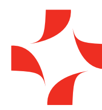
2007 ANNUAL REPORT

DISTRIBUTION STABILITY WITH GROWTH



Superior Plus
Income Fund

SUPERIOR PLUS AT A GLANCE

SUPERIOR PLUS INCOME FUND, which was established in 1996, has a portfolio of diversified businesses which operate in four different sectors including: Propane Distribution, Specialty Chemicals , Construction Products Distribution, and Fixed-Price Energy Services. Each of the high-quality businesses has a strong market position focused on operational excellence, quality service, and high safety standards. The Fund continues to focus on its core businesses providing a foundation for stable distributions with a growth profile.

Superior Plus Income Fund trust units are listed on the Toronto Stock Exchange under the symbol SPF.UN.

	COMPANY OPERATIONS	KEY STRENGTHS
PROPANE DISTRIBUTION Superior Propane is Canada's largest distributor of propane, related products and services and provider of natural gas liquids wholesale marketing services.	› Began operations in 1951. › Operational locations: six regions, 45 markets, 125 satellites. › Approximately 1,700 employees.	› Leading competitive position. › Geographic and end-use customer diversification. › Full service capabilities and brand reputation.
SPECIALTY CHEMICALS ERCO Worldwide is a leading supplier of sodium chlorate and technology to the pulp and paper industries, and a U.S. regional Midwest supplier of potassium and chloralkali products.	› In business since 1897. › Nine specialty chemicals plants strategically located with six in Canada, two in the United States and one in Chile. › Approximately 500 employees.	› Leading competitive position. › Geographic and customer diversification. › Low cost structure. › Simple and safe manufacturing process.
CONSTRUCTION PRODUCTS DISTRIBUTION Winroc is the largest distributor of specialty construction products to the walls and ceilings industry in Canada and a leading distributor in North America.	› In business since 1971. › 42 branches with 34 locations in Western Canada and Ontario; and eight in Minnesota and parts of the southwestern United States. › Approximately 900 employees.	› Leading competitive position. › Geographic and end-use customer diversification. › Full-service capabilities and brand reputation. › Attractive industry. › Consolidation opportunities.
FIXED-PRICE ENERGY SERVICES Superior Energy Management is a provider of fixed-price natural gas supply services in Ontario, Quebec, and British Columbia and fixed-price electricity supply services in Ontario.	› Commenced operations in 2002. › Main focus areas are residential customers in Ontario and British Columbia. › Provides fixed-price natural gas and electricity solutions to commercial customers in Ontario and Quebec. › Approximately 55 employees.	› Stable contract-based business. › Predictable customer acquisition costs. › Strong growth potential in other North American jurisdictions.

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2007 HIGHLIGHTS

Operating Highlights	2007	2006
(millions of dollars, except per trust unit amounts)		
Revenue	**2,355.4**	2,264.3 [4]
Gross profit	**661.8**	630.9 [4]
EBITDA [1]	**221.6**	205.8 [4]
Net earnings (loss) from continuing operations	**119.4**	(55.6)
Net earnings (loss)	**119.8**	(80.8)
Operating distributable cash flow		
Superior Propane	**99.6**	90.6
ERCO Worldwide	**79.3**	75.7
Winroc	**34.6**	34.6
Superior Energy Management (SEM)	**12.1**	10.3
Operating distributable cash flow from continuing operations	**225.6**	211.2
Discontinued operations—JW Aluminum	-	38.9
Total operating distributable cash flow	**225.6**	250.1
Distributable cash flow [1]	**170.4**	180.4
Distributable cash flow per trust unit, basic	**1.97**	2.11
Distribution payout ratio	**79%**	86%

Balance Sheet Highlights

Balance Sheet Highlights	2007	2006
Total assets	**1,542.8**	1,536.9
Total liabilities	**926.1**	941.3
Growth and acquisition capital expenditures	**13.1**	53.0
Senior debt [2]	**440.5**	441.7
Total debt [2]	**687.8** [5]	755.6
Senior debt/EBITDA [3]	**1.9**	1.9 [4]
Total debt/EBITDA [3]	**3.0**	3.4 [4]
Average number of trust units outstanding (millions)	**86.5**	85.5

(1) EBITDA and distributable cash flow are not defined performance measures under the Canadian Generally Accepted Accounting Principles. Non-GAAP financial measures are defined in the Management's Discussion and Analysis.
(2) Includes off-balance sheet receivable sales program amounts.
(3) Debt ratios include off-balance sheet receivable sales program amounts and cash on hand.
(4) Excludes EBITDA from discontinued operations.
(5) Excludes deferred issue costs.

› Strong performance from all of our businesses resulted in a 7% increase in operating distributable cash flow from continuing operations.

› Distributable cash flow per trust unit for the year ended December 31, 2007 was $1.97 resulting in a payout ratio of 79%.

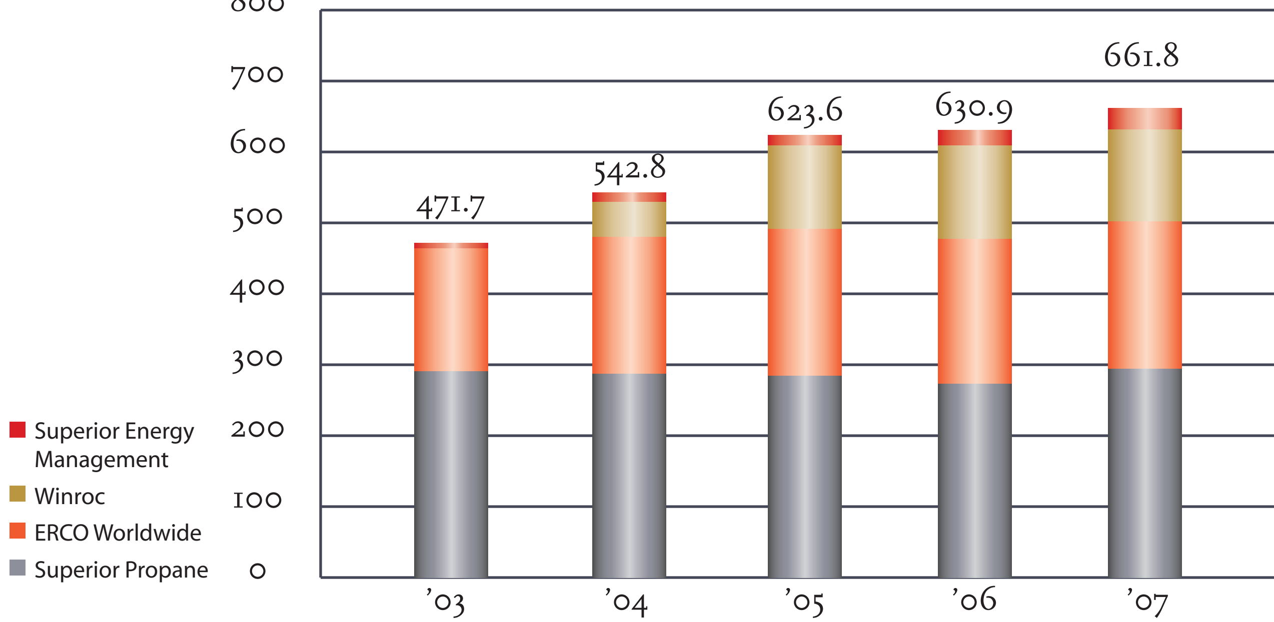
› Superior Plus announced a distribution increase of 4% to $0.135 per trust unit per month ($1.62 annualized) commencing with the April 15, 2008 payment, due to a positive outlook and solid financial results.

› Total debt levels were reduced to 3.0 times EBITDA and financial capacity increased to greater than $330 million as at December 31, 2007.

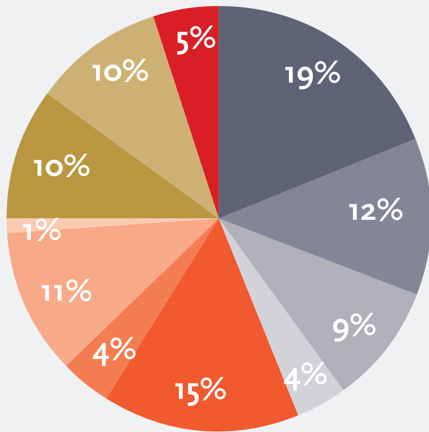
› Efficiency improvement and growth projects provide the foundation for distribution stability with long-term growth.

DIVERSIFICATION WORKS

Historical Gross Profit by Business *($ millions)*



Market Diversification



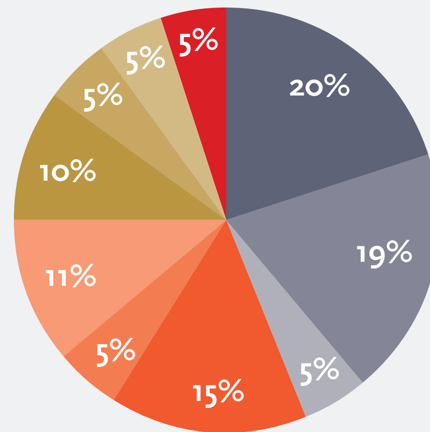
SUPERIOR PROPANE
- Propane Heating
- Propane Non-Heating
- Value Added Services
- Wholesale Supply/Fixed-Price Program

ERCO WORLDWIDE
- North American Sodium Chlorate
- International Sodium Chlorate
- Chloralkali and Potassium
- Technology

WINROC
- Residential Construction
- Commercial Construction

SUPERIOR ENERGY MANAGEMENT
- Natural Gas

Geographic Diversification



SUPERIOR PROPANE
- Western Canada
- Eastern Canada
- Atlantic Canada

ERCO WORLDWIDE
- North American Sodium Chlorate and Technology
- International Sodium Chlorate and Technology
- North American Chloralkali and Potassium

WINROC
- Western Canada Construction
- Ontario Construction
- US Construction

SUPERIOR ENERGY MANAGEMENT
- Natural Gas

WE MADE SIGNIFICANT PROGRESS IN 2007

Chairman and CEO, Grant D. Billing

FOR SUPERIOR PLUS, 2007 was an excellent year with strong results from each of the four divisions. The Fund is well diversified and consists of high-quality businesses with growth opportunities in each of its core sectors: Propane Distribution, Specialty Chemicals, Construction Products Distribution, and Fixed-Price Energy Services. All of Superior's businesses have an inventory of efficiency improvement projects and growth opportunities, positioning the Fund to execute on its long-term objective of stability of distributions with value growth. The strong performance in 2007 and the positive outlook going forward supported the Board's decision to increase the monthly cash distribution rate by 4%.

OVER THE PAST YEAR, we increased efficiencies in our core businesses, strengthened our balance sheet, and proactively managed risk factors. In addition, we improved our corporate governance processes and enhanced our Board of Directors with the addition of three new members. The new members provided valuable expertise and relevant experience to the Board and their respective business advisory committees on which they sit.

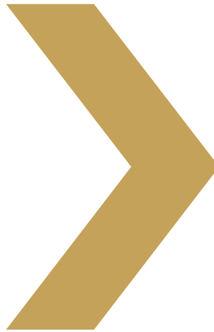
EACH BUSINESS SEGMENT HAS EFFICIENCY IMPROVEMENT AND GROWTH PROJECTS WITH A MINIMUM AFTER-TAX RETURN OF 15%

$2,355.4MM	$661.8MM	170.4MM	$1.97
Total revenues	Total gross profit	Distributable cash flow	Distributable cash flow per trust unit

2007 RESULTS

85-90%
TARGETED PAY-OUT RATIO IN 2007

79%
ACTUAL PAY-OUT RATIO IN 2007



13¢/month
DISTRIBUTION PER TRUST UNIT IN 2007

$1.56
PER TRUST UNIT IN 2007

Execution of the Growth Strategy

2007 MARKED THE LAUNCH of Superior's corporate growth strategy which included the following major accomplishments:

- Superior Propane increased sales volumes by 3% as a result of customer improvement initiatives and weather conditions consistent with the historical five-year average.
- Superior Propane's customer service initiative was enhanced with a reorganization of the business into six regional markets allowing for increased focus on customer retention and growth through improved service.
- Superior Propane's total gross profit increased to $294.2 million from $272.9 million representing an increase of 8% over the prior year primarily driven from increases in volumes, margins and value-added services.
- ERCO achieved a 98% average utilization rate at its facilities demonstrating excellent operational management and continued progress on its efficiency improvement projects.
- ERCO announced the US$95 million Port Edwards modernization and expansion project.
- SEM expanded into the British Columbia fixed-price natural gas market and entered the Ontario fixed-price electricity market penetrating two new growth channels.
- SEM established long-term supply partnerships with Bruce Power LP and Constellation Energy Commodities Group, Inc. providing increased financial flexibility and stability of supply for its customers.
- Winroc added two new greenfield locations and completed two regional tuck-in acquisitions while maintaining a strict focus on relationship, margin and expense management.

Stability of Distributions

THE FUND CONTINUED to invest in efficiency improvement projects in each of the four businesses providing a foundation for long-term, stable distributions in 2007. Total cash distributions in 2007 were $1.56 per trust unit representing a constant $0.13 per trust unit per month. A targeted payout ratio of 85-90% was established in 2006 in order to provide increased financial flexibility for future growth. Distributable cash flow of $1.97 per trust unit resulted in an actual payout ratio of 79% in 2007, which was well below our targeted range. The Fund continues to forecast a payout ratio well below 90%, following the announced distribution increase to $0.135 per unit per month ($1.62 annualized). Superior will also be suspending its distribution reinvestment program commencing with the April 15, 2008 payment due to forecast surplus cash flows and declining debt levels. In addition, we consider this program to be dilutive for our unitholders at this time.

OUR PROJECTED GROWTH RATE IS EXPECTED TO OFFSET THE 2011 TAX CHANGES

Income Funds New Tax Regime

ON OCTOBER 31, 2006, the Minister of Finance (Canada) announced new tax proposals concerning the taxation of income trusts and other flow-through entities (the "SIFT Rules") which received Royal Assent on June 22, 2007. Following the announcement, Superior Plus completed a five-year business plan incorporating its tax pools and announced growth projects to assess the impact of the new tax. The results of the detailed planning model indicated Superior Plus will have growth opportunities to more than offset the impact of the new SIFT tax post-2011 resulting in stable distributions for its unitholders over the long-term.

Financial Position

IN 2007, SUPERIOR PLUS continued to improve and maintain a strong balance sheet. The Fund established a new syndicated credit facility of $595 million with enhanced debt covenants and increased financial capacity maturing in 2010. Superior Plus has conservative leverage target ranges with its Senior Debt to EBITDA ratio between 1.5x-2.0x and its Total Debt to EBITDA ratio between 2.5x-3.0x. In 2008, the Fund has forecast it will be at the mid-point of the target ranges, which are significantly lower than its lenders' covenants. As at December 31, 2007, Superior Plus had $670 million of credit capacity with 11 chartered banks and approximately $330 million of undrawn credit availability excluding its securitization program.

Financial Outlook

(millions of dollars, except per trust unit amounts)	2007E	2007A	2008P[3]	2009P[3]
Operating distributable cash flow				
Superior Propane	95-100	99.6	100-105	105-110
ERCO	70-75	79.3	75-80	78-83
Winroc	30-35	34.6	32-37	32-37
SEM	12-15	12.1	15-18	18-23
Distributable cash per trust unit	1.80-1.90	1.97	1.90-2.10	2.05-2.25
Payout ratio	84%	79%	80%[1]	75%[1]
Average Senior Debt/EBITDA (target of 1.5 to 2.0x)	2.0[2]	1.9[2]	1.7[2]	1.6[2]
Average Total Debt/EBITDA (target of 2.5 to 3.0x)	3.1[2]	3.0[2]	2.8[2]	2.7[2]

[1] Based on mid-point of the distributable cash flow per unit range and includes distribution increase effective April 15, 2008.

[2] Superior's debt ratios take into account the impact of the off-balance sheet receivable sales program amounts, cash on hand, suspension of DRIP program, and the Port Edwards Project.

[3] The assumptions relating to the Financial Outlook are discussed in the Financial Discussion of 2007 Fourth Quarter and 2007 Year-End Results.

WE EXPECT TO GROW DISTRIBUTABLE CASH FLOW IN 2008 AND 2009

Consolidated Outlook

SUPERIOR'S operating distributable cash flow per trust unit was $1.97 in 2007, exceeding the Fund's expectations due to strong performance from all of its core businesses. Superior Propane continues to expand its product offering and increase propane volumes while experiencing average weather conditions. ERCO Worldwide continues to operate at a high level of utilization due to increased demand in the sodium chlorate industry with most of its volumes contracted in 2008 and 2009. Winroc's market and geographic diversification strategy continues to provide stability to its business during a US housing downturn. SEM continues to penetrate the fixed-price electricity market in Ontario while expanding its fixed-price natural gas presence in British Columbia.

Given the strong momentum achieved in 2007 and our positive outlook, we have increased our 2008 expectations of consolidated distributable cash flow per trust unit to the range of $1.90 to $2.10, increasing in 2009 to the range of $2.05 to $2.25. The improved operating environments of our core businesses, reduced payout ratio, increased financial capacity, and inventory of efficiency and expansion projects provide our unitholders a platform for distribution stability and growth over the long term.

Acknowledgements

SUPERIOR PLUS made significant progress over the past year due to the hard work of over 3,200 employees. I would like to thank all of our employees for their dedication and commitment to their respective businesses. In addition, I would also like to thank each of our directors for your guidance, stewardship, and efforts in helping achieve strong financial results. Finally, on behalf of the entire organization, I would like to thank our securityholders for your continued support and confidence in the Fund.

(signed) "Grant D. Billing"
Chairman and Chief Executive Officer

March 10, 2008

Management Team

Grant D. Billing
Chairman and Chief Executive Officer
Mr. Billing has served as Chairman of Superior Plus since the Fund's inception in 1996. He assumed the dual role of Chairman and CEO in 2006 to focus on maximizing unitholder value and long-term value growth. Mr. Billing has extensive strategic and business experience and is a chartered accountant.

Wayne M. Bingham
Executive Vice-President and Chief Financial Officer
Mr. Bingham joined Superior Plus in 2006. He previously was Chief Financial Officer at Finning International Inc. and Ontario Power Generation. He has extensive experience in financial reporting, strategy, compliance, risk management, treasury and supply chain operations. Mr. Bingham holds a B.Comm. (Honours) and is a chartered accountant.

John D. Gleason
President, Superior Propane
Mr. Gleason joined Superior Plus as Senior Vice-President, Corporate Development in 2005 and became President of Superior Propane in early 2006. He held executive positions in finance and business development at MDS Inc. for 14 years and holds B. Comm., M.B.A. and C.A. designations.

Paul S. Timmons
President, ERCO Worldwide
Mr. Timmons has been with ERCO for 27 years and was appointed President in 2001. He holds an Engineering Diploma from St. Francis Xavier University and a degree in Metallurgical Engineering from Technical University of Nova Scotia.

Paul J. Vanderberg
President, Winroc
Mr. Vanderberg has been President of Winroc since 2000 and previously held various executive positions in general management and business development at USG Corporation, a leading building products manufacturer. He holds B.A. and M.B.A. designations.

Greg L. McCamus
President, Superior Energy Management
Mr. McCamus joined SEM as President in 2005. He previously was President of Sprint Canada Business Solutions and held various executive positions within the deregulated telecom industry over a 20-year period. He holds B.A. and M.B.A. designations.

Our Businesses:
PROPANE DISTRIBUTION

$1,075.7MM	$294.2MM	20.6¢/L	$99.6MM
Total revenues	Total gross profit	Gross profit margin	Distributable cash flow

2007 RESULTS

SUPERIOR PROPANE contributed $99.6 million in operating distributable cash flow in 2007, an increase of 10% over 2006. The increase in sales volumes and value-added services revenue contributed to a total gross profit of $294.2 million or 20.6 cents per litre. These results reflect considerable improvement in all areas of the business due to the implementation of several initiatives as described below.

The reorganization of the business into six regional centres has already shown early signs of improving customer retention and growth. This new structure allows for relationships to be managed with direct customer contact at the local level while receiving benefits of standardized processes and a technology platform.

During 2006, Superior completed the installation of on-board bulk truck computers which reduced driver and office administration in 2007. This on-board technology improves our ability to reduce out-of-gas occurrences and is expected to improve distribution efficiencies for routing and scheduling logistics. The implementation of asset management, real-time communications and GPS technology are scheduled for 2008 with forecasting of routing and scheduling improvements to be completed in 2009.

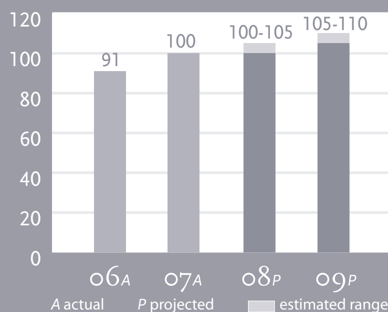
Superior expanded its master lease program adding 134 new bulk and service trucks in 2007 with another 113 trucks expected to be brought into service in 2008. This level of fleet renewal is approximately double the amount invested compared to prior years. The reduction in maintenance capital and lower repair costs is expected to offset the increase in lease costs over the life of the fleet. The dollar value equivalent of trucks brought into service during 2007 by way of operating lease was $20 million.

Our wholesale natural gas liquids marketing business continues to provide transportation, storage, risk management, supply, logistics and fixed-price offerings for Superior Propane as well as to third parties in Canada and the United States.

Superior continues to expand its service offerings such as preventative maintenance and warranty programs and has separated its service business from the propane delivery business to gain further efficiencies and implement best practices across Canada.

We continue to implement these initiatives and forecast an operating distributable cash flow for 2008 in the range of $100-$105 million, increasing in 2009 to $105-$110 million. We are encouraged by the significant improvements made in the propane distribution business and expect further growth to be achieved over the long term.

Operating Distributable Cash Flow
(millions of dollars)



Our Businesses: SPECIALTY CHEMICALS

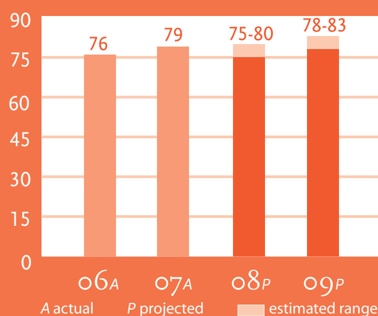
$460.6MM	$207.7MM	$272.0/MT	$79.3MM
Total revenues	Total gross profit	Gross profit margin	Distributable cash flow

2007 RESULTS

ERCO WORLDWIDE contributed $79.3 million in operating distributable cash flow in 2007, compared to $75.7 million in 2006. Total gross profit increased to $207.7 million due to higher chemical volumes and strong pricing received on sodium chlorate and chloralkali/potassium products. Pulp prices continued to rise throughout 2007 resulting in increased demand for North American sodium chlorate. Total chemical sales volumes were 768,000 tonnes, representing an increase of 12,000 tonnes over the prior year as ERCO's Chilean facility completed its first full year of operations. ERCO was able to achieve a 1% increase in average sodium chlorate prices over the prior year despite an 18% increase in the appreciation of the Canadian dollar against the United States dollar due to the Fund's proactive hedging program.

ERCO achieved a 98% average utilization rate at its facilities based upon total production capacity of approximately 733,000 metric tonnes. ERCO is the second largest producer of sodium chlorate in North America and has patented technology utilizing industry leading equipment and processes required by pulp producers. This proprietary technology allows ERCO to have an early look on investment opportunities both domestically and internationally.

Operating Distributable Cash Flow
(millions of dollars)



ERCO continues to invest growth capital into the business with half of the expenditures allocated to its ongoing electrical cell replacement program which provides for a reduction in overall electrical consumption. In addition, ERCO has several projects which capture hydrogen, replace fossil fuels, and reduce greenhouse gas emissions. With the closure of two high cost facilities in 2006, ERCO is now well positioned as a low-cost manufacturer with facilities close to its customers.

Strategic diversification of our chemical sales volumes towards higher volume of chloralkali products has reduced our portfolio weighting to sodium chlorate and our dependency on the North American pulp and paper industry over the past three years. ERCO's chlorine, hydrochloric acid, potassium hydroxide and potassium carbonate production, and approximately 94% of its caustic soda production are sold to end markets not related to the pulp and paper industry.

In August 2007, ERCO announced the conversion of its Port Edwards, Wisconsin potassium/chloralkali facility from a mercury-based process to membrane technology at a cost of approximately US$95 million and with a projected completion date in the second half of 2009. This project will allow ERCO to further enhance its diversification strategy and will improve the facility's capacity and process efficiency. The project is expected to reduce plant costs by approximately 25% and increase facility capacity by an additional 30% generating a forecast after-tax rate of return over 15%. This plant was anticipated to be closed within 4-6 years before the Fund made the decision to convert the facility.

Based on the current inventory of efficiency improvement and growth projects, the stability of the sodium chlorate market, and a proactive hedging program, we expect ERCO's operating distributable cash flow net of maintenance capital expenditures to be $75-$80 million for 2008, increasing in 2009 to $78-$83 million.

