Liquor Stores Income Fund

Interim Consolidated Financial Statements
(unaudited)

September 30, 2007
(expressed in thousands of Canadian dollars)

Liquor Stores Income Fund

Consolidated Balance Sheets

(unaudited - expressed in thousands of dollars)

	September 30, 2007	December 31, 2006
Assets	$	$
Current assets		
Cash and cash equivalents	6,891	3,397
Accounts receivable	1,986	1,525
Inventory	79,395	49,702
Prepaid expenses and deposits (note 4)	1,342	1,159
	89,614	55,783
Pre-opening costs	696	819
Deposits on future acquisitions (note 4)	110	1,633
Property and equipment	39,290	23,040
Future income tax asset (note 5)	-	62
Intangible assets	38,621	806
Goodwill	259,655	104,954
	427,986	187,097
Liabilities		
Current liabilities		
Bank indebtedness (note 6 (a))	37,198	5,455
Accounts payable and accrued liabilities	14,866	5,365
Distributions payable to unitholders (note 13)	2,256	1,194
Distributions payable to non-controlling interest (note 13)	1,083	881
	55,403	12,895
Convertible debentures (note 6 (b))	562	-
Long term debt (note 6 (a))	15,000	-
Future income tax liability (note 5)	13,343	-
Non-controlling interest (note 10)	53,253	33,496
	137,561	46,391
Contingencies (notes 3 (d) and 11)		
Unitholders' Equity		
Fund Units (note 8)	303,960	139,709
Equity component of convertible debentures (note 6 (b))	140	-
Contributed surplus	375	-
Cumulative undistributed earnings (excess distributions)	(14,050)	997
	290,425	140,706
	427,986	187,097

Liquor Stores Income Fund

Consolidated Statements of Operations, Comprehensive Income and Cumulative Undistributed Earnings

(unaudited - expressed in thousands of dollars, except for per unit amounts)

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Sales	122,097	60,751	257,142	150,988
Cost of sales, operating, administrative, acquisition and store development	111,119	54,965	237,086	138,629
Operating earnings before amortization	10,978	5,786	20,056	12,359
Amortization				
Property and equipment	1,235	532	2,865	1,415
Intangible assets	919	41	1,256	102
Pre-opening costs	107	79	411	177
	2,261	652	4,532	1,694
	8,717	5,134	15,524	10,665
Interest				
Interest expense on bank indebtedness	(380)	(358)	(807)	(678)
Interest expense on long-term debt	(212)	(99)	(212)	(216)
	(592)	(457)	(1,019)	(894)
Earnings before income tax and non-controlling interest	8,125	4,677	14,505	9,771
Future income tax	943	-	13,405	-
Earnings before non-controlling interest	7,182	4,677	1,100	9,771
Non-controlling interest (note 10)	(1,857)	(1,345)	(1,000)	(2,884)
Net earnings and comprehensive income for the period	5,325	3,332	100	6,887
Cumulative undistributed earnings (excess distributions), beginning of period	(12,620)	(794)	997	337
Distributions declared on Fund Units (note 13)	(6,755)	(2,588)	(15,147)	(7,274)
Cumulative undistributed earnings (excess distributions), end of period	(14,050)	(50)	(14,050)	(50)
Basic earnings per unit (note 12)	0.30	0.39	0.01	0.86
Fully diluted earnings per unit (note 12)	0.30	0.39	0.01	0.85

