Premium Brands
Income Fund

BUILDING LASTING VALUE . . . BRICK BY BRICK

Annual Report **2007**

Premium Brands
Income Fund

Premium Brands owns a broad range of leading branded specialty food businesses with manufacturing and distribution facilities located in British Columbia, Alberta, Saskatchewan, Manitoba and Washington State. In addition, Premium Brands owns proprietary food distribution and wholesale networks through which it sells both its own products and those of third parties to approximately 25,000 customers. Its family of brands include Grimm's, Harvest, McSweeney's, Bread Garden, Hygaard, Hempler's, Quality Fast Foods, Gloria's Fresh, Harlan's and Centennial.

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"2007 was another very successful year in the evolution of Premium Brands. Not only did our legacy businesses continue to generate record growth and earnings but we also acquired two new exceptional businesses: Centennial Foodservice and Stuyver's Bakestudio. We are particularly pleased with the Centennial acquisition as not only is this a company that we have been pursuing for many years but it also represents our largest acquisition to date."

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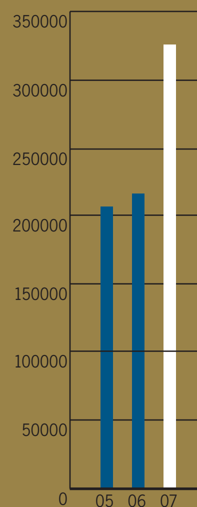
Premium Brands Income Fund

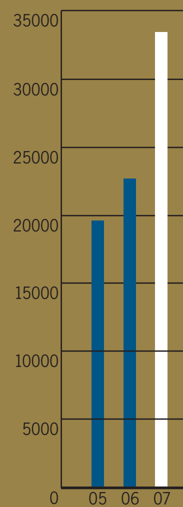
Highlights

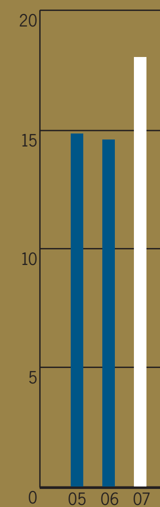
Premium Brands' unique combination of leading brands and differentiated proprietary distribution networks is resulting in higher and more consistent earnings and returns on invested capital.

(in 000s, except per unit / share amounts)	2007	2006	2005
Revenue	$ 326,441	$ 216,465	$ 206,649
EBITDA	$ 33,351	$ 22,682	$ 19,401
Earnings (loss)	$ 25,488	$ 12,836	$ (3,705)
Earnings (loss) per unit	$ 1.46	$ 0.83	$ (0.29)
Total assets	$ 285,654	$ 174,199	$ 155,683
Net funded debt	$ 106,985	$ 16,295	$ 23,454
Return on net assets	18.1%	14.6%	14.9%
Distributable cash	$ 26,557	$ 18,783	(a)
Distributable cash per unit	$ 1.52	$ 1.21	(a)
Cash distributions declared per unit	$ 1.176	$ 1.176	(a)
Payout ratio	77.2%	97.7%	(a)

(a) Annual number is not applicable due to Premium Brands' conversion to an income trust occurring in July 2005.







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Innovative, Great Tasting Products

"Grimm's had a record year for new product launches which included a variety of new products as well as several line extensions. Sales of its new High Health branded products, which include turkey, beef and bison smokies and pepperoni, exceeded expectations as consumers responded very positively to these great tasting products that qualify to display the "heart friendly" Health Check logo. Similarly, the introduction of Grimm's "Deli-to-Go" line-up of sliced and packaged deli meats, which are gluten, lactose and soy free and made with all natural meats and no fillers, was also very well received. These new lines are just two examples of how we are targeting discriminating consumers who are willing to pay more for uncompromising quality and great taste."

Premium Brands Income Fund

2007 Letter to Unitholders

Dear Unitholders:

2007 was another very successful year in the evolution of Premium Brands. Not only did our legacy businesses continue to generate record growth and earnings but we also acquired two new exceptional businesses: Centennial Foodservice and Stuyver's Bakestudio. We are particularly pleased with the Centennial acquisition as not only is this a company that we have been pursuing for many years but it also represents our largest acquisition to date.

Centennial builds on the distribution side of our business strategies. As the leading specialty distributor of high quality protein products to hotels, restaurants and institutions in Western Canada, Centennial will provide our specialty food manufacturing businesses with a proprietary distribution network into a segment of the food industry where we have traditionally been underrepresented.

The Stuyver's acquisition adds another leading specialty food manufacturer to our strong portfolio of specialty food businesses. Stuyver's lines of high end artisan breads and other baked goods further diversifies our product mix, provides us with another specialty food line to sell through our proprietary distribution networks and will generate vertical integration benefits as Stuyver's is a key supplier to our sandwich operations.

Since 2001 we have been working diligently to transform Premium Brands from a struggling commodity goods manufacturer into a unique food business platform that is well positioned to capitalize on current and emerging consumer trends. With this goal in mind we have raised over $170 million from the sale of non-core businesses and re-allocated this capital to ones that fit with our strategic focus, namely leading specialty food manufacturers and differentiated food distribution businesses that provide our manufacturing businesses with proprietary access to a diverse customer base.

Today, with a portfolio of eight leading specialty manufacturers, eight number one specialty retail brand names, and three differentiated proprietary distribution networks servicing 25,000 customers, we have achieved the first step of what we set out to do in 2001. Our next step is to substantially grow our footprint with the goal of becoming one of North America's predominant specialty foods companies. With our unique business strategies, and the significant competitive advantages and growth opportunities they afford us, we are ideally positioned to achieve this as we move to the next stage in our evolution.

Even with today's turbulent and challenging economic conditions we are confident that our foundation is solid and our ability to cope and prosper even in these uncertain times is unparalleled. Building sustainable value is, however, never easy particularly in an industry as mature as ours, but by diligently allocating our capital towards projects and acquisitions that meet our rigorous criteria we are **building lasting value – brick by brick**.

We were very pleased to see our long-term unit holders rewarded in 2007 with Premium Brands being among the top twenty best performing publicly traded income trusts for the year. The total return earned on our units in 2007, including distributions and capital appreciation, was approximately 50%. We believe this superior return is due in large part to a general recognition of the sustainable value that has been created within our business over the past several years.

As a final note, we would like to once again thank our employees and all other stakeholders whose support and efforts have played a key role in our industry-leading results. Success comes only when the right decisions are made at every level of an organization.

Fred Knoedler
CEO

George Paleologou
President

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Focus on Branded Specialty Foods

"Whether you are stopping for gas in Prince George, BC, watching a hockey game in the local arena in Red Deer, AB, enjoying a meal at a fine dining establishment in Whistler, BC or running into a convenience store in Yorkton, SK, you are sure to come across a wide selection of our branded specialty food products."

Premium Brands Income Fund

Q & A Section

WHAT WERE PREMIUM BRANDS' MAJOR ACHIEVEMENTS IN 2007?

Our significant accomplishments for 2007 were:

- The acquisition of Centennial Foodservice. Centennial is Western Canada's leading specialty distributor of high quality "center of the plate" protein solutions to hotels, restaurants and institutions and is our largest acquisition to date.
- The acquisition of an 80% interest in Stuyver's Bakestudio. Stuyver's is one of Western Canada's leading artisan bread and other baked goods manufacturers.
- Industry leading gross profit and EBITDA margins. We are especially pleased that these were achieved under very challenging and unsettled economic circumstances that included sharp increases in a variety of commodity input costs, record energy prices and a tightening labor market. Our overall financial performance in 2007 validates the strength of our business model and our commitment to generating sustainable profitable growth.
- An average return on net assets of 18.1%. We view this as the most important measurement of our performance as guardians of our unitholders' capital.
- A payout ratio on our cash distributions of 77.2%. This compares to a payout ratio of 97.7% in 2006 and 100% when we first converted to an income trust in 2005. During 2007 we paid out $20.5 million in distributions to our unitholders bringing our total declared distributions since our conversion to an income trust in July 2005 to $53.4 million
- The introduction of over 50 new and innovative specialty food products.

HOW DOES THE CENTENNIAL ACQUISITION FIT WITH PREMIUM BRANDS' BUSINESS PLAN?

There are two key elements to our unique business strategy:

- Investing in and developing specialty food businesses with strong brands and leading niche market positions. In general terms, the differentiated nature of these businesses' products, combined with their strong brand names and niche market focus, enable them to earn higher and more consistent selling margins and avoid competing with major food manufacturers that produce and distribute mainstream food products on a larger scale.
- Investing in and developing differentiated food distribution networks that compliment our specialty food businesses. These networks generate higher margins by offering customers unique service and product solutions that differentiate them from distributors who are primarily focused on logistics. Furthermore, they enable us to generate and sustain additional margin by providing our specialty food businesses with direct proprietary access to a diversified customer base.

Centennial fits perfectly with the distribution side of our business strategy as it provides our specialty food businesses with a new growth opportunity by giving them a direct proprietary pipeline to a segment of the food industry that we have traditionally been underdeveloped in, namely hotels, restaurants and institutions. In addition, as a sophisticated global procurer of top quality products, Centennial is helping to generate purchasing synergies for our specialty food manufacturing businesses and procure new and exciting products for our other distribution businesses.

Centennial also provides us with strong growth opportunities within its own business model. Over the last five years Centennial has generated consistent organic growth at an average compounded annual growth rate of approximately 8%. With the recent expansion of several of its distribution facilities and the continued growth of Western Canada's economy, it is very well positioned to continue to provide solid organic growth. In addition, Centennial's management team has helped to identify several promising acquisition opportunities that would further strengthen Centennial's competitive position.

HOW DOES THE STUYVER'S ACQUISITION FIT WITH PREMIUM BRANDS' BUSINESS PLAN?

Stuyver's provides us with another specialty food manufacturing business whose high quality differentiated artisan baked products are well positioned to benefit from the key consumer trends our business plan is focused on. Furthermore, Stuyver's recent installation of new state-of-the-art stone-deck thermal oil ovens that combine the quality of old country artisan baking with modern technology for large-scale production will ensure its continued market leadership.

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Acquisitions . . . Centennial Foodservice and Stuyver's Bakestudio

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Stuyver's also provides our proprietary distribution networks with another specialty food product line that can be used to drive their growth and further leverage their capacities, and will generate vertical integration benefits, such as proprietary product development, as a key supplier of breads to our sandwich operations.

WHAT HAPPENS TO THE PREMIUM BRANDS' OWNERSHIP STRUCTURE AFTER 2011?

Our income trust structure has been a very tax efficient way for us to distribute our consistent and growing cash flows to our equity stakeholders. Unfortunately, recent changes in the way we will be taxed starting on or before 2011 will eliminate the efficiency of our trust structure and may even make it punitive to our unitholders. As a result we are examining possible alternative structures, such as a high yield dividend corporate structure, with the goal of maximizing the after-tax return earned by our unitholders while ensuring the ownership model is appropriately suited to our business. At this point, however, our structure is still very effective and we have no plans to change it prior to 2011.

WHAT ARE PREMIUM BRANDS' GROWTH INITIATIVES FOR 2008 AND BEYOND?

Over the last four years we have grown our sales at an average annual compounded growth rate of approximately 25% with organic initiatives accounting for between 8% and 9% of the growth and acquisitions the balance. Looking forward our growth will continue to be driven by initiatives in both these areas.

Organically, we are concentrating on three key growth strategies: product development, geographical expansion and leveraging our proprietary distribution networks.

- Product Development: Our product development initiatives are focused on two central themes: being relevant to consumers and being responsive to their changing tastes and demands. We pride ourselves on consistently leading the marketplace with new high quality innovative products. Most recently we have been focusing on the rapidly growing "healthier for you" food products category with products that are convenient and taste great but have no trans-fat, less total fat and/or salt and no unnatural preservatives.

- Geographical Expansion. Our organic geographical expansion initiatives are primarily focused on markets in the U.S. Pacific Northwest and Central Canada, which today account for only 5% of our sales. Western Canada essentially accounts for the remainder. We are expanding into these new markets through a variety of tactics including our specialty manufacturing businesses selling direct to large format retailers in both Canada and the U.S., our retail direct-to-store distribution network forming strategic alliances with direct-to-store distributors in Central Canada and our corporate foodservice business developing relationships with national restaurant chains. During 2007 we made solid progress on all three of these fronts and expect our geographical growth to accelerate in 2008.

- Leveraging our Proprietary Distribution Networks: Our proprietary distribution networks access approximately 25,000 customers directly on a weekly or more regular basis. We are leveraging these proprietary networks in two key ways. Firstly, as a selling, marketing and distribution channel for our specialty manufacturing businesses. This proprietary access has been a key driver of our growth in the past and, with the acquisition of Centennial, which provides our specialty manufacturing businesses with approximately 5,000 new customers, will be even more so as we move forward.

  The second key way that we are leveraging our proprietary distribution networks is through our global product procurement strategies which are focused on searching markets around the world for new and unique food items that can be marketed through our distribution businesses. Generally these products are introduced under one of our proprietary brand names thus providing us with complete control over the marketing and distribution of the product while eliminating the need to invest capital in its production.

Our acquisitions strategy is very straight forward. We buy well-run specialty food manufacturing and differentiated distribution businesses with great brands, leading niche market positions, entrepreneurial management teams and consistent cash flows at a fair price. We then focus on creating value by providing these businesses with access to a variety of resources including our unique sales and proprietary distribution networks, purchasing power, global product procurement resources and state-of-the-art information technologies.

Looking forward, we see a significant number of potential acquisition targets and intend to continue to be very active in this area. From a geographical perspective, the majority of the opportunities we are examining are based in Western Canada, however, the weakening U.S. dollar and the resulting improved competitiveness of U.S. based manufacturers is presenting us with unique and interesting opportunities to add to our small footprint in the Western US.

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Unique Proprietary Distribution Networks

"Today, with a portfolio of eight leading specialty manufacturers, eight number one specialty retail brand names, and three differentiated proprietary distribution networks servicing 25,000 customers, we have achieved the first step of what we set out to do in 2001. Our next step is to substantially grow our footprint with the goal of becoming one of North America's predominant specialty foods companies. With our unique business strategies, and the significant competitive advantages and growth opportunities they afford us, we are ideally positioned to achieve this as we move to the next stage in our evolution."

WHAT ARE SOME OF OUR RECENT NEW PRODUCT LAUNCHES?

Over the past two years our specialty food businesses have successfully launched over 100 new products and many more are at various stages of development. Some of our 2007 product launches were:

Harvest recently entered a new product category with the launch of a fresh sausage line which includes four exciting flavours: mild Italian, bratwurst, maple breakfast and original breakfast. All of these items are made with the finest ingredients including hand picked spices, and with old-world skill, care and pride. Initial consumer reaction has been exceptional and we see this as quickly becoming part of Harvest's core group of premium processed meat products.

Harvest also just launched a line of bison based products including smokies, pepperoni sticks and wieners. All of these items are made from high quality cuts of bison raised naturally on the Canadian prairies, cooked in natural wood smoke and contain no MSG or glutens.

