Liquor Stores Income Fund

Interim Consolidated Financial Statements
(unaudited)

March 31, 2008
(expressed in thousands of Canadian dollars)

Liquor Stores Income Fund

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	March 31, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 768	$ 19,498
Accounts receivable	2,650	3,474
Inventory	86,928	84,856
Prepaid expenses and deposits (note 4)	1,873	1,348
	92,219	109,176
Pre-opening costs	819	773
Deposits on future acquisitions (note 4)	2,857	647
Property and equipment	42,024	41,707
Intangible assets (note 3)	37,126	37,784
Goodwill (note 3)	259,739	259,638
	$ 434,784	$ 449,725
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 11,063	$ 10,498
Distributions payable to unitholders (note 6)	2,476	2,470
Distributions payable to non-controlling interest (note 6)	559	1,094
	14,098	14,062
Long-term debt (note 5)	65,859	74,014
Future income tax liability (note 7)	13,362	10,300
Non-controlling interest (note 8)	47,093	49,671
	140,412	148,047
Unitholders' Equity		
Fund Units (note 9)	308,985	308,087
Equity component of convertible debentures (note 5)	4,970	4,340
Contributed surplus (note 10)	358	558
Cumulative undistributed earnings (excess distributions)	(19,941)	(11,307)
	294,372	301,678
	$ 434,784	$ 449,725

Liquor Stores Income Fund

Consolidated Statements of Earnings, Comprehensive Income and Cumulative Undistributed Earnings (Excess Distributions)

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

	Three months ended March 31, 2008	March 31, 2007
Sales	$ 94,422	$ 51,809
Cost of sales	70,980	38,841
Gross margin	23,442	12,968
Operating and administrative expense	18,477	9,744
Operating earnings before amortization and interest	4,965	3,224
Amortization		
Property and equipment	1,116	568
Intangible assets	772	38
Pre-opening costs	191	127
	2,079	733
	2,886	2,491
Interest expense and other		
Bank indebtedness	46	108
Long-term debt	238	-
Convertible debentures (note 5)	1,231	-
Unrealized gain on currency forward contract	(271)	-
	1,244	108
Earnings before income tax and non-controlling interest	1,642	2,383
Future income tax expense	3,062	-
Earnings (loss) before non-controlling interest	(1,420)	2,383
Non-controlling interest (note 8)	(210)	617
Net earnings (loss) and comprehensive income for the period	(1,210)	1,766
Cumulative undistributed earnings (excess distributions), beginning of period	(11,307)	997
Distributions declared on Fund Units (note 6)	(7,424)	(3,660)
Cumulative undistributed earnings (excess distributions), end of period	$ (19,941)	$ 897
Earning per Unit (note 12)		
Basic	$ (0.07)	$ 0.17
Diluted	$ (0.07)	$ 0.17

Liquor Stores Income Fund

Consolidated Statements of Cash Flows

(**expressed in thousands of Canadian dollars)**

	Three months ended March 31, 2008	March 31, 2007
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the period	$ (1,210)	$ 1,767
Items not affecting cash		
Amortization	2,079	733
Non-cash interest on convertible debentures	289	-
Future income tax	3,062	-
Unrealized gain on currency forward contract	(271)	-
Non-controlling interest	(210)	617
Unit-based compensation (note 13 (a))	126	46
	3,865	3,163
Net change in non-cash working capital items	(940)	(715)
	2,925	2,448
Financing activities		
Cash distributions from long-term incentive plans (note 9)	(12)	-
Units acquired	-	(950)
Increase (decrease) in bank indebtedness	-	6,437
Proceeds of long-term debt	7,187	-
Repayment of long-term debt	(15,000)	-
Distributions paid to unitholders	(7,417)	(3,581)
Distributions paid to non-controlling interest	(2,216)	(1,156)
Dividends paid to non-controlling interest by subsidiaries	(103)	(15)
	(17,561)	735
Investing activities		
Business acquisitions (note 3)	(214)	(4,254)
Deposits on future acquisitions (note 4)	(2,210)	(100)
Purchase of property and equipment	(1,433)	(450)
Pre-opening costs	(237)	(61)
	(4,094)	(4,865)
Increase (decrease) in cash and cash equivalents	(18,730)	(1,682)
Cash and cash equivalents balance, beginning of period	19,498	3,397
Cash and cash equivalents balance, end of period	$ 768	$ 1,715

Supplemental disclosure of cash flow information (note 15)

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 March 31, 2008, the Fund operated 198 retail liquor stores, of which 167 (2007 – 97) were in Alberta and 31 (2007 - 8) were in British Columbia. Of these stores, 179 (2007 – 94) were acquired by the Fund and 19 (2007 - 11) 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, 2007, 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, 2007.

