Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2007

The following management's discussion and analysis of financial condition and results of operations, dated August 6, 2007 of Supremex Income Fund (the "Fund") should be read together with the audited consolidated financial statements and related notes for the 276-day period ended December 31, 2006 and the unaudited consolidated financial statements and related notes for the three and six-month periods ended June 30, 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 six-month periods ended June 30, 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.

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 seven cities across seven provinces and employs approximately 750 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 second quarter was a very challenging one with revenue of $43.7 million compared to $47.7 million in 2006 and an Adjusted EBITDA of $9.5 million compared to $11.7 million in 2006. The market remains very competitive in all the segments of the business, but more significantly in the resale, the direct mail and the US market.

The strengthening of the Canadian dollar to record-level of the last 30 years is the major factor impacting the resale market in Canada, since this market is a North American one with the presence of large US. In order to maintain our volume, we decided in the second quarter to decrease the selling prices of many of our stock items and as a result, we were able to limit the sales volume decrease in that market for the quarter. Thus, our gross margin for all the sales in the resale market was lower than in the past due to the price decreases in effect since April.

The direct mail market was also soft in the second quarter in Canada and in the United States as well. We saw some of our large direct mailers move their purchasing to the United States given the currency while other postponed and/or reduced their mailings. As a result, the pricing level was very aggressive in this market.

The strengthening of the Canadian dollar is also impacting significantly our sales in the United States. We are able to retain most of the volume, but with reduced margins.

On the other hand, the strength of the Canadian dollar is reducing our net cost of raw materials because most of our purchases are negotiated in US dollar. This impact in the second quarter was offseted by the raw material cost increases in US dollar. We should benefit from the recent strengthening of the Canadian dollar in the second half of the year on our raw material expenses.

Overall, we believe that we have taken the appropriate actions to cope properly with the highly competitive market we are facing.

The contemplated NPG acquisition combined with the fact that historically our third and fourth quarters have been stronger allows us to presently maintain our monthly distribution at its current level.

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 necessary 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 except for per unit amounts)

	Three months ended June 30, 2007 $	Three months ended June 30, 2006 $	**Six months ended June 30, 2007 $**	92-day period ended June 30, 2006 $
Cash flows related to operating activities	**6,464**	9,154	**7,201**	9,639
Net change in non-cash working capital balances (1)	**1,841**	(3,032)	**11,398**	(3,316)
Change in post-retirement benefits obligation and change in accrued pension benefit assets	**150**	247	**280**	247
Non-cash inventory step-up charge	**—**	4,304	**—**	4,304
Maintenance capital expenditures (2)	**(622)**	(24)	**(1,533)**	(24)
Distributable cash (3)	**7,833**	10,649	**17,346**	10,850
Distribution declared	**8,999**	8,999	**17,998**	8,999
Distributable cash per unit	**0.2502**	0.3401	**0.5540**	0.3465
Distribution per unit	**0.2874**	0.2874	**0.5748**	0.2874
Payout ratio	**114.9%**	84.5%	**103.8%**	82.9%

1. 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 credit facility.

2. Maintenance capital expenditures refer to capital expenditures, net of proceeds from disposal of assets replaced, which are necessary to sustain current cash flows.

	Three months ended June 30, 2007 $	Three months ended June 30, 2006 $	**Six-months ended June 30, 2007 $**	92-day period ended June 30, 2006 $
Capital expenditures	**627**	246	**1,731**	246
Proceeds from disposal of assets	**(5)**	(222)	**(198)**	(222)
Maintenance capital expenditures	**622**	24	**1,533**	24
Growth capital expenditures	**(125)**	—	**(125)**	—

The growth capital expenditures represents a capital tax credit related to the growth capital expenditures booked in 2006.

3. See "Definition of EBITDA, Adjusted EBITDA, Distributable cash and Non-GAAP Measures".

The Fund generated $7.8 million or $0.2502 per unit and $17.3 million or $0.5540 per unit of distributable cash for three and six-month periods ended June 30, 2007. More detail concerning cash flow related to operating activities is provided under the "Liquidity and Capital Resources" section.

The Fund declared distributions of $9.0 million or $0.2874 per unit and of $18.0 million or $0.5748 per unit for the three and six-month periods ended June 30, 2007, which was funded by distributable cash generated in the periods and existing cash balance.