Grimm's had a record year for new product launches which included a variety of new products as well as several line extensions. Sales of its new High Health branded products, which include turkey, beef and bison smokies and pepperoni, exceeded expectations as consumers responded very positively to these great tasting products that qualify to display the "heart friendly" Health Check logo. Similarly, the introduction of Grimm's "Deli-to-Go" line-up of sliced and packaged deli meats, which are gluten, lactose and soy free and made with all natural meats and no fillers, was also very well received. These new lines are just two examples of how we are targeting discriminating consumers who are willing to pay more for uncompromising quality and great taste.

Stuyver's launched a completely new product line of naturally leavened loaves consisting only of flour, water and salt plus natural inclusions such as olives, garlic and cheese. These exciting old country artisan breads are now distributed across Western Canada and are quickly developing a following from discriminating consumers that are looking for superior quality and a unique taste experience.

Our category leading **McSweeney's** brand also introduced several new items during the year as it continued to gain momentum across Canada. Most recently, it launched "McSweeney's Jerky Chew" which consists of a line of naturally smoked shredded beef jerky products packaged in convenient, pocket-sized re-sealable containers. The McSweeney's Jerky Chew line has already gained widespread distribution across Western Canada with prominent counter and hanging rack displays in most convenience stores.

During 2007 McSweeney's also added two new flavours, honey garlic and a hot flavor, to its extremely successful McSweeney's bulk pepperoni product line. These new product flavors, combined with a re-designed label that includes nutrition information will help to ensure that McSweeney's continues to lead this key impulse driven category.

HOW IS PREMIUM BRANDS PLANNING TO MAINTAIN ITS POSITIVE MOMENTUM GIVEN TODAY'S MANY CHALLENGES INCLUDING CHANGING CONSUMER TASTES, VOLATILE AND UNCERTAIN ECONOMIC CONDITIONS, FLUCTUATING CURRENCIES, RISING COMMODITY INPUT COSTS, CHALLENGING LABOR MARKETS AND INCREASED COMPETITION?

Over the past several years we have transformed Premium Brands' business model by focusing on where the puck is going to be rather than where it has been. This strategy has helped us avoid the pitfalls that have befallen many food companies and will enable us to continue to prosper during these uncertain times.

As a vertically integrated food platform featuring:

- leading specialty brands that consumers relate to;
- unique proprietary distribution networks;
- modern and efficient manufacturing plants;
- strong supplier and customer relationships;
- unique global sourcing capabilities; and
- an entrepreneurial "can do" culture with a passion for innovation and excellence

we have numerous competitive advantages, including pricing power and operational flexibility, that uniquely position us with respect to the sustainability of our margins. A good example of how we use our operational flexibility to adapt to changing conditions is the success we have had over the past year in mitigating the impact of rising commodity prices on our margins by using the strength of the Canadian dollar to source high quality competitively priced raw materials and finished products from manufacturers based in the U.S., South America and Asia.

We are steadfast in our belief that our future is bright and that we will continue to generate superior returns for our unitholders over the long term.

Management's Discussion & Analysis For the Year Ended December 31, 2007

This Management's Discussion and Analysis ("MD&A") has been prepared as of March 26, 2008. It should be read in conjunction with Premium Brands Income Fund's (the "Fund's") 2007 audited consolidated financial statements and the notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This document, as well as additional information on the Fund and its predecessor Premium Brands Inc. (the "Company"), are filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and available online at www.sedar.com.

All amounts are expressed in Canadian dollars except as noted otherwise.

FUND OVERVIEW

Pursuant to a plan of arrangement ("the income trust conversion") which became effective on July 27, 2005, the Fund indirectly acquired 100% of the shares of the Company in exchange for units of the Fund and exchangeable units (which are exchangeable into units of the Fund on a one for one basis) issued by a subsidiary of the Fund. Prior to the income trust conversion the Company's common shares traded on the Toronto Stock Exchange ("TSX") under the symbol "FFF". Immediately following the income trust conversion the Fund's units commenced trading on the TSX under the symbol "PBI.UN".

For accounting purposes the Fund is considered to be a continuation of the Company. As a result, the exchange of the Company's common shares for the Fund's units was recorded at the carrying values of the Company's assets and liabilities on July 27, 2005 in accordance with the continuity of interest method of accounting, and the Fund's consolidated financial statements are presented as a continuation of the Company's consolidated financial statements.

BUSINESS OVERVIEW

The Fund owns a broad range of businesses that manufacture, market and/or distribute a variety of branded specialty food products to markets in Western Canada and, to a lesser extent, Central and Eastern Canada as well as the western United States. It defines "specialty food products" as food products where the consumer's purchasing decision is based primarily on factors other than price, such as quality, convenience, product consistency, health and/or lifestyle. Examples of the Fund's specialty food products include meat snacks such as pepperoni, beef jerky and kippered beef; snack foods such as fresh and individually wrapped pastries and cookies; concession products such as popcorn, hot and frozen beverage supplies and ice cream accessories; fresh and pre–packaged sandwiches; European–style deli meats; delicatessen items such as cheeses and specialty Mexican foods; and premium smoked sausages.

A core part of the Fund's strategy is the diversification of its customer base through the development of proprietary distribution networks that service a variety of end users including niche food retailers, convenience stores, delicatessens, restaurants, concession stands and small grocery chains. These networks provide the Fund's various specialty food operations with proprietary access to a large and diverse base of approximately 25,000 customers. In addition, the Fund sells a variety of products purchased from third party manufacturers through its proprietary distribution networks.

FORWARD LOOKING STATEMENTS

This discussion and analysis includes forward looking statements with respect to the Fund, including its business operations strategy and financial performance and condition. These statements generally can be identified by the use of forward looking words such as "may", "could", "should", "would", "will", "expect", "intend", "plan", "estimate", "project", "anticipate", "believe" or "continue", or the negative thereof or similar variations. Although management believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's internal expectations and belief at this time, such statements involve unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things: (i) seasonal and/or weather related fluctuations in the Fund's sales; (ii) changes in Canadian income tax laws; (iii) changes in the cost of raw materials used for the Fund's products; (iv) changes in the cost of products sourced from third party manufacturers and sold through the Fund's proprietary distribution networks; (v) changes in consumer discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (vi) changes in consumer preferences for food products; (vii) competition from other food manufacturers and distributors; (viii) new government regulations affecting the Fund's business and operations; and (ix) other factors as discussed in the Fund's Annual Information Form, which is filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and available online at www.sedar.com.

The Fund disclaims any intention or obligations to revise forward-looking statements whether as a result of new information, future developments, or otherwise.

SUPPLEMENTAL DISCLOSURE

EBITDA, distributable cash, net funded debt and RONA are not terms defined under GAAP. As a result, these terms, as defined by the Fund, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should they be construed as alternatives to other earnings measures determined in accordance with GAAP.

The Fund believes that earnings before interest, taxes, depreciation, amortization and unrealized losses on foreign currency contracts ("EBITDA") is a useful indicator of the amount of cash generated by the Fund's operating businesses prior to financing and income tax related costs. The following table provides a reconciliation of EBITDA to net earnings from continuing operations before non-controlling interest:

(in thousands of dollars)	13 weeks ended Dec 31, 2007	13 weeks ended Dec 31, 2006	Year ended Dec 31, 2007	Year ended Dec 31, 2006
Earnings from continuing operations before non-controlling interest	3,282	2,818	25,895	14,446
Depreciation of capital assets [1]	1,623	1,501	6,164	5,559
Interest and other financing costs [2]	1,792	372	4,932	2,185
Amortization of intangible and other assets [1]	1,205	148	2,030	500
Amortization of financing costs [1]	92	3	97	3
Amortization of puttable interest in subsidiaries [1]	43	—	43	—
Unrealized loss on foreign currency contracts [3]	461	—	461	—
Income tax provision (recovery) [2]	402	(31)	(6,271)	(11)
EBITDA	8,900	4,811	33,351	22,682

(1) Amount added back as this is a non-cash expense.

(2) Amount added back as this is a financing or tax related charge.

(3) This amount is a theoretical number representing what it would have cost the Fund, on December 31, 2007, to liquidate its U.S. dollar forward purchase contracts outstanding at that time. Amount is added back as the Fund does not intend to liquidate these contracts but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

The Fund believes that distributable cash is a useful indicator of the amount of cash available for distribution to its unitholders. The following table provides a reconciliation of distributable cash to cash flows from continuing operations:

(in thousands of dollars)	13 weeks ended Dec 31, 2007	13 weeks ended Dec 31, 2006	Year ended Dec 31, 2007	Year ended Dec 31, 2006
Cash flows from continuing operations	12,005	3,090	31,830	19,481
Change in non-cash working capital [1]	(4,825)	1,363	(3,528)	1,010
Restricted Trust Unit Plan accrual [2]	(82)	—	(82)	—
Payments received on notes receivable [3]	132	69	463	432
Maintenance capital expenditures [4]	(417)	(386)	(1,780)	(1,887)
Amortization of puttable interest in subsidiaries [5]	(43)	—	(43)	—
Non-controlling interest [6]	(110)	(61)	(407)	(253)
Unusual cash income taxes [7]	—	—	104	—
Distributable cash	6,660	4,075	26,557	18,783

(1) Cash used for increases in the Fund's non-cash working capital is funded through draws on its bank lines of credit, while cash resulting from decreases in its non-cash working capital is used to pay down its bank lines of credit. As a result, changes in the Fund's non-cash working capital are excluded from the calculation of distributable cash.

(2) Cash payments under the Fund's Restricted Trust Unit Plan will be funded from cash generated by operations and therefore the corresponding expense is deducted in the calculation of distributable cash.

(3) Amount represents principal payments received on notes receivable. This amount is an unallocated cash flow and is therefore included in the calculation of distributable cash.

(4) Amount represents the portion of the Fund's capital expenditures that are funded from cash generated by its operations and therefore is deducted in the calculation of distributable cash. See *Liquidity and Capital Resources* below for details.

(5) Amount represents the accrued value on options held by third parties that entitles them to require the Fund to purchase their interest in non-wholly owned subsidiaries of the Fund. Payments to these third parties will be funded from cash generated by operations and therefore the corresponding expense is deducted in the calculation of distributable cash.

(6) Amount represents the portion of the Fund's cash flows that is attributable to non-controlling interests and is therefore deducted in the calculation of distributable cash.

(7) Amount is the result of an income tax reassessment for a business that was sold by the Fund in 2003 (the "Sold Business"). The income tax reassessment related to years in which the Fund owned the Sold Business and for which the Fund had indemnified the purchaser of the Sold Business. This amount has been funded out of the Fund's bank lines of credit and is therefore added back in the calculation of distributable cash.

The Fund believes that net funded debt is a useful indicator of its financial strength. The following table provides the calculation of net funded debt:

(in thousands of dollars)	Dec 31, 2007	Dec 31, 2006
Cheques outstanding	695	756
Bank indebtedness	9,703	5,424
Current portion of long-term debt	148	179
Deferred financing costs [(1)]	641	206
Long-term debt	96,914	11,670
	108,101	18,235
Less cash and cash equivalents	1,116	1,940
Net funded debt	106,985	16,295

(1) As a result of the Fund's adoption of the Canadian Institute of Chartered Accountants' new accounting rules for financial instruments on January 1, 2007, deferred financing costs, which were previously included in other assets, have been retroactively reclassified as a reduction to long-term debt.

The Fund believes that return on adjusted net assets ("RONA") is a useful indicator of the performance of its operations relative to the assets employed. The following table provides the calculation of RONA:

(in thousands of dollars)	Year ended Dec 31, 2007	Year ended Dec 31, 2006
Return:		
EBITDA	33,351	22,682
Capital maintenance expenditures	(1,780)	(1,887)
	31,571	20,795
Adjusted net assets:		
Closing net assets [(1)]	249,669	153,900
Acquisitions timing adjustment [(2)]	(55,174)	(3,861)
Adjusted closing net assets	194,495	150,039
Opening net assets [(1)]	153,900	135,576
Average [(3)]	174,198	142,807
RONA [(4)]	18.1%	14.6%

(1) Calculated as total assets less: future income taxes assets, accounts payable, accrued liabilities and assets of discontinued operations.
(2) Adjustment normalizes for material acquisitions occurring part way through the year by using the year end net assets for such acquisitions and weighting this amount for the number of days in the year that the Fund did not own the applicable businesses.
(3) Calculated as the sum of the adjusted closing net assets and the opening net assets divided by two.
(4) Calculated as the return amount divided by average adjusted net assets.

SELECT ANNUAL INFORMATION

The following is a summary of select annual consolidated financial information. All amounts except EBITDA are derived from the Fund's audited consolidated financial statements for each of the three most recently completed financial years and are prepared in accordance with GAAP. See *Supplemental Disclosure* above for details on the calculation of EBITDA.

(in millions of dollars except per unit/share amounts)	Year ended Dec 31, 2007	Year ended Dec 31, 2006	Year ended Dec 31, 2005
Revenue	326.4	216.5	206.6
EBITDA	33.4	22.7	19.4
Earnings from continuing operations before income taxes non-controlling interest and trust conversion costs	19.6	14.4	10.9
Earnings from continuing operations	25.5	14.2	5.8
Earnings per unit/share from continuing operations [1]	1.46	0.91	0.47
Loss from discontinued operations	0.0	(1.4)	(9.5)
Earnings (loss)	25.5	12.8	(3.7)
Earnings (loss) per unit/share [1]	1.46	0.83	(0.29)
Total assets	285.6	174.2	155.7
RONA	18.1%	14.6%	14.9%
Total long-term financial liabilities [2]	97.6	11.9	22.3
Cash distributions declared per unit	1.176	1.176	0.506

(1) Diluted earnings (loss) per unit/share equals earnings (loss) per unit/share.
(2) Excludes deferred costs of financing.

The Fund has consistently grown its revenue, EBITDA and earnings from continuing operations over the last three years through the successful implementation of its branded specialty food and distribution strategies and by the acquisition of businesses that complement these core strategies. The July 2007 acquisition of Centennial Foodservice ("Centennial") (see *Liquidity and Capital Resources – Cash Flows from Investing Activities* below for details) had, in particular, a significant impact on the Fund's 2007 revenue and earnings.

The Fund's discontinued operations incurred a significant loss in 2005 due primarily to the write-down of various assets to net realizable value. In 2006 the Fund shut down its remaining discontinued operation and liquidated most of that operation's assets.

The three year trend of increasing total assets reflects both the Fund's continuing investment in its existing specialty food manufacturing and distribution businesses as well as the acquisition of new specialty food manufacturing and distribution businesses.

The Fund's RONA decreased slightly in 2006 as compared to 2005 due to the Fund's $7.5 million investment in a new production facility in 2006 that was in start up mode for a significant portion of the year. The Fund's higher RONA in 2007 relative to 2006 reflects the Fund's improved financial performance as discussed above.

The decrease in the Fund's long-term financial liabilities from 2005 to 2006 reflects the pay down of debt resulting from the issuance of the Fund's units from treasury, which was partially offset by the issuance of new debt to fund a variety of capital projects as well as several smaller acquisitions. The increase in the Fund's long-term financial liabilities from 2006 to 2007 is the result of issuing debt to fund the $91.8 million spent on acquisitions in 2007.