Our Businesses:
CONSTRUCTION PRODUCTS DISTRIBUTION

$512.3MM Total revenues

$129.8MM Total gross profit

$34.6MM Distributable cash flow

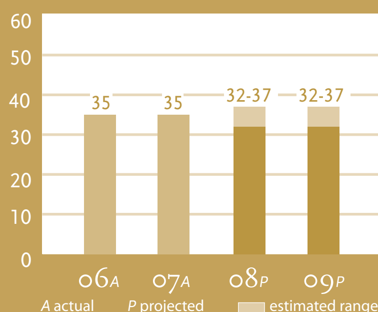
2007 RESULTS

WINROC contributed operating distributable cash flow of $34.6 million in 2007, matching the record distributable cash flow in 2006 despite a significant downturn in United States residential housing demand. Total revenue and total gross profit were $512.3 million and $129.8 million, respectively, a decrease of 1% and 2%, respectively, from the prior year.

Strong Western Canada residential and commercial sales demand continued to primarily offset weakness in United States residential markets and some softness in Ontario markets. Winroc's geographical diversification provides stability of sales volumes as different geographical regions should experience changes in end-use demand at different rates. Winroc's end-use market split is approximately 50% residential new construction and renovation and 50% commercial.

While Winroc is a distribution business, providing premium service is the key to its continued success. It is a productivity partner for its installing contractor customers utilizing a stock and scatter delivery model. Winroc estimates its gypsum board market position at an average market share between 10%-20% in Canada and 8%-10% in the four states of Utah, Nevada, Arizona and Minnesota. These significant market positions are important both to suppliers and customers during changes in the economic cycle. Winroc continues to focus on improving its core operating areas including: service, contractor and supplier relationships, margin and operating expense, and working capital management.

Operating Distributable Cash Flow
(millions of dollars)



Winroc continues to invest in the business expanding its master lease program by adding 19 new trucks in 2007 with an additional 35 trucks expected to be brought into service in 2008. The reduction in maintenance capital and lower repair costs are expected to offset the increase in lease costs while lowering the average age of the fleet. For 2007, Winroc entered into an equivalent dollar value of $3.6 million worth of leases, replacing previously owned trucks.

The fragmented nature of the specialty building distribution industry continues to provide attractive consolidation opportunities. Winroc has identified a number of acquisition and expansion opportunities which are expected to add value over the long term. In 2007, Winroc added two new greenfield locations and completed two regional acquisitions, increasing its branch network to 42 locations.

For 2008, we expect continued weakness in the new home construction market in the United States to be offset by strength in the Western Canada residential and commercial markets. We are estimating operating distributable cash flow after maintenance capital expenditures in the range of $32-$37 million for both 2008 and 2009, with some improvement in the new home construction segment in 2009.

Our Businesses:
FIXED-PRICE ENERGY SERVICES

$320.4MM
Total revenues

$30.1MM
Total gross profit

81.3¢/GJ
Gross profit margin

$12.1MM
Distributable cash flow

2007 RESULTS

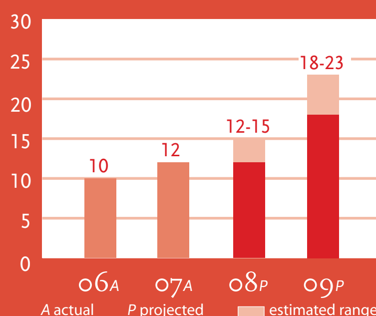
SUPERIOR ENERGY MANAGEMENT contributed $12.1 million of operating distributable cash flow in 2007, representing an increase of 17% over the prior year. These results reflect SEM's successful strategy of increased focus on lower volume, higher margin residential customers. The improvement in margins contributed to a total gross profit of $30.1 million or 81.3 cents per gigajoule.

During 2007, SEM made substantial progress in expanding the infrastructure to support its growth plans beyond the Ontario residential market and the Ontario and Quebec commercial natural gas markets. SEM expanded into the newly deregulated natural gas market in British Columbia on May 1, 2007 resulting in the addition of 13,100 customers with the natural gas flow commencing November 1, 2007. On January 7, 2008, SEM announced it had entered into a long-term fixed-price natural gas agreement with Constellation Energy Commodities Group, Inc. This partnership provides SEM with stability of supply and increased financial capacity to achieve its long-term growth objectives.

In addition, SEM entered the high-growth fixed-price retail electricity market by establishing a long-term electricity supply agreement with Bruce Power LP, one of Ontario's largest independent electricity generators. SEM is marketing fixed-price electricity contracts to residential and commercial customers in Ontario, which will result in the electricity flow in 2008. This market has approximately four million customers and a low penetration rate relative to the mature Ontario natural gas market and thereby represents a significant growth opportunity for SEM.

SEM invested $10.9 million in customer costs, exiting 2007 with 94,400 residential and 6,400 commercial natural gas customers and 1,630 electricity customers. SEM incurred $1.5 million in growth capital expenditures related to its entrance into the fixed-price electricity market in Ontario during 2007.

Based on the growth profile in its existing business, SEM is expected to generate operating distributable cash flow for 2008 of $15-$18 million, increasing in 2009 to $18-$23 million. SEM continues to assess the potential of entering certain United States markets in the future to further enhance its growth platform.



Board of Directors

Grant D. Billing
Chairman and CEO of Superior Plus since July 2006, Executive Chairman since 1998 and Director since 1994. Director of Provident Energy Ltd. (Provident), and BreitBurn Energy Partners L.P. (BreitBurn). Previously, President and CEO of Norcen Energy Resources Limited.

Peter A.W. Green
Lead Director since 2003, Director since 1996 and Chairman and Trustee of the Fund from 1996 to 2003. Chairman of Frog Hollow Group Inc. and Patheon Inc. Member of Audit Committee. Chair of Governance and Nominating Committee.

Catherine (Kay) M. Best
Director since July 1, 2007. Executive Vice President, Risk Management and Chief Financial Officer of the Calgary Health Region. Director of Canadian Natural Resources Limited and Enbridge Income Fund. Member of the Audit Committee.

James S.A. MacDonald
Director since 2000, Director of ICG Propane Inc. from 1998 to 2000 and Director in 1998. Chairman and Managing Partner, Enterprise Capital Management Inc. and Director of Manitoba Telecom Inc. and MDS Inc. Member of Compensation Committee.

Robert J. Engbloom, Q.C.
Director since 1996. Partner of Macleod Dixon LLP. Member of Governance and Nominating Committee.

Walentin (Val) Mirosh
Director since March 6, 2007. Vice President of NOVA Chemicals and President of NOVA Chemicals Olefins and Feedstock. Also current Director of the Energy Council of Canada and Co-Chairman of the Advisory Council to the Faculty of Social Sciences, University of Calgary. Member of Compensation Committee.

Randall J. Findlay
Director since March 6, 2007. Corporate Director of Provident, BreitBurn, Canadian Helicopters Income Fund and Pembina Pipeline Corporation. Formerly President of Provident, Senior Vice President of TransCanada Pipelines Ltd., and President of TransCanada Midstream. Member of Governance and Nominating Committee.

David P. Smith
Director since 1998. Managing Partner, Enterprise Capital Management Inc. and Director of Jannock Properties Limited and Creststreet Kettles Hill Windpower General Partner Limited. Chair of Audit Committee.

Norman R. Gish
Director since 2003, Trustee of the Fund from 2000 to 2003 and Chairman of ICG Propane Inc. from 1998 to 2000. Director of Provident, and Chairman and Director of Railpower Technologies Corp. Previously Chairman, President and CEO of Alliance Pipeline Ltd. Chair of Compensation Committee.

Peter Valentine
Director since 2004. Corporate Director and Consultant. Former senior advisor to the CEO of the Calgary Health Region and past senior advisor to the Dean of Medicine, University of Calgary. Auditor General of Alberta from 1995 to 2002. Also current Director of Fording Canadian Coal Trust, Livingstone International Income Fund and ResMor Trust Company. Member of Audit Committee.

Corporate Governance

SUPERIOR PLUS ADMINISTRATION INC. is the administrator of the Fund and its Board is responsible for overseeing the Fund's investments and reporting to Unitholders. Superior Plus Inc., as general partner of Superior Plus LP is governed by a Board that is responsible for overseeing the management and operations of the business of the partnership. Unitholders are entitled to elect the directors of both boards at each annual meeting of the Fund.

Both Boards have the same directors. Each director has extensive business and board experience, high standards of ethics and strong visions dedicated to guiding the strategic direction of your investment. Of the ten members, nine are independent, with Grant Billing, Chairman and Chief Executive Officer, being the sole management director. Since 2003, Peter Green has served as lead director to strengthen the independence of the Boards from management.

Following a thorough review of the makeup of the Boards over the past year, three new directors were added to the Boards bringing with them valuable skill sets and expertise relating to the Fund's business sectors. Both Randall (Randy) Findlay and Walentin (Val) Mirosh have extensive experience in energy, midstream and international business. Catherine (Kay) Best has extensive experience in the areas of risk management, finance and strategic business development.

In keeping with Superior's ongoing commitment to high standards of corporate governance, the Fund's advisory committees completed their first full year of contribution to the businesses. The focus on operational performance helps provide stability of cash flow and distributions and long-term value growth. These disciplines are reinforced throughout the businesses and underpinned by Superior's performance-oriented culture, dedicated to economic, environmental and social responsibility.

The Boards' fundamental objectives are to enhance the Fund's investments and ensure that the Fund and Superior Plus meet their obligations and operate the underlying businesses in a responsible, reliable and safe manner. During 2007, the Board conducted a two-day strategy session which includes a detailed analysis of the five-year business plans for each of the Fund's businesses. The Boards work with management to identify business risks and to oversee the appropriate strategies to maximize unitholder value.

In addition, the Boards review the organization's policies and procedures on an annual basis, including the Code of Business Conduct and Ethics, the Communication and Disclosure, Insider Trading and Whistleblower policies, which are all designed to promote honesty and integrity throughout Superior Plus and its businesses.

To assist the Boards with their fiduciary responsibilities, the Board of the administrator is supported by an Audit Committee and by a Governance and Nominating Committee. The Board of the general partner is supported by a Compensation Committee. Only independent directors serve on Board committees. As Superior Plus moves forward, the Boards of Superior Plus continue to be committed to high standards in corporate governance and corporate conduct.

A detailed overview of the Fund's corporate governance practices, including compliance with corporate governance guidelines is contained in the Fund's 2008 Information Circular. The Board and committee mandates, position descriptions, as well as the policies and procedures are posted on the Fund's website at www.superiorplus.com.

Management's Discussion and Analysis

The following discussion is a review of the financial performance and position of the Superior Plus Income Fund (the Fund) for the years ended December 31, 2007 and 2006. The information in this Management's Discussion and Analysis is current to March 10, 2008. The discussion should be read in conjunction with the Fund's audited Consolidated Financial Statements and notes to those statements. All amounts are expressed in Canadian dollars, except where otherwise noted.

Organization and Structure

Superior Plus Income Fund is a diversified business trust. The Fund holds 100% of Superior Plus LP (Superior), a limited partnership formed between Superior Plus Inc., as general partner and the Fund as limited partner. The distributable cash flow of the Fund is solely dependent on the results of Superior and is derived from the allocation of Superior's income to the Fund by means of partnership allocations. Superior has four operating businesses: a propane distribution and related services business operating under the trade name Superior Propane; a specialty chemicals business operating under the trade name ERCO Worldwide; a construction products distribution business operating under the trade name Winroc; and a fixed-price energy services business operating under the trade name Superior Energy Management or SEM.

Summary Financial Results

DISTRIBUTABLE CASH FLOW [1] (millions of dollars except per unit amounts)	2007	2006
Cash flows from operating activities of continuing operations	**134.3**	151.7
Less: Total capital expenditures	**(27.0)**	(72.3)
Standardized distributable cash flow [2]	**107.3**	79.4
Add: Growth capital expenditures	**8.8**	53.0
Proceeds on disposal of capital items	**4.8**	5.5
Natural gas customer acquisition costs capitalized	**10.9**	8.4
Acquisitions	**4.3**	–
Management internalization costs	**0.5**	1.3
Strategic plan costs	**5.7**	19.7
Distributable cash flow from discontinued operations [3]	**–**	38.9
Less: Increase (decrease) in non-cash working capital	**34.7**	(22.6)
Amortization of natural gas customer acquisition costs	**(6.6)**	(3.2)
Distributable cash flow	**170.4**	180.4
Distributable cash flow	**170.4**	180.4
Distributable cash flow reinvested [6]	**(35.5)**	(24.7)
Distributed cash flow	**134.9**	155.7
Distributable cash flow per trust unit, basic [4] and diluted [5]	**$1.97**	$2.11
Distribution payout ratio [6]	**79%**	86%

(1) See the Consolidated Financial Statements for cash flows from operating activities of continuing operations, capital expenditures (maintenance, growth and acquisitions), natural gas customer acquisition costs, management internalization costs, and changes in non-cash working capital.

(2) Standardized distributable cash flow is a measure defined by the Canadian Institute of Chartered Accountants (CICA). See Non-GAAP Financial Measures.

(3) See Discontinued Operation – JW Aluminum.

(4) The weighted average number of trust units outstanding for the year ended December 31, 2007 was 86.5 million (2006 – 85.5 million).

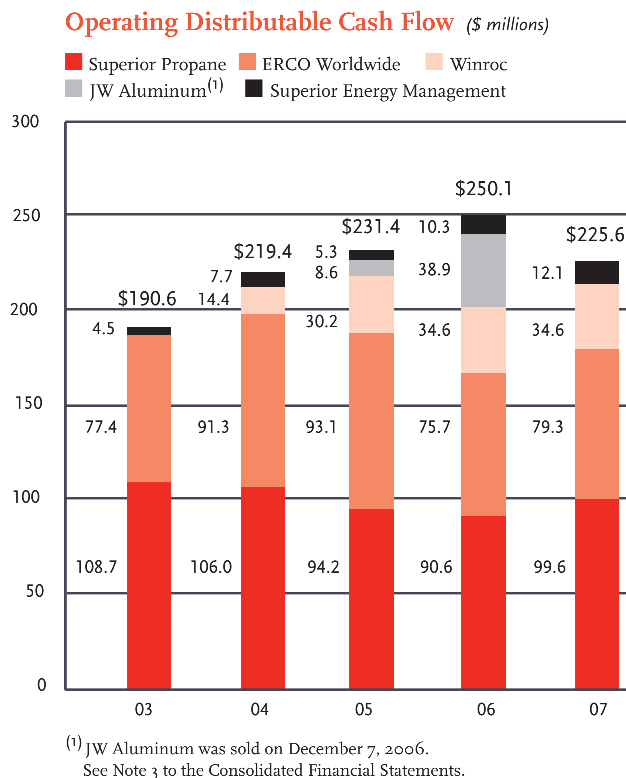
(5) For the year ended December 31, 2007 and December 31, 2006 there were no dilutive instruments.

(6) See "Distributions Paid to Unitholders".

Management's Discussion and Analysis

Distributable cash flow for the year ended December 31, 2007 was $170.4 million, a decrease of $10.0 million or 6% from the prior year, as improved operating cash flow at Superior Propane, ERCO and SEM, and lower interest costs were fully offset by the absence of JW Aluminum as a result of its sale on December 7, 2006. Distributable cash flow per trust unit was $1.97 per trust unit, compared to $2.11 per trust unit in the prior year due to a 6% decrease in the distributable cash flow and a 1% increase in the weighed average number of trust units outstanding.

As outlined in the following chart, the Fund is well diversified with Superior Propane, ERCO Worldwide, Winroc and SEM contributing 44%, 35%, 15% and 6% of operating distributable cash flow in 2007, respectively.



(1) JW Aluminum was sold on December 7, 2006. See Note 3 to the Consolidated Financial Statements.

The Fund had net earnings of $119.8 million for 2007, compared to a net loss of $80.8 million for 2006. The change in net earnings for 2007 from a net loss in 2006 is due principally to non-cash impairment charges of $170.8 million (net of tax) recorded in the prior year related to the write-down of ERCO Worldwide's Bruderheim, Alberta and Valdosta, Georgia sodium chlorate facilities and ERCO Worldwide's goodwill. (See Note 5 to the Consolidated Financial Statements). Additionally, Superior recorded a $56.3 million impairment on the carrying value of JWA during 2006 (see Note 3 to the Consolidated Financial Statements). Consolidated revenues of $2,355.4 million in 2007 were $91.1 million higher than in the prior year due principally to higher revenues at Superior Propane as a result of higher sales volumes and selling prices. Gross profits of $661.8 million were $30.9 million higher than the prior year, reflecting improved operating results at Superior Propane and ERCO Worldwide. Operating expenses of $439.7 million in 2007 were $15.8 million higher than in the prior year and were the result of higher sales activity at Superior Propane and Superior Energy Management. Amortization was lower than in the prior year due to reduced amortization at ERCO, as a result of asset impairments recorded in the prior year. Total interest expense of $44.7 million was $18.6 million lower than the prior year due principally to lower average debt levels as a result of the sale of JW Aluminum on December 7, 2006 for net proceeds of $356.1 million. Future income taxes were impacted in 2006 due to the recognition of the asset impairments that were noted above (see Note 13 to the Consolidated Financial Statements). The change in net earnings from discontinued operations is due to the sale of JW Aluminum on December 7, 2006. Additionally, net earnings for 2007 were affected for the same reasons as distributable cash flow.

A more detailed discussion and analysis of the annual financial and operating results of Superior's businesses is provided on the following pages.

Superior Propane

Superior Propane generated operating distributable cash flow of $99.6 million for 2007. Compared to 2006, Superior Propane's operating distributable cash flow increased by $9.0 million or 10% due to improved gross profit in all segments, offset in part, by higher operating costs.

Condensed operating results for 2007 and 2006 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 72 for selected historical information for the last five years.

	2007		2006	
(millions of dollars except per litre amounts)		**¢/litre**		¢/litre
Revenue [(1)]	**1,075.7**	**75.3**	985.4	71.1
Cost of sales	**(781.5)**	**(54.7)**	(712.5)	(51.4)
Gross profit	**294.2**	**20.6**	272.9	19.7
Less: Cash operating, administration and tax costs	**(194.8)**	**(13.6)**	(182.6)	(13.2)
Cash generated from operations before changes in net working capital	**99.4**	**7.0**	90.3	6.5
Maintenance capital proceeds (expenditures), net	**0.2**	**–**	0.3	–
Operating distributable cash flow	**99.6**	**7.0**	90.6	6.5
Propane retail volumes sold (millions of litres)	**1,429**		1,386	

(1) Effective January 1, 2007, Superior discontinued hedge accounting for all economic hedging activities. As such, amounts related to these contracts must be accounted for separately on Superior's financial statements (see Notes 12 and 20 to the Consolidated Financial Statements). In order to provide meaningful comparative results, these amounts have been reclassified in a manner consistent with the accounting treatment in the comparative period. As such, included in revenue for the year ended December 31, 2007 is $1.2 million in realized foreign currency forward contract gains.

Revenues were $1,075.7 million in 2007, an increase of $90.3 million from revenues of $985.4 million in 2006. The increase in revenues is principally due to higher propane sales volumes in conjunction with higher retail propane prices. Total gross profit for 2007 was $294.2 million, an increase of $21.3 million over the prior year. Total gross profit per litre for 2007 was 20.6 cents/litre, an increase of 0.9 cents/litre or 5% from the prior year, due to Superior Propane's ongoing efforts to increase total gross profit per litre by unbundling the price of propane and the price of value-added services to its customers. Traditionally, Superior Propane had included a portion of its service offerings in the base price of its retail propane. As the price of propane and other services is unbundled, Superior Propane will continue to benefit from the focus on its service business, ensuring that value-added services are separately billed.

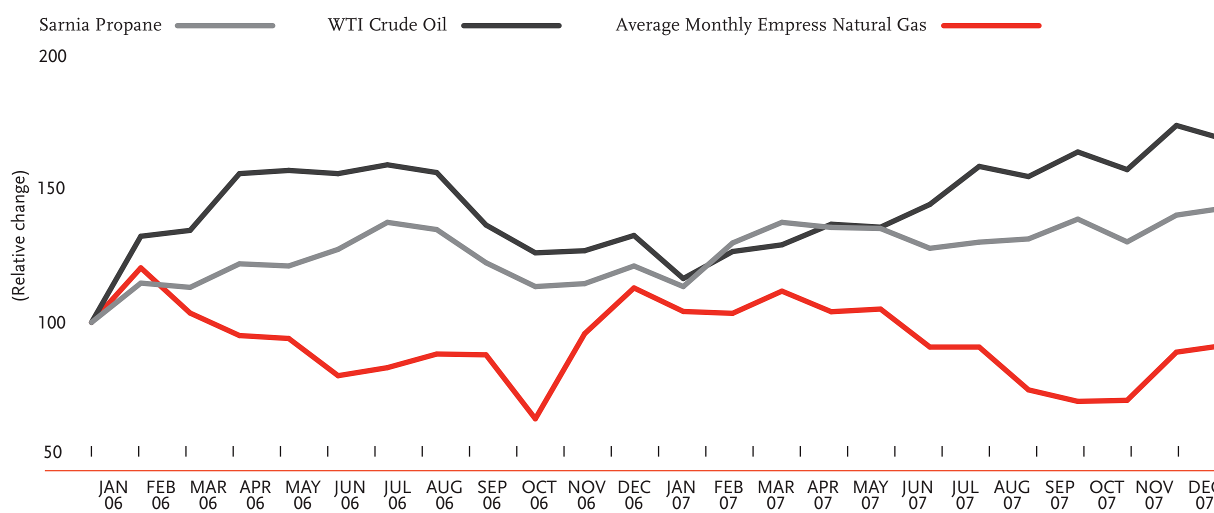
Gross Profit by Segment (millions of dollars)	**2007**	2006
Retail propane and delivery	**246.1**	239.0
Other services	**24.7**	20.8
Wholesale and related	**23.4**	13.1
Total gross profit	**294.2**	272.9

Retail propane and delivery gross profits for 2007 were $246.1 million, an increase of $7.1 million or 3% from 2006 due principally to an increase in sales volume of 43 million litres or 3% from 2007. Residential and commercial sales volumes in 2007 increased by 27 million litres or 6% from the prior year due principally to colder weather in most of Canada in 2007 compared to the record warm weather experienced across most of Canada in the first quarter of 2006, which negatively impacted prior year volumes. Average temperatures across Canada in 2007 were 7% colder than in 2006 and 2% colder than the five-year average. Residential and commercial sales volumes also benefited from improved

customer growth and retention due to customer service initiatives implemented throughout 2006 and 2007. Industrial sales volumes in 2007 increased by 30 million litres or 4% as heating-related volumes were positively impacted by the colder weather and continued strong demand from oilfield activities. Agricultural volumes were consistent with the prior year due to comparable crop drying conditions. Auto propane sales volumes declined by 17 million litres or 11% due to the continued structural decline in this end-use market.

Superior Propane continues to actively manage sales margins, resulting in average retail propane and delivery sales margins of 17.2 cents per litre in 2007, which was consistent with sales margins of 17.2 cents per litre in 2006, despite volatile and high wholesale propane costs experienced throughout 2007. As shown in the following chart, wholesale propane costs were driven up by record or near record high crude oil prices. Approximately 50% of Superior Propane's sales volumes are due to heating-related applications and 50% are related to economic activity levels.

Relative Change in WTI Crude Oil and Natural Gas Prices vs. Sarnia Propane Price



Other services' gross profit reached $24.7 million in 2007, an increase of $3.9 million or 19% from the prior year. The increase in other services' gross profit is due to improved service and equipment rental gross profits, the result of Superior Propane's continued focus on providing and billing for value-added services. Wholesale and related gross profits were $23.4 million in 2007, an increase of $10.3 million or 79% from the prior year due to Superior Propane's fixed-price propane sales program returning to normal profitability in 2007. The 2005/2006 fixed-price heating season program was negatively impacted by the 2005 Gulf Coast hurricanes which dramatically increased hedging costs of this program. Gross profits from Superior Propane's wholesale trading business were consistent with the prior year.

Superior Propane continues to benefit from its leading market share and considerable operational and customer diversification. Superior Propane's operations are well distributed across its 45 market operations, with the largest five markets representing approximately 22% of cash generated from operations. Superior Propane's customer base is well diversified geographically and across end-use applications as illustrated in the following table. Its largest customer contributed approximately 3% of gross profits in 2007.

Superior Propane Annual Sales Volumes

Volumes by End-Use Application [1]

	2007	2006
Residential	**171**	163
Commercial	**315**	296
Agricultural	**92**	89
Industrial	**716**	686
Automotive	**135**	152
	1,429	1,386

Volumes by Region [1] [2]

	2007	2006
Western Canada	**768**	747
Eastern Canada	**556**	542
Atlantic Canada	**105**	97
	1,429	1,386

(1) Volume: Volume of retail propane sold (millions of litres).

(2) Regions: Western Canada region consists of British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Ontario, Yukon and Northwest Territories; Eastern Canada region consists of Ontario (except for Northwest Ontario) and Quebec.