Changes in accounting policies

Effective January 1, 2008, the Fund has adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook sections 1535 – Capital Disclosures, 3862 – Financial Instruments – Disclosures, 3863 – Financial Instruments – Presentation, and 3031 – Inventories.

While the adoption of these standards resulted in additional financial statement presentation and disclosures, which are included in notes 11 and 16 and the statements of earnings, no accounting policy changes or adjustments to amounts recorded in prior periods were necessary.

Accounting standards issued but not yet effective

(a) Section 3064 - Goodwill and intangible assets

This new standard provides guidance over the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard is effective for fiscal periods beginning on or after October 1, 2008 and requires retrospective application to prior period financial statements. Concurrent with the adoption of this standard, EIC 27 – Revenues and Expenditures during the Pre-operating period, will be withdrawn. This will result in a change to the Fund’s accounting for store pre-opening costs as these costs will no longer be capitalized as an asset. The impact of adopting this standard is not expected to be material to the Fund’s financial statements.

(b) International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed on February 13, 2008, that International Financial Reporting Standards will replace Canada’s current generally accepted accounting principles for the financial statements of publicly accountable enterprises effective January 1, 2011. The Fund is presently evaluating the impact these standards will have on the financial statements.

3 Business acquisitions

During the three-month period ended March 31, 2008, the Fund did not acquire any retail liquor stores (2007 – 1). Intangible assets were increased by $7,163 for prior year acquisitions relating to transaction costs. There were adjustments to goodwill for $207,105 for prior year acquisitions relating to contingent payments and transaction costs (2007 - $60,508). An additional $106,000 related to prior year acquisitions was reclassified from goodwill to intangibles as a result of finalizing third party valuations. Of the goodwill acquired for retail liquor store acquisitions during the three month period ended March 31, 2008, $101,105 is expected to be deductible for tax purposes.

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 period activity is as follows:

(expressed in thousands of Canadian dollars)	Non-current Deposits	Current Deposits
Balance – December 31, 2007	$ 647	$ 160
Holdbacks released and refunds received for acquisitions completed in 2007	-	(47)
Deposits Tendered	2,210	559
Balance – March 31, 2008	$ 2,857	$ 672

5 Long-term debt

Long-term debt comprises the following:

(expressed in thousands of Canadian dollars)	Maturity Date	2008 Effective Rate	March 31, 2008	December 31, 2007
Capital/Acquisition Facility advance	May 31, 2009	6.25%	$ 15,000	$ 30,000
Convertible unsecured subordinated debentures:				
6.75% Debenture	December 31, 2012	10.11%	50,305	43,451
8.00% Debenture	December 31, 2011	4.85%	554	563
			$ 65,859	$ 74,014

As at March 31, 2008, the only amount outstanding under the Fund's available credit facilities was a $15 million advance on the Capital/Acquisition Facility. There are no principal amounts due on the Capital/Acquisition Facility until maturity and interest is payable monthly. At March 31, 2008, the Fund had issued $3.7 million (2007 - nil) in letters of guarantee for day-to-day inventory purchases.

During the period ended March 31, 2008, the underwriters of the $50 million principal amount Debentures issued in December 2007 exercised their over-allotment option to purchase 7,500 additional Debentures for gross proceeds of $7.5 million, bringing the total principal amount of the Debentures to $57.5 million. They are convertible at the holder's option into fully paid and non-assessable Units at any time prior to the close of business on December 31, 2012 and the business day immediately prior to a date specified by the Fund for redemption of the 6.75% Debentures at a conversion price of $28.50. The conversion feature value on the over-allotment option is $630,000 and has been recorded as equity. The remaining $6,870,000 was allocated to long-term debt, net of $313,475 in transaction costs.

