaries. All significant intercompany accounts and transactions are eliminated upon consolidation.

Net earnings per unit

Net earnings per unit are calculated by dividing net earnings by the weighted average number of units outstanding during the period. For the purpose of the weighted average number of units outstanding, units are determined to be outstanding from the date they are issued or acquired. The units issued relating to the over-allotment option on April 28, 2006 have been considered issued since March 31, 2006 since there was no contingencies that would result in these units not being issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Cash and cash equivalents

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

Inventories

Raw materials are carried at the lower of cost, determined on a first-in, first-out basis, and replacement cost. Work in process and finished goods are carried at the lower of cost, including labour and overhead, determined on a first-in, first-out basis, and net realizable value.

Property, plant and equipment

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

Buildings and building improvements	10 to 40 years
Leasehold improvements	Over the terms of the leases
Machinery and equipment	7 to 15 years
Office equipment	3 to 5 years
Computer equipment	3 years

Long-lived assets

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

Deferred financing costs

Financing costs related to credit facilities are capitalized and amortized on a straight line basis over the four-year term of the credit facilities. The deferred financing costs previously shown in the long-term assets have been reclassified as a reduction of the term credit facility.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Intangible assets

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition apart from goodwill. Intangible assets acquired are comprised mainly of customer relationships and non-compete agreements which are amortized on a straight-line basis over ten years.

The intangible assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When the carrying value of customer relationships and the non-compete agreements is less than its net recoverable value as determined on an undiscounted basis, an impairment loss is recognized to the extent that fair values, measured as the discounted cash flows over the life of the assets when quoted market prices are not readily available, are below the asset carrying value.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net assets of business acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to earnings in the year in which the impairment occurs. The Fund uses the discounted cash flows method to determine the fair value of its reporting unit.

Revenue recognition

The Fund recognizes revenue when persuasive evidence of an arrangement exists, product delivery has occurred, pricing is fixed or determinable, and collection is reasonably assured. In addition, when the customer requests a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are segregated from inventory which is available for sale, the risk of ownership of the goods is assumed by the customer, and the terms and collection experience on the related billings are consistent with all other sales.

The Fund has rebate agreements with certain customers. These rebates are recorded as reductions of revenue and are accrued using revenue data and rebate percentages specific to each customer agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Employee future benefits

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

The Fund accrues its obligations for the defined benefits component of its pension plans and other post retirements and employment benefits and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined, at least every three years, using the projected benefit method prorated on service and management's best estimate of plan's investment performance, salary escalating, retirement age of employees and estimated health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value. The Fund uses a measurement date of December 31. The most recent actuarial valuations were performed on December 31, 2006 for two plans and December 31, 2005 for the other. The Fund expects to perform actuarial valuations every three years.

Past service costs are amortized on a straight-line basis over the remaining service period of active employees ("EARSL"), which is between 12 and 14 years depending on the plans. The excess of net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the EARSL.

For the defined contribution component of a pension plan, the pension expense is equal to the contributions paid by the Fund.

Income taxes

The Fund's corporate subsidiaries are subject to corporate income taxes and use the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using tax rates substantially enacted at the balance sheet date. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in earnings in the period that the change becomes substantially enacted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Income taxes – (Continued)

Under the current terms of the Income Tax Act (Canada), the Fund is not subject to income taxes to the extent that its taxable income in a year is paid or payable to a unitholder. Accordingly, no provision for current income taxes for the Fund is made. The Fund is contractually committed to distribute to its unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable in the Fund. The Fund intends to continue to meet the requirements under the Income Tax Act (Canada) applicable to such trusts, and there is no indication that the Fund will fail to meet those requirements.

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to the taxation of publicly traded income trusts. The changes were enacted in 2007 and will result in the taxation, at the rate of 29.5%, of distributions made by the Fund beginning in the year 2011. The impact of the legislation has been taken into consideration in the year end review for impairment of goodwill and the Fund concluded that no goodwill impairment was required. However, the goodwill impairment test involves significant estimates and assumptions that, by nature, are subject to measurement uncertainty. The effect of changes in such estimates and assumptions in future periods could result in a goodwill impairment which could be significant.