The increase in the Fund's total cash distributions per unit from 2005 to 2006 was due to 2006 being the first full year of cash distributions. The Fund's monthly cash distribution of $0.098 per unit has not changed since its conversion to an income trust in July 2005.

RESULTS OF OPERATIONS

The Fund's revenue for 2007 increased by 50.8% or $110.0 million to $326.4 million as compared to $216.5 million in 2006. Acquisitions accounted for $95.7 million of the increase and organic growth at a rate of 7.0% for $15.0 million of the increase. Partially offsetting these factors was a $0.7 million decrease in sales of mainstream processed meats due to the Fund's decision to exit certain lower margin product categories part way through the first quarter of 2006.

See *Liquidity and Capital Resources – Cash Flows from Investing Activities* below for details of the Fund's 2007 acquisitions. The Fund's organic growth of 7.0% was driven by a variety of factors including the continued successful implementation of its core specialty food and distribution strategies and the strength of Western Canada's economy.

The Fund's gross profit margin for 2007 decreased to 29.5% from 33.0% in 2006 due solely to the acquisition of Centennial, which has historically generated a gross profit margin of 16.5% to 17.0% as compared to an average of 30% to 33% for the Fund's remaining businesses. Excluding the recently acquired Centennial and Stuyver's Bakestudio ("Stuyver's") businesses, the gross profit margin for the Fund's remaining businesses was relatively stable at 33.3% versus 33.0% in 2006.

The Fund's margins can be impacted by cyclical trends in a number of commodities purchased by its manufacturing and distribution businesses. For 2007, the Fund was able to mitigate the impact of increases in the prices of certain commodities such as flour, cheese and fuel through its diversified product portfolio, which saw decreases in other commodities such as certain cuts of pork and beef, and through its ability to pass on increased costs by raising selling prices.

As a percentage of sales, selling, general and administrative expenses ("SG&A") for 2007 decreased to 19.2% from 22.5% in 2006 due primarily to the Centennial acquisition. Excluding 2007 acquisitions, SG&A, as a percentage of sales for the Fund's remaining businesses, was relatively stable at 22.0% versus 22.5% in 2006 with the decrease being primarily due to the Fund's higher sales relative to certain fixed SG&A costs and changes in its sales mix that resulted in lower selling commissions on a percentage of sales basis.

The Fund's EBITDA, as a percentage of sales, decreased to 10.2% for 2007 from 10.5% in 2006 due to its acquisition of Centennial, which has historically had a lower EBITDA margin as compared to the Fund's other businesses. Excluding 2007 acquisitions, EBITDA as a percentage of sales for the Fund's remaining businesses increased to 11.3% from 10.5% in 2006.

Depreciation for 2007 increased to $6.2 million from $5.6 million in 2006 primarily due to acquisitions.

Interest and other financing costs for 2007 increased to $4.9 million from $2.2 million in 2006 primarily due to the Fund's 2007 acquisitions and the Creekside Custom Foods acquisition at the end of 2006 being financed by debt.

Amortization of intangible and other assets increased from $0.5 million in 2006 to $2.0 million in 2007 due primarily to $0.3 million in new amortization expense relating to businesses acquired in 2007, $0.5 million in additional expense relating to the accelerated amortization of intangible assets, and a $0.4 million charge resulting from the write off of a note receivable from Tapp Technologies Inc. ("Tapp"). The note receivable from Tapp resulted from the sale of a non-core label printing business to Tapp in 2003.

The Fund recognized in 2007 an unrealized loss on foreign currency contracts of $0.5 million as a result of new accounting rules (see *New Accounting Policies* below for details) which require the fair market valuation of any derivative contracts not accounted for as cash flow hedges. The unrealized loss of $0.5 million is a theoretical number representing what it would have cost the Fund, on December 31, 2007, to liquidate its U.S. dollar forward purchase contracts outstanding at that time. The Fund does not, however, intend to terminate these contracts, but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

The Fund generated a future income taxes recovery in 2007 of $6.4 million due to the recognition of $6.8 million in future tax assets resulting from changes in the manner in which publicly traded trusts such as the Fund will be treated for tax purposes starting on or before January 1, 2011 (see *Income Tax – Recent Changes* below for details), partially offset by a $0.4 million provision relating to other changes in the Fund's future income tax accounts in 2007.

The Fund shut down its last discontinued operation in July 2006, and over the remainder of 2006 liquidated substantially all of the assets associated with this operation. In conjunction with the shut down, the Fund incurred a loss from discontinued operations of $1.4 million in 2006.

Segmented Information

The Fund is made up of a variety of specialty food businesses, consisting of both manufacturing and distribution operations, most of which are highly integrated and are characterized by substantial cooperation, cost allocation and sharing of assets. As a result, the operating performance and other financial information presented on the Fund's two reportable segments, as defined under GAAP, does not necessarily represent what each of the segments would report if they were operating independently.

In prior years the Fund reported on two reportable segments: Defined Specialty Foods and Other. Defined Specialty Foods included the Fund's Canadian specialty food manufacturing and distribution businesses while the Other segment included its concessionary and U.S. specialty food manufacturing businesses. As a result of the acquisition of Centennial in 2007, and to better align its reportable segments along common industry trends, risk factors and general business dynamics (such as customers and competitors), as well as to better reflect how the Fund views its business, it now reports on the following two reportable segments: Retail and Foodservice.

The Retail segment includes the Fund's specialty manufacturing businesses (such as Harvest, Grimm's, Hygaard and Quality Fast Foods) and its Direct Plus retail proprietary distribution network. Substantially all of the Retail segment's external sales are to retailers, including delicatessens, small specialty grocery chains, convenience stores, gas bars, large national and regional grocery chains and warehouse clubs.

The Foodservice segment includes the Fund's Centennial, Harlan Fairbanks and E1even businesses, all of which are primarily focused on foodservice customers such as restaurants, concessions, bars caterers, hotels, recreation facilities, schools and hospitals.

The Fund's revenue and segment earnings by reportable segment are as follows:

(in thousands of dollars)	Year ended Dec 31, 2007	Year ended Dec 31, 2006
Revenue:		
Retail	204,480	179,917
Foodservice	121,961	36,548
	326,441	216,465
Segment earnings (loss):		
Retail	22,863	18,449
Foodservice	8,964	3,738
Corporate costs	(6,670)	(5,564)
	25,157	16,623

The Retail segment's revenue for 2007 increased by $24.6 million or 13.7% to $204.5 million as compared to $179.9 million in 2006. Acquisitions accounted for $12.1 million of the increase and organic growth across the segment's various specialty product lines for the balance.

The Retail segment's earnings increased by $4.4 million to $22.9 million from $18.4 million in 2006 due to the segment's higher sales and to its operating margin (segment earnings divided by segment sales) increasing to 11.2% from 10.3% in 2006. The segment's higher operating margin was due to a variety of factors including its improved sales resulting in operating efficiencies in its plants and its Direct Plus distribution network and favourable product sales mix changes.

The Foodservice segment's revenue for 2007 increased by $85.4 million to $122.0 million from $36.5 million in 2006. Acquisitions accounted for $83.6 million of the increase and organic growth across the segment's product lines for $2.6 million of the increase. Partially offsetting these factors was a $0.8 million decrease in sales of mainstream processed meats due to the segment's decision to exit certain lower margin product categories part way through the first quarter of 2006.

The Foodservice segment's earnings increased by $5.2 million to $9.0 million from $3.7 million in 2006 due primarily to its higher sales. The segment's operating margin was 7.4% as compared to 10.2% in 2006 primarily due to changes in sales mix resulting from the Centennial acquisition.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected quarterly consolidated financial information. All amounts, except EBITDA, are derived from the Fund's unaudited consolidated interim financial statements for each of the eight most recently completed quarters and are prepared in accordance with GAAP. See the *Supplemental Disclosure* section above for details on the calculation of EBITDA.

(millions of dollars except per unit amounts)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Revenue	47.2	57.5	58.8	53.0	52.3	63.7	108.6	101.8
EBITDA	4.0	7.3	6.6	4.8	4.6	8.3	11.6	8.9
Earnings before discontinued operations:								
Total	2.1	5.1	4.2	2.8	2.4	12.7	7.2	3.2
Per unit	0.14	0.34	0.28	0.16	0.14	0.73	0.41	0.18
Loss from discontinued operations	(0.3)	(0.4)	(0.7)	0.0	0.0	0.0	0.0	0.0
Earnings:								
Total	1.8	4.7	3.5	2.8	2.4	12.7	7.2	3.2
Per unit	0.12	0.31	0.24	0.16	0.14	0.73	0.41	0.18

The Fund's operations are based primarily in Western Canada and its quarterly results are subject to fluctuations associated with seasonal changes in consumer demand in this region. In general terms, results are weaker in the first quarter due to poor weather conditions and reduced consumer spending in general, peak in the spring and summer months due to favourable weather conditions that result in increased outdoor activities and travelling and, in turn, higher consumer demand for the Fund's products, and decline in the fourth quarter due to poor weather conditions.

On a comparative quarter-to-quarter basis, the Fund's sales and EBITDA have shown consistent improvement reflecting the successful implementation of its core specialty food and distribution strategies and the completion of several acquisitions.

In the second quarter of 2007 the Fund recorded a $6.8 million future income tax recovery due to changes in the manner in which publicly traded trusts, such as the Fund, will be treated for tax purposes starting on or before January 1, 2011. See *Income Tax – Recent Changes* below for details.

The Fund incurred losses from its discontinued operation until its shut down in the third quarter of 2006.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's primary uses of cash, and how these uses are funded, are as follows:

Cash distributions to unitholders. Cash distributions are financed primarily through operations. However, as an income trust, a key objective of the Fund is to maintain a steady cash distribution to its unitholders, which is achieved by basing its monthly cash distributions on an annual rate divided into twelve equal monthly payments. As a result, it is possible that in some months its cash distribution to unitholders may exceed the distributable cash generated by its operations due to the seasonality of its business, or unexpected short term shocks to one or more of its operations. Under these circumstances the Fund's bank lines of credit can be used to balance its cash needs.

Acquisition of businesses that complement the Fund's specialty food and distribution based strategies. The source of financing for an acquisition depends primarily on the size of the transaction. Smaller acquisitions are generally financed through the Fund's existing credit facilities, while larger acquisitions can be financed through a variety of financing sources including existing credit facilities and the issuance of new debt and/or equity.

Capital expenditures. The Fund's capital expenditures can be categorized into two types: project capital expenditures and maintenance capital expenditures. Project capital expenditures are capital expenditures that are expected to generate a minimum return on investment of 15% through increased production capacity and/or improved operating efficiencies. Maintenance capital expenditures include all capital expenditures that do not qualify as a project capital expenditure, and consist mainly of expenditures necessary for maintaining the Fund's existing level of production capacity and operating efficiency.

Maintenance capital expenditures are financed primarily through operations while project capital expenditures are generally funded through the Fund's credit facilities, however, larger expenditures, such as the building of a new plant or a major expansion of an existing plant, may also be funded through the issuance of new debt and/or equity.

Maintenance of the Fund's truck fleet. The Fund currently operates a fleet of approximately 170 trucks which service customers across Western Canada. Primarily all of the trucks utilized in this fleet are leased under a full maintenance operating lease program and, as a result, primarily all of the cost of maintaining the Fund's fleet is funded through operations and expensed in the calculation of the Fund's EBITDA.

Working capital. The Fund generally funds increases in its accounts receivable and inventory balances through draws on its bank lines of credit and terms on its trade purchases (i.e. accounts payable). The Fund's working capital needs generally peak in the spring and summer months and around festive holiday seasons (e.g. Easter, Thanksgiving and Christmas) as inventories and accounts receivable are built up in anticipation of increased consumer demand.

Repayment of long-term debt. The majority of the Fund's long-term debts, subject to meeting certain conditions, has no scheduled principal payments prior to their maturity dates. The Fund intends to fund long-term debt that is due through the issuance of new long-term debt and/or equity. In addition, it intends to use any excess cash flow from its operations to pay down revolving credit facilities that can then be drawn on at a later date to fund project capital expenditures and/or acquisitions (see *Liquidity and Capital Resources – Credit Capacity*).

Credit Capacity

At December 31, 2007 the Fund had the following unutilized credit capacity:

(in thousands of dollars)	Credit Facilities	Net Funded Debt	Unutilized Credit Capacity
Revolving senior credit facilities [1] [2]	23,500	8,587	14,913
Revolving senior credit facility [3]	40,000	27,000	13,000
Non-revolving senior credit facility [4]	64,000	64,000	—
Industrial Development Revenue Bond [5]	5,993	5,993	—
Cheques outstanding	—	695	(695)
Other	710	710	—
	134,203	106,985	27,218

(1) Facility utilization is net of cash and cash equivalents.

(2) Amount is made up of two credit facilities: a $22.0 million bank line of credit that matures in July 2010, and a US$1.5 million bank line of credit that matures in July 2008. Both of these facilities can be used to fund the Fund's working capital and general operating needs and neither has any principal payments due prior to their maturity dates.

(3) Credit facility matures in July 2010, can be used to fund capital projects and acquisitions, and has no principal payments due prior to its maturity date.

(4) Credit facility matures in July 2010 and has no principal payments due prior to its maturity date as long as the Fund's debt to EBITDA ratio does not exceed 3.0:1 for two consecutive quarters. In the event that the Fund's debt to EBITDA ratio does exceed 3.0:1 for two consecutive quarters, then the Fund will have to make monthly principal payments of $0.3 million if its debt to EBITDA ratio is below 3.25:1 and $0.7 million if its debt to EBITDA ratio is above 3.25:1. The principal payments will cease if subsequently the Fund's debt to EBITDA ratio falls below 3.0:1 for two consecutive quarters.

(5) Credit facility relates to the Fund's U.S. subsidiary, Hempler Foods Group LLC, is denominated in U.S. dollars (US$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.

The financial covenants associated with the Fund's senior credit facilities are as follows:

	Covenant Requirements
Net funded debt to EBITDA ratio [1]	=< 3.5 : 1.0
Current ratio [2]	> 1.3 : 1.0
Interest coverage ratio	> 4.0 : 1.0

(1) Covenant decreases to 3.25:1 in the fourth quarter of 2008 and 3.0:1 in the first quarter of 2009. These reductions, however, are subject to a 0.25:1 add-on for a period of two consecutive quarters in the event of an acquisition.

(2) Covenant increases to 1.5:1 in the first quarter of 2009.

During 2007, the Fund changed its long-term targeted net funded debt to EBITDA ratio to a range of 2.0:1 to 2.5:1 from its previous long-term target of 1.5:1 based on the following considerations:

a. Changes in the tax laws governing the Fund (see *Income Tax – Recent Changes* below for details) which will likely result in the Fund converting back to a corporate ownership structure at the end of 2010;

b. Looking forward to when the Fund is subject to entity level taxation, the tax efficiency associated with financing its operations with debt since interest is generally deductible in the calculation of taxable income; and

c. The targeted net funded debt to EBITDA ratio range reflects a balance of the debt levels justified by the consistency and sustainability of the Fund's cash flows and the portion of its cash flows that it intends to distribute to its unitholders (see *Distributable Cash – Payout Ratio* below for details).