Cash operating, administration and tax costs were $194.8 million in 2007, an increase of $12.2 million or 7% from 2006. The increase in expenses was principally due to higher wages and benefits, higher truck leasing costs and higher fuel and operating costs. Cost increases were due in part to inflationary pressures, higher sales volumes and the ongoing investment in the service business. Operating costs were also impacted by Superior Propane reorganizing its administrative and marketing centers from a centralized model to a regional model, to assist in Superior Propane’s ongoing customer service improvement initiatives. Cash operating costs were 13.6 cents per litre, an increase of 0.4 cents per litre or 3% over 2006 as the increase in costs noted above more than offset the increase in sales volumes.

Capital Expenditure Summary

(millions of dollars)	2007	2006
Maintenance capital expenditures	**4.1**	5.2
Maintenance capital proceeds	**(4.3)**	(5.5)
Other capital expenditures – growth	**0.4**	–
Acquisitions	**–**	–
Other capital [1]	**20.0**	5.1

(1) Other capital, as it relates to Superior Propane, reflects the total dollar value of capital items that have been acquired through operating leases. See discussion below.

Net maintenance capital expenditures resulted in proceeds of $0.2 million in 2007 compared to proceeds of $0.3 million in 2006. Gross maintenance capital expenditures were $4.1 million in 2007 compared to $5.2 million in 2006, and were directed principally towards infrastructure associated with Superior Propane’s customer service initiatives. Maintenance capital associated with fleet renewal was lower in 2007 than in 2006 due to the implementation of a master leasing agreement. Proceeds on disposals were $4.3 million in 2007 (2006 – $5.5 million) and consisted of the sale of excess land and surplus fleet, tanks and cylinders. Growth capital expenditures were $0.4 million in 2007 and consisted of a small acquisition. There were no growth capital expenditures in 2006.

Superior Propane had been leasing a portion of its service trucks, crane trucks and tandem tractors for several years, and during 2007 expanded and streamlined its leasing programs with a master lease and other lease arrangements at competitive rates. Superior has expanded the program to include bulk trucks to accelerate the fleet renewal for 2007 and 2008, resulting in 134 new bulk and service trucks being brought into service during 2007, and 113 trucks anticipated to be brought into service during 2008. Increasing lease costs are anticipated to be offset over time by lower operating costs resulting from lower repair and maintenance costs and lower maintenance capital expenditures. Additional benefits are also expected in the form of improved fleet reliability, improved productivity, safety and corporate image. The program is designed to better align the cost structure with Superior Propane’s ongoing operations and result in customer service improvements. The dollar value equivalent of trucks entered into service during 2007 by means of operating lease was $20.0 million, (2006 – $5.1 million) and is denoted as other capital in the capital expenditure summary table.

Outlook

Superior Propane expects operating distributable cash flow for 2008 to be between $100 million and $105 million, increasing in 2009 to between $105 million and $110 million. Superior Propane's significant assumptions underlying its outlook are:

- Superior Propane forecasts average temperatures across Canada to be consistent with the most recent five year average;
- Superior Propane expects that wholesale propane prices will not significantly impact demand for propane and related propane services;
- Total gross profit for Superior Propane is projected to increase due to the ongoing implementation of customer service programs and an increase in propane volumes; and
- Market opportunities for Superior Propane's wholesale trading division are expected to be consistent with prior years.

In addition to Superior Propane's significant assumptions detailed above, refer to the Fund's Annual Information Form for a detailed review of Superior Propane's operations and its significant business risks.

ERCO Worldwide

ERCO Worldwide generated operating distributable cash flow of $79.3 million for 2007, an increase of $3.6 million or 5% from $75.7 million generated in 2006. The increase in operating distributable cash flow is principally due to improved sodium chlorate operating cash flow, the result of strong sodium chlorate sales volumes and pricing, offset in part by the appreciation of the Canadian dollar on US dollar denominated sales.

Condensed operating results for 2007 and 2006 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 72 for selected historical information for the last five years.

	2007		2006	
(millions of dollars except per metric tonne (MT) amounts)		$/MT		$/MT
Revenue				
Chemicals [1]	**430.3**	**560**	408.6	540
Technology	**30.3**	**40**	28.6	38
Cost of sales				
Chemicals [1]	**(231.9)**	**(301)**	(214.9)	(284)
Technology	**(21.0)**	**(27)**	(18.2)	(24)
Gross profit	**207.7**	**272**	204.1	270
Less: cash operating, administration and tax costs	**(119.7)**	**(156)**	(120.9)	(160)
Cash generated from operations before changes in net working capital	**88.0**	**116**	83.2	110
Maintenance capital expenditures, net	**(8.7)**	**(11)**	(7.5)	(10)
Operating distributable cash flow	**79.3**	**105**	75.7	100
Chemical volumes sold (thousands of MT)	**768**		75 6	

[1] Effective January 1, 2007, Superior discontinued hedge accounting for all economic hedging activities. As such, amounts related to these contracts must be accounted for separately on Superior's financial statements (see Notes 12 and 20 to the Consolidated Financial Statements). In order to provide meaningful comparative results, these amounts have been reclassified in a manner consistent with the accounting treatment in the comparative period. As such, included in gross profit for the year ended December 31, 2007 is $13.6 million in realized foreign currency forward contract gains and included in chemical cost of sales for the year ended December 31, 2007 is $7.6 million in realized fixed-price electricity gains.

Management's Discussion and Analysis

Chemical and technology revenues were $460.6 million in 2007, $23.4 million or 5% higher than in the prior year due to higher chemical sales volumes and pricing. Gross profit of $207.7 million in 2007, increased by $3.6 million or 2% over 2006 due to higher chemical gross profits, offset by lower technology gross profits.

Chemical gross profits increased by $4.7 million or 2% due to an increase in sodium chlorate and chloralkali/potassium gross profits. Sodium chlorate gross profit increased by $2.9 million or 2% due to a 20,000-tonne (4%) increase in the sales volume for sodium chlorate, the result of a full year's impact of ERCO's 55,000-tonne Chilean facility, offset in part, by reduced North American volumes as a result of the closure of ERCO's Bruderheim, Alberta facility in November 2006. Average selling prices for sodium chlorate were 1% higher than in the prior year, as product price increases and the impact of foreign currency hedging gains, more than offset the 18% year-over-year appreciation of the Canadian dollar against the US dollar. ERCO realized $13.7 million in hedging gains in 2007 as a result of its foreign currency hedging program. See "Financial Instruments – Risk Management" for a discussion of hedge positions. Operating costs for sodium chlorate were 4% lower than in the prior year due principally to the impact of the appreciation of the Canadian dollar on US denominated expenses. Electrical costs, which represent approximately 70% to 85% of the variable costs of the production of sodium chlorate, were 3% higher than in the prior year due principally to higher electrical costs at ERCO's Valdosta, Georgia facility as a result of the renewal of ERCO's power supply agreement at a higher effective electrical rate. Chloralkali/potassium gross profits increased by $1.8 million or 3%, as a 6% increase in the average aggregate selling price, more than offset the 8,000-tonne or 3% decrease in sales volumes. Sales volumes decreased as a result of ERCO not renewing several low-margin contracts in 2007. Technology gross profits of $9.3 million (including $1.0 million in hedging gains) were $1.1 million lower than the prior year due to reduced project activity.

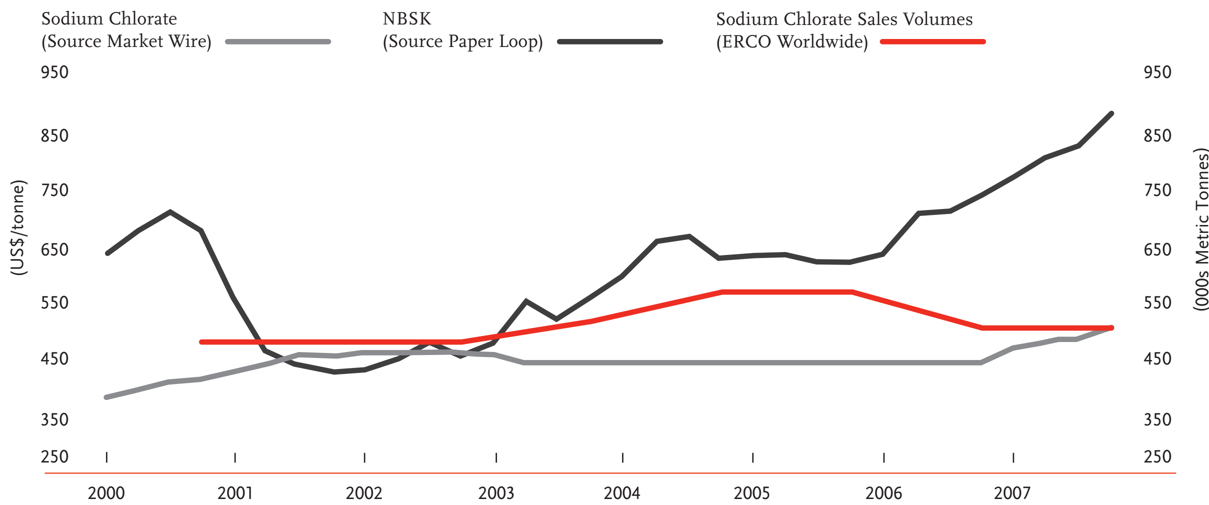
Total chemical sales volumes were 768,000 tonnes in 2007, an increase of 12,000 tonnes or 2% over the prior year, as the increase in sodium chlorate sales volumes more than offset the decrease in chloralkali/potassium sales volumes. Average chemical revenue per MT was $560, compared to $540 per MT in 2006, an increase of 3% reflecting improved overall pricing on sodium chlorate and chloralkali/potassium, that more than offset the impact of the appreciation of the Canadian dollar on US-denominated sales. Sodium chlorate and chloralkali/potassium production capacity utilization averaged 99% (2006 – 89%) and 97% (2006 – 92%), respectively.

Cash operating, administration and tax costs were $119.7 million in 2007, a decrease of $1.2 million or 1% from the prior year. Operating expenses benefited from the impact of the appreciation of the Canadian dollar on US-denominated expenses and the closure of ERCO's Bruderheim facility in 2006, offset by a full year's costs associated with the sodium chlorate facility in Chile and losses on US-denominated working capital due to the appreciation of the Canadian dollar.

Chloralkali/potassium sales in 2007 contributed 28% of operating cash flow from chemical operations before maintenance capital expenditures, a decrease of 2% from the 30% contribution in 2006. Sodium chlorate sales in 2007 represented 72% of ERCO's operating cash flow from chemical operations before maintenance capital expenditures, an increase of 2% from the 70% contribution in 2007. Sodium chlorate is principally sold to bleached pulp manufacturers, as it is a required input to generate chlorine dioxide, which is in turn used to bleach pulp. Sodium chlorate represents approximately 5% of the variable cost to manufacture bleached pulp. As a result, sodium chlorate sales volumes and prices tend to be stable over time despite the volatility of bleached pulp prices (see the chart on the following page). ERCO Worldwide's top 10 customers comprised approximately 41% of its revenues in 2007, with its largest customer representing 6% of its revenues.

Management's Discussion and Analysis

Pulp Prices Compared to Sodium Chlorate Prices and Sales Volumes



Capital Expenditure Summary

(millions of dollars)	2007	2006
Maintenance capital expenditures	**8.7**	7.5
Other capital expenditures – growth	**6.0**	51.4
Acquisitions	**–**	–
Other capital	**–**	–

ERCO's maintenance capital expenditures were $8.7 million in 2007, $1.2 million higher than the prior year. The increase in maintenance capital costs for 2007 is due to the number and timing of projects in 2007 and a full year of operations at the Chilean facility.

Growth capital expenditures were $6.0 million in 2007, with $1.8 million of expenditures related to the ongoing electrical cell replacement program, which provides the benefit of reducing overall electrical consumption. ERCO continues to evaluate the merits of converting additional electrical cells. Additionally, ERCO spent $2.8 million on various other plant efficiency projects and $1.4 million (USD and CDN) related to its Port Edwards, Wisconsin chloralkali facility. Growth capital expenditures of $51.4 million in 2006 were principally directed towards the completion of ERCO's Chilean sodium chlorate facility.

During 2007, ERCO determined that it would convert its Port Edwards, Wisconsin chloralkali facility from mercury-based technology to membrane technology. The project is intended to maintain the facility's ability to produce both sodium and potassium products, provides increased production capacity of approximately 30%, provides a significant extension of the plant life and enhances the efficiency of ERCO's use of electrical energy. The cost of the conversion is estimated to be US $95 million and is expected to be completed during the second half of 2009.

During 2007, ERCO completed the closure and decommissioning of its Bruderheim, Alberta sodium chlorate facility, incurring $4.9 million in costs during the year (2006 – $4.1 million). See the discussion on strategic plan costs in the "Corporate" section for additional details.

Outlook

ERCO Worldwide expects operating distributable cash flow for 2008 to be between $75 million and $80 million, increasing in 2009 to between $78 million and $83 million. ERCO Worldwide's significant assumptions underlying its outlook are:

- Current supply and demand fundamentals for sodium chlorate and potassium/chloralkali products will remain stable, resulting in no significant changes to total chemical sales prices and sales volumes;
- ERCO's average plant utilization is expected to be greater than 90%;
- The foreign currency exchange rate between the Canadian and US dollar is expected to be par on all unhedged foreign currency transactions; and
- ERCO's conversion of its Port Edwards, Wisconsin chloralkali facility from mercury-based technology to membrane technology for US $95 million is expected to be completed on-budget in the second half of 2009.

In addition to ERCO Worldwide's significant assumptions detailed above, refer to the Fund's Annual Information Form for a detailed review of ERCO Worldwide's operations and its significant business risks.

Winroc

Winroc generated operating distributable cash flow of $34.6 million in 2007, consistent with the $34.6 million generated in 2006. Operating distributable cash flow was impacted by reduced sales and gross profits and higher operating and administrative expenses, offset by reduced maintenance capital expenditures.

Condensed operating results for 2007 and 2006 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 72 for selected historical information for the last five years.

	Years Ended December 31	
(millions of dollars)	**2007**	2006
Distribution and direct sales revenue	**512.3**	518.7
Distribution and direct sales cost of sales	**(382.5)**	(386.5)
Distribution and direct sales gross profit	**129.8**	132.2
Less: Cash operating, administration and tax costs	**(94.6)**	(91.0)
Cash generated from operations before changes in net working capital	**35.2**	41.2
Maintenance capital expenditures	**(0.6)**	(6.6)
Operating distributable cash flow	**34.6**	34.6

Distribution and direct sales revenues of $512.3 million were $6.4 million or 1% lower than in the prior year, due principally to a 10% reduction in drywall sales volumes from the prior year, as drywall sales volumes are an indicator of overall sales volumes. The impact of a decrease in sales volumes was partially offset by an increase in overall average selling prices.

Distribution and direct sales gross profit was $129.8 million in 2007, a decrease of $2.4 million or 2% from 2006, due principally to the reduction in volumes, as noted above. Gross profits were higher than in the prior year in Western Canada but were lower than in the prior year in the United States and Ontario, with the variances due principally to changes in sales volumes in these regions. The reduction in sales volumes was due to reduced demand in the United States and Ontario outpacing the increase in demand in Western Canada. Sales volumes continued to be affected by new housing starts, as reduced new home demand in the United States and Ontario and strong new home demand in Western Canada had a direct impact on overall sales volumes. Non-residential sales volumes, which comprise approximately 50% of sales volumes, were consistent with the prior year in Ontario and the United States and were higher than in the prior year in Western Canada.

Cash operating, administration and tax costs were $94.6 million for 2007, an increase of $3.6 million or 4% over 2006 due principally to higher volumes in Western Canada, offset in part by reduced volumes in the United States and Ontario. Additionally, operating expenses were impacted by increased occupancy costs due to additional operating branches, general inflationary pressures and the implementation of a comprehensive operating lease program in 2007, which resulted in higher operating expenses and lower maintenance capital.

Capital Expenditure Summary

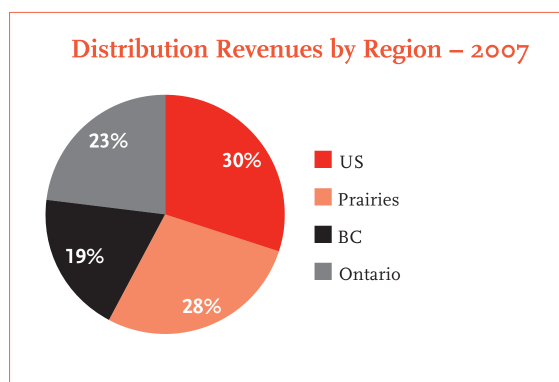
(millions of dollars)	**2007**	2006
Maintenance capital expenditures	**0.6**	6.6
Other capital expenditures – growth	**0.9**	1.6
Acquisitions	**4.3**	-
Other capital [(1)]	**3.6**	-

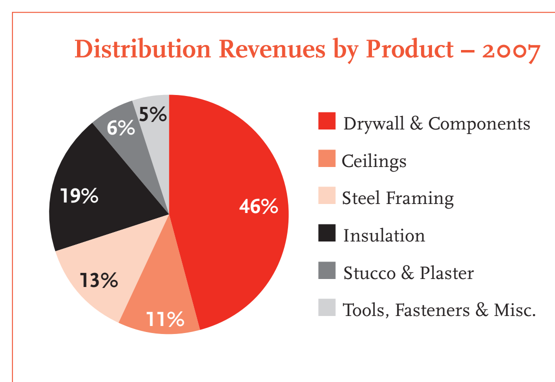
(1) Other capital reflects the total dollar value of capital items that have been acquired through operating leases. See discussion below.

Maintenance capital expenditures were $0.6 million for 2007 and consisted of expenditures of $1.1 million and proceeds on disposals of $0.5 million. Net maintenance capital expenditures were $6.0 million lower than 2006, due principally to the implementation of a master leasing agreement. Superior Propane and Winroc have entered into master lease arrangements for the ongoing requirements of their delivery fleet, resulting in 19 new Winroc trucks being brought into service during 2007, with a further 35 trucks anticipated to be brought into service during 2008. The dollar value equivalent of trucks brought into service during 2007 by means of operating lease was $3.6 million (2006 – $nil) and is denoted as other capital in the capital expenditure summary table above.

Winroc's growth capital expenditures and acquisitions totaled $5.2 million in 2007. Growth capital was $0.9 million and consisted of a payment made pursuant to the Leon's acquisition agreement (original acquisition made in 2005). Acquisitions totaled $4.3 million and consisted of the purchase of two gypsum supply dealers. For 2006 growth capital expenditures were $1.6 million and consisted of the purchase of a small gypsum supply dealer and a payment pursuant to the Leon's acquisition agreement.

Winroc enjoys considerable geographical and customer diversification, servicing over 8,000 customers across 42 distribution branches. (See "Distribution Revenues by Region" pie chart, below.) Winroc's 10 largest customers represent approximately 11% of its annual distribution sales. Winroc enjoys a strong position in the distribution markets where it operates, supported by its complete walls and ceilings product line and procurement capabilities. (See "Distribution Revenues by Product" pie chart, below.)

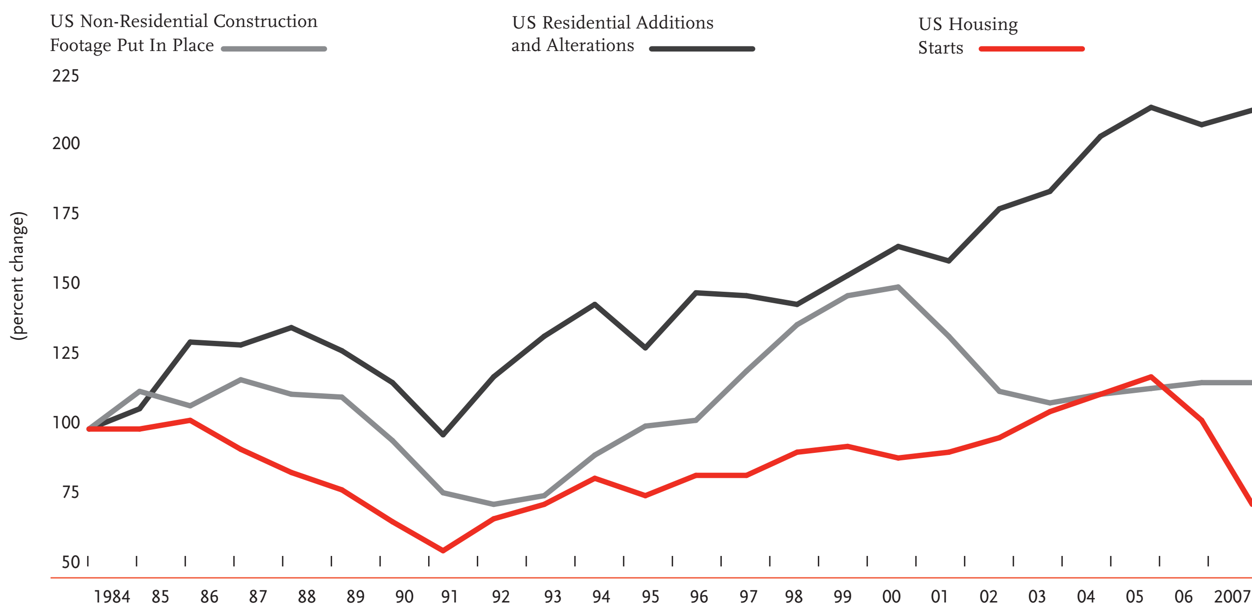




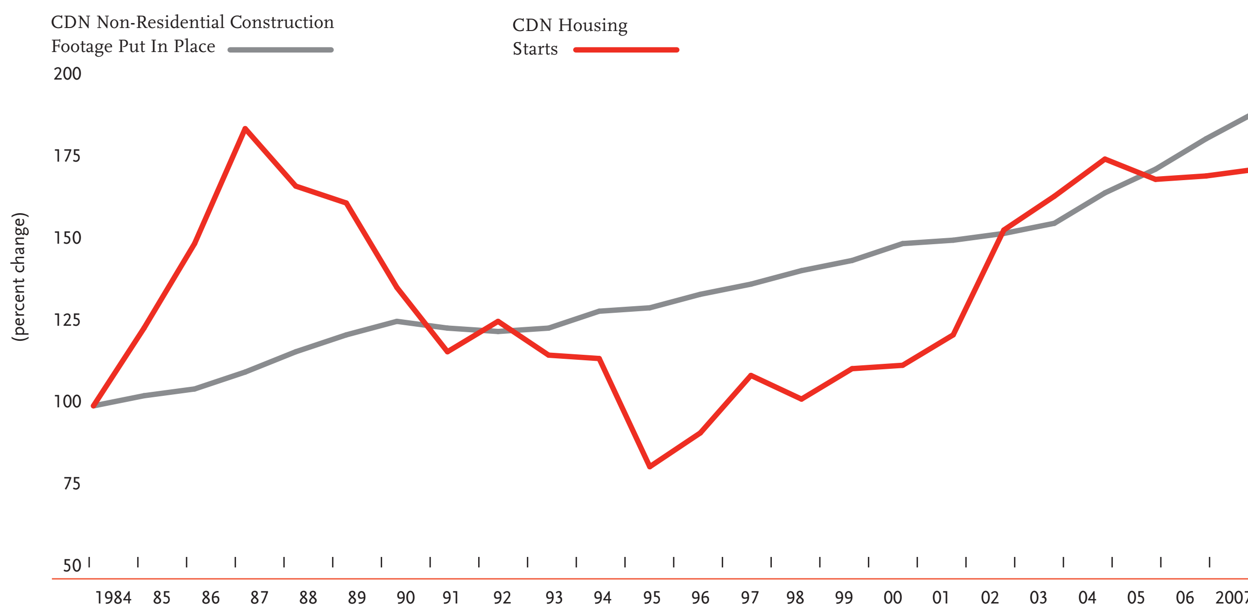
Management's Discussion and Analysis

Sales to commercial builders and contractors are comprised of Winroc's full product line whereas sales to residential builders and contractors are principally comprised of drywall and components, insulation and plaster products. Demand for walls and ceiling construction products is influenced by overall economic conditions with approximately 50% of sales from servicing residential new construction and remodelling activity and 50% of sales from servicing commercial new construction and remodelling activity. Overall demand has grown steadily over time as new commercial construction demand trends have historically lagged new residential construction, while remodelling expenditures have increased steadily. (See "US and Canadian End-Use Construction Demand Profile" charts below.)

Market Overview USA End-Use Construction Segments



CDN End-Use Construction Segments



Outlook

Winroc expects operating distributable cash flow for 2008 and 2009 to be between $32 million and $37 million. Winroc's significant assumptions underlying its outlook are:

- The current economic conditions in Canada and the United States are expected to prevail in 2008 with a slight improvement in 2009; and
- Gross profit is expected to be stable as strong demand in Western Canada for residential and commercial sales volumes continues to offset weakness in Ontario and United States residential sales volumes.