Interest on convertible debentures of $1,230,749 represents coupon interest of $941,724 and $289,025 pertaining to the impact of capitalized transaction costs on the effective interest rate for the period ended March 31, 2008.

6 Distributions

Distributions are determined in accordance with the Trust Indenture, and are based on earnings, before amortization and adjusted by capital expenditures. Distributions totalling $0.405 (2007 - $0.358) per Unit for each of Fund Units, Liquor Stores Exchangeable LP Units and Liquor Stores Series 1 Exchangeable LP Units were declared by the Fund for the period ended March 31, 2008.

(expressed in thousands of Canadian dollars)		Fund Units		Liquor Stores Exchangeable LP Units		Liquor Stores Series 1 Exchangeable LP Units		Total	
Date distribution declared	**Date distribution paid**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
Jan 15, 2008	Feb 15, 2008	$ 2,472	$ 2,472	$ 446	$ 446	$ 117	$ 117	$ 3,035	$ 3,035
Feb 15, 2008	Mar 14, 2008	2,476	2,476	445	445	114	114	3,035	3,035
Mar 14, 2008	Apr 15, 2008	2,476	-	445	-	114	-	3,035	-
		$ 7,424	$ 4,948	$ 1,336	$ 891	$ 345	$ 231	$ 9,105	$ 6,070

7 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 28.0%.

Future income taxes recorded by the Fund represent an estimate of the temporary differences existing at each balance sheet date that are expected to reverse after January 1, 2011, but not including existing temporary differences that are expected to reverse before that date. Future income tax assets and liabilities are measured using income tax rates that are expected to apply when the temporary differences reverse and are substantively enacted at the balance sheet date.

Determining future income taxes involves a number of assumptions and variables that could reasonably change in the period to January 1, 2011, including: the useful lives of recorded property, plant and equipment and intangible assets that determine the amount of amortization recorded thereon; the amount of discretionary tax deductions the Fund will claim from its existing tax depreciation pools, the rates of tax applicable to various jurisdictions in which the Fund is taxable and the allocation of taxable income to those jurisdictions; and the acceptance of the Fund's tax filing positions by the taxation authorities. Changes in these assumptions and variables, which are re-evaluated at each balance sheet date, could result in changes in the recorded amount of future income taxes, and these changes could be material.

In the three-month period ended March 31, 2008, the Fund revised its estimate of temporary differences pertaining to certain goodwill, property, plant and equipment, and intangible assets balances, which, along with other changes in temporary differences, resulted in a net increase in future income taxes of $3,062,000.

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

(expressed in thousands of Canadian dollars)	March 31, 2008	December 31, 2007
Future income tax liabilities:		
Intangible assets	$ 7,317	$ 4,880
Property and equipment	3,983	3,925
Goodwill	2,762	1,962
Debentures	-	171
	14,062	10,938
Future income tax assets:		
Issue costs	460	437
Deferred lease inducements	115	111
Non-capital losses	125	90
	700	638
	$ 13,362	$ 10,300

The Fund has recognized future income taxes related to non-capital losses of $862,561 (2007 - $0) available in a subsidiary to offset income of future years. If not utilized, $64,521 will expire in 2015, $557,019 will expire in 2026 and $241,021 will expire in 2027.

Future income taxes are not recorded on $103,745,778 of non-deductible goodwill.

8 Non-controlling Interest

	Exchangeable LP Units	Series 1 Exchangeable LP Units	Total
Balance – December 31, 2007	# 3,300,255	# 867,789	# 4,168,044
Exchanged for Fund Units	(11,632)	(22,380)	(34,012)
Balance – March 31, 2008	# 3,288,623	# 845,409	# 4,134,032

(expressed in thousands of Canadian dollars)

Balance – December 31, 2007	$ 49,436
Earnings	(273)
Exchanged for Fund Units	(584)
Distributions declared (note 6)	(1,681)
Balance – March 31, 2008	$ 46,898
Subsidiaries	
Balance - December 31, 2007	$ 235
Earnings	63
Dividends	(103)
Balance – March 31, 2008	$ 195
Total	$ 47,093

Liquor Stores LP Exchangeable LP Units (“Exchangeable LP Units”) and Liquor Stores LP Series 1 Exchangeable LP Units (“Series 1 Exchangeable LP Units”)

On January 1, 2008, Liquor Stores LP issued 867,789 Series 1 Exchangeable LP Units as consideration for the outstanding non-controlling interest in Liquor Barn LP, which consisted of 867,789 Liquor Barn Exchangeable LP Units.