The actual distributions exceed distributable cash generated by $1.2 million and $0.7 million for the three and six-month periods ended June 30, 2007. As a result, the Fund's payout ratio defined as distributions declared as a percentage of distributable cash generated, was 114.9% and 103.8% for the three and six-month periods ended June 30, 2007, as compared to the targeted payout ratio of 90%. However, since inception of the Fund, the payout ratio is 91.0%.

The Fund does not currently anticipate decreasing distribution to unitholders as a result of the payout ratio being higher than 100% for the first half of 2007. The higher payout ratio is explained by a lower EBITDA generated during the period, as explained in "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 estimated distribution rate per unit is $0.0958 per month. Distributions for the period of January 1, 2007 to June 30, 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
Total			0.5748	17,997,948

The June distribution in the amount of $2,999,658 was declared and accrued in June 2007 and paid to unitholders on July 16, 2007. The estimated tax allocation of distributions declared for 2007 is 100% return on capital.

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

Summary of Quarterly Results

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

The following table presents a summary of operating results of the Fund and Supremex on a quarterly basis from July 1, 2005 to June 30, 2007.

(in thousands of dollars except for per unit amounts)

	June 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006	Jun. 30, 2006	Mar. 31, 2006 (1)	Dec. 31, 2005 (1)	Sep. 30, 2005 (1)
	$	$	$	$	$	$	$	$
Revenue	**43,727**	47,710	50,417	48,636	47,672	49,470	48,272	48,235
EBITDA (2)	**9,463**	11,295	12,741	12,147	7,408	11,187	11,419	11,367
Adjusted EBITDA (2)	**9,463**	11,295	12,741	12,147	11,712	11,905	12,276	12,109
Earnings from continuing operations before income taxes	**4,647**	6,726	5,835	7,546	2,677	9,434	8,547	8,889
Net earnings	**5,825**	6,888	5,912	7,957	5,395	N/A	N/A	N/A
Net earnings per unit basic and diluted	**0.1860**	0.2200	0.1888	0.2541	0.1723	N/A	N/A	N/A

Notes

(1) Derived from the unaudited consolidated financial statements of Supremex for the 2005 quarters and 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.

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 current quarter has been impacted by decreased volume as well as a decrease in average selling price due to a more competitive market place as explained in "Overall performance" section.

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

Net earnings have not been presented for each of the quarters prior to the acquisition of Supremex by the Fund as they are 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 sixth 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 interim consolidated financial statements cover the three and six-month periods ended June 30, 2007 with comparative figures for the periods of three months and 92 days ended June 30, 2006. To provide meaningful disclosure to the reader, this Management's Discussion and Analysis covers the three and the six-month periods ended June 30, 2007, compared to the three and the six-month periods ended June 30, 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)

	Three months ended June 30		**Six months ended June 30**	
	2007 **$**	2006 $	**2007** **$**	2006 [(1)] $
Revenue	**43,727**	47,672	**91,437**	97,142
Cost of goods sold, selling, general and administrative expenses	**34,264**	35,960	**70,680**	73,525
Adjusted EBITDA (2)	**9,463**	11,712	**20,757**	23,617
Non Recurring Item:				
Non-cash inventory step-up charge	—	4,304	—	4,304
75% Management profit sharing (3)	—	—	—	718
EBITDA (2)	**9,463**	7,408	**20,757**	18,595
Amortization of property, plant and equipment	**970**	860	**1,908**	1,852
Amortization of intangible assets	**1,405**	1,405	**2,811**	1,421
Amortization of deferred compensation	**1,391**	1,476	**2,720**	1,492
Loss (gain) on disposal of machinery and equipment	**1**	(81)	**10**	(283)
Net financing charges	**1,049**	1,071	**1,936**	2,002
Earnings from continuing operations before income taxes	**4,647**	2,677	**11,372**	12,111
Income taxes recovery	**(1,178)**	(2,718)	**(1,340)**	N/A
Net earnings from continuing operations	**5,825**	5,395	**12,712**	N/A

1. Derived from the unaudited consolidated financial statements of Supremex for the period from January 1, 2006 to March 31, 2006 and from the unaudited consolidated financial statements of the Fund for the 92-day period ended June 30, 2006.

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

3. 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, total assets, total long-term financial liabilities and distribution declared per unit 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 June 30, 2007 compared to three months ended June 30, 2006

Revenue

Revenue for the three-month period ended June 30, 2007 was $43.7 million, compared to $47.7 million for the three-month period ended June 30, 2006, representing a decrease of $4.0 million or 8.4 %. The decrease is attributable to both the sales in Canada and in the United States.