In addition to Winroc's significant assumptions detailed above, refer to the Fund's Annual Information Form for a detailed review of Winroc's operations and its significant business risks.

Superior Energy Management (SEM)

SEM generated operating distributable cash flow of $12.1 million in 2007, an increase of $1.8 million or 17% from $10.3 million in 2006, due principally to improved margins.

Condensed operating results for 2007 and 2006 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 73 for selected historical information for the last five years.

	2007		2006	
(millions of dollars except per gigajoule (GJ) amounts)		**¢/GJ**		¢/GJ
Revenue	**320.4**	**865.9**	325.6	814.0
Cost of sales [(1)]	**(290.3)**	**(784.6)**	(303.9)	(759.7)
Gross profit	**30.1**	**81.3**	21.7	54.3
Less: Operating, administration and selling costs	**(18.0)**	**(48.6)**	(11.4)	(28.5)
Operating distributable cash flow	**12.1**	**32.7**	10.3	25.8
Natural gas sold (millions of GJs)	**37**		40	

(1) Effective January 1, 2007, Superior discontinued hedge accounting for all economic hedging activities. As such, amounts related to these contracts must be accounted for separately on Superior's financial statements (see Notes 12 and 20 to the Consolidated Financial Statements). In order to provide meaningful comparative results, these amounts have been reclassified in a manner consistent with the accounting treatment in the comparative period. As such, included in cost of sales for the year ended December 31, 2007 is $19.3 million in realized foreign currency forward contract losses and $14.9 million of natural gas commodity realized fixed-price losses.

SEM provides fixed-price, term natural gas sales to residential customers in Ontario and British Columbia (effective May 1, 2007), and to commercial and light industrial consumers in Ontario and Quebec. Additionally, on August 1, 2007, SEM began marketing fixed-price electricity sales contracts to residential and commercial customers in Ontario, which will benefit SEM in 2008 when material amounts of electricity begin to flow to customers.

SEM's revenues of $320.4 million were $5.2 million or 2% lower than in the prior year, due principally to lower overall sales volumes. Gross profit for 2007 reached $30.1 million, an increase of $8.4 million or 39% from $21.7 million in gross profit earned in 2006. Gross profit per gigajoule (GJ) was 81.3 cents per GJ, an increase of 27.0 cents per GJ or 50%, which more than offset the 8% reduction in overall natural gas volumes. The change in gross margin per GJ and the decrease in natural gas volume sold, reflect SEM's continued strategy of increasing gross profit through growth in its lower-volume, higher-margin residential and small commercial customer base. Residential and small commercial customer volumes comprised approximately 32% of total sales volumes in 2007 compared to 26% in 2006. Operating, administration and selling costs were $18.0 million in 2007, an increase of $6.6 million or 58% over 2006. Amortization of customer acquisition costs of $6.6 million (2006 – $3.2 million) accounted for $3.4 million of the increase in expenses. The remaining increase in costs is due to higher customer service and overhead costs attributable to the growth in SEM's business and to $0.4 million in costs associated with the entrance into the British Columbia fixed-price natural gas and Ontario fixed-price electricity markets.

SEM invested $10.9 million in customer acquisition costs ($4.3 million net of amortization) during 2007, compared to $8.4 million ($5.2 million net of amortization) in 2006, resulting in a net increase of 14,200 customers (2006 – increase of 45,000 customers). The acquisition of new customers and the retention rate of SEM's existing customers have been challenged in all of SEM's markets due principally to the low system price of natural gas compared to the fixed-rate option SEM is able to offer on its long-term contracts. The system price of natural gas has been both constant and low due to the absence of volatility in the spot price of natural gas over the past year, resulting in reduced customer demand for long-term, fixed-price natural gas contracts, as the immediate perceived benefit of entering into a long-term deal is reduced at the current fixed-price rates. SEM's sign-up rate for fixed-price electricity customers has also been lower than expected for reasons similar to conditions in the natural gas market.

SEM's fixed-price natural gas contracts are for a maximum term of five years. As at December 31, 2007, the average remaining term of SEM's contracts was 37 months (2006 – 42 months), reflecting the slowdown in the sign-up of new customers, and the retention of existing customers. SEM's largest customer represented 1% of 2007 gross profits (2006 – 3%). At December 31, 2007, SEM's largest fixed-price natural gas supplier represented 30% (2006 – 32%) of its supply portfolio.

During 2007, SEM incurred $1.5 million in growth capital expenditures related to its expansion into the Ontario fixed-price electricity market.

On June 13, 2007, SEM announced it had entered into a long-term electricity supply agreement with Bruce Power LP, enabling SEM to market long-term, fixed-price electricity sales contracts. Additionally, on January 7, 2008, SEM announced it had entered into a long-term natural gas supply agreement with Constellation Energy Commodities Group, Inc., providing SEM with a dependable long-term, fixed-price natural gas supply.

Outlook

SEM expects operating distributable cash flow for 2008 to be between $15 million and $18 million, increasing in 2009 to between $18 million to $23 million. SEM's significant assumptions underlying its outlook are:

- SEM is able to access sales channel agents on acceptable contract terms;
- Natural gas markets in Ontario and British Columbia will continue to provide significant growth opportunities for SEM; and
- The electricity market in Ontario is expected to provide an additional growth opportunity for SEM.

In addition to SEM's significant assumptions detailed above, refer to the Fund's Annual Information Form for a detailed review of SEM's operations and its significant business risks.

Discontinued Operation – JW Aluminum

In July 2006, the Fund announced as part of its strategic plan, its decision to sell JWA in order to focus on its Canadian businesses and to reduce debt. As a result, JWA was sold on December 7, 2006 for net proceeds of $356.1 million, resulting in the 2006 comparative period being classified as a discontinued operation.

Operating distributable cash flow for the period ended December 7, 2006 is provided below:

	January 1 – December 7 2006 [1]	
(millions of dollars except per pound amounts)		¢/lb
Gross profit	**58.7**	**18.5**
Less: Cash operating, administration and tax costs	**(17.0)**	**(5.4)**
Cash generated from operations before changes in net working capital	**41.7**	**13.1**
Maintenance capital expenditures	**(2.8)**	**(0.9)**
Operating distributable cash flow	**38.9**	**12.2**
Aluminum sold (millions of pounds)	**317**	

(1) JWA was sold on December 7, 2006 (see Note 3 to the Consolidated Financial Statements).

Operating distributable cash flow for the period ended December 7, 2006 was $38.9 million. As a result of the sale of JWA on December 7, 2006, the 2007 financial results of the Fund have no contribution from JWA.

Corporate

Cash corporate and administrative costs were $10.5 million in 2007, an increase of $4.1 million from 2006. The increase over the prior year was due to a $5.3 million reversal of executive stock-based compensation and short-term bonuses in the prior year due to the decrease in the value of the Fund's trust units in the prior year. Excluding the impact of long-term compensation, corporate and administrative expenses were consistent with the prior year.

In 2007, costs associated with the completion of the Fund's strategic plan related to the completion of employee retention programs and ERCO's closure of its Bruderheim, Alberta sodium chlorate facility. The Fund's strategic plan was substantially completed in 2006, and included the sale of JW Aluminum and using the sales proceeds to reduce debt, the refinancing of term debt, the reorganization into a trust-over-partnership structure and the closure of ERCO's Bruderheim sodium chlorate facility, all of which have been substantially completed.

Costs associated with the strategic plan totaled $5.7 million during the year (2006 – $19.7 million) and are detailed below:

(millions of dollars)	**2007**	2006
Operating and administrative expenses:		
Employee severance and retention	**0.8**	11.0
Partnership reorganization costs	**–**	1.9
ERCO – Bruderheim closure costs	**4.9**	4.1
Advisory and other	**–**	0.7
Write-off of deferred financing costs	**–**	2.0
Total strategic plan costs	**5.7**	19.7

On January 31, 2008 ERCO entered into an agreement to sell its Bruderheim facility, excluding a portion of the land, subject to normal purchase/sale conditions, which are anticipated to be closed during the second quarter of 2008. The sale will result in minimum proceeds of approximately $3.5 million less closing costs, with the potential for additional proceeds based on a gross overriding royalty. ERCO will continue to explore opportunities to sell the land not included in the sale of the facility. The Fund does not anticipate any strategic plan costs for 2008.

Interest expense on Superior's revolving term bank credits and term loans was $25.2 million for 2007, a decrease of $17.9 million from $43.1 million in interest incurred in the prior year. The decrease in interest expense was due to lower average debt levels as a result of Superior repaying debt facilities with the net proceeds ($356.1 million) from the sale of JWA to reduce debt, the impact of the appreciation of the Canadian dollar on US-denominated interest costs, offset in part by marginally higher floating interest rates.

Interest on the Fund's convertible unsecured subordinated debentures (the Debentures) was $19.5 million for 2007, a decrease of $0.7 million from 2006. The reduction in Debenture interest is due to the maturity of $8.1 million Series 1, 8% Debentures on July 31, 2007 and the Fund's early redemption of $59.2 million Series 2, 8% Debentures on November 5, 2007.

Income Taxes

Total income tax recovery for 2007 was $5.1 million, comprised of $5.3 million in cash income taxes and a $10.4 million future income tax recovery, compared to a total income tax recovery of $100.0 million in the prior year, comprised of $9.2 million in cash income taxes and a $109.2 million future income tax recovery.

Cash income and withholding taxes with respect to operations in the United States for 2007 were $5.3 million (2006 – $7.5 million). The decrease in United States cash tax was due to lower US-denominated taxable earnings. In Canada, cash capital taxes for 2007 were $nil (2006 – $1.7 million). The decrease in Canadian cash taxes was due to the Fund's conversion to a trust-on-partnership structure on September 30, 2006. Cash income taxes have been charged to the businesses from which the taxable income was derived.

Future income tax recovery for 2007 was $10.4 million (2006 – $109.2 million), resulting in a corresponding future income tax asset of $20.3 million as at December 31, 2007. The change in future income taxes is principally the result of the asset impairments recorded in the prior year that resulted in $95.8 million in future income tax recoveries.

In June 2007 the Government of Canada enacted new legislation imposing additional income taxes upon publicly traded income trusts, including the Superior Plus Income Fund, effective January 1, 2011. Prior to this legislation, the Fund was only taxable on any taxable income not allocated to the Unitholders and estimated its future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at a nil effective tax rate. Under the legislation, the Fund estimates the effective tax rate on the post-2010 reversal of these temporary differences to be 29.5% in 2011 and 28.0% in years thereafter. Temporary differences reversing before 2011 will still give rise to nil future income taxes. Consistent with prior years, the Fund in 2007 also recognized a provision for income taxes for its subsidiaries that are subject to current and future income taxes, including United States income tax, United States non-resident withholding tax and Chilean income tax.

The Fund believes it will be subject to current and future income taxes under the new legislation; however, the estimated effective tax rate on temporary difference reversals after January 1, 2011 may change in future periods. As the legislation is new, future technical interpretations of the legislation may occur and could materially affect management's estimate of the future income tax asset/liability. The amount and timing of reversals of temporary differences will also depend on the Fund's future operating results, acquisitions and dispositions of assets and liabilities, and distribution policy. A significant change in any of the preceding assumptions could materially affect the Fund's estimate of the future income tax asset/liability.

As a result of the Government of Canada's enacted legislation imposing additional income taxes on the Fund for taxation years commencing January 1, 2011, the Fund is continuing to evaluate the new legislation and the Fund's organizational alternatives in order to maximize Unitholder value. As the legislation is not effective until 2011, the Fund's current financial condition is unaffected by this change. The Fund is continuing to explore opportunities to grow its businesses to offset the impact of this legislation on the distributable cash flow of the Fund. Superior had approximately $428 million in tax pools as at December 31, 2007. These tax pools will be impacted by adjustments to reduce tax at the Fund level due to a payout ratio below 100% and additional capital outlays.

Consolidated Outlook

The Fund expects consolidated distributable cash flow per trust unit to be between $1.90 and $2.10 per trust in 2008, increasing in 2009 to between $2.05 and $2.25 per trust unit. The Fund's consolidated distributable cash flow outlook is dependent on the operating results of its four divisions. See the discussion of operating results by division for additional details on the Fund's 2008 and 2009 guidance. In addition to the operating results of the Fund's four divisions, significant assumptions underlying the Fund's 2008 and 2009 outlook are:

- The Fund expects current economic conditions in Canada and the United States to prevail for 2008 with an improved outlook for 2009;
- The Fund continues to attract capital and obtain financing on acceptable terms;
- The foreign currency exchange rate between the Canadian and United States dollar is expected to be par on all unhedged foreign currency transactions;
- Superior's average interest rate on floating rate debt is expected to remain stable to marginally lower throughout 2008, increasing modestly in 2009;
- Financial and physical counterparties continue to fulfill their obligations to Superior; and
- Regulatory authorities do not impose any new regulations impacting the Fund.

In addition to the Fund's significant assumptions detailed above, refer to the Fund's Annual Information Form for a detailed review of the Fund's operations and its significant business risks.

Capital Expenditure Summary and Financing Activities

	2007					2006
(millions of dollars)	**Superior Propane**	**ERCO**	**Winroc**	**SEM**	**Total**	Total
Maintenance capital expenditures (proceeds)	**(0.2)**	**8.7**	**0.6**	**–**	**9.1**	13.8
Other capital expenditures – growth capital	**0.4**	**6.0**	**0.9**	**1.5**	**8.8**	53.0
Acquisitions	**–**	**–**	**4.3**	**–**	**4.3**	–
Other capital [(1)]	**20.0**	**–**	**3.6**	**4.3**	**27.9**	5.1

(1) Other capital, as it relates to Superior Propane and Winroc, reflects the total dollar value of capital items that have been acquired through operating leases. Other capital, as it relates to SEM, is equal to SEM's customer acquisition costs, net of amortization.

Maintenance capital expenditures amounted to $9.1 million in 2007 (2006 – $13.8 million) and were funded from operating cash flow. Growth capital expenditures totaled $8.8 million in 2007 (2006 – $53.0 million) and were funded from a combination of operating cash flow and proceeds received from Superior's trust unit reinvestment program. See operating results by division for additional details on maintenance capital and growth capital expenditures.

Acquisitions for 2007 totaled $4.3 million and were comprised of Winroc's acquisition of two small gypsum supply dealers. Acquisitions were funded from a combination of operating cash flow and proceeds received from Superior's trust unit reinvestment program. Superior did not undertake any acquisitions in 2006.

In January 2007, the Fund commenced a distribution reinvestment plan and an optional unit purchase plan (the DRIP). The DRIP provides Unitholders with the opportunity to reinvest their cash distributions at a 5% discount to the market price of the trust units. For 2007, proceeds of $25.3 million were received from the DRIP and were principally used to fund growth capital and acquisitions.

Liquidity

Superior's total and available sources of credit are detailed in the chart below:

Available Credit Facilities		**As at December 31, 2007**		
(millions of dollars)	Total Amount	Borrowings	Letters of Credit Issued	Amount Available
Revolving term bank credit facilities [(1)]	595.0	162.4	31.7	400.9
Term loans	178.1	178.1	–	–
Accounts receivable sales program	100.0	100.0	–	–
Total	873.1	440.5	31.7	400.9

(1) Revolving term bank credit facilities and term loan balances are presented before deferred financing fees.

Superior's revolving term bank credit and term loans before deferred financing fees, including $100.0 million related to the accounts receivable securitization program totaled $440.5 million as at December 31, 2007, a decrease of $1.2 million from the prior year-end. The decrease in revolving term bank credits and terms loans is predominately due to the repayment of existing debt facilities with operating cash flow in excess of distributions for the year and the non-cash impact of the appreciation of the Canadian dollar on US dollar-denominated debt, offset by the impact of the repayment and redemption of $8.1 million Series 1 and $59.2 million Series 2, 8% convertible unsecured subordinated debentures.

As at December 31, 2007, $400.9 million was available under the credit facilities and accounts receivable sales program and is considered to be sufficient to meet Superior's net working capital funding requirements and expected capital expenditures. Principal covenants are described in "Contractual Obligations and Other Commitments" on page 31.

Consolidated net working capital was $173.0 million as at December 31, 2007, a decrease of $5.9 million from December 31, 2006 ($178.9 million). Net working capital was consistent with the prior year-end as lower cash on-hand and reduced working capital requirements at ERCO were offset by higher working capital requirements at Superior Propane due to higher sales volumes and selling prices. See Note 20 to the Consolidated Financial Statements for segmented net working capital levels by division, net of the accounts receivable sales program. Superior's net working capital requirements are financed from revolving term bank credit facilities and by proceeds raised from a trade accounts receivable sales program.

Superior has entered into an agreement to sell, with limited recourse, certain accounts receivables on a 30-day revolving basis to an entity sponsored by a Canadian chartered bank to finance a portion of its working capital requirements, and this represents an off-balance sheet obligation. The receivables are sold at a discount to face value based on prevailing

money market rates. As at December 31, 2007, proceeds of $100.0 million (December 31, 2006 – $95.0 million) had been raised from this program and were used to repay revolving term bank credits (See Note 6 to the Consolidated Financial Statements). Superior is able to adjust the size of the sales program on a seasonal basis in order to match the fluctuations of its accounts receivable funding requirements. The program requires Superior to maintain a minimum secured credit rating of BB and meet certain collection performance standards. Superior is currently fully compliant with program requirements. The program expires on June 30, 2008.

During 2007, Superior renegotiated its previous bilateral and syndicated credit facilities into a syndicated facility of $595.0 million with 11 banks. The secured revolving facility matures on June 28, 2010 and can be expanded to $600.0 million.

On April 26, 2007, DBRS confirmed Superior's senior secured notes rating at BBB (low) and the Fund's stability rating at STA-3 (low), and changed Superior's negative outlook to stable. On August 2, 2007, Standard and Poor's confirmed Superior's BBB- (negative outlook) secured long-term debt credit rating.

Contractual Obligations and Other Commitments

			Payments Due In			
(millions of dollars)	Notes [1]	Total	2008	2009 – 2010	2011 – 2012	Thereafter
Revolving term bank credits and term loans	9	340.5	3.9	179.4	66.3	90.9
Convertible Debentures	10	247.3	–	–	172.8	74.5
Operating lease and capital commitments [2]	18(i)	135.3	42.5	45.9	26.3	20.6
Natural gas, propane and electricity purchase commitments [3] [4]	18(ii)(iii)	651.4	253.1	268.2	41.6	88.5
Future employee benefits [5]	11	23.8	5.3	10.6	7.9	–
Total contractual obligations		1,398.3	304.8	504.1	314.9	274.5

[1] Notes to the Consolidated Financial Statements.

[2] Operating lease and capital commitments together with the accounts receivable sales program, comprise Superior's off-balance sheet obligations.

[3] Superior, with respect to its natural gas and propane commitments, is similarly committed to long-term natural gas and propane sales customer commitments.

[4] Does not include the impact of financial derivatives. See Note 12 to the Consolidated Financial Statements.

[5] Does not include the Superior Propane defined benefit pension asset.

Revolving term bank credits and term loans are secured by a general charge over the assets of Superior and certain of its subsidiaries. As at December 31, 2007, Superior's senior debt to EBITDA ratio (see "Non-GAAP Financial Measures) was 1.9 times to 1.0 after taking into account the impact of the off-balance sheet receivable sales program amounts and the impact of cash on hand (December 31, 2006 – 1.9 times to 1.0).

Senior bank debt covenants limit incurring additional long-term debt and payments of distributions to the Fund if Superior's consolidated senior debt (including proceeds raised from the accounts receivable sales program) exceeds 3.5 times to 1.0 EBITDA (as previously defined) for the last 12-month period as adjusted for the pro forma impact of acquisitions and dispositions. Senior secured notes covenants limit the incurrence of additional long-term debt and payments of distributions to the Fund if Superior's consolidated senior debt (including proceeds raised from the accounts receivable sales program) exceeds 3.0 times to 1.0 EBITDA (as previously defined) for the last 12-month period as adjusted for the pro forma impact of acquisitions and dispositions. Additionally, the Fund's distributions (including payments to debenture holders) cannot exceed EBITDA plus $25.0 million. At December 31, 2007, senior debt and total debt ratios when calculated in accordance with Superior's senior credit agreements were 2.0 times to 1.0 (December 31, 2006 – 2.1 times to 1.0). Total debt to EBITDA ratio for purposes of senior credit agreements does not include the Debentures.

Debentures are obligations of the Fund and consist of $174.9 million Series 1, 5.75% Debentures maturing on December 31, 2012 and $75.0 million Series 1, 5.85% Debentures maturing on October 31, 2015. The 5.75% Series 1 and 5.85% Series 1 Debentures are convertible at the option of the holder into trust units at $36.00 and $31.25 per trust unit, respectively. During 2007, the Fund repaid and redeemed $8.1 million and $59.2 million, the entire obligation associated with its Series 1 and Series 2, 8% Debentures, respectively. The Fund may elect to satisfy interest and principal Debenture obligations by the issuance of trust units.

As at December 31, 2007, Superior's total debt (including Debentures) to EBITDA ratio was 3.0 times to 1.0 after taking into account the impact of the off-balance sheet receivable sales program amounts and the impact of cash on hand. Debt covenants limit incurring additional long-term debt and payments of distributions to the Fund if Superior's total debt (including proceeds raised from the accounts receivable sales program) exceeds 5.0 times EBITDA for senior bank debt and 5.5 times EBITDA for senior secured notes (see Non-GAAP Financial Measures) for the last 12-month period as adjusted for the pro forma impact of acquisitions and dispositions.

Approximately 58% of Superior's revolving term bank credits and term loans and Debenture obligations were not repayable for at least five years and approximately 51% of Superior's total debt obligations (including accounts receivable sales program) are subject to fixed interest rates. Superior's policy is to target a fixed-to-floating interest rate profile of approximately 50%.

Operating leases consist of rail cars, distribution/delivery fleet, other vehicles, premises and other equipment. Rail car leases at December 31, 2007 comprised 23% (2006 – 35%) of total operating lease commitments and are used to transport ERCO Worldwide's finished product to its customer locations and by Superior Propane to transport propane from supply sources to its branch distribution locations. Distribution/delivery operating leases at December 31, 2007 comprised 21% (2006 – 2%) of total operating lease commitment and are used by Superior Propane and Winroc to deliver product to customers.

Natural gas and propane fixed-price supply commitments are used to resource similar volume and term fixed-price sales commitments to customers of SEM and Superior Propane. ERCO Worldwide has entered into fixed-price electricity contracts for a term of up to 10 years representing 100% of its annual power requirements in deregulated jurisdictions.

Superior's operating lease and capital commitments, natural gas, propane and electricity purchase commitments and future employee benefits are normal course operating commitments. Superior expects to fund these commitments through a combination of cash flow from operations, proceeds on revolving term bank credits and proceeds on the issuance of trust unit equity.

In the normal course of business, Superior is subject to lawsuits and claims. Superior believes the resolution of these matters will not have a material adverse effect, individually or in the aggregate, on Superior's liquidity, consolidated financial position or results of operations. Superior records costs as they are incurred or when they become determinable.

Unitholders' Capital

The weighted average number of trust units outstanding was 86.5 million in 2007 compared to 85.5 million units in 2006, an increase of 1% due to trust units issued under the Fund's distribution reinvestment program. The quoted market value of the Fund's trust unit capital and Debentures was $1,024.9 million and $219.7 million, respectively, based on closing prices on December 31, 2007 on the Toronto Stock Exchange.

As at December 31, 2007 and 2006, the following trust units and securities convertible into trust units were outstanding:

	March 10, 2008		**December 31, 2007**		December 31, 2006	
(millions)	**Convertible Securities**	**Trust Units**	**Convertible Securities**	**Trust Units**	Convertible Securities	Trust Units
Trust units outstanding		**88.1**		**87.6**		85.5
Series 1, 8% Debentures [(1)]	**–**	**–**	**–**	**–**	$ 8.1	0.5
Series 2, 8% Debentures [(2)]	**–**	**–**	**–**	**–**	$ 59.2	3.0
Series 1, 5.75% Debentures [(3)]	**$ 174.9**	**4.9**	**$ 174.9**	**4.9**	$ 174.9	4.9
Series 1, 5.85% Debentures [(4)]	**$ 75.0**	**2.4**	**$ 75.0**	**2.4**	$ 75.0	2.4
Warrants	**2.3**	**2.3**	**2.3**	**2.3**	2.3	2.3
Trust units outstanding, and issuable upon conversion of Debenture and Warrant securities		**97.7**		**97.2**		98.6

(1) Convertible at $16 per trust unit. On July 31, 2007, $8.1 million Series I, 8% Debentures matured and were repaid.

(2) Convertible at $20 per trust unit. On November 5, 2007, $59.2 million Series 2, 8% Debentures were redeemed.

(3) Convertible at $36 per trust unit.

(4) Convertible at $31.25 per trust unit.