Currently the Fund's net funded debt to EBITDA ratio, after including four quarters of trailing EBITDA for its recent acquisitions, is 2.7:1.

Cash Flows from Operating Activities

For 2007 the Fund generated $28.3 million from operations and $3.5 million from a reduction in its net working capital. The Fund's lower net working capital was due primarily to a higher accounts payable balance which was, in turn, the result of the timing of payments for a variety of items including customer volume rebates, capital equipment purchases and general trade payables.

Cash Flows from Financing Activities

For 2007 the Fund's financing activities generated a net cash flow of $66.6 million. This consisted of $91.8 million in debt raised for acquisitions partially offset by the payment of $20.5 million in distributions to unitholders and the repayment of $4.7 million of debt.

Cash Flows from Investing Activities

For 2007 the Fund used $99.2 million for investing activities consisting primarily of $91.8 million for acquisitions and $7.7 million for capital expenditures. The $91.8 million used for acquisitions funded the following two transactions:

a. In July 2007 the Fund acquired Centennial Foodservice. With annual sales of approximately $160 million, Centennial is Western Canada's leading specialty distributor of high quality "center-of-the-plate" protein products to the foodservice industry.

b. In August 2007 the Fund acquired an 80% interest in Stuyver's Bakestudio, a Western Canada based specialty bakery with annual sales of approximately $6 million. As part of the transaction, the Fund received an option to purchase the remaining 20% interest in Stuyver's at a formula price at any time after August 2010 and gave the third party owning the 20% interest an option that entitles them to require the Fund to purchase their interest at any time after August 2010 at a formula based price.

The $7.7 million spent on capital expenditures consisted of $1.8 million for maintenance capital expenditures and $5.9 million for a variety of project capital expenditures. Included in the project capital expenditures were: $1.7 million for equipment and leasehold improvements associated with the expansion of Centennial's Calgary and Edmonton operations, $1.4 million for additional baking capacity at Stuyver's Burnaby plant, and $0.9 million for equipment and leasehold improvements at the Fund's new beef jerky production facility located in Langley, B.C.

FINANCIAL POSITION

The following table shows the impact of the Fund's 2007 acquisitions on its December 31, 2007 balance sheet:

(in thousands of dollars)	Dec 31, 2007	Dec 31, 2007 Adjusted [(1)]	Dec 31, 2006
Assets:			
Current assets	74,341	43,943	43,883
Future income taxes	—	6,893	524
Capital assets	59,931	50,565	53,119
Intangible assets	41,384	5,980	7,116
Goodwill	107,716	66,058	65,040
Other assets	2,282	2,207	4,517
	285,654	175,646	174,199
Liabilities and Unitholders' Equity:			
Current liabilities	48,170	31,460	27,540
Puttable interest in subsidiaries	3,575	1,788	—
Future income taxes	423	—	—
Long-term debt	96,914	11,374	11,670
Non-controlling interest	1,158	830	2,373
Unitholders' equity	135,414	130,194	132,616
	285,654	175,646	174,199

(1) Adjusted balance sheet is based on the Fund's December 31, 2007 balance before including the December 31, 2007 balance sheets of the Fund's recent Centennial and Stuyver's acquisitions (see *Liquidity and Capital Resources – Cash Flows from Investing Activities* above for details).

The following analysis compares the Fund's adjusted December 31, 2007 balance as shown above to its December 31, 2006 balance sheet.

Long-term future income tax assets increased from $0.5 million on December 31, 2006 to $6.9 million on December 31, 2007 due to the recognition of $6.8 million in future tax benefits associated with temporary differences in the value of the Fund's net assets for tax purposes relative to their value for accounting purposes (see *Income Tax – Recent Changes* below for details)), partially offset by a $0.4 million provision relating to other changes in the Fund's future income tax accounts in 2007.

Capital assets decreased from $53.1 million on December 31, 2006 to $50.6 million on December 31, 2007 due to $5.7 million in depreciation and $1.3 million in foreign currency translation adjustments partially offset by $4.5 million in capital expenditures.

Intangibles decreased from $7.1 million on December 31, 2006 to $6.0 million on December 31, 2007 due to $0.6 million in amortization and $0.5 million in foreign currency translation adjustments.

Goodwill increased from $65.0 million on December 31, 2006 to $66.1 million on December 31, 2007 due to the recognition of a puttable interest in the Fund's 60% owned subsidiary Hempler Foods Group LLC ("Hempler's) which, in turn, resulted in a $1.3 million increase in goodwill. The recognition of the puttable interest in Hempler's was the result of the Fund's adoption of the Canadian Institute of Chartered Accountants' Handbook Section 3855 "Financial Instruments – Recognition and Measurement" (see *New Accounting Policies* below for details). The $1.3 million increase was partially offset by $0.2 million in foreign currency translation adjustments.

Other assets as at December 31, 2007 decreased to $2.2 million from $4.5 million as at December 31, 2006 due to a $0.9 million reduction in certain receivables resulting from the Fund's adoption of the Canadian Institute of Chartered Accountants' Handbook Section 1530 "Comprehensive Income" (see *New Accounting Policies* below for details), $0.6 million in long-term notes receivable and unit purchase loan collections, $0.4 million in amortization, the write off of a note receivable with a book value of $0.4 million (see *Results of Operations* above for details) and $0.1 million in foreign currency translation adjustments. Partially offsetting these items was a $0.1 million increase in unit purchase loans (see *Transactions With Related Parties* section below for details).

Current liabilities increased from $27.5 million as at December 31, 2006 to $31.5 million as at December 31, 2007 due to an increase in accounts payable and accrued liabilities resulting from the timing of payment for a variety of items including customer volume rebates, capital equipment purchases and general trade payables.

DISTRIBUTABLE CASH

The Fund's distributable cash for 2007 as compared to 2006 increased by $7.8 million to $26.6 million due to the Centennial and Stuyver's acquisitions in the third quarter of 2007 and the continued improvement in the operating results of the Fund's other businesses (see *Results of Operations* above for details).

Declared cash distributions for 2007 increased to $20.5 million as compared to $18.4 million for 2006 due to the issuance of 2,444,280 units in October 2006. The Fund's monthly distribution has remained constant at $0.098 per unit since its conversion to an income trust structure in July 2005.

The Fund's 2007 distributable cash of $26.6 million exceeded its net earnings before future income taxes of $19.1 million by $7.5 million primarily due to:

a. 2007 depreciation of capital assets expense of $6.2 million being $4.4 million higher than the corresponding item used in the calculation of distributable cash, namely maintenance capital expenditures of $1.8 million. This difference is mostly the result of a portion of the costs associated with maintaining the Fund's capital assets being funded through operating expenses, such as repairs and maintenance, and through project capital expenditures;
b. 2007 amortization of intangible and other assets expense of $2.0 million being excluded from the calculation of distributable cash. This is on the basis that most of this expense relates to costs that are either non-recurring, such as plant start up costs, or that relate to an intangible asset that is being maintained through operating expenses, such as the maintenance of the Fund's customer lists;
c. 2007 collections of $0.5 million on long-term notes receivable resulting from the sale of non-core assets and businesses being included in the calculation of distributable cash but not net earnings; and
d. 2007 unrealized loss on foreign currency contracts of $0.5 million. This is a theoretical number representing what it would have cost the Fund, on December 31, 2007, to liquidate its U.S. dollar forward purchase contracts outstanding at that time. The Fund does not, however, intend to terminate these contracts, but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

From the Fund's inception in July 2005 to December 31, 2007, the Fund has generated distributable cash of $53.4 million and declared cash distributions of $46.5 million.

Payout Ratio

For 2007 the Fund's payout ratio (defined as cash distributions divided by distributable cash) was 77.2% based on distributable cash of $26.6 million and declared cash distributions of $20.5 million. This compares to a payout ratio of 97.7% for 2006 and 100% when the Fund was created in July 2005. The significant decrease in the Fund's payout ratio was due solely to the growth of its distributable cash (see *Distributable Cash* above for details) as its monthly distribution has remained constant at $0.098 per unit.

The Fund's acquisitions in the third quarter of 2007 had, in particular, a significant impact on its payout ratio. Prior to making these investments the Fund's distributable cash per unit and its payout ratio were being negatively impacted by an equity offering completed in the fourth quarter of 2006, the proceeds of which were substantially un-invested, i.e. the Fund was paying out a distribution on the 2,444,280 units issued in the fourth quarter of 2006 but not yet receiving an adequate return on the proceeds of the offering.

Looking forward, the Fund expects to see continued improvement in its payout ratio on the basis of:

a. The continued contribution to its distributable cash from recent acquisitions as 2007 includes only approximately two quarters' results from these businesses;
b. The continued growth of its other specialty food and distribution businesses; and
c. Subject to ensuring that the taxable income allocated to unitholders by the Fund does not exceed its cash distributions to unitholders (see *Income Taxes* below for details), the Fund does not intend to increase its monthly distribution at this time, but instead plans to use any additional distributable cash to reduce its debt, fund project capital expenditures and/or make acquisitions.

Maintenance Capital Expenditures

The capital expenditures used in the calculation of distributable cash generally represent the expenditures incurred during the applicable period to maintain the Fund's production capacity (see *Liquidity and Capital Resources — Capital Expenditures* above for details). Capital maintenance expenditures for 2007 of $1.8 million were consistent with the $1.9 million spent in 2006 and in line with the Fund's four year rolling average of $1.6 million

The Fund's 2007 acquisitions had minimal impact on its capital maintenance expenditures for the year due to a significant portion of the assets used in the acquired businesses being leased, the acquisitions occurring in the latter half of 2007, and general timing issues associated with these types of expenditures.

INCOME TAX

The Fund, subject to certain conditions, currently does not pay income tax but rather allocates its taxable income to its unitholders. Historically, due to the Fund having significant tax assets, it has been able to keep the taxable income allocated to its unitholders significantly lower than its cash distributions. This, in turn, has resulted in a portion of the Fund's cash distributions being classified for tax purposes as a return of capital as opposed to a return on capital.

In 2006, 60% of the Fund's cash distributions were classified for tax purposes as a return on capital and 40% as a return of capital. For 2007, the portion of the Fund's cash distributions classified for tax purposes as a return on capital increased to 85% due to the Fund's lower payout ratio (see *Distributable Cash – Payout Ratio* above for details) and to the preservation of the Fund's available tax assets to shelter future taxable income.

Looking forward, the Fund expects the portion of its cash distributions that is considered to be a return on capital to continue to increase due to its intention to reduce its payout ratio (see *Distributable Cash – Payout Ratio* above for details) and to the tax value of assets acquired as part of the Centennial acquisition being relatively small.

As at December 31, 2007, the Fund's Canadian tax assets included approximately $42.8 million in cumulative eligible capital expenditures (deductible at a rate of 7% per year for tax purposes) and $50.1 million in un-depreciated capital costs.

Recent Tax Changes

In 2007, amendments were made to the manner in which publicly traded income trusts such as the Fund are taxed. Under the new tax provisions starting on or before January 1, 2011 the Fund will be subject to entity level taxation that will reduce the amount of cash available for distribution to its unitholders. More specifically, the Fund will be taxed on income (other than taxable dividends) distributed by the Fund to its unitholders at a rate that approximates the tax rate applicable to income earned by Canadian public corporations. The applicable rate in 2011 will be based on tax rates at that time, which, based on information released by the Department of Finance, will be 29.5% but is subject to change.

Corresponding with the above changes, income distributions received by the Fund's unitholders beginning January 1, 2011 will be characterized as eligible dividends received from a Canadian public corporation. Generally, individual unitholders resident in Canada will be subject to tax based on the enhanced gross-up and dividend tax credit applicable to eligible dividends and, assuming such unitholders are subject to the highest marginal rate of tax, will receive an after-tax return from their now reduced distribution of income approximately equal to the after-tax return if the pre-tax income of the Fund had been distributed directly to and taxed in the hands of the unitholders. However, reduced distributions will be an absolute cost to other types of unitholders including pension funds, registered retirement savings plans and non-residents who will not benefit from characterization of the distributions as dividends.

The ability of the Fund to defer the new tax provisions outlined above to 2011 ("the grandfathered period") is subject to the Fund not exceeding certain growth guidelines as set out by the Department of Finance. Under these guidelines a trust is only able to defer the new tax provisions to 2011 as long as it limits its issuance of new equity prior to 2011 to the greater of $50 million per year and the "safe harbour" amount, where the safe harbour amount for a particular trust is 40% of its market capitalization on October 31, 2006 for 2007 and 20% of its market capitalization on October 31, 2006 for each of 2008, 2009 and 2010.

The Fund's market capitalization on October 31, 2006 was approximately $188.0 million resulting in a safe harbour amount of approximately $75 million in 2007 and $50 million in each of 2008, 2009 and 2010. Presently the Fund does not expect to exceed the normal growth guidelines during the grandfathered period, however, there is always the possibility that a change in circumstances may result in the Fund losing its grandfathered status and, as a result, no assurance can be given that the Fund will be able to maintain its grandfathered status through to January 1, 2011. Loss of this status may result in material adverse tax consequences for the Fund and/or its unitholders.

The normal growth guidelines also provide an exception for certain exchange rights pursuant to which the issue of new equity during the grandfathered period will not be considered growth to the extent that the issuance is made in satisfaction of the exercise of a right in place on October 31, 2006 to exchange an interest in a partnership or a share of a corporation into that new equity. As a result, the issuance of the Fund's units in exchange for 600,000 exchangeable units issued by the Fund's subsidiary, Premium Brands Holdings Limited Partnership, will not be considered growth under the proposed tax changes.

As a result of the expected change in the Fund's tax status in 2011, the Fund recorded in the second quarter of 2007 a $6.8 million future income tax asset on its balance sheet and a corresponding future income tax recovery in its statement of operations. In general terms, this amount equals the temporary differences between the value of the Fund's net assets for tax purposes and their value for accounting purposes that will reverse after December 31, 2010, multiplied by the applicable future tax rate (currently projected at 29.5% for 2011 then reducing to 28% in 2012).

OUTLOOK

The information contained in this Outlook section is forward-looking information. See *Forward Looking Statements* above for a discussion of the risks and uncertainties associated with forward looking information.

For 2008 the Fund expects to continue growing its core specialty food sales at an organic rate consistent with its historic organic growth rate of 6% to 8% based on its three key growth initiatives: the development of new specialty food products, the introduction of new products sourced from other suppliers into the Fund's distribution networks and geographical expansion into the U.S. Pacific Northwest and Central Canada.

The Fund also intends to continue to pursue its acquisition strategy, which focuses on businesses that complement its existing manufacturing and/or distribution businesses, or expand its distribution capabilities.

OFF BALANCE SHEET ARRANGEMENTS

The Fund does not have any off balance sheet arrangements.