Revenue from sales in Canada decreased by $3.2 million or 7.9%, from $40.5 million to $37.3 million, and the revenue from the sales in the United States decreased by $0.8 million or 11.1%, from $7.2 million to $6.4 million.

The decrease in revenue from sales in Canada was due to a decrease of the average selling price of 5.1% combined with a decrease in the number of units sold of 2.8%. The slowdowns in the reseller market and in the direct mail as well as a market place much more competitive have put pressure on both volume and pricing.

The decrease in revenue from sales in the United States was driven by a decrease of the average selling price of 6.7% considering the strengthening of the Canadian dollar combined with a decrease in the number of units sold of 4.7%. The strengthening of the Canadian dollar and the softness of the US market were the major factors affecting the sales in the United States.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the three-month period ended June 30, 2007 was $34.3 million, compared to $36.0 million for the three-month period ended June 30, 2006, representing a decrease of $1.7 million or 4.7%.

The cost of goods sold for the three-month period ended June 30, 2007 was $30.1 million compared to $30.8 million for the same period in 2006, representing a decrease of $0.7 million or 2.3%. The decrease results from the decreased of units sold and the strengthening of the Canadian dollar offset by the increased costs of raw material. The decrease in cost of goods sold was much lower than the decrease in revenue because a majority of the sale decrease is coming from price decrease which cannot be offseted by a reduction of cost.

The gross profit (revenue less cost of goods sold excluding the amortization of property, plant and equipment and the inventory step-up charge) was $13.6 million for the three-month period ended June 30, 2007, compared to a gross profit of $16.9 million for the comparable period in 2006, representing a decrease of $3.3 million or 19.5%. As a percentage of sales, the gross profit decreased by 4.4% in 2007 compared to 2006.

Selling, general and administrative expenses were $4.2 million for the three-month period ended June 30, 2007, compared to $5.2 million for the same period in 2006, representing a decrease of $1.0 million or 19.2%, attributable to a general reduction of expenses in 2007 including lower expenses for bad debts and profit sharing due to the reduced profitability.

Adjusted EBITDA

As a result of the changes described above, the Adjusted EBITDA was $9.5 million for the three-month period ended June 30, 2007, compared to $11.7 million for the same period in 2006, representing a decrease of $2.2 million or 18.8%.

Non recurring item

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 cost of selling. 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.

EBITDA

As a result of the changes described above, the EBITDA was $9.5 million for the three-month period ended June 30, 2007, compared to $7.4 million for the same period in 2006, representing an increase of $2.1 million or 28.4%.

Amortization

The aggregate amortization expense for the three months ended June 30, 2007 amounted to $3.8 million, compared to $3.7 million for the same period in 2006, representing an increase of $0.1 million or 2.7%.

Net financing charges

Net financing charges amounted to $1.0 million for the three months ended June 30, 2007 compared to $1.1 million for the same period in 2006, representing a decrease of $0.1 million or 9.1%.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were $4.7 million for the three months ended June 30, 2007, compared to $2.7 million for the same period in 2006, representing an increase of $2.0 million or 74.1%.

Income taxes recovery

During the three months ended June 30, 2007, the Fund recorded an income tax recovery of $1.2 million. The income tax recovery takes into consideration, in addition to the income taxes expense at statutory rate of $1.6 million, a reduction of $3.1 million attributable to the impact of interest income earned by the Fund and paid by Supremex, reduction partially offset by an amount of $0.4 million related to the non deductible amortization of deferred compensation.

Net earnings

As a result of the changes described above, net earnings were $5.8 million for the three-month period ended June 30, 2007 compared to $5.4 million for the same period in 2006, representing an increase of $0.4 million or 7.4%.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Revenue

Revenue for the six-month period ended June 30, 2007 was $91.4 million, compared to $97.1 million for the six-month period ended June 30, 2006, representing a decrease of $5.7 million or 5.9%. The decrease is attributable to both the sales in Canada and in the United States.

Revenue from sales in Canada decreased by $4.7 million or 5.7%, from $83.0 million to $78.3 million, while revenue from sales in the United States decreased by $1.0 million or 7.0%, from $14.2 million to $13.2 million.