The warrants are exercisable at $20 per trust unit until May 2008. In addition, as at March 10, 2008 and December 31, 2007, there were 500,500 trust unit options outstanding (December 31, 2006 – 1,086,000 trust units) with a weighted average exercise price of $23.87 per trust unit (2006 – $22.69 per trust unit). The number of trust units issued upon exercise of the trust unit options is equal to the growth in the value of the options at the time the options are exercised (represented by the market price less the exercise price), times the number of options exercised, divided by the current trust unit market price.

Distributions Paid to Unitholders

The Fund distributes to holders of trust units the income earned by Superior LP after interest payments to holders of the convertible unsecured subordinated debentures (the Debentures) of the Fund (Debentureholders), and provision for administrative expenses and reserves of the Fund. The Fund's distributions to Unitholders are sourced entirely from its equity in Superior LP. See "Summary of Cash Flows" on page 34 for additional details on the sources and uses of cash. The Fund's investments are in turn financed by trust unit equity and by the Debentures.

As detailed on page 14, distributable cash flow for 2007 was $170.4 million, a decrease of $10.0 million or 6% from the prior year. For 2007, distributions paid to Unitholders were $1.56 per trust unit, a decrease of 14% from $1.82 per trust unit, in 2006. This resulted in a payout ratio of 79% in 2007 compared to 86% in 2006. The decrease in distributions paid was the result of a change in the Fund's monthly distributions in 2006 to $0.13 per trust unit ($1.56 on an annualized basis) effective with the May 2006 monthly distribution. The Fund will continue to assess its distribution level in light of the Government of Canada's announcement on October 31, 2006 to tax income trusts and limited partnerships, beginning in 2011.

Management's Discussion and Analysis

The Fund's primary sources and uses of cash are detailed below:

Summary of Cash Flows [1] (millions of dollars)	**2007**	2006
Cash flows from operating activities of continuing operations	**134.3**	151.7
Investing activities:		
Maintenance capital expenditures	**(9.1)**	(13.8)
Other capital expenditures – growth	**(8.8)**	(53.0)
Acquisitions	**(4.3)**	–
Proceeds on the sale of JW Aluminum	**1.4**	354.7
Cash flows from investing activities	**(20.8)**	287.9
Financing activities:		
Distributions to Unitholders	**(134.9)**	(155.7)
Repayment of 8%, Series 1 convertible debentures	**(8.1)**	–
Redemption of 8%, Series 2 convertible debentures	**(59.2)**	–
Proceeds from DRIP	**25.3**	–
Revolving term bank credits and term loans	**38.4**	(290.5)
Other	**5.5**	(2.7)
Cash flows from financing activities	**(133.0)**	(448.9)
Net increase (decrease) in cash from continuing operations	**(19.5)**	(9.3)
Net increase (decrease) in cash from discontinued operations	**–**	23.0
Cash, beginning of year	**33.6**	19.9
Cash, end of year	**14.1**	33.6

[1] See the Consolidated Statements of Cash Flows for additional details.

For income tax purposes, distributions paid in 2007 of $1.56 per trust unit are classified as other income. A summary of cash distributions since inception and related tax information is posted under the "Investor Information" section of the Fund's website at www.superiorplus.com. For 2008, the Fund expects the majority of the distribution to be in the form of other income.

	2007		2006	
(millions of dollars except per trust unit amounts)		**Trust Unit**		Trust Unit
Distributions paid in the calendar year	**134.9**	**$1.56**	155.7	$1.82
Distributable cash flow reinvested	**35.5**	**0.41**	24.7	0.29
Distributable cash flow	**170.4**	**$1.97**	180.4	$2.11
Distribution payout ratio	**79%**		86%	

Financial Instruments – Risk Management

Derivative and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Superior's policy is not to use derivative or non-financial derivative instruments for speculative purposes. Superior does not formally designate its derivatives as hedges; as a result, Superior does not apply hedge accounting and is required to designate its derivatives and non-financial derivatives as held for trading.

SEM enters into NYMEX and AECO natural gas financial swaps with a variety of counterparties to manage the economic exposure of providing fixed-price natural gas to its customers. SEM monitors its fixed-price natural gas positions on a daily basis to monitor compliance with established risk management policies. SEM maintains a substantially balanced fixed-price natural gas position in relation to its customer supply commitments. Additionally, SEM enters into electricity

financial swaps with a single counterparty to manage the economic exposure of providing fixed-price electricity to its customers. SEM monitors its fixed-price electricity positions on a daily basis to monitor compliance with established risk management policies. SEM maintains a substantially balanced fixed-price electricity position in relation to its customer supply commitments.

ERCO has entered into fixed-price electricity purchase agreements to manage the economic exposure of certain of its chemical facilities to changes in the market price of electricity in deregulated markets.

Superior Propane enters into various propane forward purchase and sale agreements to manage the economic exposure of its wholesale customer supply contracts. Superior Propane monitors its fixed-price propane positions on a daily basis to monitor compliance with established risk management policies. Superior Propane maintains a substantially balanced fixed-price propane gas position in relation to its wholesale customer supply commitments.

Superior, on behalf of its operating divisions, enters into foreign currency forward contracts to manage the economic exposure of Superior's operations to movements in foreign currency exchange rates. SEM and Superior Propane contract a portion of their fixed-price natural gas and propane purchases and sales in US dollars and enter into forward US dollar purchase (sales) contracts to create an effective Canadian dollar fixed-price purchase cost. ERCO Worldwide enters into US dollar forward sales contracts on an ongoing basis to mitigate the impact of foreign exchange fluctuations on sales margins on production from its Canadian plants that is sold in US dollars. Interest expense on Superior's US dollar-denominated debt is also used to mitigate the impact of foreign exchange fluctuations.

As at December 31, 2007, SEM and Superior Propane had hedged approximately 100% of their US dollar natural gas and propane purchase (sales) obligations and ERCO Worldwide had hedged 85%[2] and 40%[2] respectively, of its estimated US dollar exposure for the remainder of 2008 and 2009. The estimated distributable cash flow sensitivity for Superior, including divisional US exposures and the impact on US denominated debt with respect to a $0.01 change in the Canadian to United States exchange rate is: 2008 – $0.1 million and 2009 – $0.6 million, after giving effect to United States forward contracts for 2008 and 2009, as shown in the table below. Superior's sensitivities and guidance are based on an anticipated Canadian to USD foreign currency exchange rate for 2008 and 2009 of 1.00.

(US$ millions)	2008	2009	2010	2011	2012	2013	Total
SEM – US$ forward purchases [1]	118.3	111.1	61.9	5.4	–	–	296.7
Superior Propane – US$ forward purchases (sales)	9.8	–	–	–	–	–	9.8
ERCO – US$ forward sales [2]	(88.3)	(48.0)	–	–	–	–	(136.3)
Net US$ forward purchases	39.8	63.1	61.9	5.4	–	–	170.2
SEM – Average US$ forward purchase rate [1]	1.22	1.21	1.16	1.11	–	–	1.20
Superior Propane – Average US$ forward rate	1.00	–	–	–	–	–	1.00
ERCO – Average US$ forward sales rate [2]	1.11	1.06	–	–	–	–	1.09
Net average external US$/Cdn$ exchange rate	1.17	1.16	1.16	1.11	–	–	1.16

(1) SEM is now sourcing its fixed-price natural gas requirements in Canadian dollars. As such, SEM will no longer be required to use US dollar forward contracts to fix its Canadian dollar exposure.

(2) Does not include the impact of the US dollar conversion of ERCO's Port Edwards, Wisconsin chloralkali facility which is anticipated to cost US$95.0 million in aggregate, of which $1.4 million was incurred in 2007, with the remaining costs expected to be US$37.3 million in 2008 and US$56.3 million in 2009.

Superior utilizes interest rate swaps to manage the interest rate mix of its total debt portfolio and related overall cost of borrowing. Superior manages its overall liquidity risk in relation to its general funding requirements by utilizing a mix of short-term and longer-term maturity debt instruments. (See Notes 9, 10 and 12 to the Consolidated Financial Statements.)

Superior utilizes a variety of counterparties in relation to its derivative and non-financial derivative instruments in order to mitigate its counterparty risk. Superior assesses the creditworthiness of its significant counterparties at the inception and through out the term of a contract. Superior is also exposed to customer credit risk. Superior Propane and Winroc deal with a large number of small customers, thereby reducing this risk. ERCO, due to the nature of its operations, sells its products to a relatively small number of customers. ERCO mitigates its customer credit risk by actively monitoring the overall creditworthiness of its customers. SEM has minimal exposure to customer credit risk as local natural gas and electricity distribution utilities have been mandated to provide SEM with invoicing, collection and the assumption of bad debt risks for residential and small commercial customers. SEM actively monitors the creditworthiness of its industrial customers.

For additional details on the Fund's financial instruments, including the amount and classification of gains and losses recorded in the Fund's Consolidated Financial Statements and significant assumptions used in the calculation of the fair value of the Fund's financial instruments, see Note 12 to the Consolidated Financial Statements.

Sensitivity Analysis

The Fund's estimated cash flow sensitivity in 2007 to the following changes is provided below:

	Change	Change	Impact on Distributable Cash Flow	Per Trust Unit
Superior Propane				
Change in sales margin	$0.005/litre	3%	$7.1 million	$0.08
Change in sales volume	50 million litres	4%	$6.8 million	$0.08
ERCO Worldwide				
Change in sales price	$10.00/tonne	2%	$6.6 million	$0.08
Change in sales volume	15,000 metric tonnes	2%	$3.9 million	$0.04
Winroc				
Change in distribution sales margin	1% change in average gross margin	3%	$4.3 million	$0.05
Change in sales volume	4% of distribution sales revenues	4%	$2.6 million	$0.03
Superior Energy Management				
Change in sales margin	$0.02/GJ	2%	$0.7 million	$0.01
Change in sales volume	2 million GJ	5%	$1.6 million	$0.02
Corporate				
Change in Cdn$/US$ exchange rate [1]	$0.01	1%	$0.1 million	–
Corporate change in interest rates	0.5%	10%	$1.4 million	$0.02

[1] After giving effect to US$ forward sales contracts for 2008. See "Financial Instruments – Risk Management".

Critical Accounting Estimates

The Fund's significant accounting policies are contained in Note 2 to the Consolidated Financial Statements. Certain of these policies involve critical accounting estimates because they require the Fund to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The Fund constantly evaluates these estimates and assumptions.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Fund expects that a certain portion of required customer payments will not be made and maintains an allowance for these doubtful accounts. This allowance is based on the Fund's estimate of the likelihood of recovering its accounts receivable. It incorporates current and expected collection trends. If economic conditions change, actual results or specific industry trends differ from the Fund's expectations, the Fund will adjust its allowance for doubtful accounts and its bad debts expense accordingly.

EMPLOYEE FUTURE BENEFITS

The accrued benefit obligation is determined by independent actuaries using the projected benefit method prorated on service and based on management's best economic and demographic estimates. The benefit relates to the Fund's defined benefit plans. The expected return on plan assets is determined by considering long-term historical returns, future estimates of long-term investment returns and asset allocations.

ASSET IMPAIRMENT

The Fund reviews long-lived assets and intangible assets with finite lives whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows, and measurement of an impairment loss is based on the fair value of the assets.

Goodwill is not amortized, but is assessed for impairment at the reporting unit level annually, or sooner if events or changes in circumstances indicate that the carrying amount could exceed fair value. Goodwill is assessed for impairment using a two-step approach, with the first step being to assess whether the fair value of the reporting unit to which the goodwill is associated is less than its carrying value. If this is the case, a second impairment test is performed which requires a comparison of the fair value of goodwill to its carrying amount. If fair value is other than temporarily less than the carrying value, goodwill is considered to be impaired and an impairment charge would be recognized immediately.

Changes in Accounting Policies

FINANCIAL INSTRUMENTS

On January 1, 2007, the Fund adopted on a prospective basis four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, and Handbook Section 3865, *Hedges*. These standards, and the impact on our financial position and results of operations, are discussed in Note 2 to the Consolidated Financial Statements.

ACCOUNTING CHANGES

On January 1, 2007 the Fund adopted CICA Handbook Section 1506, *Accounting Changes*. The amendments to this section were made to harmonize this section with current International Financial Reporting Standards. Revisions to section 1506 require that voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. Accounting policy changes are applied on a retrospective basis unless impractical to do so. Corrections of prior-period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including the changes through net income. This section also outlines additional disclosure requirements when accounting changes are applied including justification for voluntary changes, a description of the policy, the primary source of generally accepted accounting policies (GAAP) and a detailed effect on financial statement line items.

Recent Accounting Pronouncements

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

Effective January 1, 2008 for the Fund, the CICA has replaced Handbook Section 3861, *Financial Instruments Disclosure and Presentation* with Handbook Section 3862 *Financial Instruments – Disclosures* and Handbook Section 3863 *Financial Instruments – Presentation*. The revised standards provide enhanced disclosure and presentation requirements, with an increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages these risks.

CAPITAL DISCLOSURES

Effective January 1, 2008 for the Fund, the CICA has issued Handbook Section 1535, *Capital Disclosures*. This section requires the disclosure of (i) the Fund's objectives, policies and processes for managing capital; (ii) quantitative data about what the Fund regards as capital; (iii) whether the Fund has complied with any capital requirements; and (iv) if the Fund has not complied, the consequences of such non-compliance.

INVENTORY

Effective January 1, 2008 for the Fund, the CICA has issued Handbook Section 3031, *Inventories*, replacing Handbook Section 3030, *Inventories*. This section provides increased guidance on the determination of the cost and financial statement presentation of inventory. The Fund anticipates that the calculation of the cost of inventory of ERCO Worldwide will be impacted by this revised standard, due to the requirement to inventory the cost of certain fixed overhead items, principally the amortization of property, plant and equipment. The Fund does not anticipate that this will have a material impact on its net earnings, but rather that it will affect the classification of amortization expense on the financial statements. Previously, all amortization was expensed and classified on the income statement as amortization. The revised standard requires that the amortization that is inventoried be classified as a component of cost of product sold.

Selected Financial Information

(millions of dollars except per trust unit amounts)	**2007**	2006	2005[1]
Total assets (as at December 31)	**1,542.8**	1,536.9	2,373.6
Total revenues [1]	**2,355.4**	2,264.3	2,059.2
Gross profit [1]	**661.8**	630.9	623.6
Net earnings (loss) from continuing operations	**119.4**	(55.6)	101.3
Net earnings (loss)	**119.8**	(80.8)	104.4
Per basic trust unit, from continuing operations	**$ 1.38**	$ (0.65)	$ 1.27
Per diluted trust unit, from continuing operations	**$ 1.38**	$ (0.65)	$ 1.26
Per basic trust unit	**$ 1.38**	$ (0.94)	$ 1.31
Per diluted trust unit	**$ 1.38**	$ (0.94)	$ 1.30
Cash generated from continuing operations	**134.3**	151.7	144.4
Distributable cash flow	**170.4**	180.4	187.0
Per trust unit	**$ 1.97**	$ 2.11	$ 2.35
Cash distributions per trust unit [2]	**$ 1.56**	$ 1.82	$ 2.41
Current and long-term debt [3] (as at December 31)	**340.5**	346.7	644.7

[1] Total revenues and gross profit from continuing operations.
[2] Cash distributions per trust unit paid in fiscal year.
[3] Current and long-term debt before deferred financing fees.

Fourth Quarter Results

Fourth quarter distributable cash flow was $63.0 million, an increase of $7.4 million or 13% over the prior year's quarter. The increase in distributable cash flow was due to improved operating cash flow at Superior Propane, due principally to higher volumes and other service and wholesale gross profits, and at ERCO due to improved sodium chlorate gross profits. Fourth quarter results were also impacted by lower interest and corporate costs, offset in part by the absence of a contribution from JW Aluminum as a result of its sale on December 7, 2006, and marginally lower operating cash flow at Winroc and SEM. Distributable cash flow per trust unit was $0.72 per trust unit in the fourth quarter, an increase of $0.07 per trust unit or 11% from the prior year's quarter, due to the increase in distributable cash flow, offset in part by a 2% increase in the average number of trust units outstanding.

Net earnings for the fourth quarter were $64.5 million, compared to $38.1 million for the prior year quarter. The increase in net earnings was due principally to improved gross profits at Superior Propane as a result of higher sales volumes. Additionally, the 2007 fourth quarter included unrealized gains on financial instruments that were not present in the prior year's quarter, due to the adoption of new accounting standards on January 1, 2007, (see "Changes in Accounting Policies" for further discussion of these changes). The unrealized gain was the result of gains on SEM's financial natural gas derivative contracts due to changes in the forward price of natural gas, which were partially offset by losses on ERCO Worldwide's fixed-price electricity purchase agreement due to changes in the forecasted price of electricity in deregulated markets. Amortization was lower than the prior year due to reduced amortization at ERCO Worldwide, as a result of asset impairments recorded in the prior year. Total interest expense of $10.7 million in the fourth quarter was $5.7 million lower than in the prior year's quarter, due principally to lower average debt levels. Additionally, fourth quarter net earnings were affected for the same reasons as the analysis of distributable cash flow for the fourth quarter. Further discussion of the 2007 fourth quarter results is provided in the Fund's Fourth Quarter and 2007 Earnings Release, dated February 28, 2008.

Quarterly Financial and Operating Information

Quarterly financial and operating information for 2007 and 2006 is provided in the table below. Superior's overall operating cash flow and working capital funding requirements are modestly seasonal as approximately 80% of Superior Propane's operating cash flow is generated during the first and fourth quarters of each year as approximately 50% of its sales are generated from space heating end-use applications. Net working capital funding requirements follow a similar seasonal trend, peaking during the first quarter of each year and declining to seasonal lows during the third quarter. The seasonality of Winroc's operating cash flow and working capital funding requirements is modestly complementary to Superior Propane's as new construction and remodelling activity typically peaks during the second and third quarter of each year. ERCO Worldwide and SEM's operating cash flow and net working capital requirements do not have significant seasonal fluctuations.

	2007 Quarter				2006 Quarter			
(millions of dollars except per trust unit amounts)	**Fourth**	**Third**	**Second**	**First**	Fourth	Third	Second	First
Propane sales volumes (millions of litres)	**416**	**256**	**280**	**477**	407	261	270	448
Chemical sales volumes (thousands of metric tonnes)	**194**	**187**	**193**	**194**	191	190	183	191
Natural gas sales volumes (millions of GJs)	**9**	**9**	**9**	**10**	10	11	10	9
Gross profit	**185.8**	**145.9**	**144.4**	**185.7**	174.1	143.5	141.2	172.1
Asset impairments, net of tax	**–**	**–**	**–**	**–**	–	56.3	170.8	–
Net earnings (loss) from continuing operations	**64.5**	**(25.9)**	**(25.5)**	**106.3**	25.3	46.3	(157.4)	30.2
Net earnings (loss)	**64.5**	**(26.9)**	**(25.5)**	**107.7**	38.1	1.1	(153.3)	33.3
Per basic trust unit from continuing operations	**$ 0.74**	**$ (0.30)**	**$ (0.30)**	**$ 1.24**	$ 0.30	$ 0.54	$ (1.84)	$ 0.35
Per diluted trust unit from continuing operations	**$ 0.74**	**$ (0.30)**	**$ (0.30)**	**$ 1.24**	$ 0.30	$ 0.54	$ (1.84)	$ 0.35
Per basic trust unit	**$ 0.74**	**$ (0.31)**	**$ (0.30)**	**$ 1.26**	$ 0.45	$ 0.01	$ (1.79)	$ 0.39
Per diluted trust unit	**$ 0.74**	**$ (0.31)**	**$ (0.30)**	**$ 1.26**	$ 0.45	$ 0.01	$ (1.79)	$ 0.39
Distributable cash flow	**63.0**	**25.7**	**19.4**	**62.3**	55.6	33.8	34.6	56.5
Per basic trust unit	**$ 0.72**	**$ 0.30**	**$ 0.23**	**$ 0.73**	$ 0.65	$ 0.40	$ 0.40	$ 0.66
Per diluted trust unit	**$ 0.72**	**$ 0.30**	**$ 0.23**	**$ 0.73**	$ 0.65	$ 0.40	$ 0.40	$ 0.66
Net working capital [1]	**173.0**	**141.9**	**134.1**	**162.7**	178.9	237.9	294.8	310.6

[1] Net working capital reflects amounts as at the quarter end and is comprised of cash and cash equivalents, accounts receivable and inventories, less bank indebtedness, accounts payable and accrued liabilities.

Segmented Distributable Cash Flow [1]

For the year ended December 31, 2007 (millions of dollars)	Superior Propane	ERCO	Winroc	SEM	Corporate	Discontinued Operations JWA [2]	Total Consolidated
Net earnings (loss) from continuing operations	103.8	22.9	33.3	17.8	(58.4)	0.4	119.8
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	15.7	42.6	4.2	–	2.8	–	65.3
Future income tax expense (recovery)	(19.9)	12.1	(2.3)	0.8	(1.1)	–	(10.4)
Management internalization costs	–	–	–	–	0.5	–	0.5
Superior Propane non-cash pension expense	1.7	–	–	–	–	–	1.7
Unrealized (gains) losses on financial instruments	(2.3)	5.5	–	(6.9)	1.0	–	(2.7)
Strategic plan costs	0.4	4.9	–	0.4	–	–	5.7
Discontinued operations	–	–	–	–	–	(0.4)	(0.4)
Less: Maintenance capital expenditures, net	0.2	(8.7)	(0.6)	–	–	–	(9.1)
Distributable cash flow before strategic plan costs	**99.6**	**79.3**	**34.6**	**12.1**	**(55.2)**	**–**	**170.4**

[1] See the Consolidated Financial Statements for net earnings (loss), amortization of property, plant and equipment, intangible assets and convertible debenture issue costs, future income tax expense (recovery), trust unit incentive plan expense (recovery), management internalization costs, impairment of property, plant and equipment and goodwill, and maintenance capital expenditures.

[2] See Note 3 to the Consolidated Financial Statements.

Management's Discussion and Analysis

For the year ended December 31, 2006 (millions of dollars)	Superior Propane	ERCO	Winroc	SEM	Corporate	Discontinued Operations JWA [1]	Total Consolidated
Net earnings (loss) from continuing operations	115.8	(59.3)	46.0	12.6	(170.7)	–	(55.6)
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	20.4	52.6	4.1	–	2.3	–	79.4
Future income tax expense (recovery)	(49.2)	(133.9)	(8.9)	(2.6)	85.4	–	(109.2)
Trust unit incentive plan recovery	–	–	–	–	(1.2)	–	(1.2)
Management internalization costs	–	–	–	–	1.3	–	1.3
Superior Propane non-cash pension expense	2.2	–	–	–	–	–	2.2
Impairment of property, plant and equipment, and goodwill [2]	–	218.7	–	–	–	–	218.7
Strategic plan costs	1.1	5.1	–	0.3	13.2	–	19.7
Distributable cash from discontinued operations	–	–	–	–	–	38.9	38.9
Less: Maintenance capital expenditures, net	0.3	(7.5)	(6.6)	–	–	–	(13.8)
Distributable cash flow before strategic plan costs	**90.6**	**75.7**	**34.6**	**10.3**	**(69.7)**	**38.9**	**180.4**

[1] See Note 3 to the Consolidated Financial Statements.
[2] See Note 5 to the Consolidated Financial Statements.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed by, or designed under the supervision of Superior's Chairman and Chief Executive Officer (CEO) and the Executive Vice President and Chief Financial Officer (CFO) to provide reasonable assurance that all material information relating to Superior is communicated to them by others in the organizations as it becomes known and is appropriately disclosed as required under the continuous disclosure requirements of securities legislation. In essence, these types of controls are related to the quality and timeliness of financial and non-financial information in securities filings. They are assisted in this responsibility by the Disclosure Committee (DC) which is composed of senior managers of Superior. The DC has established procedures so that it can be aware of any material information affecting Superior in order to evaluate and discuss this information and determine the appropriateness and timing of its public release. An evaluation of the effectiveness of the design and operation of the Fund's disclosure controls and procedures was conducted as at December 31, 2007 by and under the supervision of Superior's management, including the CEO and

CFO. Based on this evaluation, the CEO and CFO have concluded that the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the times specified in those rules and forms.

Internal Control Over Financial Reporting

Superior's management, including the CEO and CFO is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

In 2005, at the direction and oversight of the Audit Committee of the Board of Directors, the CEO and CFO established a project team to ensure Superior's ability to meet its obligations under Multilateral Instrument 52-109. An external advisor was engaged, and a steering committee to oversee the project was established. The evaluation of the design of internal controls over financial reporting was completed as at December 31, 2007. Based on the assessment, management, including the CEO and CFO determined that the design of the Fund's internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

No changes were made in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting in the quarter ended December 31, 2007.

Forward Looking Information

Certain information included or incorporated by reference herein is forward-looking, within the meeting of applicable Canadian securities laws. Forward-looking information includes, without limitation, statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, distributable cash flow, taxes and plans and objectives of or involving Superior Plus Income Fund (the Fund) or Superior Plus LP (Superior LP or the Partnership). Much of this information can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words. Forward-looking information in this Management's Discussion and Analysis, includes but is not limited to, outlooks, capital expenditures, business strategy and objectives. The Fund and Superior LP believe the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties some of which are described herein. Such forward-looking information necessarily involves known and unknown risks and uncertainties, which may cause the Fund's or Superior LP's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking information. These risks and uncertainties include but are not limited to the risks identified in the Fund's Annual Information Form under "Risk Factors". Any forward-looking information is made as of the date hereof and, except as required by law, neither the Fund nor Superior LP undertakes any obligation to publicly update or revise such information to reflect new information, subsequent or otherwise.