The Exchangeable LP Units and Series 1 Exchangeable LP Units issued by Liquor Stores LP have economic and voting rights equivalent to the Fund Units (note 9), except in connection with the exchangeability terms as described below. They are exchangeable, directly or indirectly, on a one-for-one basis for Fund Units at the option of the holder, under the terms of the Exchange Agreement. The Exchangeable LP Units are not required to be exchanged for Fund Units before transferring to third parties. As a result, they have been treated as non-controlling interest, in accordance with the CICA Emerging Issues Committee Abstract #151.

Each Exchangeable LP Unit and Series 1 Exchangeable LP Unit entitles the holder to receive distributions pro rata with distributions made on Fund Units.

9 Unitholders' Equity

Fund Units

Units outstanding and capital contributions are as follows:

(expressed in thousands of Canadian dollars)	Number of units	Issue costs	Net capital contributions
Balance – December 31, 2007	# 18,294,278	$ 10,271	$ 308,087
Issued for Exchangeable Units	34,012	-	584
Vested Units (note 13 (a))	15,302	-	326
Cash distributions on vested Units	-		(12)
Units issued on March 7, 2008 (note 13 (a))	49,143	-	1,060
Treasury Units	(49,143)	-	(1,060)
Balance – March 31 ,2008	# 18,343,592	$ 10,271	$ 308,985

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 Exchangeable LP Units and Series 1 Exchangeable LP Units during the period ended March 31, 2008 was recorded at the carrying amount of the Liquor Stores Exchangeable LP Units and Series 1 Exchangeable LP Units in accordance with EIC-151.

The monthly cash distributions received by the Long Term Incentive Plan and the 2007 Incentive Plan are remitted to the participants when the associated Units vest.

Treasury Units represent unvested Units held in the LTIP (note 13 (a)).

10 Contributed Surplus

The table below summarizes the changes in contributed surplus:

(expressed in thousands of Canadian dollars)		Amount
Balance – December 31, 2007	$	558
Vested Units (note 13 (a))		(326)
Unit-based compensation expense		126
Balance – March 31, 2008	$	358

The Fund manages two unit-based incentive plans under which certain senior management receives a portion of their compensation (note 13 (a)). Awarded Units vest evenly over a period of three years. As the Units vest, they are transferred to the plan participant and recorded against contributed surplus.

11 Capital

The Fund views capital as the combination of its convertible debentures and Unitholders' equity balances. In general, the overall capital of the Fund is evaluated and determined in the context of its financial objectives when managing capital, which are to ensure the Fund has capital and capacity to support its growth strategy, provide investors with stable returns and ensure the Fund has the financial capacity to support its operations.

The Fund's capital structure reflects the requirements of a company focused on growth, both through development of new stores and through acquisition. Management continually monitors the adequacy of the Fund's capital structure and adjusts the structure accordingly either by accessing credit facilities, issuing debt instruments, or issuing new units.

There were no changes to the Fund's objectives, policies or processes for managing capital from the prior fiscal period.

The Fund's indebtedness is subject to a number of external covenants, but none are capital related. Under the terms of the Fund's credit facility, the following ratios are monitored: adjusted debt to EBITDAR, current ratio and fixed coverage ratio. For the three months ended March 31, 2008, the Fund has been in compliance with all covenants.

With respect to equity, the current level of capital is considered adequate with regards to operations and the strategic plan of the Fund. The equity component of capital changes primarily based upon the income of the Fund less distributions paid.

The Fund will review its level of equity in the context of the change in taxation impacting the Fund in 2011.