The decrease in revenue from sales in Canada was due to a decrease in the number of units sold of 4.2% combined with a decrease in the average selling price of 1.5%. The slowdowns in the reseller market and in the direct mail as well as a market place much more competitive have recently put pressure on the pricing, especially with the strengthening of the Canadian dollar.

The decrease in revenue from sales in the United States was driven by a decrease in the number of units sold of 4.8% combined with a decrease in the average selling price of 2.3% considering the strengthening of the Canadian dollar. The US market is quite soft and very competitive, and given the Canadian dollar level, it is difficult to keep all the sales in that market.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the six-month period ended June 30, 2007 was $70.7 million, compared to $73.5 million for the six-month period ended June 30, 2006, representing a decrease of $2.8 million or 3.8%.

The cost of goods sold for the six-month period ended June 30, 2007 was $61.0 million compared to $62.7 million for the same period in 2006, representing a decrease of $1.7 million or 2.7%. The decrease results from the decreased of units sold and some savings in term of labour cost offset by the increased costs of raw materials.

The gross profit (revenue less cost of goods sold excluding the amortization of property, plant and equipment and the inventory step-up charge) was $30.4 million for the six-month period ended June 30, 2007, compared to a gross profit of $34.5 million for the comparable period in 2006, representing a decrease of $4.1 million or 11.9%. As a percentage of sales, the gross profit decreased by 2.2% in 2007 compared to 2006.

Selling, general and administrative expenses were $9.7 million for the six-month period ended June 30, 2007, compared to $10.8 million for the same period in 2006, representing a decrease of $1.1 million or 10.2%, attributable to a general reduction of expenses in 2007 including lower expenses for bad debts and profit sharing due to the reduced profitability.

Adjusted EBITDA

As a result of the changes described above, the Adjusted EBITDA was $20.8 million for the six-month period ended June 30, 2007, compared to $23.6 million for the same period in 2006, representing a decrease of $2.8 million or 11.9%.

Non recurring items

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 $20.8 million for the six-month period ended June 30, 2007, compared to $18.6 million for the same period in 2006, representing an increase of $2.2 million or 11.8%.

Amortization

The aggregate amortization expense for the six months ended June 30, 2007 amounted to $7.4 million, compared to $4.8 million for the same period in 2006, representing an increase of $2.6 million or 54.2%, explained mainly by 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.

Net financing charges

Net financing charges amounted to $1.9 million for the six months ended June 30, 2007 compared to $2.0 million for the same period in 2006, representing a decrease of $0.1 million or 5.0%.

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 $11.4 million for the six months ended June 30, 2007, compared to $12.1 million for the same period in 2006, representing a decrease of $0.7 million or 5.8%.

Segmented Information

The Fund currently operates in one business segment being the manufacturing and sale of envelopes. The Fund's net assets amounted to $273.6 million in Canada and $1.6 million in the United States as at June 30, 2007. In Canada, the Fund's revenue amounted to $37.3 million and to $78.3 million for the three and six-month periods ended June 30, 2007 compared to $40.5 million and $83.0 million for the same periods in 2006, representing a decrease of $3.2 million or 7.9% and of $4.7 million or 5.7%. In the United States, the Fund's revenue amounted to $6.4 million and to $13.1 million for the three and six-month periods ended June 30, 2007 compared to $7.2 million and $ 14.1 million for the same periods in 2006, representing a decrease of $0.8 million or 11.1% and of $1.0 million or 7.1%.

Liquidity and Capital Resources

Cash flows from operating activities were $7.2 million for the six-month period ended June 30, 2007, primarily attributable to earnings generated in the period, non-cash items including various amortization charges offset by a negative change in non-cash working capital and a future income taxes recovery.

Cash flows used in investing activities, amounting to $1.4 million for the six-month period ended June 30, 2007, are attributable to the net additions to property, plant and equipment.

Cash flows used in financing activities were $18.1 million for the six month period ended June 30, 2007 mainly related to the distribution paid on Fund units.

The decrease in cash during the six-month period ended June 30, 2007, as well as the negative change in non-cash working capital, result mainly from the payment of the amount payable to Cenveo and items included in accounts payable and accrued liabilities payable once a year.

Off-Balance Sheet arrangements

Operating lease commitments have been disclosed in the Funds' audited consolidated financial statements as at December 31, 2006 and did not significantly change since that date. Information with respect to the interest rate Swap is disclosed in the note 10 to the interim consolidated financial statements for the six-month period ended June 30 2007.