Foreign currency

The Fund follows the temporal method to translate its foreign currency balances and transactions including its integrated foreign subsidiary. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at balance sheet date and the other items in the balance sheet and statement of earnings are translated at the exchange rates in effect at the date of transaction. Exchange gains and losses are included in net earnings for the year.

Financial instruments

The Fund uses interest rate swap to hedge the interest rate exposure. The Funds objective is to offset gains and losses resulting from interest rate exposure with losses and gains on the derivative contract used to hedge it. The Fund does not use derivative contracts for speculative purposes. To qualify as a hedge, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, which includes the item and risk that is being hedged, as well as how effectiveness is assessed. The derivative used must be highly effective in accomplishing the objective of offsetting changes in cash flows for the risk being hedged. If a hedge relationship is found to be ineffective, it not longer qualifies as a hedge and any excess gain or losses attributable to such ineffectiveness, as well as subsequent changes in fair value, are recognized in earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Financial instruments – (Continued)

The Fund has designated its interest rate swap on its variable interest term credit facility as hedge against the fluctuation in interest expense due to change in the interest rate. Accordingly, since 2007, the fair value of this financial instrument and any changes thereto are recorded in the consolidated financial statements and resulting. Gains and losses are recognized in comprehensive income to the extend that hedging relationship is effective.

The fair value of this financial instrument is disclosed in note 20. Such fair value estimates is not necessarily indicative of the amounts, the Fund might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

4. NEW ACCOUNTING POLICIES

Adopted in 2007

On January 1, 2007, the Fund adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources.

Section 3855, *Financial Instruments – Recognition and Measurement*, establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives.

The new standard lays out how financial instruments are to be recognized depending on their classification. Depending on financial instruments’ classification, changes in subsequent measurements are recognized in net earnings or comprehensive income.

4. NEW ACCOUNTING POLICIES - (Continued)

The Fund has implemented the following classification:

- Cash is classified as "Financial Assets Held for Trading". These financial assets are marked-to-market through net earnings at each period end.
- Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost.
- Accounts payable and accrued liabilities, accrued restructuring provision, distribution payable, payable to NPG, credit facilities and other post-retirement benefits obligation are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost. Transaction costs are added to the initial amount recorded.

Section 3865, *Hedges*, whose application is optional, establishes how hedge accounting may be applied. The Fund, in keeping with its risk management strategy, has decided to apply hedge accounting to its interest rate swaps and treat them as cash flow hedges. These derivatives are marked-to-market at each period end and resulting gains/losses are recognized in comprehensive income to the extent the hedging relationship is effective.

These new standards have to be applied without restatement of prior period amounts. Upon initial application all adjustments to the carrying amount of financial assets and liabilities shall be recognized as an adjustment to the opening balance of the deficit or accumulated other comprehensive income, depending on the classification of existing assets or liabilities. The Fund has recognized a $629,411 adjustment to the opening balance of accumulated other comprehensive loss with respect to the unrealized loss on the interest rate swap designated as cash flow hedge. Finally, the deferred financing costs previously shown in the long-term assets have been reclassified as a reduction of the term credit facility.

Recently issued

The following accounting standards were recently issued by the CICA.

4. NEW ACCOUNTING POLICIES - (Continued)

Capital and financial instruments

In December 2006, the CICA issued three new Handbook sections regarding capital and financial instruments, i.e. Sections 1535, 3862 and 3863, which are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund intends to apply these new standards in the first quarter ending March 31, 2008, and does not foresee that these new sections will have a material effect on its results, financial position or cash flows.

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:

- 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"*.

4. NEW ACCOUNTING POLICIES - (Continued)

Inventories

In March 2007, the CICA issued the new Section 3031 "*Inventories*" which will replace Section 3030 "*Inventories*". The new Section 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 new standards will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Fund is currently evaluating their effect on its results, financial position and cash flows.