Non-GAAP Financial Measures

DISTRIBUTABLE CASH FLOW

Distributable cash flow of the Fund available for distribution to Unitholders is equal to cash generated from operations adjusted for changes in non-cash working capital and natural gas and electricity customer acquisition costs, less maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to maintain the capacity

of Superior's operations and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures incurred to expand the capacity of Superior's operations or to increase its profitability ("growth capital") are excluded from the calculation of distributable cash flow. The Fund may deduct or include additional items to its calculation of distributable cash flow; these items would generally, but not necessarily, be items of a non-recurring nature. Distributable cash flow is the main performance measure used by management and investors to evaluate the performance of the Fund and its businesses. Readers are cautioned that distributable cash flow is not a defined performance measure under Canadian GAAP, and that distributable cash flow cannot be assured. The Fund's calculation of distributable cash flow, maintenance capital and growth capital may differ from similar calculations used by comparable entities. Operating distributable cash flow is distributable cash flow before corporate and interest expenses. It is also a non-GAAP measure and is used by management to assess the performance of the operating divisions.

STANDARDIZED DISTRIBUTABLE CASH FLOW

During 2007, the CICA published an interpretive release, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*, in order to provide its recommendations related to the measurement and disclosure of cash available for distributions. The guidance was issued in an effort to improve the consistency, comparability and transparency of the reporting of the measure commonly referred to as distributable cash flow. Superior's calculation of standardized distributable cash flow is, in all material respects, in accordance with the recommendations provided by the CICA.

Superior views the CICA recommendations as a positive step in providing stakeholders with meaningful information, but consistent with the guidance provided by the CICA, Superior has determined that, due to the nature of Superior's businesses, certain adjustments to standardized distributable cash flow are required to better reflect the cash flow available to be distributed to Unitholders. Superior's adjusted standardized distributable cash flow is referred to as distributable cash flow and is unchanged from Superior's previous definition or measurement of distributable cash flow. Superior's distribution policy is based on distributable cash flow on an annualized basis; accordingly, the seasonality of Superior's individual quarterly results must be assessed in the context of annualized distributable cash flow. Adjustments recorded by Superior as part of its calculation of distributable cash flow include, but are not limited to, the impact of the seasonality of Superior's businesses, principally Superior Propane, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and expenses, which can from quarter to quarter differ significantly. Superior's calculation also distinguishes between capital expenditures that are maintenance related and those that are growth related, in addition to allowing for the proceeds received on the sale of certain capital items. Adjustments are also made to reclassify the cash flows related to natural gas and electricity customer acquisition costs in a manner consistent with the income statement recognition of these costs.

EBITDA

EBITDA represents earnings before interest, taxes, depreciation and amortization calculated on a 12-month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information, and is not a defined performance measure under GAAP. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities.

BUSINESS RISKS AND ADDITIONAL INFORMATION

Additional information relating to the Fund and Superior, including a detailed review of the Fund's business risks is provided in the Fund's 2007 Annual Information Form, which is available free of charge on the Fund's website at *www.superiorplus.com* and on the Canadian Securities Administrators' website at *www.sedar.com*.

Management's Report

Management's Responsibility for Financial Reporting

The financial statements of the Superior Plus Income Fund (the Fund) and all of the information in this annual report are the responsibility of the Superior Plus Administration Inc., the Administrator of the Fund.

The Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Fund's assets are safeguarded, transactions are accurately recorded, and the financial statements realistically report the Fund's operating and financial results in a timely manner. Financial information presented elsewhere in this annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Directors of Superior Plus Administration Inc. is responsible for reviewing and approving the financial statements and primarily through its Audit Committee ensures that management fulfills its responsibilities for financial reporting. The Audit Committee meets with management and its external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for the Board's consideration in approving the financial statements for issuance to the Unitholders. The Committee also considers, for review by the Board and approval by the Unitholders, the engagement or re-appointment of the external auditors.

Deloitte & Touche LLP, an independent firm of chartered accountants, was appointed by a vote of Unitholders at the Fund's last annual meeting to audit the Fund's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. Deloitte & Touche LLP has full and free access to the Audit Committee.

(signed) "Grant D. Billing "

Chairman and Chief Executive Officer
Superior Plus Administration Inc.
Calgary, Alberta

(signed) "Wayne M. Bingham"

Executive Vice-President and Chief Financial Officer
Superior Plus Administration Inc.

February 15, 2008

Auditors' Report

To the Unitholders of Superior Plus Income Fund:

We have audited the consolidated balance sheets of Superior Plus Income Fund as at December 31, 2007 and 2006 and the consolidated statements of net earnings (loss), comprehensive income (loss) and deficit 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 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.

(signed) "Deloitte & Touche LLP"
Chartered Accountants

Calgary, Alberta
February 15, 2008

Consolidated Balance Sheets

As at December 31 (millions of dollars)	**2007**	2006
ASSETS		
Current Assets		
Cash and cash equivalents	**14.1**	33.6
Accounts receivable and other (Note 6)	**265.8**	246.1
Inventories (Note 7)	**105.2**	142.8
Current portion of unrealized gains on financial instruments (Note 12)	**48.0**	–
	433.1	422.5
Property, plant and equipment (Note 8)	**514.4**	571.1
Deferred costs (Note 8)	**17.4**	25.9
Intangible assets (Note 8)	**23.5**	31.5
Goodwill	**451.8**	452.4
Accrued pension asset (Note 11)	**21.9**	23.7
Future income tax asset (Note 13)	**20.3**	9.8
Long-term portion of unrealized gains on financial instruments (Note 12)	**60.4**	–
	1,542.8	1,536.9
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**212.1**	243.6
Current portion of term loans (Note 9 and 10)	**3.9**	10.8
Distributions and interest payable to Unitholders and Debentureholders	**12.1**	17.9
Current portion of unrealized losses on financial instruments (Note 12)	**51.1**	–
	279.2	272.3
Revolving term bank credits and term loans (Note 9)	**334.1**	344.0
Convertible unsecured subordinated debentures (Note 10)	**240.0**	305.8
Future employee benefits (Note 11)	**18.5**	19.2
Long-term portion of unrealized losses on financial instruments (Note 12)	**54.3**	–
Total Liabilities	**926.1**	941.3
Unitholders' Equity		
Unitholders' capital (Note 14)	**1,366.8**	1,340.8
Accumulated deficit	**(729.8)**	(745.3)
Accumulated other comprehensive income (loss) (Note 14)	**(20.3)**	0.1
Total Unitholders' Equity	**616.7**	595.6
	1,542.8	1,536.9

(See Notes to the Consolidated Financial Statements)

(signed) "David Smith"
Director

(signed) "Peter Valentine"
Director

Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Deficit

Years ended December 31 (millions of dollars except per trust unit amounts)	**2007**	2006
Revenues	**2,355.4**	2,264.3
Cost of products sold	**(1,681.8)**	(1,633.4)
Realized gains (losses) on financial instruments (Note 12)	**(11.8)**	–
Gross profit	**661.8**	630.9
Expenses		
Operating and administrative	**439.7**	423.8
Amortization of property, plant and equipment	**57.6**	72.0
Amortization of intangible assets	**4.9**	5.1
Interest on revolving term bank credits and term loans	**25.2**	43.1
Interest on convertible unsecured subordinated debentures	**19.5**	20.2
Accretion of convertible debenture issue costs	**2.8**	2.3
Management internalization costs	**0.5**	1.3
Impairment of property, plant and equipment and goodwill (Note 5)	**–**	218.7
Unrealized losses (gains) on financial instruments (Note 12)	**(2.7)**	–
	547.5	786.5
Net earnings (loss) before income taxes from continuing operations	**114.3**	(155.6)
Income tax recovery (Note 13)	**5.1**	100.0
Net earnings (loss) from continuing operations	**119.4**	(55.6)
Net earnings (loss) from discontinued operations (Note 3)	**0.4**	(25.2)
Net Earnings (Loss)	**119.8**	(80.8)
Net earnings (loss)	**119.8**	(80.8)
Other comprehensive income (loss), net of tax:		
Unrealized foreign currency gains (losses) on translation of self-sustaining foreign operations	**(13.6)**	0.8
Reclassification of derivative gains and losses previously deferred	**11.3**	–
Comprehensive Income (Loss)	**117.5**	(80.0)
Deficit, Beginning of Year	**(745.3)**	(508.8)
Cumulative impact of adopting new accounting requirements for financial instruments (Note 2 (b))	**30.6**	–
Net earnings (loss)	**119.8**	(80.8)
Distributions to Unitholders	**(134.9)**	(155.7)
Deficit, End of Year	**(729.8)**	(745.3)
Net earnings (loss) per trust unit from continuing operations, basic and diluted (Note 15)	**$ 1.38**	$ (0.65)
Net earnings (loss) per trust unit from discontinued operations, basic and diluted (Note 15)	**$ –**	$ (0.29)
Net earnings (loss) per trust unit, basic and diluted (Note 15)	**$ 1.38**	$ (0.94)

(See Notes to the Consolidated Financial Statements)

Consolidated Statements of Cash Flows

Years ended December 31 (millions of dollars)	2007	2006
Operating Activities		
Net earnings (loss)	**119.8**	(80.8)
Net loss (earnings) from discontinued operations	**(0.4)**	25.2
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets and accretion of convertible debenture issue costs	**65.3**	79.4
Amortization of natural gas customer acquisition costs	**6.6**	3.2
Trust unit incentive plan compensation recovery	**–**	(1.2)
Superior Propane pension expense	**1.7**	2.2
Impairment of property, plant and equipment and goodwill	**–**	218.7
Unrealized losses (gains) on financial instruments	**(2.7)**	–
Future income tax recovery of Superior	**(10.4)**	(109.2)
Natural gas customer acquisition costs	**(10.9)**	(8.4)
Decrease (increase) in non-cash operating working capital items (Note 17)	**(34.7)**	22.6
Cash flows from operating activities of continuing operations	**134.3**	151.7
Investing Activities		
Maintenance capital expenditures	**(9.1)**	(13.8)
Other capital expenditures	**(8.8)**	(53.0)
Acquisitions (Note 4)	**(4.3)**	–
Proceeds on sale of JW Aluminum Company (Note 3)	**1.4**	354.7
Cash flows from investing activities	**(20.8)**	287.9
Financing Activities		
Revolving term bank credits and term loans	**38.4**	(122.7)
Repayment of 8%, Series 1 subordinated unsecured convertible debentures	**(8.1)**	–
Repayment of 8%, Series 2 subordinated unsecured convertible debentures	**(59.2)**	–
Issuance of Medium Term Notes	**–**	197.2
Repayment of Medium Term Notes	**–**	(197.2)
Repayment of JW Aluminum Company acquisition credit facility	**–**	(167.8)
Net proceeds (repayment) of accounts receivable sales program	**5.0**	(5.0)
Receipt of management internalization loans receivable	**0.5**	2.1
Proceeds from exercise of trust unit warrants	**–**	0.2
Proceeds from trust unit distribution reinvestment plan	**25.3**	–
Distributions to Unitholders	**(134.9)**	(155.7)
Cash flows from financing activities	**(133.0)**	(448.9)
Net increase (decrease) in cash from continuing operations	**(19.5)**	(9.3)
Net increase (decrease) in cash from discontinued operations (Note 3)	**–**	23.0
Cash and cash equivalents beginning of year	**33.6**	19.9
Cash and cash equivalents end of year	**14.1**	33.6
Supplementary cash flow information:		
Cash income taxes paid	**7.8**	13.8
Cash interest paid	**43.4**	63.0

(See Notes to the Consolidated Financial Statements)

Notes to the Consolidated Financial Statements

(tabular amounts in Canadian millions of dollars, unless noted otherwise, except per trust unit amounts)

1. Organization

The Superior Plus Income Fund (the Fund) is a limited purpose, unincorporated trust governed by the laws of the Province of Alberta. The Fund, directly and indirectly, owns 100% of Superior Plus LP (Superior). The Fund does not conduct active business operations, but rather, it distributes to Unitholders the income it receives from Superior in the form of partnership allocations, net of expenses and interest payable on the convertible unsecured subordinated debentures (the Debentures). The Fund's investment in Superior is comprised of 2,997 Class A limited partnership units and 3 Class B general partnership units of Superior. The Fund's investments in Superior are financed by trust unit equity and Debentures.

2. Accounting Policies

(A) BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements have been prepared according to Canadian generally accepted accounting principles (GAAP), applied on a consistent basis, and include the accounts of the Fund, its wholly owned subsidiaries, Superior and Superior's subsidiaries. The accounting principles applied are consistent with those as set out in the Fund's annual financial statements for the year ended December 31, 2006, except as noted in Note 2(b). All transactions and balances between the Fund, the Fund's subsidiaries, Superior and Superior's subsidiaries have been eliminated on consolidation.

(B) CHANGES IN ACCOUNTING POLICIES

Financial Instruments

On January 1, 2007, the Fund adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Handbook Section 3861 *Financial Instruments – Disclosure and Presentation*, and Handbook Section 3865, *Hedges*. The Fund adopted these standards prospectively, accordingly, comparative amounts for prior periods have not been restated.

Comprehensive Income

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income (OCI). OCI represents changes in equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments. The Fund has included in the Consolidated Financial Statements a Statement of Comprehensive Income for the changes in these items. The cumulative changes in OCI are included in accumulated other comprehensive income (AOCI), which is presented as a new category of Unitholders' equity on the Consolidated Balance Sheets.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheets when the Fund becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. After initial recognition, items classified as held-for-trading or available-for-sale are revalued at fair values, and items classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are recorded as part of the underlying financial instrument and are amortized or accreted into net income.

Derivative instruments are recorded on the Consolidated Balance Sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts that are considered to be derivatives. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation.

Financial Instruments – Presentation and Disclosure

Section 3861 established standards for the presentation and disclosure of financial instruments and non-financial derivatives.

Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The revised standards require the Fund to record all derivatives at fair value. Prior to January 1, 2007, the Fund accounted for derivatives as hedges that qualified for hedge accounting.

Impact Upon Adoption of Sections 1530, 3855, 3861 and 3865

As a result of adopting these standards, on January 1, 2007 the Fund recorded previously unrecorded assets and liabilities of $110.1 million and $97.6 million, respectively, resulting in a $30.6 million reduction to the Fund's opening accumulated deficit as at January 1, 2007 and the recognition of $18.1 million in accumulated other comprehensive income. The Fund's opening adjustment to accumulated other comprehensive income was $18.0 million, reflecting the transitional adjustment of $18.1 million and the Fund's net cumulative translation adjustment on the translation of its self-sustaining foreign operations of $0.1 million.

Additionally, on January 1, 2007, the Fund reclassified $2.9 million of deferred financing fees previously classified as deferred costs to revolving term bank credits and term loans, and $10.1 million of deferred convertible debenture issue costs previously classified as deferred costs to convertible debentures.

Effective January 1, 2007, the Fund ceased formally designating and documenting economic hedges in accordance with the requirements of Section 3865; accordingly, all derivative instruments are now recorded at fair value with changes in the fair value recorded in net income.

ACCOUNTING CHANGES

On January 1, 2007 the Fund adopted CICA Handbook Section 1506, *Accounting Changes*. Section 1506 permits voluntary changes in accounting policy only if they result in financial statements that provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including the changes through net income. This section also outlines additional disclosure requirements when accounting changes are applied including justification for voluntary changes, a description of the policy, the primary source of GAAP and a detailed effect on financial statement line items.

(C) BUSINESS SEGMENTS

Superior operates four continuing distinct business segments; a propane distribution and related services business operating under the Superior Propane trade name; a specialty chemicals manufacturer operating under the ERCO Worldwide trade name (ERCO); a construction products distribution business operating under the Winroc trade name; and a fixed-price energy services business operating under the Superior Energy Management trade name (SEM). (See Note 20). JW Aluminum Company (JWA or JW Aluminum), a manufacturer of specialty flat-rolled aluminum products, has been sold and classified as a discontinued operation (See Note 3).

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments which, on acquisition, have a term to maturity of three months or less.

(E) ACCOUNTS RECEIVABLE SALES PROGRAM

Superior has a revolving trade accounts receivable sales program under which all transactions are accounted for as sales. Losses on sales depend in part on the previous carrying amount of trade accounts receivable involved in the sales and have been included in interest on revolving term bank credits and term loans. The carrying amount is allocated between the assets sold and retained interests based on their relative fair value at the date of the sale which is calculated by discounting expected cash flows at prevailing money market rates.

(F) INVENTORIES

Superior Propane

Propane inventories are valued at the lower of weighted average cost and market determined on the basis of estimated net realizable value. Appliances, materials, supplies and other inventories are stated at the lower of cost and market determined on the basis of estimated replacement cost or net realizable value, as appropriate.

ERCO Worldwide

Inventories are valued at the lower of cost and net realizable value. The cost of chemical inventories is determined on a first-in, first-out basis. Stores and supply inventories are costed on an average basis. Transactions are entered into from time to time with other companies to exchange chemical inventories in order to minimize working capital requirements and to facilitate distribution logistics. Balances related to quantities due to or payable by ERCO are included in inventory.

Winroc

Inventories of building products are valued at the lower of cost and net realizable value. Cost is calculated on a weighted average cost basis.

(G) FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial Instruments

Financial instruments are recognized at fair value upon their initial recognition. Measurement in subsequent periods is dependent on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. After initial recognition, items classified as held-for-trading or available-for-sale are revalued at fair values; items classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are recorded as part of the underlying financial instrument and are amortized or accreted into net income.

Derivatives

Financial and non-financial derivatives, including derivatives that are embedded in financial or non-financial contracts that are considered to be derivatives, are recognized at fair value upon their initial recognition. Measurement in subsequent periods is at fair value with changes in fair value recorded to net income. Effective January 1, 2007, the Fund ceased formally designating and documenting economic hedges in accordance with the requirements of applying hedge accounting under GAAP.

(H) PROPERTY, PLANT AND EQUIPMENT

Cost

Property, plant, and equipment is recorded at cost less accumulated amortization. Major renewals and improvements, which extend the useful lives of equipment, are capitalized, while repair and maintenance expenses are charged to operations as incurred. Disposals are removed at carrying costs less accumulated amortization with any resulting gain or loss reflected in operations.

Notes to the Consolidated Financial Statements

Interest Capitalization

Interest costs relating to major capital projects are capitalized as part of property, plant and equipment. Capitalization of interest ceases when the related asset is substantially complete and ready for its intended use.

Amortization

Superior Propane and Winroc

Property, plant and equipment assets are amortized over their respective estimated useful lives using the straight line method except for loaned propane dispensers which use the declining balance method at a rate of 10%. The estimated useful lives of major classes of property, plant and equipment are:

Buildings	20 to 40 years
Tanks and cylinders	20 years
Truck tank bodies, chassis and other Winroc distribution equipment	7 to 10 years

ERCO Worldwide

Property, plant and equipment assets are amortized on a straight-line basis. The estimated useful lives of major classes of property, plant and equipment are:

Furniture and fixtures	3 to 5 years
Plant and equipment	15 to 30 years

Asset Retirement Obligations

Certain of ERCO Worldwide's assets may be subject to asset retirement obligations for which the fair value cannot be reasonably determined because the assets currently have an indeterminate life and/or the potential obligations are unknown. The asset retirement obligation for these assets is reviewed regularly, and will be recorded in the first period in which the lives of the assets and the extent of an obligation are known.

Impairment

The Fund reviews long-lived assets and intangible assets with finite lives whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows, and measurement of an impairment loss is based on the fair value of the assets.

(I) INTANGIBLE ASSETS AND DEFERRED COSTS

ERCO Worldwide

The value of acquired royalty assets is amortized over the remaining term of the royalty agreements up to 10 years. The costs of patents are amortized on a straight-line basis over their estimated useful lives, which approximate 10 years.

Natural Gas Customer Acquisition Costs

Costs incurred by SEM to acquire natural gas customer contracts are capitalized as deferred costs at the time the cost is incurred. The costs are recognized into net earnings as an operating and administrative expense over the term of the underlying contracts, which approximates three to four years.

(J) GOODWILL

All business combinations are accounted for using the purchase method. Goodwill is carried at cost, is not amortized and represents the excess of the purchase price and related costs over the fair value assigned to the net tangible assets of businesses acquired. Goodwill is tested for impairment on an annual basis using a two-step approach, with the first being to assess whether the fair value of the reporting unit to which goodwill is associated is less than its carrying value. If this is the case, a second impairment test is performed which requires a comparison of the fair value of goodwill to its carrying amount. If the fair value is other than temporarily less than the carrying value, goodwill is considered to be impaired and an impairment charge would be recognized immediately.

(K) REVENUE RECOGNITION

Superior Propane

Revenues from sales are recognized at the time of delivery, or when related services are performed and there is evidence of an arrangement at a fixed or determinable price and the collectibility of the sale is assured.

ERCO Worldwide

Revenues from chemical sales are recognized at the time of delivery and when there is evidence of an arrangement at a fixed or determinable price and the collectibility of the sale is assured. Revenues associated with the construction of chlorine dioxide generators are recognized using the percentage-of-completion method based on cost incurred compared to the total estimated cost.

Superior Energy Management

Natural gas revenues are recognized as gas is delivered to local natural gas distribution companies and when there is evidence of an arrangement at a fixed or determinable price and the collectibility of the sale is assured. Costs associated with balancing the amount of gas used by SEM's customers with the volumes delivered by SEM to the local distribution companies are recognized as period costs. Electricity revenues are recognized as the electricity is consumed by the end-use customer or sold to third parties.

Winroc

Revenue is recognized when products are delivered to the customer and when there is evidence of an arrangement at a fixed or determinable price and the collectibility of the sale is assured. Revenue is stated net of discounts and rebates granted.

(L) REBATES – WINROC

Purchase rebates are recognized as a reduction of cost of goods sold when the related performance is completed and the inventory is sold. Vendor rebates that are contingent upon completing a specified level of purchases are recognized as a reduction of cost of goods sold based on a systematic and rational allocation of the cash consideration to each of the underlying transactions that results in progress toward earning that rebate or refund, assuming that the rebate can be reasonably estimated and it is probable that the specified target will be obtained. Otherwise, the rebate is recognized as the milestone is achieved and the inventory is sold.

(M) FUTURE EMPLOYEE BENEFITS

Superior has a number of defined benefit and defined contribution plans providing pension and other post-employment benefits to most of its employees, and accrues its obligations under the plans and the related costs, net of plan assets. Past service costs and actuarial gains and losses in excess of 10% are amortized into income over the expected average remaining life of the active employees participating in the plans.

(N) INCOME TAXES

The Fund is a mutual fund trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the Unitholders. Future income tax assets and liabilities are determined based on differences between accounting and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A future tax asset is recognized if it is more likely than not to be realized. The effect of a change in tax rates on future income tax assets and liabilities is recorded in the period in which the change occurs.

(O) FOREIGN CURRENCY TRANSLATION

The accounts of the operations of ERCO and Winroc in the United States, and ERCO's operations in Chile are considered to be self-sustaining foreign operations and are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, and revenues and expenses at average rates of exchange during the period. Other monetary assets and liabilities held by Superior are converted using the current rate method.

Transactions denominated in a foreign currency, other than the translation of self-sustaining operations, are translated into the functional currency at rates in effect at the date of the transaction. At the balance sheet date, monetary foreign currency assets and liabilities are translated at exchange rates then in effect. The resulting translation gains or losses are recognized in the determination of earnings.

(P) TRUST UNIT-BASED COMPENSATION

Superior has a Trust Unit Incentive Plan (TUIP) as described in Note 16(ii). The TUIP is a Stock Appreciation Right as defined by the CICA. Compensation expense recognized represents the difference between the market price of the trust units and the grant price for the outstanding options multiplied by the number of options, reflecting the vesting features of the plan. Upon exercise, the compensation is settled in trust units of the Fund.

The Fund has established other unit based compensation plans whereby restricted trust units and/or performance trust units may be granted to employees. The fair value of these trust units is estimated and recorded as an expense with an offsetting amount to accrued liabilities, with the payments settled in cash.

(Q) NET EARNINGS PER TRUST UNIT

Basic net earnings per trust unit is calculated by dividing the net earnings by the weighted average number of trust units outstanding during the year. The weighted average number of trust units outstanding during the year is calculated using the number of trust units outstanding at the end of each month during the year. Diluted net earnings per trust unit is calculated by factoring in the dilutive impact of the dilutive instruments, including the exercise of trust unit options, the conversion of Debentures to trust units, and the exercise of trust unit warrants. The Fund uses the treasury stock method to determine the impact of dilutive instruments, which assumes that the proceeds from in-the-money trust unit options are used to repurchase trust units at the average market price during the period.