Financial position highlights

(In thousands of dollars except for ratio)

	June 30, 2007 **$**	**December 31, 2006** $
Working capital	**26,224**	26,851
Total assets	**389,717**	404,573
Total term credit facility (before deferred financing costs)	**75,000**	75,000
Unitholders' equity	**275,206**	277,405
Long-term debt to equity ratio	**27.3%**	27.0%

The Fund's financial position has been relatively stable. The Fund has not drawn any amount under its revolving credit facility and was in compliance with the covenants of its credit facilities as at June 30, 2007.

Capitalization

As at August 6, 2007, there are 31,311,667 units issued by the Fund.

Units issued include 2,364,228 units valued at $23,642,280 issued to employees for a cash consideration of $23,642 as part of the business acquisitions and to amend the then existing Management profit sharing plan. As these units will vest over four years, subject to earlier vesting as described in note 3 of the financial statements, the unamortized value of such units as at June 30, 2007, amounting to $14,546,446, is recorded as deferred compensation and is recorded as compensation expense over the vesting period. Each unit entitles the holder to participate equally in all allocations and distributions of the Fund and to one vote at all meetings of unitholders.

New Accounting Policies

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

Recent Events

On August 6th 2007, the Funds announced that it has entered into a definitive asset purchase agreement pursuant to which it will acquire substantially all the assets of NPG Envelope ("NPG") of Hamilton, Ontario. This has been made possible following the issuance by the Competition Bureau of Canada of a letter expressing their view that grounds do not exist to initiate proceedings between the Competition Tribunal with respect to this transaction. The completion of the acquisition is subject to certain customary closing conditions. It is anticipated that the transaction will be completed within the next few days. NPG operates from two locations with approximately $26 million in revenues and approximately 150 employees.

Proposed legislation first introduced in October 2006 included a provision to eliminate the deduction of distributions from taxable income for certain forms of publicly traded income trusts and partnerships that meet the definition of a Specified Investment Flow-Trough Entity "SIFT" under the proposed legislation. However, amounts distributed will be taxed at the SIFT rate rather than the full trust tax rate. This proposed legislation, with certain modifications, passed third reading in the House of Commons on June 12, 2007 and is considered substantially enacted during the Fund's second quarter of 2007. For the Fund, the proposals are not intended to apply to taxation years ending prior to 2011.

Risk factors

As a result of operations, business prospects and financial condition, the Fund is subject to a number of risks and uncertainties, and is affected by a number of factors outside the control of the management. Details are provided in the ''Risk Factors'' section of the Fund's Annual Information Form, dated March 22, 2007 (which can be found at www.sedar.com).

Disclosure Controls and Internal Controls

The Fund's CEO and CFO have assessed the effectiveness of the disclosure procedures and controls used for the consolidated financial statements and Management's Discussion and Analysis as at June 30, 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.

Forward-Looking Statements

This management's discussion and analysis contains forward-looking statements relating to the future performance of the Fund. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of Management regarding growth, results of operations, performance and business prospects and opportunities. 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 actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. Such risks and uncertainties are discussed throughout our MD&A for the fiscal year 2006 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 unless being held there according to the laws on the applicable transferable securities.

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 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

Unaudited
For the three and six-month periods ended June 30, 2007

All amount expressed in Canadian dollars

Supremex Income Fund

CONSOLIDATED BALANCE SHEETS

As at

	June 30, 2007 $	December 31, 2006 $
	[Unaudited]	
ASSETS (note 5)		
Current		
Cash	**1,980,046**	14,251,559
Accounts receivable	**25,656,838**	28,062,695
Income taxes receivable	**669,372**	860,622
Inventories	**16,839,325**	15,193,161
Prepaid expenses	**2,450,491**	1,565,583
Current portion of derivative asset (note 10)	**246,959**	—
Total current assets	**47,843,031**	59,933,620
Property, plant and equipment, net	**41,353,715**	41,863,507
Accrued pension benefit asset	**5,998,800**	5,723,700
Derivative asset (note 10)	**280,613**	—
Intangible assets, net	**49,177,032**	51,988,032
Goodwill	**245,063,721**	245,063,721
	389,716,912	404,572,580
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**18,619,079**	24,574,117
Distribution payable (note 8)	**2,999,658**	2,999,658
Payable to Cenveo	**—**	5,509,045
Total current liabilities	**21,618,737**	33,082,820
Term credit facility (note 5)	**74,598,533**	74,579,886
Future income tax liabilities	**17,561,980**	18,768,539
Other post-retirement benefits obligation	**731,700**	736,200
Unitholders' equity		
Funds units (note 7)	**302,237,605**	302,237,605
Deferred compensation (note 3)	**(14,546,446)**	(17,266,761)
Deficit	**(12,850,963)**	(7,565,709)
Accumulated other comprehensive income (notes 2 and 9)	**365,766**	—
	275,205,962	277,405,135
	389,716,912	404,572,580