5. ACCOUNTS RECEIVABLE

	2007 **$**	2006 $
Trade receivables	**22,124,762**	22,776,943
Receivable from Cenveo	**4,288,057**	4,000,000
Others	**1,534,992**	1,285,752
	27,947,811	28,062,695

6. INVENTORIES

	2007 **$**	2006 $
Raw materials	**4,034,804**	4,047,692
Work in process	**160,868**	202,059
Finished goods	**11,379,555**	10,943,410
	15,575,227	15,193,161

7. PROPERTY, PLANT AND EQUIPMENT

	Cost $	**Accumulated Amortization** $	**Net book value** $
2007			
Land	**7,917,895**	—	**7,917,895**
Buildings and building improvements	**12,920,960**	**642,348**	**12,278,612**
Leasehold improvements	**614,816**	**157,808**	**457,008**
Machinery and equipment	**30,950,164**	**5,639,741**	**25,310,423**
Office equipment	**255,000**	**105,871**	**149,129**
Computer equipment	**586,472**	**248,976**	**337,496**
	53,245,307	**6,794,744**	**46,450,563**

	Cost $	Accumulated Amortization $	Net book value $
2006			
Land	7,517,895	—	7,517,895
Buildings and building improvements	10,978,670	262,265	10,716,405
Leasehold improvements	526,713	65,307	461,406
Machinery and equipment	24,913,913	2,228,013	22,685,900
Office equipment	214,225	42,422	171,803
Computer equipment	380,199	70,101	310,098
	44,531,615	2,668,108	41,863,507

8. POST-RETIREMENT BENEFITS

(a) Pension Plans

The Company maintains three defined benefit pension plans covering certain salaried and hourly employees who have bargained for such benefits. Two of these pension plans are hybrid because they also have a defined contribution component. In addition, the Fund maintains a defined contribution plan.

The defined benefit and defined contribution plans expenses are as follows:

	2007 **$**	2006 $
Defined benefit plans		
Current service costs	**3,268,500**	2,066,100
Past service costs	**246,600**	—
Interest expense	**3,532,900**	2,534,800
Actual return on plan assets	**132,400**	(4,583,100)
Actuarial (gain) loss on benefit obligation	**(1,939,700)**	2,550,200
Difference between expected return and actual return on plan assets for the period	**(5,061,100)**	1,096,500
Difference between actuarial (gain) loss recognized for the period and actual actuarial (gain) loss on benefit obligation for the period	**1,939,700**	(2,550,200)
Difference between amortization of past service costs for the period and actual plan amendments for the period	**(225,500)**	—
Defined benefit plans expense	**1,893,800**	1,114,300
Defined contribution plan expense	**474,000**	479,000
Pension plans expense	**2,367,800**	1,593,300

Total cash payments contributed by the Fund for its defined benefit and contribution plans were approximately $2,118,000 ($2,910,000 in 2006).

8. POST-RETIREMENT BENEFITS – (Continued)

The following table presents the changes in the accrued benefit obligation and the fair value of plan assets, as well as the funded status of the defined benefit plans.

	2007 **$**	2006 $
Change in projected benefit obligation		
Benefit obligation, beginning of the period	**66,585,600**	61,398,400
Past service cost	**246,600**	—
Service cost	**3,922,600**	2,528,800
Interest cost	**3,532,900**	2,534,800
Actuarial (gains) losses	**(1,939,700)**	2,550,200
Benefits paid	**(3,002,800)**	(2,426,600)
Benefit obligation, end of the period	**69,345,200**	66,585,600

	2007 **$**	2006 $
Change in plan assets		
Fair value of plan assets, beginning of the period	**70,855,600**	66,552,900
Actual return on plan assets	**(132,400)**	4,583,100
Employees contribution	**654,100**	462,700
Employer contribution	**1,456,100**	1,683,500
Benefits paid	**(3,002,800)**	(2,426,600)
Fair value of plan assets, end of the period	**69,830,600**	70,855,600
Funded status – Plan surplus	**485,400**	4,270,000
Unrecognized actuarial loss	**4,575,100**	1,453,700
Unrecognized prior service cost	**225,500**	—
Net amount recognized as accrued pension benefit asset	**5,286,000**	5,723,700