Liquor Stores Income Fund

Consolidated Statements of Cash Flows

(unaudited - expressed in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2007 **$**	**2006** **$**	**2007** **$**	**2006** **$**
Cash provided by (used in)				
Operating activities				
Net earnings for the period	5,325	3,332	100	6,887
Items not affecting cash				
Amortization	2,261	652	4,532	1,694
Amortization of inventory fair value adjustment	947	-	2,247	-
Future income tax	943	-	13,405	-
Equity income	-	-	-	(28)
Non-controlling interest	1,857	1,345	1,000	2,884
Unit-based compensation (note 9 (a) and (b))	156	-	375	-
	11,489	5,329	21,659	11,437
Net change in non-cash working capital items	(12,438)	(5,018)	(7,299)	(7,334)
	(949)	311	14,360	4,103
Financing activities				
Net proceeds from the issuance of Units	-	94	-	30,643
Units acquired (note 9 (a) and (b))	-	-	(950)	-
Proceeds from forfeited units (note 9 (b))	22	-	22	-
Increase in bank indebtedness	2,040	12,170	7,654	13,586
Proceeds of long-term debt	15,000	-	15,000	-
Repayment of long-term debt	-	(5,000)	-	(8,852)
Distributions paid to unitholders	(6,684)	(2,588)	(14,086)	(6,964)
Distributions paid to non-controlling interest	(1,739)	(991)	(4,096)	(3,141)
Dividends paid to non-controlling interest by subsidiaries	(102)	-	(157)	-
	8,537	3,685	3,387	25,272
Investing activities				
Acquisition of Liquor Barn net of cash acquired(note 3(a))	(928)	-	(1,679)	-
Other business acquisitions (note 3(b))	(1,632)	(3,176)	(8,526)	(24,856)
Additional goodwill acquired (note 3(b))	(47)	-	(254)	-
Deposits on future acquisitions	(190)	(55)	540	(1,882)
Purchase of property and equipment	(1,277)	(679)	(3,077)	(2,542)
Purchase of intangibles	-	-	(968)	-
Pre-opening costs	(14)	(93)	(289)	(459)
	(4,088)	(4,003)	(14,253)	(29,739)
Increase (decrease) in cash and cash equivalents	3,500	(7)	3,494	(364)
Cash and cash equivalents balance, beginning of period	3,391	1,690	3,397	2,047
Cash and cash equivalents balance, end of period	6,891	1,683	6,891	1,683

Supplemental disclosure of cash flow information (note 14)

1 Nature of operations and organization

Liquor Stores Income Fund (the "Fund") is an unincorporated, open ended, limited purpose trust established under the laws of the Province of Alberta pursuant to a Declaration of Trust dated August 10, 2004.

As at September 30, 2007, the Fund operated 162 (September 30, 2006 – 92) retail liquor stores in Alberta and 31 (September 30, 2006 - 7) retail liquor stores in British Columbia. Of these stores, 182 (September 30, 2006 – 92) were acquired by the Fund and 11 (September, 2006 - 7) were developed by the Fund.

2 Significant accounting policies and basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. The accounting principles and methods of computation adopted in these financial statements are the same as those of the audited financial statements for the year ended December 31, 2006, except as noted below. However, these interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto, for the year ended December 31, 2006.

Accounting Policies Adopted in 2007

(a) On June 12, 2007, Bill C-52 to amend the *Income Tax Act-Canada*, including its provisions related to the taxation of income trusts, was substantively enacted. Accordingly, the Fund, as a trust, has applied the asset and liability method of accounting for future income tax as described in note 5.

(b) Effective January 1, 2007, the Fund has adopted Canadian Institute of Chartered Accountants ("CICA") Handbook sections 1506 - Accounting Changes, 1530 – Comprehensive Income, 3855 – Financial Instruments – Recognition and Measurement, 3861 – Financial Instruments – Disclosure and Presentation, and 3865 – Hedges.

As the Fund has no items of other comprehensive income, net earnings for the period is equivalent to comprehensive income. The Fund does not use hedge accounting.

Accounting Standards Issued but Not Yet Effective

(a) Section 1535: Capital Disclosures

This new standard establishes disclosure requirements concerning capital such as: qualitative information about its objectives, policies and processes for managing capital; quantitative data about what it regards as capital; whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The Fund will implement this new standard effective January 1, 2008.

(b) Section 3862: Financial Instruments - Disclosures and Section 3863: Financial Instruments - Presentation

These new standards replace Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The Fund will implement these new standards effective January 1, 2008.

(unaudited - expressed in thousands of dollars, except for per unit amounts)

(c) Section 3031: Inventories

This new standard provides guidance in determining the cost of inventory and its subsequent recognition as an expense. The standard is effective for fiscal periods beginning on or after January 1, 2008 and requires retroactive application to prior period financial statements. The Fund is presently evaluating the impact of this new standard.

3 Business acquisitions

The business acquisitions have been accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase. The purchase price allocations are preliminary and are subject to change once the final valuations of assets acquired are completed and the final determination of costs related to the acquisitions have been made.