Subsequent event (note 12)

See accompanying notes

On behalf of the Trustees:

By: (Signed) L.G. Serge Gadbois	By: (Signed) Gilles Cyr
Trustee	Trustee

Supremex Income Fund

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

[Unaudited]

	Three-month period ended June 30, 2007 $	Three-month period ended June 30, 2006 $	**Six-month period ended June 30, 2007 $**	92-day period ended June 30, 2006 $
Revenue	**43,726,992**	47,672,309	**91,436,637**	48,469,155
Cost of good sold, selling, general and administrative expenses	**34,264,122**	40,264,889	**70,679,352**	40,549,550
Earnings before the following	**9,462,870**	7,407,420	**20,757,285**	7,619,605
Amortization of property, plant and equipment	**969,502**	859,786	**1,907,703**	859,786
Amortization of intangible assets	**1,405,500**	1,405,500	**2,811,000**	1,420,968
Amortization of deferred compensation	**1,390,982**	1,476,166	**2,720,315**	1,492,343
Loss (gain) on disposal of property, plant and equipment	**882**	(81,451)	**9,569**	(81,451)
Net financing charges (note 5)	**1,049,439**	1,070,628	**1,936,253**	1,082,585
	4,816,305	4,730,629	**9,384,840**	4,774,231
Earnings before income taxes	**4,646,565**	2,676,791	**11,372,445**	2,845,374
Income taxes recovery (note 6)	**(1,178,322)**	(2,717,884)	**(1,340,249)**	(2,717,884)
Net earnings for the period	**5,824,887**	5,394,675	**12,712,694**	5,563,258
Deficit, beginning of period	**(9,676,876)**	168,583	**(7,565,709)**	—
Distribution declared (note 8)	**(8,998,974)**	(8,998,973)	**(17,997,948)**	(8,998,973)
Deficit, end of period	**(12,850,963)**	(3,435,715)	**(12,850,963)**	(3,435,715)
Basic and diluted net earnings per unit	**0.1860**	0.1723	**0.4060**	0.1777
Weighted average number of units outstanding (note 7)	**31,311,667**	31,311,667	**31,311,667**	31,311,667

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

	Three-month period ended June 30, 2007 $	Three-month period ended June 30, 2006 $	**Six-month period ended June 30, 2007 $**	92-day period ended June 30, 2006 $
OPERATING ACTIVITIES				
Net earnings for the period	**5,824,887**	5,394,675	**12,712,694**	5,563,258
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	**969,502**	859,786	**1,907,703**	859,786
Amortization of intangible assets	**1,405,500**	1,405,500	**2,811,000**	1,420,968
Amortization of deferred compensation	**1,390,982**	1,476,166	**2,720,315**	1,492,343
Amortization of deferred financing costs	**51,874**	32,344	**85,614**	32,698
Loss (gain) on disposal of property, plant and equipment	**882**	(81,451)	**9,569**	(81,451)
Future income tax recovery	**(1,188,884)**	(2,717,884)	**(1,368,365)**	(2,717,884)
Change in post-retirement benefits obligation	**(4,500)**	(4,000)	**(4,500)**	(4,000)
Change in accrued pension benefit assets	**(145,400)**	(243,463)	**(275,100)**	(243,463)
Net change in non-cash working capital balances	**(1,840,801)**	3,031,999	**(11,398,048)**	3,316,292
Cash flows related to operating activities	**6,464,042**	9,153,672	**7,200,882**	9,638,547
INVESTING ACTIVITIES				
Business acquisitions, net of cash acquired (note 3)	—	—	**—**	(207,752,714)
Additions to property, plant and equipment	**(501,791)**	(2,315,358)	**(1,605,421)**	(2,315,358)
Proceeds from disposal of property, plant and equipment	**4,494**	222,409	**197,941**	222,409
Cash flows related to investing activities	**(497,297)**	(2,092,949)	**(1,407,480)**	(209,845,663)
FINANCING ACTIVITIES				
Issuance of trust units on initial public offering (note 3)	—	—	**—**	175,000,000
Issuance of trust units at the exercise of the over-allotment option (note 3)	—	25,000,000	**—**	25,000,000
Issuance of trust units to management (note 3)	—	—	**—**	23,642
Expenses related to initial issuance of trust units (note 3)	—	(1,375,000)	**—**	(16,217,723)
Financing costs incurred	—	—	**(66,967)**	(517,500)
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 3)	—	(23,625,000)	**—**	(23,625,000)
Distributions paid on Fund units	**(8,998,974)**	(5,999,315)	**(17,997,948)**	(5,999,315)
Cash flows related to financing activities	**(8,998,974)**	(5,999,315)	**(18,064,915)**	201,971,777
Net (decrease) increase in cash and cash equivalents	**(3,032,229)**	1,061,408	**(12,271,513)**	1,764,661
Cash and cash equivalents, beginning of period	**5,012,275**	703,253	**14,251,559**	—
Cash and cash equivalents, ending of period	**1,980,046**	1,764,661	**1,980,046**	1,764,661
Supplemental information				
Interest paid	**1,086,148**	2,081,897	**2,113,922**	2,081,897
Income taxes paid	**205,369**	12,000	**330,363**	12,000