12 Earnings per Unit

(expressed in thousands of Canadian dollars, except per unit amounts)	March 31, 2008	March 31, 2007
Net Earnings (numerator utilized in basic Earnings per Unit)	$ (1,210)	$ 1,767
Non-controlling interest	(273)	589
Earnings (numerator utilized in diluted Earnings per Unit)	$ (1,483)	$ 2,356
Units outstanding, beginning of period	# 18,294,278	# 10,228,320
Weighted average of Units issued less treasury Units acquired	32,747	(4,720)
Denominator utilized in basic earnings per unit	18,327,025	10,223,600
Exchangeable Units	6,194,851	3,301,440
Denominator utilized in diluted earnings per unit	# 22,489,571	# 13,525,040
Earnings per Unit – Basic	$ (0.07)	$ 0.17
Earnings per Unit – Diluted	$ (0.07)	$ 0.17

Potential units for convertible debentures have not been included in the denominator used in the diluted earnings per unit calculation due to their anti-dilutive effect.

13 Unit-based compensation plans

(a) Long-term incentive plan ("LTIP") and 2007 Incentive Plan ("2007 Plan")

The Fund has adopted long-term incentive plans (the "Plans") to provide certain 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 Plans will be remitted to the participant when the Units become vested.

The Plans are managed through separate trusts, which are considered variable interest entities. As the Fund is the primary beneficiary, the Fund consolidates the Plans 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:

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 16.27% of any excess over 20%

The following table summarizes the status of the Plans:

	LTIP	**2007 Incentive Plan**		**2008 Total**
Unvested Units December 31, 2007	2,692	42,812	#	45,504
Granted March 7, 2008	49,143	-		49,143
Vested Units transferred to participants	(1,031)	(14,271)		(15,302)
Unvested Units, end of period	50,804	28,541	#	79,345

On March 7, 2008, 49,143 Units were granted under the LTIP and issued from treasury at a price of $21.57 per Unit for a total cost of $1,060,015. The compensation expense will be recognized over the vesting period of three years.

Compensation expense for the LTIP for the period ended March 31, 2008 was $54,633 (2007 - $2,288). Compensation expense of $71,178 was recorded for the 2007 Plan for the period ended March 31, 2008 (2007 - $ 43,475).

(b) 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 period ended March 31, 2008 totalled $10,956 (2007 - $58,634), which was recorded as compensation expense in the period. As at March 31, 2008 participants have accumulated an entitlement to the equivalent cash value of 15,886 Units under the DSU Plan (December 31, 2007 – 13,629).

14 Related party transactions

A director of a subsidiary of the Fund is a partner in a law firm to which, during the period ended March 31, 2008, the Fund incurred professional fees of $108,894 (2007 - $89,417). 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 of $33,565 (2007 - $10,674). The Fund leases office premises from a company associated with the Chief Executive Officer. Rent paid during the period was $122,926 (2007 - $ nil). 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 $35,042 (2007 - $6,469) relating to these transactions.

15 Supplemental disclosure of cash flow information

	For the three months ended	
(expressed in thousands of Canadian dollars)	**March 31, 2008**	**March 31, 2007**
Interest paid	$ 284	$ 108
Income taxes paid	203	-

16 Financial Instruments

Recognition and measurement

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to Unitholders and non-controlling interest, a currency forward contract, and long-term debt. The Fund does not enter into financial instruments for trading or speculative purposes. Initially, all financial assets and liabilities must be recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and financial liability. Financial liabilities classified as other financial liabilities are subsequently recorded at amortized cost. All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated balance sheet with changes in fair value recorded in earnings. Transaction costs related to non-current financial liabilities classified as other financial liabilities are capitalized and amortized over the expected life of the financial instrument using the effective interest rate method.

Fair value

Fair value is the value a financial instrument can be closed out or sold at, in a transaction with a willing and knowledgeable counterparty. The fair value of instruments traded in active markets is based on quoted market price at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The following table shows the carrying values and fair values of the Fund's financial instruments at March 31, 2008:

(expressed in thousands of Canadian dollars)	March 31, 2008 Carrying Value	March 31, 2008 Estimated Fair Value	December 31, 2007 Carrying Value	December 31, 2007 Estimated Fair Value
Held for trading (i)				
Cash and cash equivalents	$ 768	$ 768	$ 19,498	$ 19,498
Currency forward contract	271	271	-	-
Loans and receivables (ii)				
Accounts receivable	2,379	2,379	3,474	3,474
Other financial liabilities (iii)				
Accounts payable and accrued liabilities	11,063	11,063	10,498	10,498
Distributions payable to unitholders	2,476	2,476	2,470	2,470
Distributions payable to non-controlling interest	559	559	1,094	1,094
Long-term debt	15,000	15,000	30,000	30,000
Convertible debentures	$ 50,859	$ 57,723	$ 44,014	$ 50,750

(i) **Held for trading**

For cash and cash equivalents, the fair value represents cost plus accrued interest. Due to the short-term nature of the instruments, the carrying value approximates fair value.