(a) Acquisition of Liquor Barn Income Fund ("Liquor Barn")

On June 8, 2007, the Fund completed the acquisition of all issued and outstanding units of Liquor Barn, an operator of 81 retail liquor store locations. The operating results of Liquor Barn are included in the results of the Fund from June 8, 2007. The purchase price allocated to the assets acquired and the liabilities assumed, based on their preliminary fair values, is as follows:

	$
Net assets acquired:	
Working capital (including cash of $505)	17,091
Property and equipment	14,045
Intangibles	33,279
Goodwill	153,267
Bank indebtedness assumed	(24,089)
Convertible debentures	(702)
Liquor Barn non-controlling interest	(45,292)
	147,599
Consideration:	
Issue of Fund Units	143,100
Cash including transaction costs	4,499
	147,599
Cash paid consists of the following:	
Total cash consideration	4,499
Less:	
Amounts payable at September 30, 2007	(2,315)
Cash acquired	(505)
	1,679

(unaudited - expressed in thousands of dollars, except for per unit amounts)

The 6,817,533 Fund Units issued as consideration were valued at $143,100 based on the weighted average market price of the Fund Units over the three day period before and after the terms of the acquisition were agreed to and announced.

Of the goodwill acquired, $76,598 is expected to be deductible for tax purposes.

Acquired intangible assets are summarized as follows:

	$
Amortized intangible assets:	
Customer relationships	1,646
Leasehold interests	4,021
Licenses	27,021
	32,688
Unamortized intangible assets:	
Brand	591
Total	33,279

Adjustments made to the purchase price allocation included in the June 30, 2007 financial statements are a result of further information from third party valuations.

(b) Other Retail Liquor Store Acquisitions

The operating results of the acquisitions are included in the results of the Fund from the acquisition date. The purchase price allocated to the assets acquired and the liabilities assumed, based on their preliminary fair values, is as follows:

	Three months ended Mar 31, 2007	**Three months ended Jun 30, 2007**	**Three months ended Sep 30, 2007**	**Nine months ended Sep 30, 2007**
	$	**$**	**$**	**$**
Cash Paid:	4,494	3,966	2,018	10,478
Net assets acquired:				
Working capital	993	706	317	2,016
Property and equipment	527	443	520	1,490
Intangible assets	-	2,275	894	3,169
Goodwill	2,974	542	287	3,803
	4,494	3,966	2,018	10,478

During the three month and nine month periods ended September 30, 2007, the Fund acquired two and six stores respectively. Of the goodwill acquired during the nine months ended September 30, 2007, $3,348 is expected to be deductible for tax purposes.

(c) During the three month period ended September 30, 2007, $231 was reclassified from goodwill to favourable market leases in intangible assets as a result of finalizing a third party valuation. In the quarter, there were no adjustments to goodwill for prior period acquisitions relating to contingent payments and transaction costs (quarter ended - June 30, 2007 - $207).

(d) Contingent consideration

For three agreements entered into in 2005 for the purchase of certain retail liquor stores, the Fund may be required to make contingent payments as follows: i) $100 each year for the next five years provided that certain sales thresholds are achieved; ii) 1% of gross sales of certain stores payable quarterly for the next five years to a cumulative maximum of $450; and iii) on March 15, 2008 and 2009, a payment equal to 50% times a multiple of earnings less payments to date.

For an agreement entered into in the three months ended March 31, 2007 for the purchase of a certain retail liquor store, the Fund may be required to make a contingent payment of $65 provided that a certain sales threshold is achieved.

Six store purchase agreements entered into by Liquor Barn prior to its acquisition include provisions for the payment of contingent consideration based upon target sales, earnings before interest, taxes and amortization or other financial measures. The maximum consideration that may be payable under the terms of these agreements is $4,546.

For an agreement entered into in the three months ended June 30, 2007 for a 50% interest in a retail liquor store, a put option exists which may require the Fund to purchase all remaining assets of the business not earlier than one year following the date of acquisition.

For an agreement entered into in the three months ended September 30, 2007 for the purchase of a certain retail liquor store, the Fund may be required to make a contingent payment of $65 provided that a certain sales threshold is achieved.

Given the uncertainty with respect to the amount and timing of such payments, no amounts were recorded with respect to this contingent consideration at the time of the respective acquisitions. The Fund will recognize additional consideration payable and goodwill when the outcome of these contingencies becomes determinable.