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
[Unaudited]

	Three-month period ended June 30, 2007 $	Three-month period ended June 30, 2006 $	**Six-month period ended June 30, 2007 $**	92-day period ended June 30, 2006 $
Net earnings for the period	**5,824,887**	5,394,675	**12,712,694**	5,563,258
Other comprehensive income				
Change in fair value of derivative designated as cash flow hedge (net of income taxes)	**902,971**	—	**1,009,448**	—
Reclassification adjustment for gain on derivative designated as cash flow hedge in prior period transferred to net income in the current period (net of income taxes)	**6,844**	—	**(14,271)**	—
Comprehensive income	**6,734,702**	5,394,675	**13,707,871**	5,563,258

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007 [Unaudited]

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements include the accounts of the Fund and its subsidiaries and have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures have been omitted or condensed. The accounting principles applied are consistent with those as set out in the Fund's audited consolidated financial statements for the period ended December 31, 2006. These interim financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statement of the Fund for the period ended December 31, 2006 as contained in the Fund's 2006 annual report.

Supremex is a manufacturer and marketer of a broad range of stock and custom envelopes and related products.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to the seasonal advertising and mailing patterns of its customers whereby higher number of mailings related to events including the return to school, fund raisers and the holiday and tax seasons occurs during that period. As a result, revenue and financial performance for the three and six-month periods ended June 30, 2007 are not necessarily indicative of the revenue and financial performance that may be expected for a full year.

2. NEW ACCOUNTING POLICIES

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.

2. 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, distribution payable, 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.

3. INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITIONS

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.

3. INITIAL PUBLIC OFFERING AND 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.

3. INITIAL PUBLIC OFFERING AND 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.

4. EMPLOYEE DEFINED BENEFIT PLANS

The Fund's total benefit cost for its the pension plans was $453,000 and $912,000 for the three and six-month periods ended June 30, 2007.

5. SECURED CREDIT FACILITIES

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

The revolving operating credit facility may be used for general corporate purposes, working capital requirements and permitted acquisitions. Both facilities mature on March 31, 2010 and there are no scheduled repayments of principal required prior to maturity.

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

	June 30, 2007 **$**	**December 31, 2006** **$**
Revolving credit facility	**—**	—
Term credit facility	**75,000,000**	75,000,000
Less: deferred financing costs, net (note 2)	**(401,467)**	(420,114)
	74,598,533	74,579,886

5. SECURED CREDIT FACILITIES - (Continued)

As at June 30, 2007, the interest rates on the revolving and term credit facilities were 6.0% and 5.8% 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% form 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 10).