The assumptions used in computing the net pension cost were as follows:

	2007 **%**	2006 %
Discount rate for projected benefit obligation	**5.50**	5.25
Discount rate for net pension cost	**5.25**	5.50
Expected return on plan assets	**7.00**	7.00
Rate of compensation increase	**3.50**	3.50

8. POST-RETIREMENT BENEFITS – (Continued)

The weighted average plan assets allocation as at December 31 is as follows:

	2007	2006
	%	%
Equity securities	**48.7**	53.2
Debt	**32.8**	38.3
Other	**18.5**	8.5
Total	**100.0**	100.0

The pension plans have an investment policy that targets asset allocations to be as follows: 50% of plan assets to equity securities and 50% to debt securities with a tolerable variation of that allocation. As at December 31, 2007, the cash situation was exceptionally high due to the change of portfolio managers just before year-end. Some assets have been liquidated and will be reinvested by the new managers at the beginning of 2008.

(b) Post-retirement benefits other than pension

The following tables provide a reconciliation of the change in the benefit obligation and a statement of the funded status of the plans.

	2007	2006
	$	$
Change in projected benefit obligation		
Benefit obligation, beginning of period	**898,100**	920,400
Increase in benefit obligation	**278,500**	—
Service cost	**3,900**	—
Interest cost	**50,800**	36,400
Benefits paid	**(107,300)**	(72,100)
Amortization of experience losses	**(4,200)**	13,400
Curtailment gain	**(65,300)**	—
Benefit obligation, end of period	**1,054,500**	898,100
Funded Status		
Funded status – Plan deficit	**1,054,500**	898,100
Unrecognized net actuarial losses	**137,900**	161,900
Net liabilities	**916,600**	736,200

Post-employment and other retirement benefits plan are not funded.

8. POST-RETIREMENT BENEFITS – (Continued)

The components of post-retirement benefit cost included in the results of operations, were as follows:

	2007 $	2006 $
Current service cost	**3,900**	—
Interest cost on liability	**50,800**	36,400
Actuarial (gain) loss on benefit obligation	**(4,200)**	13,400
Curtailment gain	**(56,900)**	—
Difference between actuarial (gain) loss recognized for the period and actual actuarial (gain) loss on benefit obligation for the period	**15,600**	(5,100)
Net periodic post-retirement benefit cost	**9,200**	44,700

The assumptions used in the measurement of the Company's post-retirement benefit cost were as follows:

	2007 %	2006 %
Weighted-average assumptions		
Discount rate for benefit obligation	**5.50**	5.25
Discount rate for net periodic benefit cost	**5.25**	5.50

As at December 31, 2007, the assumed health care trend rate for 2007 was 9% progressively declining to reach 4% in 2012.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-percentage-point	
	Increase $	Decrease $
2007		
Effect on total of service and interest cost components in 2007	**3,300**	**(3,000)**
Effect on post-retirement benefit obligation as at December 31, 2007	**58,800**	**(55,200)**
2006		
Effect on total of service and interest cost components in 2006	1,500	(1,400)
Effect on post-retirement benefit obligation as at December 31, 2006	38,100	(36,900)

9. INTANGIBLE ASSETS

	Cost $	**Accumulated amortization** $	**Net book value** $
2007			
Customer relationships	**59,314,000**	**9,882,011**	**49,431,989**
Non-compete agreements	**755,000**	**132,332**	**622,668**
	60,069,000	**10,014,343**	**50,054,657**

	Cost $	Accumulated amortization $	Net book value $
2006			
Customer relationships	55,465,000	4,175,136	51,289,864
Non-compete agreements	755,000	56,832	698,168
	56,220,000	4,231,968	51,988,032

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

	2007 $	2006 $
Trade payables	**4,570,809**	7,438,333
Trade payables to Cenveo	—	673,269
Accrued liabilities	**14,745,394**	16,462,515
	19,316,203	24,574,117

The Fund has $4 million of third party accrued liability relating to transactions with Cenveo which is included in accrued liabilities as at December 31, 2007 and 2006 and which will be reimbursed by Cenveo if and when it is required to be paid. Accordingly, a receivable of $4 million from Cenveo has been recorded in the Fund's financial statements and is included in accounts receivable.