(R) USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net income and related disclosures. Certain estimates, including the allowance for doubtful accounts, employee future benefits and asset impairments require management to make subjective or complex judgments. Accordingly, actual results could differ from these and other estimates thereby impacting the Fund's Consolidated Financial Statements.

(S) FUTURE ACCOUNTING CHANGES

Financial Instruments – Disclosure and Presentation

Effective January 1, 2008 for the Fund, the CICA has replaced Handbook Section 3861 *Financial Instruments Disclosure and Presentation* with Handbook Section 3862 *Financial Instruments – Disclosures* and Handbook Section 3863 *Financial Instruments – Presentation*. The revised standards provide enhanced disclosure and presentation requirements, with an increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages these risks.

Capital Disclosures

Effective January 1, 2008 for the Fund, the CICA has issued Handbook Section 1535 *Capital Disclosures*. This section requires the disclosure of (i) the Fund's objectives, policies and processes for managing capital; (ii) quantitative data about what the Fund regards as capital; (iii) whether the Fund has complied with any capital requirements; and (iv) if the Fund has not complied, the consequences of such non-compliance.

Inventory

Effective January 1, 2008 for the Fund, the CICA has issued Handbook Section 3031 *Inventories*, replacing Handbook Section 3030 *Inventories*. This section provides increased guidance on the determination of the cost and financial statement presentation of inventory. The Fund anticipates that the calculation of the cost of inventory of ERCO Worldwide will be impacted by this revised standard, due to the requirement to inventory the cost of certain fixed overhead items, principally, the amortization of property, plant and equipment. The Fund does not anticipate that this will have a material impact on its net earnings, but rather it will affect the classification of amortization expense on the financial statements. Previously, all amortization was expensed and classified on the income statement as amortization. The revised standard requires that the amortization that is inventoried be classified as a component of cost of product sold.

3. Disposition – JW Aluminum

In July of 2006, the Fund announced the results of its strategic review designed to maximize Unitholder value which included the decision to sell JWA in order to reduce debt levels and refocus its operations on its existing Canadian businesses. Accordingly, effective July 1, 2006, JWA's balance sheet, results of operations and cash flows were classified as discontinued operations on a retroactive basis. As a result of its classification as a discontinued operation, amortization of JWA's property, plant and equipment and intangible assets ceased on July 1, 2006.

On December 7, 2006, the Fund completed the sale of all of the issued and outstanding shares of JWA on a cash and debt free basis to Wellspring Capital Management LLC, for total consideration of $356.1 million (US$310.1 million), net of $4.9 million (US$4.3 million) in disposition costs.

The results of discontinued operations presented in the consolidated statements of net earnings (loss) were as follows:

Years ended December 31	**2007**	2006
Revenue	–	573.3
Cost of product sold	–	(514.6)
Gross profit	–	58.7
Operating and administrative	–	9.5
Amortization of property, plant and equipment and intangibles	–	19.1
Loss (gain) on sale of JWA, including final working capital adjustments	**(0.4)**	51.6
Income tax expense (recovery)	–	3.7
Net earnings (loss) from discontinued operations	**0.4**	(25.2)

The cash flows from (used in) discontinued operations were as follows:

Years ended December 31	**2007**	2 006
Cash generated from discontinued operations before changes in working capital	–	41.7
Increase in non-cash operating working capital items	–	(12.2)
Cash flows from discontinued operations	–	29.5
Maintenance capital expenditures	–	(2.8)
Other capital expenditures	–	(3.7)
Cash flows used in investing activities	–	(6.5)
Cash flows from financing activities	–	–
Cash flows from (used in) discontinued operations	–	23.0

4. Acquisitions

During 2007, Winroc acquired the assets of two gypsum supply dealers, for consideration of $4.3 million.

There were no acquisitions completed by Superior during 2006.

5. Asset Impairments

Superior determined during 2006 that the net book value of ERCO's sodium chlorate facilities located in Bruderheim, Alberta and Valdosta, Georgia and ERCO's goodwill were impaired. An aggregate impairment charge of $218.7 million was recorded in 2006 ($170.8 million net of tax) which was equivalent to the pre-impairment net book value of the assets.

A pre-tax impairment charge of $73.4 million ($47.7 million net of tax) was recorded with respect to ERCO's Bruderheim, Alberta sodium chlorate facility, based on estimates of the future cash flows from the facility which have been negatively impacted by high electrical prices, lower sodium chlorate selling prices resulting from the appreciation of the Canadian dollar on US dollar-denominated sales, and reduced demand for sodium chlorate due to various bleached pulp mill closures in North America.

A pre-tax impairment charge of $55.9 million ($33.7 million net of tax) was recorded with respect to ERCO's Valdosta, Georgia sodium chlorate facility based on estimates of the future cash flows from the facility which have been negatively impacted by high electrical prices and reduced demand for sodium chlorate due to various bleached pulp mill closures in North America.

As part of Superior's assessment of ERCO's overall operations, the fair value of ERCO was estimated using various valuation methods based on current market assumptions surrounding the sodium chlorate industry which has been negatively impacted by reduced demand for North American sodium chlorate due to various pulp mill closures, the impact of the appreciation of the Canadian dollar on ERCO's US dollar-denominated sales and on the competitiveness of its Canadian pulp producer customer base, and increased power costs. Based on the estimated fair values, it was determined that ERCO's goodwill was impaired and as such an impairment charge of $89.4 million was recorded.

6. Accounts Receivable and Other

Superior sells, with limited recourse, certain trade accounts receivable on a revolving basis to an entity sponsored by a Canadian chartered bank. The accounts receivable are sold at a discount to face value based on prevailing money market rates. Superior has retained the servicing responsibility for the accounts receivable sold and has therefore recognized a servicing liability. The level of accounts receivable sold under the program fluctuates seasonally with the level of accounts receivable. At December 31, 2007 proceeds of $100.0 million (December 31, 2006 – $95.0 million) had been received. The accounts receivable program expires on June 30, 2008.

Included in accounts receivable and other is $15.1 million (2006 – $15.3 million) of prepaid expenses.

7. Inventories

As at December 31	**2007**	2006
Propane	**36.8**	70.8
Propane retailing materials, supplies, appliances and other	**13.9**	13.8
Chemical finished goods and raw materials	**7.9**	10.0
Chemical stores, supplies and other	**11.0**	10.9
Walls and ceiling construction products	**35.6**	37.3
	105.2	142.8

8. Property, Plant and Equipment, Deferred Costs and Intangible Assets

As at December 31	2007			2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**22.9**	**–**	**22.9**	29.6	–	29.6
Buildings	**94.3**	**31.7**	**62.6**	86.8	27.7	59.1
ERCO plant and equipment	**558.3**	**211.8**	**346.5**	558.9	177.7	381.2
Superior Propane retailing equipment	**367.6**	**306.0**	**61.6**	386.3	309.9	76.4
Winroc distribution equipment	**28.0**	**7.2**	**20.8**	30.6	5.8	24.8
Property, plant and equipment	**1,071.1**	**556.7**	**514.4**	1,092.2	521.1	571.1
Natural gas customer acquisition costs	**28.9**	**11.5**	**17.4**	20.1	7.2	12.9
Deferred finance costs [1]	**–**	**–**	**–**	22.7	9.7	13.0
Deferred costs	**28.9**	**11.5**	**17.4**	42.8	16.9	25.9
ERCO royalty assets and patents	**41.5**	**20.9**	**20.6**	48.9	19.7	29.2
SEM intangible assets	**1.2**	**–**	**1.2**	–	–	–
Winroc intangible assets	**2.1**	**0.9**	**1.2**	2.1	0.6	1.5
Superior Propane intangible assets	**2.8**	**2.3**	**0.5**	2.8	2.0	0.8
Intangible assets	**47.6**	**24.1**	**23.5**	53.8	22.3	31.5
Total property, plant and equipment, deferred costs and intangible assets	**1,147.6**	**592.3**	**555.3**	1,188.8	560.3	628.5

[1] Deferred finance costs have been reclassified to the obligations they relate to in accordance with the new financial instrument section.

9. Revolving Term Bank Credits and Term Loans

	Maturity Date	Effective Interest Rate	**December 31 2007**	December 31 2006
Revolving term bank credits [1]				
Bankers Acceptances (BA)	2010	Floating BA rate plus applicable credit spread	**96.5**	35.0
LIBOR Loans (US$66.7 million; 2006 – US$92.3 million)	2010	Floating LIBOR rate plus applicable credit spread	**65.9**	107.5
			162.4	142.5
Other Debt				
Notes payable	2007-2010	Prime	**6.8**	7.4
Deferred consideration	2008-2010	Non-interest bearing	**7.0**	9.2
Loan payable	2008-2014	6.3%	**5.2**	–
Mortgage payable (US$1.0 million; 2006 – US$1.0 million)	2011	7.53%	**1.0**	1.1
			20.0	17.7
Senior Secured Notes				
Senior secured notes subject to floating interest rates (US$85.0 million; 2006 – US$85.0 million) [2]	2015	Floating LIBOR rate plus 1.7%	**84.0**	99.1
Senior secured notes subject to fixed interest rates (US$75.0 million; 2006 – US$75.0 million) [2]	2013, 2015	6.65%	**74.1**	87.4
JWA acquisition credit facility (US$145.0 million) [3]	2007	Floating LIBOR rate plus credit applicable spread	**–**	–
Medium Term Notes [4]	2016	5.57%	**–**	–
			158.1	186.5
Total revolving term bank credits and term loans before deferred financing fees			**340.5**	346.7
Deferred financing fees			**(2.5)**	–
Revolving term bank credits and term loans			**338.0**	346.7
Current maturities			**(3.9)**	(2.7)
Revolving term bank credits and term loans			**334.1**	344.0

(1) Superior and its wholly-owned subsidiaries, Superior Plus US Holdings Inc. and Commercial e Industrial (Chile) Limitada have revolving term bank credit borrowing capacity of $595.0 million. These facilities are secured by a general charge over the assets of Superior and certain of its subsidiaries.

(2) Senior Secured Notes (the Notes) totaling US$160.0 million (CDN $158.1 million at December 31, 2007 (2006 – CDN $186.5 million) are secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments begin in 2009. Management has estimated the fair value of the Notes based on comparisons to treasury instruments with similar maturities and interest rates. The estimated fair value of the Notes at December 31, 2007 was CDN $163.8 million (2006 – CDN $181.0 million). In conjunction with the issue of the Notes, Superior swapped US $85.0 million (CDN $84.0 million at December 31, 2007 (2006 – CDN $99.1 million) of the fixed rate obligation into a US dollar floating rate obligation.

(3) On October 19, 2005, Superior Plus US Holdings Inc. entered into a secured non-revolving term bank facility for US$145.0 million to partially finance the acquisition of JWA. The facility was secured by a general charge over the assets of Superior and certain of its subsidiaries. This facility was repaid and cancelled in March 2006 from proceeds raised through the issuance of Medium Term Notes.

(4) On March 3, 2006, Superior issued $200.0 million, 5.50% coupon, Medium Term Notes maturing on March 3, 2016 with an effective yield to maturity of 5.57%. This facility was secured by a general charge over the assets of Superior and certain of its subsidiaries. On August 8, 2006, Superior repaid the Medium Term Notes from borrowings under the revolving term credit facilities referred to in footnote 1 above, providing enhanced debt repayment and covenant flexibility.

Repayment requirements of the revolving term bank credits and term loans are as follows:

Current portion	3.9
Due in 2009	10.9
Due in 2010	168.5
Due in 2011	33.7
Due in 2012	32.6
Subsequent to 2012	90.9
Total	340.5

10. Convertible Unsecured Subordinated Debentures

The Fund has issued four series of Debentures denoted as 8% Series 1, 8% Series 2, 5.75% Series 1, and 5.85% Series 1 as follows:

	Series 1 (1)	Series 2 (2)	Series 1	Series 1	Unamortized Discount	Total Carrying Value
Maturity date	July 31, 2007	November 1, 2008	December 31, 2012	October 31, 2015		
Interest rate	8.0%	8.0%	5.75%	5.85%		
Conversion price per trust unit	$ 16.00	$ 20.00	$ 36.00	$ 31.25		
Debentures outstanding at December 31, 2006 (3)	8.1	59.2	174.9	75.0	(3.3)	313.9
Conversion and repayment / redemption of Debentures and accretion of discount during 2007	(8.1)	(59.2)	–	–	0.7	(66.6)
Deferred issue costs	–	–	(4.8)	(2.5)		(7.3)
Debentures outstanding	–	–	170.1	72.5	(2.6)	240.0
Quoted market value December 31, 2007	–	–	152.2	67.5		
Quoted market value December 31, 2006	8.2	60.8	157.5	66.4		

(1) On July 31, 2007, $8.1 million Series 1, 8% Debentures matured and were repaid.

(2) On November 5, 2007, $59.2 million Series 2, 8% Debentures were redeemed.

(3) As at December 31, 2006, the current portion of Series 1, 8% Debentures outstanding was $8.1 million.

The Debentures may be converted into trust units at the option of the holder at any time prior to maturity and may be redeemed by the Fund in certain circumstances. The Fund may elect to pay interest and principal upon maturity or redemption by issuing trust units to a trustee in the case of interest payments, and to the Debentureholders in the case of payment of principal. The number of any trust units issued will be determined based on market prices for the trust units at the time of issuance.

11. Future Employee Benefits

Superior Propane and ERCO Worldwide have defined benefit (DB) and defined contribution (DC) pension plans covering most employees. The benefits provided under DB pension plans are based on the employees' years of service and on the highest average earnings for a specified number of consecutive years. Information about Superior's DB and other post-retirement benefit plans as at December 31, 2007 and 2006 in aggregate, is as follows:

	Superior Propane Pension Benefit Plans		ERCO Pension Benefit Plans		Total Other Benefit Plans	
	2007	2006	**2007**	2006	**2007**	2006
Accrued benefit obligation, beginning of year	**53.9**	56.0	**60.9**	56.9	**26.3**	25.9
Current service cost	**0.1**	0.3	**2.7**	2.7	**0.5**	0.5
Past service cost	**–**	–	**–**	–	**(2.5)**	–
Interest cost	**2.7**	2.9	**3.3**	3.1	**1.4**	1.4
Benefits paid	**(4.1)**	(4.1)	**(1.7)**	(1.4)	**(1.1)**	(1.1)
Actuarial loss (gain)	**(1.4)**	(1.2)	**(1.2)**	(0.4)	**0.1**	(0.4)
Accrued benefit obligation, end of year	**51.2**	53.9	**64.0**	60.9	**24.7**	26.3
Fair value of plan assets, beginning of year	**63.6**	63.4	**53.2**	45.1	**–**	–
Actual return on plan assets	**0.2**	6.8	**0.6**	6.5	**–**	–
Transfers to defined contribution plan	**(2.6)**	(2.5)	**–**	–	**–**	–
Employer contributions	**–**	–	**3.8**	3.0	**1.1**	1.1
Benefits paid	**(4.1)**	(4.1)	**(1.7)**	(1.4)	**(1.1)**	(1.1)
Fair value of plan assets, end of year	**57.1**	63.6	**55.9**	53.2	**–**	–
Funded status – plan surplus (deficit)	**5.9**	9.7	**(8.1)**	(7.7)	**(24.7)**	(26.3)
Unamortized net actuarial loss	**16.0**	14.0	**1.8**	(0.2)	**9.4**	9.9
Unamortized past service costs	**–**	–	**0.3**	0.6	**(2.5)**	–
Unamortized transitional asset	**–**	–	**–**	–	**–**	–
Accrued net pension asset	**21.9**	23.7				
Accrued net benefit obligation			**(6.0)**	(7.3)	**(17.8)**	(16.4)
Current portion of accrued net benefit obligation recorded in accounts payable and accrued liabilities			**(4.2)**	(3.4)	**(1.1)**	(1.1)
Long-term accrued net benefit obligation (2007: $18.5 million; 2006: $19.2 million)			**(1.8)**	(3.9)	**(16.7)**	(15.3)

The accrued net pension asset related to the Superior Propane pension benefit plan in 2007 was $21.9 million (2006 – $23.7 million) and an expense for the year ended December 31, 2007 of $1.8 million (2006 – $2.2 million). The accrued net benefit obligation related to the ERCO Worldwide pension benefit plan in 2007 was $6.0 million (2006 – $7.3 million) and an expense for the year ended December 31, 2007 of $2.5 million (2006 – $2.7 million).

The accrued net benefit obligation related to the total other benefit plans of Superior Propane and ERCO Worldwide in 2007 was $17.8 million (2006 – $16.4 million) and an expense for the year ended December 31, 2007 of $2.5 million (2006 – $2.5 million).

Superior's DC pension plans are fully funded by their nature. Accordingly, DC pension plan assets equal the related obligation. The total cost of Superior Propane's DC plan in 2007 was $2.6 million (2006 – $2.5 million) and was fully funded and offset by the return earned on the unrecognized DB plan's net benefit asset. Superior Propane expects to continue to fund its required annual obligation under the DC pension plan over the medium term from returns earned on the DB plan's net benefit asset.

The significant actuarial assumptions adopted in measuring accrued benefit obligations are as follows:

	DB Plans		Other Benefit Plans	
	2007	2006	**2007**	2006
Discount rate	**5.50%**	5.25%	**5.50%**	5.25%
Expected long-term rate-of-return on plan assets (1)	**7.00%**	7.00%	**–**	–
Rate of compensation increase	**3.50%**	3.25%	**3.50%**	3.25%

(1) Based on market related values.

The weighted average annual assumed health care cost inflation trend used in the calculation of accrued Other Benefit Plan Obligations is 10% initially, decreasing gradually to 5% in 2010 and thereafter. A 1% change in the health care trend rate would result in a change to the accrued benefit obligation of $2.4 million and a change to the current service expense of $0.2 million.

The most recent funding valuation dates for Superior's defined benefits plans range from January 1, 2006 to January 1, 2007. The next funding valuation dates are scheduled between January 1, 2009 and January 1, 2010.

The fair value of defined benefit plan assets at December 31, 2007 are comprised of the following major investment categories: Cash and cash equivalents 3% (2006 – 2%); Bonds 34% (2006 – 38%); Equities 63% (2006 – 60%).

12. Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for that instrument to which the Fund has immediate access. Where bid and ask prices are unavailable, the Fund uses the closing price of the most recent transaction of the instrument. In the absence of an active market, the Fund determined fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as discounted cash flow analysis, using observable market-based inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the Fund looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. With respect to the valuation of ERCO's fixed-price electricity agreements, the valuation of these agreements requires Superior to make assumptions about the long-term price of electricity in electricity markets for which active market information is not available. The impact of the assumption for the long-term price of electricity has a material impact on the fair value of these agreements. Any changes in the fair values of financial instruments classified or designated as held-for-trading measured at fair value are recognized in net income.

FINANCIAL AND NON-FINANCIAL DERIVATIVES

Description	Notional	Term	Effective Rate	Fair Value as at December 31, 2007	Fair Value as at January 1, 2007
Natural gas financial swaps – NYMEX	43.6 GJ (1)	2008-2011	US$7.30/GJ	33.4	26.9
Natural gas financial swaps – AECO	36.4 GJ (1)	2008-2012	$7.74/GJ CDN	(18.7)	(29.4)
SEM electricity swaps	0.2 MW (2)	2008-2013	$72.54/MWh	(0.4)	–
Foreign currency forward contracts, net	US$170.2 (3)	2007-2011	1.17	(46.0)	(15.0)
Interest rate swaps – US	US$85.0 (3)	2013-2015	4.95%	2.6	(1.2)
Interest rate swaps – CDN	$100.0 CDN (3)	2007	5.33%	–	0.6
Propane wholesale purchase and sale contracts, net	14.4 USG (4)	2007-2008	$1.25/USG	5.5	3.2
ERCO fixed-price electricity purchase agreement	45 MW (2)	2008-2017	$45-$52/MWh	26.6	27.4

(1) Millions of gigajoules purchased (2) Mega watts (MW) on a 24/7 continual basis per year purchased (3) Millions of dollars purchased (4) Millions of United States gallons purchased.

Description	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas financial swaps – NYMEX and AECO	23.8	34.7	21.6	22.2
SEM electricity swaps	_	0.1	0.3	0.2
Foreign currency forward contracts, net	7.3	2.6	24.0	31.9
Interest rate swaps	0.7	1.9	_	_
Propane wholesale purchase and sale contracts	10.7	_	5.2	_
ERCO fixed-price power purchase agreements	5.5	21.1	_	_
As at December 31, 2007	48.0	60.4	51.1	54.3
As at January 1, 2007 upon adoption of new financial instruments accounting requirements	33.7	76.4	36.1	61.5

Description	Year Ended December 31, 2007 Realized Gain (Loss)	Unrealized Gain (Loss)
Natural gas financial swaps – NYMEX and AECO	(14.9)	7.3
SEM electricity swaps	–	(0.4)
Foreign currency forward contracts, net	(4.5)	(33.3)
Interest rate swaps	–	3.8
Propane wholesale purchase and sale contracts	–	2.3
ERCO fixed-price power purchase agreements	7.6	(0.7)
Total realized and unrealized gains (losses) on financial and non-financial derivatives	(11.8)	(21.0)
Foreign currency translation of senior secured notes	–	27.7
Foreign currency translation of ERCO royalty assets	–	(4.0)
Total realized and unrealized gains (losses)	(11.8)	2.7

NON-DERIVATIVE FINANCIAL INSTRUMENTS

The Fund's accounts receivables have been designated as available for sale due to the Fund's accounts receivable securitization program, while the Fund's accounts payable, distributions and interest payable to Unitholders and Debentureholders, while revolving term bank credits and term loans and Debentures have been designated as other liabilities. The carrying value of the Fund's cash, accounts receivable, accounts payable, and distributions and interest payable to Unitholders and Debentureholders approximates their fair value due to the short-term nature of these amounts. The carrying value and the fair value of the Fund's revolving term bank credits and term loans, and Debentures, is provided in Notes 9 and 10 of the Consolidated Financial Statements.

FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Derivative and non-financial derivatives are used by the Fund to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Fund's policy is not to use derivative or non-financial derivative instruments for speculative purposes. The Fund does not formally designate its derivatives as hedges, as a result, the Fund does not apply hedge accounting and is required to designate its derivatives and non-financial derivatives as held for trading.

SEM enters into NYMEX and AECO natural gas financial swaps with a variety of counterparties to manage the economic exposure of providing fixed-price natural gas to its customers. SEM monitors its fixed-price natural gas positions on a daily basis to monitor compliance with established risk management policies. SEM maintains a substantially balanced fixed-price natural gas position in relation to its customer supply commitments.

SEM enters into electricity financial swaps with a single counterparty to manage the economic exposure of providing fixed-price electricity to its customers. SEM monitors its fixed-price electricity positions on a daily basis to monitor compliance with established risk management policies. SEM maintains a substantially balanced fixed-price electricity position in relation to its customer supply commitments.

ERCO has entered into fixed-price electricity purchase agreements to manage the economic exposure of certain of its chemical facilities to changes in the market price of electricity in deregulated markets.

Superior Propane enters into various propane forward purchase and sale agreements to manage the economic exposure of its wholesale customer supply contracts. Superior Propane monitors its fixed-price propane positions on a daily basis to monitor compliance with established risk management policies. Propane maintains a substantially balanced fixed-price propane gas position in relation to its wholesale customer supply commitments.

Superior, on behalf of its operating divisions, enters into foreign currency forward contracts to manage the economic exposure of Superior's operations to movements in foreign currency exchange rates. SEM and Superior Propane contract a portion of their fixed-price natural gas, and propane purchases and sales in US dollars and enter into forward US dollar purchase contracts to create an effective Canadian dollar fixed-price purchase cost. ERCO Worldwide enters into US dollar forward sales contracts on an ongoing basis to mitigate the impact of foreign exchange fluctuations on sales margins on production from its Canadian plants that is sold in US dollars. Interest expense on Superior's US dollar debt is also used to mitigate the impact of foreign exchange fluctuations.

Superior utilizes interest rate swaps to manage the interest rate mix of its total debt portfolio and related overall cost of borrowing. Superior manages its overall liquidity risk in relation to its general funding requirements by utilizing a mix of short-term and longer-term maturity debt instruments.

Superior utilizes a variety of counterparties in relation to its derivative and non-financial derivative instruments in order to mitigate its counterparty risk. Superior assesses the credit worthiness of its significant counterparties at the inception and throughout the term of a contract. Superior is also exposed to customer credit risk. Superior Propane and Winroc deal with a large number of small customers, thereby reducing this risk. ERCO, due to the nature of its operations, sells its products to a relatively small number of customers. ERCO mitigates its customer credit risk by actively monitoring the overall credit worthiness of its customers. SEM has minimal exposure to customer credit risk as local natural gas and electricity distribution utilities have been mandated to provide SEM with invoicing, collection and the assumption of bad debts risk for residential and small commercial customers. SEM actively monitors the credit worthiness of its industrial customers.