Contractual Obligations

The Fund's significant contractual obligations at December 31, 2007 were as follows:

(in millions of dollars)	Total	2007	2008	2009	2010	2011	There-after
Long-term debt	97,680	143	306	91,238	—	—	5,993
Capital leases	23	5	6	5	5	2	—
Operating leases	31,379	5,460	5,375	4,647	3,727	2,800	9,370
Total	129,082	5,608	5,687	95,890	3,732	2,802	15,363

TRANSACTIONS WITH RELATED PARTIES

During 2007, pursuant to a long-term supply agreement, the Fund purchased approximately $1.0 million of labels from Tapp Technologies Inc. (Tapp), a company in which the Fund holds a note receivable with a carrying value of nil (see *Results of Operations* above for details) and certain officers and directors of the Fund hold a minority interest. All such transactions were in the normal course of business and completed on market terms.

As part of the Fund's strategies to further align the interests of management with those of the its unitholders, the Fund has provided certain members of management with non-interest bearing recourse loans, the proceeds of which were used to purchase the Fund's units in the open market on behalf of these individuals. These unit purchase loans have monthly principal payments equal to 55% of the monthly distribution received on the purchased units, are secured by the purchased units and are due upon the termination of the individual's employment or if the individual sells the units. $0.1 million of unit purchase loans were issued in 2007 and the balance outstanding as at December 31, 2007 was $1.5 million. The book value of the outstanding unit purchase loans as at December 31, 2007 was $1.2 million due to the discounting of these loans under CICA Handbook Section 3855 to reflect a fair market rate of interest.

FOURTH QUARTER

A summary of the Fund's operating results for the fourth quarters of 2007 and 2006 is as follows:

(in thousands of dollars)	13 weeks ended Dec 31, 2007	13 weeks ended Dec 31, 2006
Revenue	101,765	53,037
Gross profit	27,440	16,821
Selling general and administrative expenses	18,540	12,010
	8,900	4,811
Depreciation of capital assets	1,623	1,501
Interest and other financing costs	1,792	372
Amortization of intangible and other assets	1,205	148
Amortization of financing costs	92	3
Amortization of puttable interest in subsidiaries	43	—
Unrealized loss on foreign currency contracts	461	—
	3,684	2,787
Income tax provision (recovery)	402	(31)
Earnings from continuing operations before non-controlling interest	3,282	2,818
Non-controlling interest – net of income taxes	110	61
Net earnings	3,172	2,757

Revenue for the fourth quarter of 2007 was up $48.7 million or 91.9% to $101.8 million as compared to the fourth quarter of 2006. $44.8 million of this increase was due to acquisitions and $3.9 million due to organic growth of approximately 7.2% from the Fund's other businesses.

The Fund's gross profit margin for the quarter decreased to 27.0% from 31.7% in the fourth quarter of 2006 due solely to the acquisition of Centennial, which has historically generated a gross profit margin of 16.5% to 17.0%, as compared to an average of 30% to 33% for the Fund's remaining businesses. Excluding the recently acquired Centennial and Stuyver's businesses, the gross profit margin for the Fund's remaining businesses was relatively stable at 32.5% versus 31.7% in 2006.

As a percentage of sales, selling, general and administrative expenses ("SG&A") for the quarter decreased to 18.2% from 22.6% in the fourth quarter of 2006 due primarily to the Centennial acquisition. Excluding 2007 acquisitions, SG&A as a percentage of sales for the Fund's remaining businesses was relatively stable at 22.9% as compared to 22.6% in 2006.

The Fund's EBITDA, as a percentage of sales, decreased to 8.7% for the fourth quarter of 2007 from 9.1% in the fourth quarter of 2006 due to its acquisition of Centennial, which has historically had a lower EBITDA margin as compared to the Fund's other businesses. Excluding 2007 acquisitions, EBITDA as a percentage of sales for the Fund's remaining businesses increased to 9.7% for the quarter from 9.1% in the fourth quarter of 2006.

Interest and other financing costs for the fourth quarter of 2007 increased to $1.8 million from $0.4 million in the fourth quarter of 2006 primarily due to higher debt levels resulting from the Centennial and Stuyver's acquisitions in mid-2007 and the Creekside acquisition at the end of 2006.

Amortization of intangible and other assets for the quarter increased from $0.2 million in 2006 to $1.2 million in 2007 due primarily to $0.4 million in new amortization expense relating to businesses acquired in 2007, $0.2 million in additional expense relating to the accelerated amortization of intangible assets, and a $0.4 million charge resulting from the write off of a note receivable from Tapp.

The Fund recognized in the fourth quarter an unrealized loss on foreign currency contracts of $0.5 million as a result of new accounting rules (see *New Accounting Policies* below for details) which require the fair market valuation of any derivative contracts not accounted for as cash flow hedges. The unrealized loss of $0.5 million is a theoretical number representing what it would have cost the Fund, on December 31, 2007, to liquidate its U.S. dollar forward purchase contracts outstanding at that time. The Fund does not, however, intend to terminate these contracts, but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

For the first three quarters of 2007 the Fund accounted for its foreign currency contracts as cash flow hedges and recorded changes in the fair value of these contracts in its consolidated statement of comprehensive earnings. During the fourth quarter, the Fund determined that these contracts no longer met the requirements necessary for hedge accounting and, as a result, recognized the unrealized loss in its consolidated statement of operations.

PROPOSED TRANSACTIONS

There have been no significant business developments to date in 2008.

RISKS AND UNCERTAINTIES

The Fund is subject to a number of risks and uncertainties related to both its business and its legal structure that may have adverse effects on its results of operations and financial position and, in turn, its ability to make cash distributions. These risks and uncertainties include: (i) seasonal and/or weather related fluctuations in the Fund's sales; (ii) changes in Canadian income tax laws; (iii) changes in the cost of raw materials used for the Fund's products; (iv) changes in the cost of products sourced from third party manufacturers and sold through the Fund's proprietary distribution networks; (v) changes in consumer discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (vi) changes in consumer preferences for food products; (vii) competition from other food manufacturers and distributors; (viii) new government regulations affecting the Fund's business and operations; and (ix) other factors as discussed in the Fund's Annual Information Form, which is filed electronically through SEDAR and available online at **www.sedar.com**.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Fund's consolidated financial statements requires management to make certain estimates and assumptions, which are based on the Fund's experience and management's understanding of current facts and circumstances. These estimates affect the reported amounts of assets, liabilities, contingencies, revenues and expenses included in the Fund's consolidated financial statements and may differ materially from actual results. Significant areas requiring the use of management estimates include:

Inventories. Inventories are valued at the lower of cost and net realizable value, where cost includes raw materials, manufacturing labour and overhead. Inherent in the determination of the cost of inventories are certain management judgments and estimates.

Intangible assets and goodwill. The Fund assesses the impairment of goodwill and intangible assets with an indefinite life on an annual basis and finite life intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which the Fund considers could trigger an impairment review include significant underperformance relative to plan, a change in the Fund's business strategy, or significant negative industry or economic trends.

Capital assets. Capital assets are recorded at cost then depreciated over their estimated useful life. Redundant assets are recorded at the lesser of cost less accumulated depreciation and estimated fair market value. A significant amount of judgment is required to estimate the useful life of an asset as well as the fair market value of a redundant asset. Changes in the life of an asset are reflected prospectively through changes in future depreciation rates, while decreases in the fair market value of redundant assets are expensed when the decline in value occurs.

Income tax provision. As a result of the changes in the way publically traded trusts such as the Fund are taxed (see *Income Tax – Recent Tax Changes* above for details) the Fund now records projected temporary differences between the value of its net assets for tax purposes and their value for accounting purposes that are expected to reverse after the date on which the Fund is expected to become subject to entity level taxation (currently January 1, 2011). In determining these temporary differences certain management judgements and estimates are required. Furthermore, future income tax assets are recognized only to the extent that management determines that it is more than likely than not that the future income tax assets will be realized.

NEW ACCOUNTING POLICIES

New Accounting Pronouncements Effective 2007

Effective January 1, 2007, the Fund adopted the CICA Handbook Section 1530 "Comprehensive Income". Under this new accounting standard, other comprehensive earnings (loss) is used to record revenues and expenses that are not required to be included in earnings, such as changes in the fair value of hedges where hedge accounting is not applied and exchange gains and losses on the translation of self-sustaining foreign operations. In accordance with the new standard, $2.9 million relating to unrealized losses resulting from the translation of self-sustaining operations which had previously been classified as unrealized foreign currency translation adjustment within unitholders' equity is now presented within accumulated other comprehensive loss.

Also effective January 1, 2007, the Fund adopted the CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement". Under this new accounting standard, financial assets classified as receivables and loans are measured at amortized cost using the effective interest method with any resulting gains or losses being recognized in earnings. In addition, financing costs that are directly attributable to the issuance of long-term debt are classified as a reduction of long-term debt. In accordance with this new standard, the Fund reduced the value of certain financial assets by a total of $0.9 million with the offsetting amount being charged to opening accumulated earnings; and its December 31, 2006 balance sheet was adjusted to reflect the reclassification of $0.2 million in deferred financing costs from other assets to long-term debt.

As part of the adoption of this new accounting standard, the Fund also recognized a liability for an option (the puttable interest) held by a third party that entitles them to require the Fund to purchase their 40% interest in Hempler's at any time after December 2009 at a formula based price. Under the new accounting standard, a liability for the puttable interest is recognized at the time of acquisition based on the acquisition price. The Fund then recognizes the difference between the initial puttable interest liability and the estimated future cash payments associated with the puttable interest using the effective interest method. As a result of the adoption of this new accounting standard, as at January 1, 2007 non-controlling interest has been reduced by $1.4 million, a puttable interest in subsidiary of $1.8 million has been recognized, goodwill has been increased by $1.3 million and retained earnings has been increased by $0.9 million. In accordance with the effective interest method, the carrying amount of the puttable interest is reviewed each reporting period and any adjustments based on revised estimates of the future cash payments associated with the puttable interest are recognized in earnings.

Also effective January 1, 2007, the Fund adopted the CICA Handbook Section 3865 "Hedges". Under this new accounting standard the Fund's hedging relationships as at January 1, 2007 qualified for hedge accounting as they were considered to be cash flow hedges. Changes in the fair value of these hedging relationships, to the extent they are effective, are recorded in other comprehensive earnings (loss) and are only recognized in earnings when the hedged item is realized. Any ineffectiveness in the hedging relationship is recognized in earnings immediately. The Fund's opening accumulated other comprehensive loss was reduced by $0.4 million to reflect the fair value of the Fund's outstanding foreign currency contracts as at January 1, 2007.

New Accounting Pronouncements Effective 2008

In December 2006, the CICA issued Handbook Section 1535 "Capital Disclosure". This new standard requires disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate the Fund's objectives, policies and processes for managing capital. These recommendations are effective for annual reporting periods beginning on or after January 1, 2008.

Also in December 2006, the CICA issued Handbook Sections 3862, Financial Instrument - Disclosure, and 3863, Financial Instrument – Presentation, which will replace Section 3861, Financial Instrument - Disclosure and Presentation. These new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for annual reporting periods beginning on or after January 1, 2008.

In May 2007, the CICA issued Handbook Section 3031 "Inventories". This standard introduces changes to the measurement and disclosure of inventory and converges with international accounting standards. It is effective for interim and annual periods beginning on or after January 1, 2008.

New Accounting Pronouncements Effective 2009

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and Intangible Assets" which replaces Handbook Section 3062 "Goodwill and Intangible Assets" and Section 3450 "Research and Development Costs". This standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets as well as the treatment of pre-production and start-up costs and is effective for interim and annual periods beginning on or after January 1, 2009.

The Fund is assessing the impact on its financial statements of the new standards effective for fiscal years starting on January 1, 2008 and January 1, 2009.

FINANCIAL INSTRUMENTS

The Fund has exposure to U.S. dollar currency exchange risk due to annual inventory purchases of approximately US$20.0 million from U.S. based suppliers and is therefore exposed to fluctuations in the Canadian dollar relative to the U.S. dollar. In order to reduce the risk associated with currency fluctuations the Fund had, as at December 31, 2007 entered into forward foreign currency contracts that covered approximately US$3.6 million of its U.S. dollar requirements over the next 12 months at an average exchange rate of 1.1075 Canadian dollars per U.S. dollar.

Subsequent to December 31, 2007 the Fund entered into foreign currency contracts that will cover an additional US$16.5 million of its U.S. dollar requirements over the next 18 months at an average exchange rate of 0.9874 Canadian dollars per U.S. dollar.

The Fund has also entered into interest rate swaps that fix the interest rate on $32.0 million of its long-term debt for the three years ending July 2010 at an effective rate of 5.05% plus 1.0% to 2.75% depending on the Fund's ratio of debt to cash flow calculated quarterly. The Fund has designated this swap as a cash flow hedge and, correspondingly, an unrealized loss of $0.6 million at December 31, 2007 has been recognized in the consolidated statement of accumulated other comprehensive loss and the consolidated statement of comprehensive earnings for the year ended December 31, 2007.

OTHER

Outstanding Units

The total units and exchangeable units outstanding as of March 26, 2008 were 17,443,906 consisting of 16,843,906 units and 600,000 exchangeable units.

Disclosure Controls and Procedures

The Fund has established and maintains disclosure controls and procedures ("DCP"), as defined under the rules adopted by the Canadian Securities Administrators in multilateral instrument 52-109, over financial reporting. Management has evaluated the effectiveness of the Fund's DCP as at December 31, 2007 and has concluded that such procedures are adequate and effective to provide reasonable assurance that any material information relating to the Fund and its consolidated subsidiaries would be made known to them in a timely manner so that information required to be disclosed by the Fund under securities legislation is reported within the required time periods.

Management is also responsible for establishing and maintaining internal controls over financial reporting ("ICFR") of the Fund. Based on its evaluation of the Fund's ICFR, management believes these controls are adequately designed to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of the Fund's financial statements in accordance with Canadian GAAP for external reporting purposes. However, ICFR, no matter how well designed does have inherent limitations. Therefore, ICFR can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Management has also determined that there were no changes to the Fund's ICFR for the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Fund's ICFR.

Responsibilities of Management and Board of Directors

Management is responsible for the reliability and timeliness of content disclosed in the Management's Discussion & Analysis ("MD&A"), which is current as of March 26, 2008. It is the responsibility of the Audit Committee to provide oversight in reviewing the MD&A and the Board of Trustees to approve the MD&A. The Board of Trustees and the Audit Committee review all material matters relating to the necessary systems, controls and procedures in place to ensure the appropriateness and timeliness of MD&A disclosures.

Additional Information

Additional information, including the Fund's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at **www.sedar.com**.

Dated: March 26, 2008.

Premium Brands Income Fund

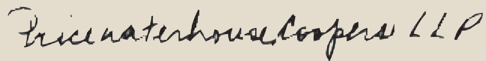
Auditors' Report

To the Unitholders of Premium Brands Income Fund

We have audited the consolidated balance sheets of Premium Brands Income Fund as at December 31, 2007 and 2006 and the consolidated statements of operations, accumulated earnings, accumulated other comprehensive loss, comprehensive earnings and cash flows for the years then ended. 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 audits.