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

	Three-month period ended June 30, 2007 $	Three-month period ended June 30, 2006 $	**Six-month period ended June 30, 2007 $**	92-day period ended June 30, 2006 $
Interest on secured credit facilities	**1,056,759**	1,054,079	**2,095,518**	1,065,682
Other interest	**(59,196)**	(15,795)	**(244,879)**	(15,795)
Amortization of deferred financing costs	**51,876**	32,344	**85,614**	32,698
	1,049,439	1,070,628	**1,936,253**	1,082,585

6. INCOME TAXES

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

	Three-month period ended June 30, 2007	Three-month period ended June 30, 2006	**Six-month period ended June 30, 2007**	92-day period ended June 30, 2006
	$	$	**$**	$
Earnings before income taxes	**4,646,565**	2,676,791	**11,372,445**	2,845,374
Income taxes at combined federal and provincial statutory rate	**1,553,346**	902,614	**3,801,808**	959,460
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	**(3,088,444)**	(3,072,401)	**(6,144,084)**	(3,106,426)
Effect of change in enacted tax rates	**(366,349)**	(1,373,095)	**(198,628)**	(1,372,390)
Impact of amortization of deferred compensation not deductible for tax purposes	**465,005**	497,763	**909,401**	503,218
Non deductible expenses and other	**258,120**	327,235	**291,254**	298,254
Income taxes recovery	**(1,178,322)**	(2,717,884)	**(1,340,249)**	(2,717,884)

7. 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.

7. UNITHOLDERS' EQUITY - (Continued)

Fund units issued

As at June 30 2007, there are 31,311,667 units issued by the Fund. No units were issued or redeemed during the three and the six-month periods ended June 30, 2007.

Basic and diluted net earnings

The number of units used in the determination of the basic weighted average number of units outstanding includes the units held in escrow since the holders of these units are entitled to the Fund's distributions.

8. DISTRIBUTION

The Fund makes monthly distributions of its available cash to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. Distributions to unitholders are recorded on an accrual basis. The June distribution in the amount of $2,999,658 was declared and accrued in June 2007 and paid to unitholders on July 16, 2007. Distributions for the period from January 1, 2007 to June 30, 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
			0.5748	17,997,948

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

Derivative designated as cash flow hedge constitute the sole item in Accumulated Other Comprehensive Income. The changes that occurred during the period were as follows:

	June 30, 2007 **$**	December 31, 2006 $
Adjusted opening balance due to the new accounting policies adopted regarding financial instruments, net of income taxes of $285,297 (note 2)	**(629,411)**	—
Change in fair value of derivative designated as cash flow hedge, net of income taxes of $453,417	**1,009,448**	—
Reclassification adjustment for gain on derivative designated as cash flow hedge in prior period transferred to net earnings in the current period, net of income taxes of $6,314	**(14,271)**	—
Accumulated other comprehensive income	**365,766**	—

10. FINANCIAL INSTRUMENTS

The financial instruments book values and fair values were as follow:

	June 30, 2007		**December 31, 2006**	
	Book value **$**	**Fair value** **$**	**Book value** $	**Fair value** $
Asset (liability)				
Interest rate swap designated as cash flow hedge:				
Short-term	**246,959**	**246,959**	—	(95,122)
Long-term	**280,613**	**280,613**	—	(819,586)
	527,572	**527,572**	—	(914,708)

The fair value of cash, accounts receivable and accounts payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of credit facilities is equivalent to their carrying value since their interest rates are comparable to market rates.

10. FINANCIAL INSTRUMENTS - (Continued)

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

11. SEGMENTED INFORMATION

The Fund currently operates in one business segment being the manufacturing and sale of envelopes. The Fund's net assets amounted to $273,570,691 in Canada and $1,635,271 in United States as at June 30, 2007.

The Fund's revenue amounted to $37,342,385 and $78,259,794 in Canada and $6,384,607 and $13,176,843 in the United States for three and six-month periods ended June 30, 2007.

12. SUBSEQUENT EVENT

On August 6th 2007, the Funds announced that it has entered into a definitive asset purchase agreement pursuant to which it will acquire substantially all the assets of NPG Envelope ("NPG") of Hamilton, Ontario. This has been made possible following the issuance by the Competition Bureau of Canada of a letter expressing their view that grounds do not exist to initiate proceedings between the Competition Tribunal with respect to this transaction. The completion of the acquisition is subject to certain customary closing conditions. It is anticipated that the transaction will be completed within the next few days. NPG operates from two locations with approximately $26 million in revenues and approximately 150 employees. The transaction will be financed with the existing revolving credit facility.

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