13. Income Taxes of Superior

The Fund is a Mutual Fund Trust for income tax purposes. In June 2007 the Government of Canada enacted new legislation imposing additional income taxes upon publicly traded income trusts, including Superior Plus Income Fund, effective January 1, 2011. Prior to the legislation, the Fund was only taxable on any taxable income not allocated to the Unitholders and estimated its future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at a nil effective tax rate. Under the legislation, the Fund estimates the effective tax rate on the post 2010 reversal of these temporary differences to be 29.5% in 2011 and 28.0% in years thereafter. Temporary differences reversing before 2011 will still give rise to nil future income taxes. Accordingly, the Fund began recording a Canadian future income tax provision effective June 30, 2007. Consistent with prior periods, the Fund recognizes a provision for income taxes for its subsidiaries that are subject to current and future income taxes, including United States income tax, United States non-resident withholding tax and Chilean income tax.

The Fund expects it will be subject to current and future income taxes under the new legislation, however, the estimated effective tax rate on temporary difference reversals after January 1, 2011 may change in future periods. As the legislation is new, future technical interpretations of the legislation may occur and could materially affect management's estimate of the future income tax asset/liability. The amount and timing of reversals of temporary differences will also depend on the Fund's future operating results, acquisitions and dispositions of assets and liabilities, and distribution policy. A significant change in any of the preceding assumptions could materially affect the Fund's estimate of the future income tax asset/liability.

Total income taxes are different than the amount computed by applying the corporate Canadian enacted statutory rate for 2007 of 31.5% (2006 – 32.5%). The reduction in statutory rates reflects previously enacted federal tax rate reductions. The reasons for these differences are as follows:

	2007	2006
Net earnings (loss) from continuing operations	**119.4**	(55.6)
Income of the Fund taxed directly in the hands of the Unitholders	**(89.1)**	(83.8)
Income tax recovery of Superior	**(5.1)**	(100.0)
Earnings (loss) of the Fund before taxes and after distribution of income to Unitholders	**25.2**	(239.4)
Computed income tax expense (recovery) as a corporate entity	**7.9**	(77.8)
Establishment of future income tax due to taxation of trusts effective 2011	**(12.9)**	–
Higher effective foreign tax rates	**1.7**	(2.8)
Changes in future income tax rates	**0.3**	(4.2)
Federal and provincial capital taxes	**–**	1.7
Non-deductible costs and other	**(2.1)**	16.3
Canadian corporate income taxes	**–**	(33.2)
Income tax expense (recovery) of Superior	**(5.1)**	(100.0)

The components of the future income tax asset (liability) as at December 31, 2007 and 2006 are as follows:

	2007	2006
Tax values over carrying value of tangible assets	**18.0**	7.0
Accounting reserves, deductible when paid	**1.3**	0.2
Benefit of tax loss carry forwards	**4.9**	1.0
Unrealized gains/losses on financial instruments	**(3.0)**	–
Other	**(0.9)**	1.6
Future income tax asset	**20.3**	9.8

14. Unitholders' Equity

AUTHORIZED

The Fund may issue an unlimited number of trust units. Each trust unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All trust units are of the same class with equal rights and privileges.

	Issued Number of Trust Units (millions)	Unitholders' Equity
Unitholders' equity, December 31, 2005	85.5	828.8
Conversion of Debentures – (8% Series 1 – $0.8 million converted at $16 per trust unit, 8% Series 2 – $0.1 million converted at $20 per trust unit)	–	0.9
Exercise of trust unit warrants	–	0.2
Trust unit incentive plan compensation recovery	–	(1.2)
Repayment of management internalization loans receivable	–	2.6
Other comprehensive income	–	0.8
Net earnings	–	(80.8)
Distributions to Unitholders	–	(155.7)
Unitholders' equity, December 31, 2006	**85.5**	**595.6**
Trust unit distribution reinvestment program	2.0	25.3
Conversion of 8%, Series 1 Debentures ($0.7 million converted at $16 per trust unit)	–	0.7
Transitional adjustment to accumulated other comprehensive income (loss) upon implementation of financial instruments	–	(18.1)
Cumulative impact of deficit upon implementation of financial instruments	–	30.6
Net earnings (loss)	–	119.8
Other comprehensive income (loss)	–	(2.3)
Distributions to Unitholders [1]	–	(134.9)
Unitholders' equity, December 31, 2007	**87.5**	**616.7**

[1] Distributions to Unitholders are declared at the discretion of the Fund's Trustee, in accordance with the Fund's Declaration of Trust.

Unitholders' capital, deficit and accumulated other comprehensive income (loss) as at December 31, 2007 and December 31, 2006 consists of the following components:

	2007	2006
Unitholders' capital		
Trust unit equity	**1,362.0**	1,336.0
Conversion feature on warrants and convertible debentures	**4.8**	4.8
	1,366.8	1,340.8
Accumulated deficit		
Retained earnings from operations	**433.3**	313.5
Cumulative impact to deficit upon implementation of financial instruments (Note 2(b))	**30.6**	–
Accumulated distributions on trust unit equity	**(1,193.7)**	(1,058.8)
	(729.8)	(745.3)
Accumulated other comprehensive income (loss)		
Balance at beginning of year	**–**	–
Transitional adjustment upon implementation of financial instruments (Note 2(b))	**(18.0)**	(0.7)
Unrealized foreign currency gains (losses) on translation of self-sustaining foreign operations	**(13.5)**	0.8
Reclassification of derivative gains and losses previously deferred	**11.2**	–
	(20.3)	0.1

At December 31, 2007, the Fund had 2.3 million trust unit warrants outstanding (December 31, 2006 – 2.3 million), exercisable at $20 per trust unit warrant. The trust unit warrants expire May 8, 2008.

15. Net Earnings (Loss) per Trust Unit

	2007	2006
Net earnings (loss) per trust unit computation, basic and diluted [1]		
Net earnings (loss) from continuing operations	**119.4**	(55.6)
Net earnings (loss) from discontinued operations	**0.4**	(25.2)
Net earnings (loss)	**119.8**	(80.8)
Weighted average trust units outstanding	**86.5**	85.5
Net earnings (loss) from continuing operations per trust unit, basic and diluted	**$ 1.38**	$ (0.65)
Net earnings (loss) from discontinued operations per trust unit, basic and diluted	**$ –**	$ (0.29)
Net earnings (loss) per trust unit, basic and diluted	**$ 1.38**	$ (0.94)

(1) All outstanding trust unit options and warrants were excluded from this calculation as they were anti-dilutive.

16. Trust Unit Based Compensation

(I) RESTRICTED/PERFORMANCE TRUST UNITS

Under the terms of Superior's long-term incentive program, restricted trust units (RTUs) and/or performance trust units (PTUs) can be granted to directors, senior officers and employees of Superior. Both types of units entitle the holder to receive cash compensation in relation to the value of a specified number of underlying notional trust units. This plan replaces the trust unit incentive plan for 2006 and subsequent years. RTUs vest evenly over a period of three years commencing from the date of grant, except for RTUs issued to directors which vest three years from the date of grant. Payments are made on the anniversary of the RTU to the holders entitled to receive them on the basis of a cash payment equal to the value of the underlying notional units. PTUs, vest three years from the date of grant and their notional value is dependant on the Fund's performance vis-à-vis other trusts' performance based on certain benchmarks. As at December 31, 2007 there were 741,969 RTUs outstanding (2006 – 493,107 RTUs) and 193,838 PTUs outstanding (2006 – 149,487 PTUs). For the year ended December 31, 2007 total compensation expense related to RTUs and PTUs was $4.7 million (2006 – $1.2 million).

(II) TRUST UNIT INCENTIVE PLAN (TUIP)

Under the terms of the Fund's TUIP, market growth options may be issued to directors, senior officers and employees of Superior. The number of trust units issued is equal to the growth in value of the options at the time the options are exercised, represented by the market price less the exercise price times the number of options exercised, divided by the current market price of the trust units issued. Under the terms of the TUIP, options granted prior to 2003 were granted for a four-year term and are exercisable as to one-third immediately and an additional one-third on the first and second anniversary of the date of grant. Options granted subsequent to 2003 were granted for a five-year term and are exercisable as to one-fifth immediately and an additional one-fifth on each anniversary date of the grant. During 2007 and 2006, no options were issued and no trust units were issued as a result of the TUIP.

A summary of the status of the Fund's TUIP as at December 31, 2007 and 2006 and changes during these years is detailed below:

	2007		2006	
	Options (000s)	**Weighted Average Exercise Price**	Options (000s)	Weighted Average Exercise Price
Options outstanding at beginning of year	**1,086**	**$ 22.69**	1,177	$ 22.82
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	(16)	19.13
Forfeited	**(585)**	**21.67**	(75)	25.55
Options outstanding at end of year	**501**	**$ 23.87**	1,086	$ 22.69
Options exercisable at end of year	**432**	**$ 22.96**	539	$ 21.51

The following summarizes information about the trust unit options outstanding as at December 31, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	(000s) Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	(000s) Outstanding	Weighted Average Exercise Price
$17.46 – $21.00	250	0.3	$ 19.65	250	$ 19.65
$22.80 – $28.76	118	1.3	$ 25.17	102	$ 25.06
$29.29 – $32.19	133	2.3	$ 30.68	80	$ 30.68

17. Supplemental Disclosure of Non-Cash Operating Working Capital Changes

As at December 31	**2007**	2006
Changes in non-cash working capital:		
Accounts receivable and other	**(19.7)**	4.3
Inventories	**37.6**	3.5
Accounts payable and accrued liabilities	**(31.5)**	9.6
Distributions and interest payable to Unitholders and Debentureholders	**(5.8)**	(6.7)
Other	**(15.3)**	11.9
	(34.7)	22.6

18. Commitments

(i) Lease and capital commitments for rail cars, vehicles, premises and other equipment for the next five years and thereafter are as follows:

2008	42.5
2009	25.9
2010	20.0
2011	15.2
2012	11.1
2013 and thereafter	20.6

(ii) Purchase commitments under long-term natural gas and propane contracts for the next five years and thereafter are as follows:

	CDN$ (1) Natural Gas	US$ (1) Natural Gas	CDN$ Propane	US$ Propane
2008	64.2	134.3	6.6	32.3
2009	31.1	130.3	–	–
2010	15.6	58.1	–	–
2011	3.0	2.8	–	–
2012	0.4	–	–	–
2013 and thereafter	–	–	–	–

(1) Does not include the impact of financial derivatives. (See Note 12.)

Superior is similarly committed to long-term natural gas and propane sales contracts to supply customers.

(iii) ERCO Worldwide has entered into a fixed-price electricity purchase contract for its Alberta power requirements, for 10 years at an average cost of $45.00 to $52.00 per megawatt hour. Commitments for the next five years and thereafter are as follows:

2008	17.7
2009	17.7
2010	17.7
2011	17.7
2012	17.7
2013 and thereafter	88.5

19. Related Party Transactions and Agreements

(I) MANAGEMENT INTERNALIZATION TRANSACTION

On May 8, 2003, Superior completed the internalization of its management and administration agreements. The internalization process resulted in the elimination of management incentive and administration fees effective January 1, 2003. The funds paid to the Manager and Administrator to terminate the contracts were immediately re-invested into trust units and warrants. As part of the internalization transaction, non-interest-bearing loans aggregating $6.5 million were advanced to the executive officers and were used to fund the purchase of 0.325 million trust units at $20.00 per trust unit. The loans are repayable over a four-year period in the form of annual retention bonuses of which $0.5 million was repaid in 2007 (2006 – $2.1 million). As at December 31, 2007, the remaining loans receivable was $nil (December 31, 2006 – $0.5 million).

(II) MANAGEMENT TRUST UNIT PURCHASE PLAN LOAN GUARANTEE

In accordance with the term of the Management Trust Unit Purchase Plan (the MTUPP), certain of Superior's senior employees were eligible to obtain guarantees from Superior related to the purchase of trust units of the Fund, whereby participants may acquire trust units of the Fund through open market purchases in pledge accounts established by individual participants with an investment dealer. Participants borrow directly from a chartered bank the entire cash amount required to make the trust unit purchases with Superior guaranteeing up to 100% of the loan amount. During 2007, the MTUPP was cancelled, and as a result, as at December 31, 2007 Superior had no associated obligation (December 31, 2006 – an obligation of $2.8 million).

20. Business Segments

Superior operates four continuing distinct business segments; a propane distribution and related services business operating under the Superior Propane trade name; a specialty chemicals manufacturer operating under the ERCO Worldwide trade name (ERCO); a construction products distribution business operating under the Winroc trade name; and a fixed-price energy services business operating under the Superior Energy Management trade name (SEM). JW Aluminum Company (JWA or JW Aluminum), a manufacturer of specialty flat-rolled aluminum products, has been sold and classified as a discontinued operation. (See Note 3.) Superior's corporate office arranges intersegment foreign exchange contracts from time to time between its business segments. Intersegment revenues and cost of sales pertaining to intersegment foreign exchange gains and losses are eliminated under the Corporate cost column.

Year ended December 31, 2007	Superior Propane	ERCO	Winroc	SEM	Corporate	Total Consolidated
Revenues	1,075.7	447.0	512.3	320.4	–	2,355.4
Cost of products sold	(782.7)	(260.5)	(382.5)	(256.1)	–	(1,681.8)
Realized gains (losses) on financial instruments	1.2	21.2	–	(34.2)	–	(11.8)
Gross profit	294.2	207.7	129.8	30.1	–	661.8
Expenses						
Operating and administrative	196.9	120.8	93.1	18.4	10.5	439.7
Amortization of property, plant and equipment	15.7	38.0	3.9	–	–	57.6
Amortization of intangible assets	–	4.6	0.3	–	–	4.9
Interest on revolving term bank credits and term loans	–	–	–	–	25.2	25.2
Interest on convertible unsecured subordinated debentures	–	–	–	–	19.5	19.5
Accretion of convertible debenture issue costs	–	–	–	–	2.8	2.8
Management internalization costs	–	–	–	–	0.5	0.5
Unrealized (gains) losses on financial instruments	(2.3)	5.5	–	(6.9)	1.0	(2.7)
	210.3	168.9	97.3	11.5	59.5	547.5
Net earnings (loss) before income taxes from continuing operations	83.9	38.8	32.5	18.6	(59.5)	114.3
Income tax recovery (expense)	19.9	(15.9)	0.8	(0.8)	1.1	5.1
Net earnings from continuing operations	103.8	22.9	33.3	17.8	(58.4)	119.4
Net earnings from discontinued operations (Note 3)						0.4
Net Earnings						119.8

Year ended December 31, 2006	Superior Propane	ERCO	Winroc	SEM	Corporate	Total Consolidated
Revenues	985.4	437.2	518.7	325.6	(2.6)	2,264.3
Cost of products sold	(712.5)	(233.1)	(386.5)	(303.9)	2.6	(1,633.4)
Gross profit	272.9	204.1	132.2	21.7	–	630.9
Expenses						
Operating and administrative	185.3	122.1	87.1	11.7	17.6	423.8
Amortization of property, plant and equipment	20.4	47.9	3.7	–	–	72.0
Amortization of intangible assets	–	4.7	0.4	–	–	5.1
Interest on revolving term bank credits and term loans	–	–	–	–	43.1	43.1
Interest on convertible unsecured subordinated debentures	–	–	–	–	20.2	20.2
Accretion of convertible debenture issue costs	–	–	–	–	2.3	2.3
Management internalization costs	–	–	–	–	1.3	1.3
Impairment of property, plant, and equipment and goodwill	–	218.7	–	–	–	218.7
	205.7	393.4	91.2	11.7	84.5	786.5
Net earnings (loss) before income taxes from continuing operations	67.2	(189.3)	41.0	10.0	(84.5)	(155.6)
Income tax recovery (expense)	48.6	130.0	5.0	2.6	(86.2)	100.0
Net earnings (loss) from continuing operations	115.8	(59.3)	46.0	12.6	(170.7)	(55.6)
Net loss from discontinued operations (Note 3)						(25.2)
Net Loss						(80.8)

TOTAL ASSETS, NET WORKING CAPITAL, ACQUISITIONS AND OTHER CAPITAL EXPENDITURES

	Superior Propane	ERCO	Winroc	SEM	Corporate	Total Consolidated
As at December 31, 2007						
Net working capital	73.9	19.0	65.7	8.8	5.6	173.0
Total assets	663.0	533.1	195.2	115.2	36.3	1,542.8
As at December 31, 2006						
Net working capital	60.8	32.0	69.7	(2.6)	19.0	178.9
Total assets	679.5	566.4	202.8	46.7	41.5	1,536.9
For the year ended December 31, 2007						
Acquisitions	–	–	4.3	–	–	4.3
Other capital expenditures	0.4	6.0	0.9	1.5	–	8.8
For the year ended December 31, 2006						
Acquisitions	–	–	–	–	–	–
Other capital expenditures	–	51.4	1.6	–	–	53.0

GEOGRAPHIC INFORMATION

	Canada	United States	Other	Total Consolidated	Discontinued Operations (Note 3)
Revenues for the year ended December 31, 2007	1,934.0	346.4	75.0	2,355.4	–
Property, plant and equipment as at December 31, 2007	428.1	28.8	57.5	514.4	–
Total assets as at December 31, 2007	1,360.2	117.8	64.8	1,542.8	–
Revenues for the year ended December 31, 2006	1,824.0	392.5	47.8	2,264.3	573.3
Property, plant and equipment as at December 31, 2006	468.1	33.2	69.8	571.1	–
Total assets as at December 31, 2006	1,305.4	148.5	83.0	1,536.9	–

SELECTED HISTORICAL INFORMATION

Superior Propane

(millions of dollars except litres of propane and per litre amounts)	2007	2006	Years Ended December 31 2005	2004	2003
Litres of propane sold (millions)	**1,429**	1,386	1,468	1,546	1,625
Total sales margin (cents per litre)	**20.6**	19.7	19.4	18.6	17.9
Revenues	**1,075.7**	985.4	856.2	720.2	727.1
Cost of products sold	**781.5**	712.5	571.8	433.5	436.5
Gross profit [(1)]	**294.2**	272.9	284.4	286.7	290.6
Cash operating, administrative and tax costs	**194.8**	182.6	187.4	175.1	178.4
Cash generated from operations before changes in net working capital	**99.4**	90.3	97.0	111.6	112.2

[(1)] Includes gross profit from other service revenues.

ERCO Worldwide

(millions of dollars except thousands of metric tonnes ("MT") and per MT amounts)	2007	2006	Years Ended December 31 2005	2004	2003
Total chemical sales (MT)	**768**	756	742	649	574
Average chemical selling price (dollars per MT)	**558**	540	550	571	573
Revenues	**460.6**	437.2	431.6	396.0	356.3
Cost of products sold	**252.9**	233.1	224.7	202.8	183.3
Gross profit	**207.7**	204.1	206.9	193.2	173.0
Cash operating, administrative and tax costs	**119.7**	120.9	105.7	94.3	89.2
Cash generated from operations before changes in net working capital	**88.0**	83.2	101.2	98.9	83.8

Winroc

(millions of dollars)	2007	2006	Years Ended December 31 2005	2004 [(1)]	2003 [(1)]
Revenues	**512.3**	518.7	486.6	384.3	310.9
Cost of products sold	**382.5**	386.5	368.8	300.0	245.6
Gross profit	**129.8**	132.2	117.8	84.3	65.3
Cash operating, administrative and tax costs	**94.6**	91.0	82.0	56.4	47.4
Cash generated from operations before changes in net working capital	**35.2**	41.2	35.8	27.9	17.9

[(1)] Winroc was acquired effective June 11, 2004. Prior year results are unaudited and provided for comparison purposes.

Superior Energy Management

(millions of dollars except per gigajoule ("GJ") and per GJ amounts)	**2007**	Years Ended December 31 2006	2005	2004	2003
Natural gas sold (millions of GJs)	**37**	40	37	28	21
Natural gas sales margin (cents per GJ)	**81.3**	54.3	39.2	47.7	38.8
Revenues	**320.4**	325.6	288.4	211.3	152.2
Cost of products sold	**290.3**	303.9	273.9	197.9	144.1
Gross profit	**30.1**	21.7	14.5	13.4	8.1
Cash operating, administrative and selling costs	**18.0**	11.4	9.2	5.7	3.6
Cash generated from operations before changes in net working capital	**12.1**	10.3	5.3	7.7	4.5

Consolidated Financials

(millions of dollars except average number of trust units and per trust unit amounts)	**2007**	Years Ended December 31 2006	2005	2004	2003
Revenues	**2,355.4**	2,264.3	2,059.2[1]	1,552.8	1,234.3
Gross profit	**661.8**	630.9	623.6[1]	542.8	471.7
Operating distributable cash flow	**225.6**	250.1	231.4	219.4	190.6
Distributable cash flow	**170.4**	180.4	187.0	184.4	146.5
Per trust unit	**$ 1.97**	$ 2.11	$ 2.35	$ 2.54	$ 2.47
Average number of trust units outstanding (millions)	**86.5**	85.5	79.7	72.7	59.4
Growth capital	**8.8**	53.0	509.5[1]	126.3	129.8
Total assets	**1,542.8**	1,536.9	2,373.6	1,579.7	1,475.3
Total revolving term bank credit and term loans [2]	**438.0**	441.7	744.7	546.2	417.8

[1] Adjusted for discontinued operations.
[2] Includes accounts receivable securitization program.

Corporate Information

BOARD OF DIRECTORS

SUPERIOR PLUS

Grant D. Billing
Chairman and CEO
Calgary, Alberta

Catherine (Kay) M. Best (1)
Calgary, Alberta

Robert J. Engbloom, Q.C. (2)
Calgary, Alberta

Randall J. Findlay (2)
Calgary, Alberta

Norman R. Gish (3)
Calgary, Alberta

Peter A.W. Green (1) (2)
Lead Director
Campbellville, Ontario

James S.A. MacDonald (3)
Toronto, Ontario

Walentin (Val) Mirosh (3)
Calgary, Alberta

David P. Smith (1)
Toronto, Ontario

Peter Valentine (1)
Calgary, Alberta

(1) Member of Audit Committee
(2) Member of Governance and Nominating Committee
(3) Member of Compensation Committee

OFFICERS

SUPERIOR PLUS INC.
GENERAL PARTNER OF SUPERIOR PLUS LP

Grant D. Billing
Chairman and CEO

Wayne M. Bingham
Executive Vice-President
and Chief Financial Officer

John D. Gleason
President, Superior Propane
a division of Superior Plus LP

Greg L. McCamus
President, Superior Energy Management
a division of Superior Plus LP

Paul S. Timmons
President, ERCO Worldwide
a division of Superior Plus LP

Paul J. Vanderberg
President, Winroc
a division of Superior Plus LP

Jay Bachman
Corporate Controller

A. Scott Daniel
Vice-President, Treasurer and
Investor Relations

Craig S. Flint
Vice-President, Business Process
and Compliance

Leanne E. Likness
Corporate Secretary

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Website: www.superiorenergy.ca

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Website: www.superiorplus.com

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Facsimile: 1-888-453-0330
E-mail inquiries: careregistryinfo@computershare.com
Website: www.computershare.com

AUDITORS

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Chartered Accountants
3000 Scotia Centre
700–2nd Street SW
Calgary, Alberta T2P 0S7

ANNUAL GENERAL MEETING

The Annual Meeting of Unitholders of the Fund will be held in the Strand/Tivoli Room of The Metropolitan Centre, 333-4 Avenue SW, Calgary, on Tuesday, May 6, 2008 at 2:00 p.m. (MST).

CASH DISTRIBUTIONS

The Fund pays distributions on a monthly basis. The record date for each distribution will be the last day of the month and the payment will be made on or before the fifteenth day of the following month. Effective April 15, 2008, the current annualized distribution rate is $1.62 per trust unit.

TORONTO STOCK EXCHANGE (TSX) LISTINGS

SPF.un: Superior Plus Income Fund trust units

SPF.db.b: 5.75% Convertible Debentures
Convertible at $36.00 per trust unit
Maturity Date: December 31, 2012

SPF.db.c: 5.85% Convertible Debentures
Convertible at $31.25 per trust unit
Maturity Date: October 31, 2015

SPF.UN UNIT PRICE AND VOLUMES – TSX

Quarterly high, low, close and volumes for 2007 and 2006.

The table below sets forth the high and low prices, as well as the volumes, for the Fund's trust units as traded on the TSX, on a quarterly basis.

		2007			2006	
	High	**Low**	**Volume**	High	Low	Volume
First quarter	**$ 12.93**	**$ 10.62**	**18,350,330**	$ 24.40	$ 17.11	24,866,275
Second quarter	**$ 15.80**	**$ 12.46**	**20,360,232**	$ 17.65	$ 9.85	52,965,998
Third quarter	**$ 16.27**	**$ 12.50**	**14,856,184**	$ 12.98	$ 10.60	20,300,593
Fourth quarter	**$ 13.48**	**$ 10.99**	**10,183,631**	$ 13.95	$ 9.26	22,601,020
Year	**$ 16.27**	**$ 10.62**	**63,750,377**	$ 24.40	$ 9.26	120,733,886

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Superior Plus
Income Fund

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