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 years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Vancouver, British Columbia
March 31, 2008

Premium Brands Income Fund

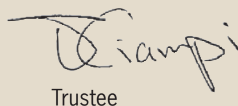
Consolidated Balance Sheets

(in thousands of Canadian dollars)	December 31, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	1,116	1,940
Accounts receivable	30,870	18,115
Current portion of other assets (note 5)	897	766
Inventories	39,533	21,424
Prepaid expenses	1,855	1,334
Future income taxes (note 17)	70	304
	74,341	43,883
Future income taxes (note 17)	—	524
Capital assets (note 3)	59,931	53,119
Intangible assets (note 4)	41,384	7,116
Goodwill	107,716	65,040
Other assets (note 5)	2,282	4,517
	285,654	174,199
Liabilities		
Current liabilities		
Cheques outstanding	695	756
Bank indebtedness (note 6)	9,703	5,424
Distributions payable (note 10)	1,710	1,710
Accounts payable and accrued liabilities	35,914	19,471
Current portion of long-term debt (note 7)	148	179
	48,170	27,540
Puttable interest in subsidiaries	3,575	—
Future income taxes (note 17)	423	—
Long-term debt (note 7)	96,914	11,670
	149,082	39,210
Non-controlling interest	1,158	2,373
Unitholders' Equity		
Unitholders' capital (note 8)	154,382	154,382
Accumulated earnings	32,647	7,058
Accumulated distributions declared (note 10)	(46,459)	(25,945)
Accumulated other comprehensive loss (note 2)	(5,156)	(2,879)
	135,414	132,616
	285,654	174,199

Commitments and contingent liabilities (note 14)

Approved by the Board of Trustees

Trustee


Trustee

The accompanying notes are an integral part of these consolidated financial statements.

Premium Brands Income Fund

Consolidated Statements of Operations

(in thousands of Canadian dollars except per unit amounts)	Year ended December 31, 2007	Year ended December 31, 2006
Revenue	326,441	216,465
Gross profit	96,190	71,479
Selling, general and administrative expenses	62,839	48,797
	33,351	22,682
Depreciation of capital assets	6,164	5,559
Interest and other financing costs	4,932	2,185
Amortization of intangible and other assets	2,030	500
Amortization of financing costs	97	3
Amortization of puttable interest in subsidiaries	43	—
Unrealized loss on foreign currency contracts (note 18)	461	—
Earnings from continuing operations before income taxes and non-controlling interest	19,624	14,435
Provision for (recovery of) income taxes (note 17)		
Current	104	(11)
Future	(6,375)	—
	(6,271)	(11)
Earnings from continuing operations before non-controlling interest	25,895	14,446
Non-controlling interest — net of income taxes	407	253
Loss from discontinued operations — net of income taxes (note 12)	—	1,357
Earnings	25,488	12,836
Earnings per unit from continuing operations after non-controlling interest (note 13)		
Basic and diluted	1.46	0.91
Loss per unit from discontinued operations		
Basic and diluted	—	(0.09)
Earnings per unit		
Basic and diluted	1.46	0.83

The accompanying notes are an integral part of these consolidated financial statements.

Premium Brands Income Fund

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Year ended December 31, 2007	Year eneded December 31, 2006
Cash flows from operating activities		
Earnings from continuing operations before non-controlling interest	25,895	14,446
Items not involving cash:		
Depreciation of capital assets	6,164	5,559
Amortization of intangible assets	1,190	245
Amortization of other assets	840	255
Amortization of financing costs	97	3
Amortization of puttable interest in subsidiaries	43	—
Loss (gain) on sale of assets	22	(17)
Restricted Trust Unit Plan accrual (note 9)	82	—
Accrued interest income	(117)	—
Unrealized loss on foreign currency contracts	461	—
Future income taxes	(6,375)	—
	28,302	20,491
Change in continuing non-cash working capital	3,528	(1,010)
Cash flows from continuing operations	31,830	19,481
Loss from discontinued operations	—	(1,357)
Change in discontinued operations — non-cash items	23	(243)
	31,853	17,881
Cash flows from financing activities		
Long-term debt — net	86,860	(10,985)
Bank indebtedness and cheques outstanding	767	4,659
Financing costs	(550)	(206)
Proceeds from issuance of units - net of issuance costs	—	26,572
Distributions paid to unitholders	(20,514)	(18,117)
Other	—	(39)
	66,563	1,884
Cash flows from investing activities		
Collection of notes receivable	463	1,051
Net proceeds from sales of assets	44	30
Capital asset additions	(7,677)	(11,697)
Business acquisitions (note 11)	(91,840)	(7,127)
Proceeds from sales of discontinued operations' capital assets	—	1,232
Purchase of units for unit purchase loan plan (note 5)	(150)	(1,500)
Repayment of unit purchase loan plan loan (note 5)	113	—
Non-controlling interest	(218)	—
Other	25	(269)
	(99,240)	(18,280)
(Decrease) increase in cash and cash equivalents	(824)	1,485
Cash and cash equivalents — beginning of year	1,940	455
Cash and cash equivalents — end of year	1,116	1,940

Supplemental cash flow information (note 20)

The accompanying notes are an integral part of these consolidated financial statements.

Premium Brands Income Fund

Consolidated Statements of Accumulated Earnings

(in thousands of Canadian dollars)	Year ended December 31, 2007	Year eneded December 31, 2006
Accumulated earnings (deficit) — beginning of year	7,058	(5,778)
Transition adjustment as of January 1, 2007 (note 2)	101	—
Adjusted balance — beginning of year	7,159	(5,778)
Earnings for the year	25,488	12,836
Accumulated earnings — end of year	32,647	7,058

Consolidated Statements of Accumulated Other Comprehensive Loss

(in thousands of Canadian dollars)	Year ended December 31, 2007
Change in presentation of accumulated loss on translation of self-sustaining foreign operations (note 2)	(2,879)
Unrealized gain on foreign currency contracts (note 2)	420
Accumulated other comprehensive loss — beginning of year	(2,459)
Other comprehensive loss	
Unrealized loss on interest rate swap (note 18)	(637)
Unrealized foreign exchange translation loss on investment in self-sustaining foreign operations	(1,640)
Transfer of unrealized gain on foreign currency contracts to earnings (note 18)	(420)
Accumulated other comprehensive loss — end of year	(5,156)

Consolidated Statements of Comprehensive Earnings

(in thousands of Canadian dollars)	Year ended December 31, 2007
Earnings for the year	25,488
Unrealized loss on interest rate swap (note 18)	(637)
Unrealized foreign exchange translation loss on investment in self-sustaining foreign operations	(1,640)
Transfer of unrealized gain on foreign currency contracts to earnings (note 18)	(420)
Comprehensive earnings	22,791

The accompanying notes are an integral part of these consolidated financial statements.

Premium Brands Income Fund

Notes to Consolidated Financial Statements

December 31, 2007 and 2006
(Tabular amounts in thousands of Canadian dollars)

1. Nature of business

Premium Brands Income Fund (the Fund) is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust. Through its subsidiaries, the Fund owns a broad range of leading specialty food businesses with manufacturing and distribution facilities located in British Columbia, Alberta, Saskatchewan, Manitoba and Washington State. In addition, the Fund owns proprietary food distribution and wholesale networks through which it sells both its own products and those of third parties.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and take into account the following significant accounting policies:

Principles of consolidation

The consolidated financial statements include the accounts of the Fund and all of its majority-owned subsidiaries after elimination of intercompany transactions and balances.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

Inventories

Inventories of raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. Cost includes raw materials, manufacturing labour and overhead.

Equipment inventories are carried at the lower of cost and net realizable value.

Capital assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line and declining balance basis over the period in use at the following annual rates, which are based on the expected useful life of the assets:

Buildings	2.5% to 5%
Machinery and equipment	10% to 20%
Automotive equipment	10% to 30%

For significant capital projects, the Fund capitalizes interest as a component of the cost.

An impairment loss is recognized when the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value of the asset exceeds its fair value.

Intangible assets

Intangible assets consist of acquired brand names, customer relationships, long-term customer supply agreements and trade secrets.

Brand names have been determined to have an indefinite useful life and are not amortized but are tested for impairment at least annually. Under the requirements of the impairment test, the carrying value of the intangible asset is compared with its fair value and any excess is expensed.

Customer relationships, customer supply agreements and trade secrets are amortized on a straight-line basis over their estimated useful life as follows:

Customer relationships	15 to 20 years
Customer supply agreements	Term of agreement
Trade secrets	5 years

An impairment loss is recognized when the carrying value of a customer relationship, supply agreement or trade secret exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value of the asset exceeds its fair value. For the year ended December 31, 2006, the Fund wrote down the value of its customer supply agreements by $0.8 million as part of the merger of its U.S. meat snack operation with Hempler Enterprises, Inc. (note 11).

Goodwill

Goodwill represents the difference between the cost of an acquired business and the fair value of its underlying net identifiable assets at the time of acquisition. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying value of goodwill exceeds its estimated fair value, an impairment loss is recognized equal to the excess amount.

Deferred start-up costs

Plant start-up costs are deferred and amortized on a straight-line basis over five years.

Long-term debt

The Fund's long-term debt is recognized at fair value, net of financing costs incurred. Long-term debt is subsequently stated at amortized cost; any difference between the proceeds (net of financing costs) and the redemption value is recognized in the consolidated statement of operations over the term of the debt using the effective interest method.

Exchangeable securities

In accordance with the Canadian Institute of Chartered Accountants' (CICA) Emerging Issues Committee Abstract 151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", the exchangeable limited partnership units of the Fund's subsidiary, Premium Brands Holdings Limited Partnership (PBHLP), have been accounted for as part of unitholders' capital as they have substantially the same rights as the Fund units in terms of distributions.

Revenue recognition

Revenue is recognized from products sold to customers, including retailers, foodservice operators and distributors, at the time the goods leave the Fund's possession and collection is reasonably assured. Revenue is recognized from products sold through the Fund's proprietary direct-to-store distribution networks when the product is delivered to the customer. Revenue is reported net of rebates, allowances and returns.

Revenue is recognized from foodservice equipment rentals on a straight-line basis over the term of the rental contract.

Income taxes

The Fund qualifies as a unit trust for tax purposes and as such, is currently only taxable on income not allocated to unitholders. In June 2007 legislation was substantively enacted to tax distributions of publicly traded income trusts, commencing on or before 2011. As a result, the Fund is now required to recognize the future income tax assets and liabilities expected to arise when the tax on distributions becomes applicable.

The Fund follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized for differences between the bases of assets and liabilities used for financial statement and income tax purposes. Future income tax assets and liabilities are calculated using substantively enacted tax rates for the period in which the differences are expected to reverse. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Foreign currency translation

The Fund's United States based operations are considered to be self-sustaining foreign operations and accordingly have been translated to Canadian dollars using the year end exchange rate for the consolidated balance sheet and the average exchange rate for the period for the consolidated statement of operations. Gains or losses resulting from translation adjustments are recorded in accumulated other comprehensive loss until there is a realized reduction in the net investment in the foreign operation.

Foreign currency accounts of Canadian operations have been translated to Canadian dollars using the exchange rate at the end of the year for monetary assets and liabilities and the prevailing exchange rate at the time of the transaction for income and expenses. Gains and losses resulting from this translation are included in the consolidated statement of operations.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of goodwill, inventory and long-lived assets, calculation of future income taxes and the useful lives of assets in the calculation of amortization and depreciation. Actual results could differ from these estimates.

Unit based compensation plans

The Fund has a long-term incentive plan and a Restricted Trust Unit Plan which provide awards to eligible trustees, directors, executives, consultants and employees of the Fund and its subsidiaries. The Fund recognizes the compensation expense associated with these plans over the vesting period of the awards using the fair value method.

Employee future benefit plan

The Fund has a defined benefit pension plan covering certain employees. Benefits under this plan are based on years of service and the employee's compensation level. The cost of the plan is funded on a current basis. The Fund accrues its obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. For the purpose of calculating the expected rate of return on plan assets, the fair value method is used. The excess of any net actuarial gain (loss), which is 10% of the greater of the benefit obligation and the fair value of plan assets, is amortized over the average remaining service period of active employees.

Earnings per unit

The Fund uses the treasury stock method to calculate diluted earnings per unit.

Changes in accounting policy

Effective January 1, 2007, the Fund adopted CICA Handbook Section 1530 "Comprehensive Income". Under this new accounting standard, other comprehensive earnings (loss) is used to record revenues and expenses that are not required to be included in earnings, such as changes in the fair value of hedges where hedge accounting is applied and exchange gains and losses on the translation of self-sustaining foreign operations. In accordance with the new standard, $2.9 million relating to unrealized losses resulting from the translation of self-sustaining operations which had previously been classified as unrealized foreign currency translation adjustment within unitholders' equity is now presented within accumulated other comprehensive loss.

Also effective January 1, 2007, the Fund adopted CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement". Under this new accounting standard, financial assets classified as receivables and loans are measured at amortized cost using the effective interest rate method with any resulting gains or losses being recognized in earnings. In addition, financing costs that are directly attributable to the issuance of long-term debt are classified as a reduction of long-term debt. In accordance with this new standard, the Fund reduced the value of certain financial assets by a total of $0.8 million with the offsetting amount being charged to opening accumulated earnings; and its December 31, 2006 balance sheet was adjusted to reflect the reclassification of $0.2 million of deferred financing costs from other assets to long-term debt.

As part of the adoption of this new accounting standard, the Fund also recognized a liability for an option (the puttable interest) held by a third party that entitles them to require the Fund to purchase their 40% interest in Hempler's at any time after December 2009 at a formula based price. Under the new accounting standard, a liability for the puttable interest is recognized at the time of acquisition based on the acquisition price. The Fund then recognizes the difference between the initial puttable interest liability and the estimated future cash payments associated with the puttable interest using the effective interest method. As a result of the adoption of this new accounting standard, as at January 1, 2007 non-controlling interest has been reduced by $1.4 million, a puttable interest in subsidiary of $1.8 million has been recognized, goodwill has been increased by $1.3 million and opening accumulated earnings has been increased by $0.9 million. In accordance with the effective interest method, the carrying amount of the puttable interest is reviewed each reporting period and any adjustments based on revised estimates of the future cash payments associated with the puttable interest are recognized in earnings.

Also effective January 1, 2007, the Fund adopted CICA Handbook Section 3865 "Hedges". Under this new accounting standard, the Fund's outstanding foreign currency contracts qualified for hedge accounting. The new standard provides that, when hedge accounting

is applied, changes in the fair value of a hedge derivative, to the extent the hedge is effective, is recorded in other comprehensive earnings (loss) and is only recognized in earnings when the hedged item is realized. Any ineffectiveness in the hedging relationship is recognized in earnings immediately. The Fund's opening accumulated other comprehensive loss was reduced by $0.4 million to reflect the fair value of the outstanding foreign currency contracts as at January 1, 2007.