(unaudited - expressed in thousands of dollars, except for per unit amounts)

4 Deposits on future acquisitions

Deposits represent refundable and non-refundable amounts paid for the acquisition of retail liquor stores where the purchase transaction is incomplete at the balance sheet date. Deposits for the acquisition of inventory and working capital are included in prepaid expenses and deposits.

Current year activity is as follows:

	Non-current Deposits	Current Deposits
	$	$
Balance – December 31, 2006	1,633	306
Acquisitions Completed	(983)	(841)
Amounts Refunded	(920)	(239)
Additional Deposits Tendered	380	1,051
Balance – September 30, 2007	110	277

(unaudited - expressed in thousands of dollars, except for per unit amounts)

5 Future income taxes

Prior to June 12, 2007, the Fund provided for current and future income taxes only for its incorporated subsidiaries. On June 22, 2007, Bill C-52, including provisions related to the taxation of income trusts commencing January 1, 2011 (or sooner in certain circumstances), received Royal Assent. As a consequence, Canadian income trusts are required to provide for future income taxes arising from those temporary tax differences expected to reverse after January 1, 2011. The rate applicable to the determination of these taxes is 31.5%.

Future income tax assets and liabilities are recognized based on temporary differences between accounting and tax bases of existing assets and liabilities as follows:

	September 30, 2007 **$**	**December 31, 2006** **$**
Future income tax liabilities:		
Intangible assets	5,834	-
Property and equipment	3,817	28
Goodwill	3,808	23
Pre-opening costs	-	37
	13,459	88
Future income tax assets:		
Deferred lease inducements	22	12
Non-capital losses	94	138
	116	150
	13,343	62

Future income taxes are not recorded on $114,492 of non-deductible goodwill.

6 Bank indebtedness and long-term debt

(a) Bank indebtedness and long-term debt

At September 30, 2007, the Fund had an available $90 million operating line. Interest on bank indebtedness is payable at the lender's prime rate. As at September 30, 2007, the bank indebtedness rate of interest was 6.25% (December 31, 2006 – 6.0%) and $39,689 (December 31, 2006 - $7,532) was drawn on the operating line, offset by outstanding cheques and deposits of $2,491 (December 31, 2006 - $2,077).

At September 30, 2007, the Fund had an available $30 million long term Capital/Acquisition line. Interest on long-term debt is payable at the lender's prime rate plus 0.25%. As of September 30, 2007 the effective long-term debt rate of interest was 6.25% (December 31, 2006 – 6.25%) and $15,000 was drawn on this line (December 31, 2006 - $0). This long term debt is repayable May 31, 2009.

The Fund has an available $3.5 million demand non-revolving loan to cover electronic funds transfer payments, and a $4 million bank guarantee facility to be used in day to day issuance of letters of guarantee for operations.

The bank indebtedness and long-term debt are collateralized by a general security agreement covering all present and after acquired personal property of Liquor Stores LP and Liquor Barn LP, subsidiaries of the Fund, and also by a floating charge over all of Liquor Stores LP's and Liquor Barn LP's present and after acquired real property and an assignment of Liquor Stores LP's and Liquor Barn LP's insurance. The assets of Liquor Stores LP and Liquor Barn LP represent substantially all of the Fund's assets.

(b) Convertible Debentures

The Fund assumed 8% unsecured subordinated convertible debentures (the "Debentures") maturing December 31, 2011 with a fair value of $702 when it acquired Liquor Barn. The fair value of the conversion feature at the time of the acquisition was $140 and this amount is presented as a component of equity.

The Debentures have a principal amount of $500 and are convertible into Units of the Fund at the option of the holder at a conversion price of $15.09 per Unit. Interest on the Debentures is payable on June 30 and December 31 of each year.

The Debentures are not redeemable before December 31, 2009 (the "First Call Date"). On and after the First Call Date and prior to December 31, 2010, the Debentures can be redeemable in whole or in part from time to time, at the Fund's option, at par plus accrued and unpaid interest, provided that the weighted average trading price of the Units on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2010, the Debentures will be redeemable at the Fund's option at any time at par plus accrued and unpaid interest.

Upon the occurrence of a change of control involving the acquisition of voting control or direction over 66-2/3% or more of the Units of the Fund, the Fund will be required to make an offer to purchase, within 30 days following the consummation of the change of control, all of the Debentures at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

The Fund will have the right at any time to purchase the Debentures in the market (if possible), by tender, or by private contract.