The currency forward contract is carried at fair value, which represents the market value of the contract at March 31, 2008. The currency forward contract has been included in accounts receivable for financial statement presentation purposes.

(ii) **Loans and receivables**

The carrying value less impairment provision of trade receivables is assumed to approximate their fair values due to the short-term nature of the instruments.

(iii) **Other financial liabilities**

The carrying value of trade payables is assumed to approximate their fair values due to the short-term nature of the instruments. The carrying value of long-term debt, excluding convertible debentures, approximates the fair value as the interest rate affecting this instrument is at market rate. Convertible debentures have been recorded at amortized cost using the effective interest method. The fair value of the debentures was calculated as the net present value of all scheduled interest and principal payments discounted using the market yield of the particular debenture as at March 31, 2008. The Fund's convertible debentures have been classified as debt with a portion of the proceeds representing the value of the conversion option bifurcated to equity. The debt balance accretes over time to the amount owing on maturity and such increases in the debt balance are reflected as non-cash interest expense in the Consolidated Statement of Earnings.

Credit risk

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. The Fund's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Fund invests its cash and cash equivalents with a major Canadian chartered bank. The Fund, in its normal course of operations, is exposed to credit risk from its customers. Risk associated with respect to accounts receivable is mitigated by credit management policies. The Fund is not subject to significant concentration of credit risk with respect to its customers; however, all trade receivables are due from organizations in the Alberta and British Columbia hospitality industries. There were no bad debts recorded or significant past due accounts for the three months ended March 31, 2008.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as market prices change.

The Fund is subject to interest rate risk as its credit facilities bear interest rates that vary in accordance with borrowing rates.

The following table presents a sensitivity analysis to changes in market interest rates and their potential annual impact on the Fund as at March 31, 2008, assuming an outstanding debt balance of $15,000,000.

(expressed in thousands of Canadian dollars)	+ 1.00%	- 1.00%
Increase (decrease) in interest expense	$ 150	$ (150)
Increase (decrease) in earnings before income tax and non-controlling interest	$ (150)	$ 150

The Fund manages its interest rate risk through credit facility negotiations and by identifying upcoming credit requirements based on strategic plans.

Liquidity risk

The Fund has long-term indebtedness with a maturity date of May 31, 2009, 8.00% convertible debentures maturing on December 31, 2011 and 6.75% convertible debentures maturing on December 31, 2012. The degree to which the Fund is leveraged may reduce its ability to obtain additional financing for working capital and to finance growth acquisitions. The Fund may be unable to extend the maturity date of the credit facilities or to refinance outstanding indebtedness.

To reduce liquidity risk, the Fund has renewed credit terms prior to maturity dates and maintains financial ratios that are conservative compared to financial covenants applicable to the credit facilities. The Fund has made payments on outstanding long-term debt balances in advance of maturity dates. In addition, a portion of the Fund's short and long-term credit facilities remain undrawn.

Management measures liquidity risk through comparisons of current financial ratios with financial covenants contained in the credit facility agreement.

Foreign exchange risk

The Fund has a currency forward contract which is due on May 1, 2008. The fair value of the unrealized gain has been recorded as an asset of the Fund at March 31, 2008.

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

17 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.

18 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.

19 Subsequent events

Subsequent to March 31, 2008, the Fund completed the acquisition of three retail liquor stores. The aggregate purchase price (including inventory) for the acquisitions was approximately $1,790,000 and was drawn from existing facilities.

On April 29, 2008, the Fund renewed a 90 day $10 million US dollar currency forward contract entered into on January 28, 2008 and due on May 1, 2008 for an additional 30 to 60 days.