A summary of the impact of the Fund's adoption of CICA Handbook Sections 1530, 3855 and 3865 on its opening January 1, 2007 balance sheet is as follows:

Increase in prepaid expenses and other	292
Decrease in other assets	(877)
Increase in goodwill	1,300
Decrease in long-term debt	206
Increase in puttable interest in subsidiary	(1,804)
Decrease in non-controlling interest	1,404
Increase in opening accumulated earnings	(101)
Decrease in accumulated other comprehensive loss	(420)

New accounting pronouncements

In December 2006, CICA issued Handbook Section 1535 "Capital Disclosure". This new standard requires disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate the Fund's objectives, policies and processes for managing capital. These recommendations are effective for annual reporting periods beginning on or after January 1, 2008.

Also in December 2006, CICA issued Handbook Sections 3862, "Financial Instruments – Disclosure", and 3863, "Financial Instruments – Presentation", which will replace Section 3861, "Financial Instruments - Disclosure and Presentation". These new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for annual reporting periods beginning on or after January 1, 2008.

In May 2007, CICA issued Handbook Section 3031 "Inventories". This standard introduces changes to the measurement and disclosure of inventory and converges with international accounting standards. It is effective for interim and annual periods beginning on or after January 1, 2008.

In February 2008, CICA issued Handbook Section 3064 "Goodwill and Intangible Assets" which replaces Handbook Section 3062 "Goodwill and Intangible Assets" and Section 3450 "Research and Development Costs". This standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, as well as provides guidance for the treatment of pre-production and start-up costs, and is effective for interim and annual periods beginning on or after January 1, 2009.

The Fund is assessing the impact that these new standards will have on its financial statements.

3. Capital assets

			December 31, 2007
	Cost	**Accumulated depreciation**	**Net**
Land	4,045	—	4,045
Buildings	31,616	9,400	22,216
Machinery and equipment	76,086	42,843	33,243
Automotive equipment	1,382	955	427
	113,129	53,198	59,931

			December 31, 2006
	Cost	**Accumulated depreciation**	**Net**
Land	3,740	—	3,740
Buildings	27,236	8,163	19,073
Machinery and equipment	68,319	38,473	29,846
Automotive equipment	1,374	914	460
	100,669	47,550	53,119

Assets under capital lease with a net book value of $26,000 (2006 — $20,000) are included within machinery and equipment.

During 2007, $nil (2006 — $44,000) of interest was capitalized to capital projects.

4. Intangible assets

			December 31, 2007
	Cost	Accumulated amortization	Net
Brand names	16,092	—	16,092
Customer relationships	22,871	604	22,267
Customer supply agreement	4,372	2,871	1,501
Trade secrets	1,564	40	1,524
	44,899	3,515	41,384

			December 31, 2006
	Cost	Accumulated depreciation	Net
Brand names	2,868	—	2,868
Customer relationships	1,850	—	1,850
Customer supply agreement	5,221	2,823	2,398
	9,939	2,823	7,116

5. Other assets

	December 31, 2007	December 31 2006
Notes receivable	919	2,100
Employee unit purchase loans	1,232	1,500
	2,151	3,600
Less: current portion	897	766
	1,254	2,834
Pension benefit asset (note 15)	340	308
Other	688	1,375
	2,282	4,517

Notes receivable

The notes receivable bear interest at rates ranging from nil% to 8.5% (2006 - nil% to 8.5%).

Unit purchase loans

As part of the Fund's strategies to fully align the interests of management with those of the Fund's unitholders, it has provided certain members of management with non-interest bearing loans (unit purchase loans), the proceeds of which were used to purchase the Fund's units in the open market (the Purchased Units) on behalf of the individuals. The unit purchase loans bear no interest, have monthly principal payments equal to 55% of the monthly distribution received on the Purchased Units, are collateralized by the Purchased Units and a promissory note, and are due upon the termination of the individual's employment or if the individual sells the units. The amount of unit purchase loans issued in 2007 was $0.2 million (2006 - $1.5 million).

The payments expected to be received from the collection of notes receivable and employee unit purchase loans are as follows:

	Notes receivable	Unit purchase loans	Total
2008	797	174	971
2009	52	303	355
2010	5	371	376
2011	5	179	184
2012 and thereafter	60	514	574
	919	1,541	2,460
Future interest using the effective interest rate method	—	309	309
	919	1,232	2,151

6. Bank indebtedness

6. Bank indebtedness

Bank indebtedness consists of borrowings on bank lines of credit. The Fund has bank lines of credit totalling $23.5 million (2006 - $26.7 million); $22.0 million of these lines of credit is due on July 6, 2010, bears interest at the bank's prime rate to prime plus 0.5% (2006 - prime to prime plus 0.5%), depending on the Fund's debt to cash flow ratio, and is secured by an assignment of inventories, accounts receivable, insurance policies and a general lien on all other assets of the Fund. The remaining lines of credit are due on demand, bear interest at a U.S. bank's prime rate and are secured by an assignment of inventories, accounts receivable, insurance policies and a general lien on all other assets of the Fund.

As at December 31, 2007, actual amounts drawn on bank lines of credit are $9.7 million (2006 — $5.4 million). Interest on bank indebtedness in 2007 was $0.9 million (2006 — $0.5 million).

7. Long-term debt

	December 31, 2007	December 31, 2006
$40 million revolving term facility with no principal payments until maturity in July 2010. The loan bears interest at prime to prime plus 1.0% or at the banker's acceptance rate plus 1.0% to 2.75% based on the Fund's ratio of debt to cash flow calculated quarterly	27,000	—
Non-revolving term loan with no principal payments until maturity in July 2010 as long as the Fund's debt to cash flow ratio does not exceed 3.0:1 for two consecutive quarters. In the event that the Fund's debt to cash flow ratio does exceed 3.0:1 for two consecutive quarters, then the Fund will have to make monthly principal payments of $0.3 million if its debt to cash flow ratio is below 3.25:1 and $0.7 million if its debt to cash flow ratio is above 3.25:1. The principal payments will cease if subsequently the Fund's debt to cash flow ratio falls below 3.0:1 for two consecutive quarters. The loan bears interest at prime to prime plus 1.0% or at the banker's acceptance rate plus 1.0% to 2.75% based on the Fund's ratio of debt to cash flow calculated quarterly	64,000	—
Term loan with no principal payments until maturity in July 2008. The loan bears interest at prime to prime plus 0.5% or at the banker's acceptance rate plus 1.0% to 2.0% based on the Fund's ratio of debt to cash flow calculated quarterly	—	4,000
US$6.1 million secured Industrial Development Revenue Bond (IRB) with no principal payments until maturity in July 2036. The bond bears interest at the weekly variable rate for such bonds, which averaged 3.7379% (2006 – 3.3672%) for the year, plus 1.0% to 2.0% based on the Fund's ratio of debt to cash flow calculated quarterly	5,993	7,133
Unsecured notes payable, bearing interest at a rate of 5% and due in 2009 to 2010	454	626
Other, including capital leases	256	296
	97,703	12,055
Deferred financing costs (note 2)	(641)	(206)
Current portion	(148)	(179)
	96,914	11,670

The Fund's term loans and IRB are collateralized by an assignment of inventories, accounts receivable and insurance policies, fixed charges on capital assets, and a general lien on all other assets of the Fund. In addition, they contain financial covenants that require the maintenance of certain ratios regarding working capital, fixed charge coverage and debt to cash flow. At December 31, 2007, the Fund was in compliance with all such covenants.

In July 2006, the Fund's subsidiary, Hempler Foods Group LLC (Hempler's), raised US$6.1 million through the issuance of the IRB. IRBs are a financing instrument available in the U.S. for U.S. based capital projects that meet certain conditions. Proceeds from the IRB were used by Hempler's to acquire a new 28,000 square foot production facility located in Ferndale, Washington.

The scheduled principal payments on long-term debt are as follows:

	Long-term debt	Capital lease obligations	Total
2008	143	5	148
2009	306	6	312
2010	91,238	5	91,243
2011	—	5	5
2012 and thereafter	5,993	2	5,995
	97,680	23	97,703

During 2007, the Fund incurred interest expense of $3.0 million (2006 - $1.0 million) on its long-term debt.

8. Unitholders' capital

The following is a summary of changes in unitholders' capital from December 31, 2005 to December 31, 2007:

	Units and exchangeable units	
	Number	Amount
Fund units	14,399,626	120,884
Exchangeable limited partnership units of PBHLP	600,000	6,926
Balance at December 31, 2005	14,999,626	127,810
Fund units issued in public offering for cash	2,444,280	28,354
Unit issuance costs	—	(1,782)
Balance at December 31, 2006 and December 31, 2007	17,443,906	154,382

In October 2006, the Fund issued 2,444,280 units in a public offering at a price of $11.60 per unit for gross proceeds of $28.4 million and incurred issuance costs of $1.8 million. Proceeds of the offering were used to pay down bank indebtedness and long-term debt and for general corporate purposes.

Fund units

An unlimited number of units may be created and issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of a termination or winding up of the Fund. Each unit entitles the holder to one vote at all meetings of voting unitholders.

The units are redeemable at any time on demand by the holders at amounts related to market prices at the time, subject to certain terms and conditions. The total amount payable by the Fund in respect of units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the trustees of the Fund may, in their sole discretion, waive this limitation.

Exchangeable limited partnership units of PBHLP

An unlimited number of exchangeable limited partnership (ELP) units may be created and issued by PBHLP. Each ELP unit is intended to be, to the greatest extent possible, the economic equivalent of a Fund unit. Holders of ELP units are entitled to receive distributions that are, to the greatest extent practicable, equal to distributions paid by the Fund to holders of Fund units. ELP units are exchangeable into an equal number of Fund units, are non-transferable, except in connection with an exchange for a Fund unit, and can be redeemed by the Fund under certain circumstances for an equal number of Fund units. In addition, for each ELP unit held, the holder receives one special voting unit.

Special voting units of the Fund

An unlimited number of special voting units may be created and issued by the Fund. The holders of special voting units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund. Each special voting unit entitles the holder to one vote at all meetings of voting unitholders. Special voting units are to be cancelled on the exchange of ELP units for Fund units. As at December 31, 2007, 600,000 (2006 - 600,000) special voting units have been issued.

Issuer bid

In November 2006, the Fund put into place a normal course issuer bid that allows it to repurchase and cancel units of the Fund. In 2007, no units were repurchased under the normal course issuer bid.

9. Unit based compensation

Restricted Trust Unit Plan

In 2007 the Fund adopted an employee tracking units plan (the Restricted Trust Unit Plan). Under the terms of this plan, tracking units may be granted to trustees, directors, executives and consultants (the Participants) of the Fund in lieu of cash consideration. Each tracking unit awarded is equivalent to a publicly traded unit (Unit) of the Fund at the time of the grant, mirrors the value of a Unit over time, including the issuance of additional tracking units in lieu of cash distributions paid on a Unit, and is redeemable by the Participant for cash based on the market price of the Units at the date of redemption after a three year vesting period. Vesting can be accelerated at the discretion of the trustees or on the occurrence of certain events such as a change of control. Participants continuing to be employed by the Fund after redeeming tracking units are required to invest a minimum of 40% of the proceeds received upon redemption in Units which will be held in trust by the Fund.

The Fund recognizes compensation expense for granted tracking units over the associated three year vesting period based on the redemption value of the restricted units at the end of each reporting period.

In October 2007, 70,000 tracking units were issued in conjunction with the adoption of the Restricted Trust Unit Plan and for 2007, the Fund recorded compensation expense relating to the Restricted Trust Unit Plan of $0.1 million.

Long-term incentive plan

The Fund has adopted a long-term incentive plan (the LTIP) for executive employees (the LTIP Participants). Pursuant to the LTIP, if the Fund's distributable cash per unit exceeds a threshold amount set by the Fund, a percentage of the excess distributable cash is contributed by the Fund into a long-term incentive pool. The funds in the pool are then used to purchase Units in the open market which are in turn granted to LTIP Participants.

LTIP grants vest 50% on the grant date, 25% on the first anniversary of the grant date and a final 25% on the second anniversary of the grant date. Vesting can be accelerated at the discretion of the trustees or on the occurrence of certain events such as a change of control. Vested LTIP grants are distributed to LTIP Participants on vesting unless a deferral is requested. Any distributions received on Units held by the plan are distributed to the LTIP Participant who has been granted the related Units.

The Fund recognizes compensation expense for contributions to the LTIP over the vesting period using the graded method. For 2007, the Fund's distributable cash exceeded the threshold amount and as a result $0.4 million (2006 — $nil) will be contributed to the pool in 2008. Correspondingly, for 2007 the Fund recorded compensation expense of $0.3 million (2006 — $nil) relating to the LTIP.

10. Distributions

During the fiscal year ended December 31, 2007, the Fund declared distributions to unitholders of $19,808,000 or $1.176 per unit and PBHLP declared distributions of $706,000 or $1.176 per unit to ELP unitholders.

The aggregate amounts and record dates of these distributions are as follows:

Record date	Amount	Per unit
January 31, 2007	1,709	0.098
February 28, 2007	1,709	0.098
March 30, 2007	1,710	0.098
April 30, 2007	1,709	0.098
May 31, 2007	1,710	0.098
June 29, 2007	1,710	0.098
July 31, 2007	1,709	0.098
August 31, 2007	1,709	0.098
September 28, 2007	1,710	0.098
October 31, 2007	1,709	0.098
November 30, 2007	1,710	0.098
December 31, 2007	1,710	0.098
	20,514	1.176

In December 2007, the Fund and PBHLP declared aggregate distributions of $1.7 million to unitholders and ELP unitholders of record on December 31, 2007, which was paid subsequent to year-end and is reported as a current liability at December 31, 2007.

11. Acquisitions

2007 acquisitions

On July 6, 2007, the Fund completed the acquisition of 100% of Centennial Foodservice (Centennial), a specialty distributor of high quality protein products to hotels, restaurants and institutions, for $84.2 million in cash.

On August 10, 2007, the Fund acquired an 80% interest in Stuyver's Bakestudio (Stuyver's), a specialty baked goods business, for $6.8 million in cash. As part of the transaction, the Fund received an option to purchase the remaining 20% interest in Stuyver's at a formula based price at any time after August 2010 and gave the third party owning the 20% interest an option (the Stuyver's Put) that entitles them to require the Fund to purchase their interest at any time after August 2010 at the same formula based price. For the 20% of Stuyver's not purchased by the Fund, it has recognized a liability relating to the Stuyver's Put based on the acquisition price.

The Fund has accounted for these acquisitions using the purchase method and the results of the acquisitions have been included in the Fund's consolidated financial statements from the date of each acquisition.