7 Related party transactions

A director of a subsidiary of the Fund is a partner in a law firm to which, during the three month and nine month periods ended September 30, 2007, the Fund incurred professional fees of $107 and $268 respectively. Further, the Fund paid fees and expenses to a company controlled by the Chief Executive Officer of the Fund, relating to the supervision of construction of developed stores, lease administration and tax services, in the amount $15 and $31 respectively. Commencing June 1, 2007, the Fund leases office premises from a company associated with the Chief Executive Officer. Rent paid during the quarter was $57. These operating and administrative expenses are incurred in the normal course of business at terms similar with unrelated parties and are measured at the exchange amount. Included in accounts payable and accrued liabilities is $9 (December 31, 2006 - $4) relating to these transactions.

(unaudited - expressed in thousands of dollars, except for per unit amounts)

8 Unitholders' equity

Fund Units

Units outstanding and capital contributions are as follows:

	Number of units #	Issue costs $	Net capital contributions $
Balance – December 31, 2006	10,228,320	10,271	139,709
Issued for Exchangeable Liquor Stores LP Units	1,425	-	14
Units issued on March 9, 2007	2,492	-	50
Issued June 8, 2007 for the Liquor Barn acquisition (note 3 (a))	6,817,533	-	143,100
Issued for Exchangeable Liquor Barn LP Units	1,046,699	-	22,065
Treasury Units	(45,504)	-	(978)
Balance – September 30 ,2007	18,050,965	10,271	303,960

An unlimited number of Fund Units may be created and issued pursuant to the Declaration of Trust. Each Fund 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. All Fund Units entitle the holder thereof to one vote and each Fund Unit has equal voting rights and privileges.

Consideration for units issued on exchange of Liquor Stores and Liquor Barn LP Exchangeable LP Units during the nine months ended September 30, 2007 was recorded at the carrying amount of the Liquor Stores LP and Liquor Barn Exchangeable LP Units in accordance with EIC-151.

Treasury Units represent unvested Units held in the LTIP (note 9 (a)) and the 2007 Incentive Plan (note 9 (b)).

9 Unit-based compensation plans

a) Long term incentive plan ("LTIP")

The Fund has adopted a long-term incentive plan (the "Plan") to provide key senior management of the Fund with compensation opportunities that will enhance the ability of the Fund to attract, retain and motivate key personnel and reward these key employees for significant performance and associated per unit cash flow growth. Fund bonuses, in the form of Units of the Fund, will be provided to eligible employees on an annual basis where the distributable cash of the Fund exceeds certain specified threshold amounts. The monthly cash distributions received by the Plan will be remitted to the participant when the Units become vested.

The Plan is managed through a separate trust, which is considered a variable interest entity. As the Fund is the primary beneficiary, the Fund consolidates the Plan in its financial statements.

If the distributable cash flow per unit exceeds the base distribution, a percentage of the distributable cash (the participation rate) is contributed by the Fund into a separate trust (the "LTIP Trust"). The LTIP Trust will use the funds to purchase Units in the open market or from treasury, and such Units will vest to the eligible employees over a three-year period. Threshold amounts and participation rates are as follows:

(unaudited - expressed in thousands of dollars, except for per unit amounts)

Excess percentage	Participation rate
5% or less	Nil
Greater than 5% and up to 10%	10% of any excess over 5%
Greater than 10% and up to 20%	10% of any excess over 5%, plus 20% of any excess over 10%
Greater than 20%	10% of any excess over 5%, plus 20% of any excess over 10%, plus 25% of any excess over 20%

The following table summarizes the status of the Plan:

	Nine months ended September 30	
	2007	**2006**
	#	**#**
Unvested Units, beginning of period	492	-
Granted	2,492	-
Vested Units transferred to participants	(292)	-
Unvested Units, end of period	2,692	-

On March 9, 2007, 2,492 Units were granted and issued from treasury at a price of $20.07 per Unit for a total cost of $50. The compensation expense will be recognized over the vesting period of three years. Compensation expense for the three and nine months ended September 30, 2007 was $9 and $20 respectively (September 30, 2006 - $ nil).