11. 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 $1,640,500 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.

	2007 **$**
Accrued restructuring included in the purchase allocation	**1,640,500**
Restructuring expenses charged to expense	**418,635**
Cash payments	**(1,016,999)**
	1,042,136

12. 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.

12. SECURED CREDIT FACILITIES - (Continued)

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

	2007 **$**	2006 $
Revolving credit facility	**25,956,951**	—
Term credit facility	**75,000,000**	75,000,000
Less: deferred financing costs, net (note 4)	**(368,895)**	(420,114)
	100,588,056	74,579,886

As at December 31, 2007, the interest rates on the revolving and term credit facilities were 5.89% and 5.96% respectively. 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, 5.741% from April 1, 2008 to March 31, 2009 and 5.942% from April 1, 2009 to March 31, 2010 (see note 20).

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 December 31, 2007.

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

	2007 **$**	2006 $
Interest on secured credit facilities	**4,652,706**	3,155,919
Other interest	**(293,503)**	(197,835)
Amortization of deferred financing costs	**148,185**	97,386
	4,507,388	3,055,470

13. INCOME TAXES

(a) Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities are as follows:

	2007 **$**	2006 $
Future income tax liabilities (assets)		
Intangible assets	**12,626,549**	16,217,589
Property, plant and equipment	**4,271,625**	4,684,295
Accrued pension benefit asset	**1,436,966**	1,785,500
Other	**1,114,035**	1,514,707
Post-retirement benefits obligation	**(249,172)**	(229,656)
Non-capital losses	**(2,019,961)**	(939,747)
Initial public offering expenses	**(2,838,959)**	(4,264,149)
	14,341,083	18,768,539

The goodwill related to Supremex acquisition is not deductible for tax purposes.

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

	2007 **$**	2006 $
Earnings before income taxes	**25,048,924**	16,225,960
Income taxes at combined federal and provincial statuary rate	**8,456,517**	5,424,338
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	**(12,391,734)**	(9,320,208)
Effect of change in enacted tax rates	**(1,994,437)**	(1,422,122)
Impact of amortization of deferred compensation not deductible for tax purposes	**1,812,156**	2,123,432
Non deductible expenses and other	**453,168**	(10,693)
Provision of income taxes (recovery)	**(3,664,330)**	(3,205,253)

13. INCOME TAXES - (Continued)

Provision for income taxes (recovery) is as follow:

	2007	2006
	$	$
Current	**19,291**	168,648
Future	**(3,683,621)**	(3,373,901)
Provision for income taxes (recovery)	**(3,664,330)**	(3,205,253)

On October 30, 2007, Canadian Federal budget announced several general corporate income tax rate reductions, which will gradually be reduced from 22.12% to 15% in 2012 which was enacted on December 13, 2007. As a result, at the end of the fourth quarter, the Fund has reassessed its future income tax assets and liabilities in light of the new enacted tax rates.

14. 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.

14. UNITHOLDERS' EQUITY – (Continued)

Pursuant to the normal course issuer bid, which began on November 8, 2007, the Fund may purchase for cancellation up to 2,000,000 units until November 7, 2008. Up to December 31, 2007, the Fund purchased for cancellation 1,743,500 units at prices ranging from $5.60 to $6.35 per unit.