The following table summarizes the preliminary estimates of the fair values of the assets acquired and obligations assumed for these acquisitions:

Net working capital	16,737
Notes receivable	82
Capital assets	6,692
Goodwill	41,659
Intangible assets	
Brand names	13,363
Customer relationships	21,021
Trade secrets	1,564
Future income taxes	(7,550)
Puttable interest in subsidiaries	(1,728)
Total purchase cost	91,840
Purchase price	91,009
Transaction costs	831
Total purchase cost	91,840

2006 acquisitions

In February 2006, the Fund merged its U.S. based meat snack operation with Hempler Enterprises, Inc., a Washington based manufacturer of premium and natural processed meat products, to form a new company, Hempler's. Under the terms of the merger, both the Fund and Hempler Enterprises, Inc. moved their respective U.S. operations into a new 28,000 square foot facility located in Ferndale, Washington in exchange for a 50% interest in Hempler's.

In April 2006, the Fund completed the acquisition of an additional 10% interest in Hempler's for $0.8 million in cash, increasing its total interest to 60%. The Fund also has an option to purchase some or all of the remaining 40% interest in Hempler's at a formula based price at any time after December 2010 and has given an option (the Hempler's Put) that entitles the third party owning the 40% interest in Hempler's to require the Fund to purchase their interest at any time after December 2009. For the 40% of Hempler's not purchased by the Fund, on January 1, 2007 as part of the adoption of CICA Handbook Section 3855 (note 2), it recognized a liability relating to the Hempler's Put based on the acquisition price.

Also in April 2006, the Fund completed the acquisition of a 50% interest in Made-Rite Meat Products LP (Made-Rite) for $0.9 million in cash. Made-Rite is a supplier to the Fund of meat snack products. The 50% interest in Made-Rite not acquired by the Fund is presented as non-controlling interest in the consolidated financial statements.

In May 2006, the Fund completed the acquisition of 100% of Gloria's Catering for $0.8 million in cash and a $0.2 million note payable in May 2009. Gloria's Catering is a fresh sandwich manufacturer servicing the B.C. south coast.

In June 2006, the Fund completed the acquisition of 100% of Pop's E-Z Popcorn & Supply (Pop's E-Z) for $0.6 million in cash and a $0.4 million note payable in four equal annual instalments. An additional US$0.2 million of contingent consideration is due in June 2009 if certain sales targets are achieved. This amount will be recognized when determinable. Pop's E-Z is a distributor of concessionary equipment and related products to customers in western Washington State.

In December 2006, the Fund completed the acquisition of 100% of Creekside Custom Foods (Creekside) for $4.0 million in cash. Creekside is a manufacturer and distributor of a variety of "grab-and-go" fresh food items in southern B.C.

The Fund has accounted for these acquisitions using the purchase method and the results of the acquisitions have been included in the Fund's consolidated financial statements from the date of each acquisition.

The following table summarizes the fair values of the assets acquired and obligations assumed for these acquisitions:

Net working capital	1,941
Capital assets	2,166
Goodwill	3,666
Intangible assets	2,021
Non-controlling interest	(2,061)
Total purchase cost	7,733
Cash	6,744
Notes payable	606
	7,350
Transaction costs	383
Total purchase cost	7,733

12. Discontinued operations

Discontinued operations consist of the Fund's Goodlife Foods retail operation, which ceased operation in July 2006. Sales from this operation during 2007 were $nil (2006 — $2.3 million) and the loss was $nil (2006 — $1.4 million).

13. Earnings per unit

Earnings per unit is calculated using the weighted average number of Fund units and ELP units outstanding for the year, which was 17,443,906 for 2007 (2006 — 15,537,000).

14. Commitments and contingent liabilities

a) The Fund leases land, warehouses, offices and equipment under operating leases that expire from 2008 to 2022. The aggregate future minimum annual rental payments under these leases are as follows:

2008	5,460
2009	5,375
2010	4,647
2011	3,727
2012 and thereafter	12,170

b) The Fund had a commitment with Investment Saskatchewan to have made $15.0 million in qualified expenditures in the Province of Saskatchewan by December 31, 2004. The Fund claims to have made $18.5 million in qualified expenditures and therefore to have fulfilled its commitment. Investment Saskatchewan has challenged $6.7 million of the expenditures submitted by the Fund on the basis that these costs do not meet the definition of a qualified expenditure. The Fund and Investment Saskatchewan are currently attempting to negotiate a resolution to this difference. In the event that these negotiations are unsuccessful and it is determined that Investment Saskatchewan's interpretation of what meets the criteria of a qualified expenditure is correct, then the Fund would incur a penalty of approximately $0.9 million, payable in cash and/or Fund units.

c) As part of the sale of a discontinued operation in 2004, the Fund assigned its interest in a plant operating lease (the Lease) to the purchaser of the discontinued operation. The Fund has been fully indemnified by the purchaser for any future liabilities under the Lease; however, it continues to be obligated for any future defaults under the Lease. The Lease expires on March 31, 2014 and the annual rent payments due under it are $0.8 million.

d) The Fund has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Fund's financial position.

15. Employee future benefits

The Fund maintains a defined benefit pension plan that covers certain salaried staff (the Pension Plan). Benefits under the Pension Plan are based on years of credited service and average compensation. The measurement date used to measure the plan assets and accrued benefit obligation is December 31 of each year. The most recent actuarial valuation of the Pension Plan for funding purposes was as of December 31, 2006 and the effective date of the next required actuarial valuation for funding purposes is as of December 31, 2009. Additional information on the Pension Plan is as follows:

	December 31, 2007	December 31, 2006
Accrued benefit obligation		
Balance — beginning of year	5,180	4,772
Current service costs - net of employee contributions	235	179
Employee contributions	47	38
Interest cost	260	251
Benefits paid	(260)	(211)
Actuarial (gains) losses	(298)	151
Balance — end of year	5,164	5,180
Fair value of plan assets		
Fair value — beginning of year	5,138	4,635
Actual return on plan assets	155	475
Employer contributions	205	201
Employee contributions	47	38
Benefits paid	(260)	(211)
Fair value — end of year	5,285	5,138
Fund status — surplus (deficit)	121	(42)
Unamortized net actuarial loss	138	257
Unamortized transitional obligation	81	93
Pension benefit asset	340	308

The plan assets for the Pension Plan consist of:		December 31, 2007		December 31, 2006
Asset category				
Equity securities	%	58	%	65
Cash and debt securities		42		35
Total		100		100

The elements of the defined benefit costs recognized for the fiscal years ended December 31, 2007 and December 31, 2006 are:

	December 31, 2007	December 31, 2006
Current service costs — net of employee contributions	235	179
Interest cost	260	251
Actual return on plan assets	(155)	(475)
Differences between expected and actual return on plan assets for year	(179)	150
Amortization of transition obligation	12	12
Defined benefit costs recognized	173	117

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations and in determining net cost were as follows:

	December 31, 2007	December 31, 2006
Discount rate	% 5.50	% 5.00
Expected long-term rate of return on plan assets	6.50	7.00
Rate of compensation increase	2.50	2.50

16. Segmented information

As a result of the acquisition of Centennial in 2007 (note 11), the Fund has changed the composition of its reportable segments and the 2006 comparative balances have been restated to conform to the current year's presentation.

The Fund has two reportable segments, Retail and Foodservice. The Retail segment includes three operating segments consisting of its specialty food manufacturing and retail distribution businesses. The Foodservice segment includes three operating segments consisting of its three foodservice related businesses. The operating segments within each reportable segment have been aggregated as they have similar economic characteristics. The accounting policies for the segments are as described in note 2.

December 31, 2007	Retail	Foodservice	Corporate	Total
Revenue	207,082	122,134	—	329,216
Elimination of inter-segment sales	(2,602)	(173)	—	(2,775)
Revenue from external parties	204,480	121,961	—	326,441
Earnings (loss) before the following	27,917	10,553	(5,119)	33,351
Depreciation of capital assets	4,719	540	905	6,164
Amortization of intangible and other assets	335	1,049	646	2,030
Segment earnings (loss)	22,863	8,964	(6,670)	25,157
Interest and other financing costs			4,932	4,932
Amortization of financing costs			97	97
Amortization of puttable interest in subsidiary			43	43
Unrealized loss on foreign currency contracts			461	461
Recovery of income taxes			(6,271)	(6,271)
Earnings (loss) from continuing operations before non-controlling interest	22,863	8,964	(5,932)	25,895
Segment assets				
Capital asset additions	6,686	7,522	161	14,369
Goodwill additions	4,936	36,723	—	41,659
Total assets	144,899	129,560	11,195	285,654

December 31, 2006	Retail	Foodservice	Corporate	Total
Revenue	182,843	36,594	—	219,437
Elimination of inter-segment sales	(2,926)	(46)	—	(2,972)
Revenue from external parties	179,917	36,548	—	216,465
Earnings (loss) before the following	22,863	4,181	(4,362)	22,682
Depreciation of capital assets	4,330	198	1,031	5,559
Amortization of intangible and other assets	84	245	171	500
Segment earnings (loss)	18,449	3,738	(5,564)	16,623
Interest and other financing costs			2,185	2,185
Amortization of financing costs			3	3
Recovery of income taxes			(11)	(11)
Earnings (loss) from continuing operations before non-controlling interest	18,449	3,738	(7,741)	14,446
Segment assets				
Capital asset additions	13,559	246	58	13,863
Goodwill additions	2,994	672	—	3,666
Total assets	131,672	25,013	17,514	174,199

Revenue, segment earnings (loss) (defined as earnings (loss) from continuing operations before interest and other financing costs, amortization of financing costs,amortization of puttable interest in subsidiary, unrealized loss on foreign currency contracts and income taxes) and capital assets and goodwill for the years presented are geographically segmented as follows:

	Revenue	Segment Earnings (loss)	Capital assets and goodwill
December 31, 2007			
Canada	311,454	25,189	157,838
United States	14,987	(32)	9,809
	326,441	25,157	167,647
December 31, 2006			
Canada	203,048	16,880	107,642
United States	13,417	(257)	10,517
	216,465	16,623	118,159

17. Income taxes

The (recovery of) provision for income taxes varies from the basic combined federal, provincial, and state income taxes as a result of differing treatment of deductibility of certain amounts for accounting and taxation purposes. The variations for the fiscal years are explained as follows:

	December 31, 2007	December 31, 2006
Weighted average basic federal, provincial and state statutory income tax rate	34.1%	34.1%
Earnings from continuing operations before income taxes and non-controlling interest	19,624	14,435
Income tax based on statutory rate	6,692	4,922
Deductible Fund distributions	(5,742)	(4,854)
Partnership income allocated to partners	(241)	(241)
Impact of June 2007 tax legislation	(6,700)	—
Adjustments for changes in enacted tax laws and rates	605	—
Other	(885)	162
Recovery of income taxes	(6,271)	(11)

The future income tax assets and liabilities as at December 31, 2007 and December 31, 2006 comprise the following temporary differences:

	December 31, 2007	December 31, 2006
Future income tax assets (current)		
Tax loss carry-forwards	70	304
Future income tax assets and liabilities (non-current)		
Tax loss carry-forwards	839	798
Capital assets	(41)	(82)
Employee unit purchase loans	69	—
Goodwill and intangible assets	(2,066)	—
Reserves, provisions and other	969	(7)
	(230)	709
Valuation allowance	193	185
	(423)	524
Future income tax (liabilities) assets — net	(353)	828

At December 31, 2007, the Fund has $6.9 million (2006 — $3.7 million) of non-capital losses that may be available for deduction against taxable income in future years and which expire between 2008 and 2027.

18. Financial instruments

a) Fair value

The carrying values of cash and cash equivalents, accounts receivable, bank indebtedness, distributions payable and accounts payable and accrued liabilities approximate their fair values because of their short-term maturities.

The carrying value of long-term debt approximates fair value, either because the instrument bears interest at floating rates or effective interest rates approximate current market rates for similar debt instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

b) Foreign currency

The Fund has exposure to U.S. dollar currency exchange risk due to annual net U.S. dollar inventory purchases of approximately US$20.0 million. In order to reduce the risk associated with currency fluctuations, the Fund, from time to time, enters into foreign currency contracts. The Fund does not hold or issue financial instruments for trading purposes.

As of December 31, 2007, the Fund had outstanding foreign currency contracts for the purchase of US$3.6 million over the next 12 months at a blended rate of CA$1.1075. On adoption of CICA Handbook Section 3865 "Hedges" (note 2) on January 1, 2007, the Fund designated its foreign currency contracts as hedges. The Fund applied hedge accounting during the first three quarters of 2007 and during the fourth quarter of 2007, it determined that these foreign currency contracts failed to meet the effectiveness requirements, and no longer qualified for hedge accounting defined under GAAP and therefore an unrealized loss on these contracts as at December 31, 2007 of $0.5 million was recognized in the consolidated statement of operations and the amount included in accumulated other comprehensive income was transferred to earnings. The fair value of the Fund's foreign currency contracts as at December 31, 2007 is $0.5 million unfavourable.

c) Interest rate

All of the Funds bank indebtedness and approximately 99% (2006 — 92%) of its long-term debt bear interest at floating rates. The Fund manages its interest rate exposure by fixing the rate of interest on certain debt instruments and, where applicable, entering into interest rate swap contracts.

During 2007, the Fund entered into an interest swap contract fixing the rate of interest on $32.0 million of its long-term debt for the three-year period ending July 6, 2010 at an effective rate of 5.05% plus 1.0% to 2.75%, based on the Fund's ratio of debt to cash flow calculated quarterly. The interest swap contract has a fair value of $0.6 million unfavourable as at December 31, 2007. The Fund has designated this swap as a cash flow hedge and, correspondingly, an unrealized loss of $0.6 million has been recognized in the consolidated statement of accumulated other comprehensive loss and the consolidated statement of comprehensive earnings for the year ended December 31, 2007.

d) Credit risk

The Fund is subject to credit risk primarily through its accounts receivable. This risk is mitigated by the Fund's diversified customer base and its procedures for the ongoing credit evaluations of its customers.

19. Related party transactions

a) During 2007, pursuant to a long-term contract, the Fund purchased approximately $1.0 million (2006 — $1.0 million) of labels from Tapp, a company in which certain officers and directors hold a minority interest.

b) During 2007, the Fund leased various properties from companies affiliated with officers of the Fund. Rent expense recognized on these leases was $0.4 million (2006 — $0.6 million) and is included in the consolidated statement of operations.

These transactions arose during the normal course of business and have been recorded at the exchange amount, which is the amount agreed upon by the related parties.

20. Supplemental cash flow information

The following item is not considered to be a cash item and does not appear under cash flows from financing and investing activities in the consolidated statement of cash flows – notes payable issued on acquisitions in 2007 of $nil (2006 — $606).

The Fund paid interest of $4.4 million (2006 — $2.2 million) and recovered income taxes of $nil (2006 — $0.1 million) during 2007.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in 2007.

Premium Brands Income Fund

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George Paleologou, CA
President

Will Kalutycz, CA
Chief Financial Officer

Douglas Goss, QC
General Counsel and Corporate Secretary

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Bruce Hodge[1,2]
Chairman of the Board

Johnny Ciampi[1]
Trustee

Fred Knoedler
Trustee

Hugh McKinnon[2,3]
Trustee

George Paleologou
Trustee

John Zaplatynsky[1,2,3]
Trustee

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee

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STOCK INFORMATION

Premium Brands Income Fund's units are listed on the TSX under the ticker symbol PBI.UN

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