(unaudited - expressed in thousands of dollars, except for per unit amounts)

b) 2007 Incentive Plan

A special one-time discretionary compensation plan (the "2007 Plan") was implemented in the first quarter of 2007 in order to retain and motivate key personnel and reward these key employees for significant performance and associated per unit cash flow growth. Fund bonuses, in the form of Units of the Fund, will be provided to eligible employees. The Units vest over a three-year period from the March 7, 2007 grant date to January 7, 2010. The monthly cash distributions received by the 2007 Plan will be remitted to the participant when the Units become vested.

The following table summarizes the status of the 2007 Plan:

	Nine months ended September 30	
	2007	**2006**
	#	**#**
Unvested Units, beginning of period	-	-
Granted	43,851	-
Vested Units transferred to participants	-	-
Forfeited Units	(1,039)	-
Unvested Units, end of period	42,812	-

$950 was granted effective March 7, 2007 to purchase Units under the 2007 Plan. In total, 43,851 Units were purchased in the market at an average price of $21.66 per Unit. On September 6, 2007, 1,039 forfeited Units were sold on the market resulting in a reduction to compensation expense of $22. The remaining $928 compensation expense will be recognized over the vesting period of three years. Compensation expense of $147 and $355 respectively was recorded for the three and nine months ended September 30, 2007 (September 30, 2006 - $ nil).

c) Trustee and director deferred unit plan

The Fund maintains a deferred share unit plan (the "DSU Plan") to enhance the ability of the Fund to attract and retain non-employee Trustees and Directors whose training, experience and ability will promote the interests of the Fund and to align the interests of such non-employee Trustees and Directors with the interests of Unitholders. The DSU Plan is designed to permit such non-employee Trustees and Directors to defer the receipt of a maximum of 50% of the cash compensation otherwise payable to them for services to the Fund. As the Fund intends to settle its obligations related to the DSU Plan through cash payments, these obligations are accrued as a liability, which is adjusted to fair value based on the current market value of Units at each balance sheet date. Awards accruing to DSU Plan participants for the three and nine months ended September 30, 2007 totalled $53 and $145 respectively (2006 - $ nil), which were recorded as compensation expense in the period. As at September 30, 2007 participants have accumulated an entitlement to the equivalent cash value of 11,558 Units under the DSU Plan (December 31, 2006 – 5,183).

(unaudited - expressed in thousands of dollars, except for per unit amounts)

10 Non-controlling Interest

Exchangeable and Subordinated Unitholders

	Liquor Stores Exchangeable LP Units	Liquor Stores Subordinated LP Units	Liquor Barn LP Units	Total
	#	#	#	#
Balance – December 31, 2006	1,176,680	2,125,000	-	3,301,680
Liquor Barn Exchangeable and Subordinated Units at June 7, 2007 on an equivalent Fund Unit basis	-	-	2,157,790	2,157,790
Exchanged for Fund Units	(1,425)	-	(1,046,699)	(1,048,124)
Balance – September 30, 2007	1,175,255	2,125,000	1,111,091	4,411,346
Fund Special Voting Units – September 30, 2007	1,175,255	2,125,000	1,111,091	4,411,346
	$		$	$
Balance – December 31, 2006	11,880	21,468	-	33,348
Liquor Barn Exchangeable and Subordinated Units at June 7, 2007	-	-	45,292	45,292
Earnings (loss)	595	1,076	(834)	837
Exchanged for Fund Units	(14)	-	(22,065)	(22,079)
Distributions declared (note 13)	(1,303)	(2,355)	(640)	(4,298)
Balance – September 30, 2007	11,158	20,189	21,753	53,100

Subsidiaries

Balance - December 31, 2006	147
Earnings	163
Dividends paid	(157)
Balance – September 30, 2007	153
Total	53,253

11 Contingencies

On January 9, 2007, the Fund filed a Statement of Claim in the amount of $4,500 against Branch of the Willow et al for damages relating to breach of the terms of agreement, breach of non-competition agreements, breach of good faith and failure to act upon their express and implied obligations. On May 16, 2007, Branch of the Willow et al filed a statement of defence and counterclaim in the amount of $563. No amounts are recorded in the accounts of the Fund with respect to this claim. The outcome of this claim is uncertain. The settlement of this claim will be accounted for in the period of resolution.