	Number	Amount $
Fund units		
Issued on IPO	17,500,000	175,000,000
Issued at the exercise of the over-allotment option	2,500,000	25,000,000
Issued to employees	2,364,228	23,642,280
Issued to Cenveo in consideration of businesses acquired	8,947,439	89,474,390
	31,311,667	313,116,670
Issuance costs, net of future income taxes of $5,430,575	—	(10,879,065)
Balance as at December 31, 2006	31,311,667	302,237,605
Purchased units for cancellation	(1,743,500)	(16,829,232)
Balance as at December 31, 2007	**29,568,167**	**285,408,373**

Employees units

As part of the acquisition 2,364,228 units valued at $23,642,280 were issued to management employees of Supremex for a cash consideration of $23,642 to amend the then existing Management profit sharing plan. These units are held in escrow and 50% will be released on March 31, 2008, 25% on March 31, 2009 and 25% on March 31, 2010, subject to earlier release under certain circumstances or sold to Supremex for a nominal consideration of $0.01 per unit in the event of the voluntary departure of the employee or termination by Supremex for cause prior the expiry of the four year escrow period. Employees are allowed to distribution declared on these units. The initial value of such units, net of the cash consideration received, is recorded as deferred compensation and is recorded as compensation expense over the vesting period.

Over-Allotment option

On April 28, 2006, the underwriters exercised in full their over-allotment option, resulting in the issuance by the Fund of 2,500,000 additional units on the same terms as the initial public offering. In addition, as consideration for the business acquisitions, the Fund issued a note payable which was repaid with the net proceeds of the over-allotment option.

14. UNITHOLDERS' EQUITY – (Continued)

Basic and diluted net earnings

The number of units used in the determination of the basic weighted average number of units outstanding includes the 2,500,000 units relating to the over-allotment option as if they would have been issued since March 31, 2006 since there were no contingencies that would result in these units not being issued.

15. CONTRIBUTED SURPLUS

	2007	2006
	$	$
Contributed surplus, beginning of year	**—**	—
Purchased Units for cancellation	**6,525,689**	—
Contributed surplus, end of year	**6,525,689**	—

16. 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 December distribution in the amount of $2,832,630 was declared and accrued in December 2007 and paid to unitholders on January 15, 2008. Distributions for the period from January 1, 2007 to December 31, 2007 are as follows:

Period	Record date	Payment date	Per unit $	Distribution $
January 2007	January 31, 2007	February 15, 2007	0.0958	2,999,658
February 2007	February 28, 2007	March 15, 2007	0.0958	2,999,658
March 2007	March 31, 2007	April 16, 2007	0.0958	2,999,658
April 2007	April 30, 2007	May 15, 2007	0.0958	2,999,658
May 2007	May 31, 2007	June 15, 2007	0.0958	2,999,658
June 2007	June 30, 2007	July 16, 2007	0.0958	2,999,658
July 2007	July 31, 2007	August 15, 2007	0.0958	2,999,658
August 2007	August 31, 2007	September 17, 2007	0.0958	2,999,658
September 2007	September 30, 2007	October 15, 2007	0.0958	2,999,658
October 2007	October 31, 2007	November 15, 2007	0.0958	2,999,658
November 2007	November 30, 2007	December 17, 2007	0.0958	2,981,197
December 2007	December 31, 2007	January 15, 2008	0.0958	2,832,630
			1.1496	35,810,407

17. 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:

	2007 **$**	2006 $
Adjusted opening balance due to the new accounting policies adopted regarding financial instruments, net of income taxes of $285,297 (note 4)	**(629,411)**	—
Change in fair value of derivative designated as cash flow hedge, net of income taxes of $114,756	**172,501**	—
Reclassification adjustment for gain on derivative designated as cash flow hedge transferred to net earnings net of income taxes of $42,468	**(113,782)**	—
Accumulated other comprehensive loss	**(570,692)**	—

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Operating lease and other commitments

The Fund has entered into operating leases mainly for buildings. The minimum lease payments required under such leases are as follows:

	$
2008	2,231,274
2009	1,904,245
2010	1,627,558
2011	1,112,570
2012	529,597
2013 and thereafter	1,274,737
Total	8,679,981

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES – (Continued)

(b) Contingencies

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

One of the Fund's subsidiaries is being investigated by the Canadian Competition Bureau for alleged price maintenance by certain of its customers. Management believes that it is unlikely that this investigation would result in any material liability to the Fund.

In addition to the price maintenance investigation, the Competition Bureau has also indicated its interest in broadening the inquiry, or starting a new inquiry, to investigate whether price fixing or market sharing took place in the 1980's and 1990's in respect of the supply of envelopes market in Canada. While Competition Bureau activity is continuing, management is presently not able to assess or predict the scope or outcome of the current inquiry or any new inquiry that may be commenced and the impact, if any, of such proceedings on the Fund's financial position.

The Fund exposure toward the above matters is mitigated by the fact that the acquisition agreement of the Fund businesses contains representations and warranties and related indemnities for any liabilities arising before September 30, 2008 from Cenveo in favour of the Fund.

(c) Guarantees

In the normal course of business, the Fund has entered into agreements that contain features which meet the definition of a guarantee. These agreements may require the Fund to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities. These agreements provide for indemnification and guarantees to counterparties as follows:

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES – (Continued)

Operating leases

The Fund has general indemnity clauses in many of its real estate leases whereby it, as lessee, indemnifies the lessor against liabilities related to the use of the leased property. These leases mature at various dates through October 2017. The nature of the agreements varies based on the contracts and therefore prevents the Fund from estimating the total potential amount it would have to pay to lessors. Historically, Supremex has not made any significant payments under such agreements, has insurance coverage for certain of the obligations undertaken, and, as at December 31, 2007, the Fund has not recorded any liability associated with these indemnifications.

Business disposals

As a result of the sale of business operations, shares or net assets, Supremex may occasionally agree to provide indemnity against claims from previous business activities. The nature of these indemnifications prevents the Fund from estimating the maximum potential liability that it could be required to pay to guarantee parties. Historically, Supremex has not made any significant indemnification payments, and, as at December 31, 2007 the Fund has not recorded any liability associated with these indemnifications.

19. SEGMENTED INFORMATION

The Fund currently operates in one business segment being the manufacturing and sale of envelopes. The Fund's net assets amounted to $263,329,705 in Canada and $1,471,803 in United States as at December 31, 2007. The Fund's revenue amounted to $164,203,536 in Canada and $23,358,461 in the United States for the year ended December 31, 2007.

20. FINANCIAL INSTRUMENTS

Interest rate and foreign exchange risk

The Fund is exposed to interest rate risk on its secured credit facilities. The Fund has entered into an interest swap agreement for the full amount of 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, 5.741% from April 1, 2008 to March 31, 2009, and 5.942% from April 1, 2009 to March 31, 2010. As described in note 3, the Fund accounts for this financial instrument as a hedge. As of December 31, 2007, the mark-to-market on the Fund's interest rate swap is a loss of $783,701.

20. FINANCIAL INSTRUMENTS – (Continued)

The Fund operates in Canada and in the United States which give rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in the exchange rate between the US and Canadian dollar. In the past, purchases and capital expenditures in US dollars were similar to the revenue earned in US dollars which have limited the Fund's foreign exchange exposure. Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities include balances denominated in US dollars at the end of the periods.

Fair value

The carrying value of the accounts receivable, accounts payable and accrued liabilities and payable to Cenveo are a reasonable estimate of their fair value because of their short maturity.

The fair value of the secured credit facilities approximates their carrying value based on market rates available to the Fund for financial instruments with similar risks, term and maturity.

Credit risk and customer concentration

The Fund performs ongoing credit evaluation of customer and provisions have been set-up for potential credit losses. As at December 31, 2007 and 2006, no customer accounted for over 10% of total accounts receivable or revenues.

21. RELATED PARTY TRANSACTIONS

The Fund had the following transactions with Cenveo up to March 2007 after which Cenveo sold its participation in the Fund. The transactions were conducted in the normal course of business and recorded at the exchange value:

	2007 **$**	2006 $
Revenue	**2,064,896**	6,252,219
Purchases of raw materials	**463,071**	1,418,337

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