(unaudited - expressed in thousands of dollars, except for per unit amounts)

12 Earnings per Unit

	For the three months ended September 30		For the nine months ended September 30	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Net Earnings (numerator utilized in basic Earnings per Unit)	5,325	3,332	100	6,887
Non-controlling interest	(1,779)	(1,345)	(837)	(2,884)
Earnings (numerator utilized in diluted Earnings per Unit)	7,104	4,677	937	9,771
	#	#	#	#
Units outstanding, beginning of period	17,521,291	8,626,183	10,228,320	6,179,683
Weighted average of Units issued less treasury Units acquired	460,964	1,742	3,139,384	1,782,922
Denominator utilized in basic earnings per unit	17,982,255	8,627,925	13,367,704	7,962,605
Exchangeable and Subordinated Units	4,640,636	3,302,075	2,592,661	3,533,695
Denominator utilized in diluted earnings per unit	22,622,892	11,930,000	15,960,365	11,496,300
Earnings (loss) per Unit – Basic	$0.30	$0.39	$0.01	$0.86
Earnings (loss) per Unit – Fully Diluted	$0.30	$0.39	$0.01	$0.85

(unaudited - expressed in thousands of dollars, except for per unit amounts)

13 Distributions

Distributions are determined in accordance with the Trust Indenture, and are based on earnings, before amortization, but reduced by capital expenditures. Distributions totalling $0.375 (2006 - $0.30) per Unit for each of Fund Units, Liquor Stores Exchangeable LP Units and Subordinated LP Units were declared by the Fund for the three months ended September 30, 2007. Distributions totalling $0.375 per Unit for Liquor Barn Exchangeable LP Units and Subordinated Units were also declared during the third quarter.

		Fund Units		Liquor Stores Exchangeable LP Units and Subordinated LP Units		Liquor Barn Exchangeable LP Units and Subordinated LP Units		Total	
Date distribution declared	**Date distribution paid**	**Declared $**	**Paid $**	**Declared $**	**Paid $**	**Declared $**	**Paid $**	**Declared $**	**Paid $**
January 15, 2007	February 15, 2007	1,194	1,194	137	137	-	-	1,331	1,331
February 15, 2007	March 15, 2007	1,194	1,194	137	137	-	-	1,331	1,331
March 15, 2007	April 13, 2007	1,273	1,273	909	909	-	-	2,182	2,182
April 13, 2007	May 15, 2007	1,273	1,273	147	147	-	-	1,420	1,420
May 15, 2007	June 15, 2007	1,273	1,273	147	147	-	-	1,420	1,420
June 15, 2007	July 13, 2007	2,185	2,185	944	944	210	210	3,339	3,339
July 11, 2007	August 15,2007	2,245	2,245	147	147	150	150	2,542	2,542
August 15, 2007	September 14,2007	2,254	2,254	147	147	141	141	2,542	2,542
September 19, 2007		2,256	-	944	-	139	-	3,339	-
		15,147	12,891	3,659	2,715	640	501	19,446	16,107

14 Supplemental disclosure of cash flow information

	For the three months ended September 30		For the nine months ended September 30	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Interest paid	592	457	1,020	894
Income taxes paid	-	-	65	-

15 Segmented information

The Fund identifies operating segments based on business activities, management responsibility, and geography. The Fund operates within a single operating segment, being the operation of retail liquor stores in Canada. All of the Fund’s assets are located in Canada.

16 Seasonal nature of the business

The Fund historically experiences higher sales in the third and fourth quarters, while the first and second quarter typically experience lower sales levels due to seasonal shopping patterns. Occupancy related expenses, operating and administrative expense and amortization remain relatively steady throughout the year.

17 Subsequent events

On May 3, 2007 a claim of approximately $1,500 against Liquor Barn LP alleging breaches of contract related to an acquisition agreement was filed by one of the vendors from the Liquor Barn initial public offering transaction. On May 18, 2007, Liquor Barn LP filed a statement of defence. Subsequent to September 30, 2007, a settlement was reached for $1,078. The settlement had been accrued at the time Liquor Barn was acquired.

Subsequent to September 30, 2007, a former employee of Liquor Barn commenced an action against Liquor Barn GP Inc. alleging breach of contract and wrongful dismissal. The former employee is seeking damages of approximately $500, including severance and other benefits.