Menu Foods Income Fund Announces 2009 First Quarter Results

TORONTO, ONTARIO -- (Marketwire - May 14, 2009) -

Not for release over US newswire services

Attention Business/Financial Editors:

Menu Foods Income Fund (TSX: MEW.UN) announces its financial results for the first quarter ended March 31, 2009.

The financial results for the quarter ended March 31, 2009 will be discussed at Menu Foods Income Fund's annual meeting. The annual meeting is to be held on May 14, 2009 at 2:00pm in Salon F of the Mississauga Convention Centre, located at 75 Derry Road W, Mississauga, Ontario. The meeting will be chaired by Alexander (Sandy) Aird, Trustee of Menu Foods Income Fund. Sandy will be joined by Paul Henderson, Menu's President and Chief Executive Officer and Mark Wiens, Menu's Executive Vice President and Chief Financial Officer.

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For further information: please contact: Mark Wiens, Chief Financial Officer, Menu Foods GenPar Limited, (905) 826-3870

MESSAGE to UNITHOLDERS

I am pleased to report that during the first quarter of 2009 the Fund has continued to build on the significant progress made in 2008. The table below reports selected highlights of the quarter's results:

	Quarter ended March 31,	
	2009	2008
	($ millions)	($ millions)
Sales	84.1	55.6
Net income (loss) for the period	0.1	(2.2)
Adjusted EBITDA (*)	7.5	5.3

Menu increased adjusted EBITDA by 42.6% during the first quarter of 2009, compared to the same quarter in 2008. This significant improvement in performance can, in large part, be attributed to:

- The impacts of the two price increases implemented during 2008 and a third price increase initiated during 2008 and implemented during the first quarter of 2009, together increased sales by 13.6% compared to the first quarter of 2008 and enabled Menu to recover most of the cost increases experienced during 2008 as well as the steel can cost increases effective in 2009;
- The strengthening of the United States dollar, relative to the Canadian dollar;
- A 6.7% increase in total can and pouch volume over the first quarter of 2008; and
- Additional volume in the new cup format which was launched in late 2008. Menu now has three customers purchasing cups, which increased volume during the first quarter of 2009 by 0.7%.

We are also very pleased to report that during the first quarter of 2009, Menu successfully renegotiated its bank operating facility, extending its maturity until October 29, 2010 on the same terms and conditions as the facility which was due to expire on June 30, 2009. In fact, the arrangement was actually improved, with the US$3 million facility reduction scheduled for March 31, 2009 being deferred until March 31, 2010.

However, this quarter was not without its challenges as we continued to experience increases in the cost of ingredients. Fortunately, not all input costs increased and the benefit of those declines in costs served to mitigate some of the effects of other cost increases. Given that there has been a net escalation in costs, the leading national brands may once again take a price increase, which should allow Menu the opportunity to follow suit and recover these more recent cost increases as well.

As a consequence of the recalls in 2007 certain customers informed Menu that they would no longer be buying products from the Fund. By the first quarter of 2009 the three remaining such customers only accounted for 9.3% of volume. Sales to these customers are expected to end in the second and fourth quarters of 2009. During the first quarter of 2009 Menu was advised that a contract-manufacturing customer, whose volume represented 3.5% of Menu's total volume in the quarter, had decided to self-manufacture all of its products and will stop buying from Menu during the third quarter of 2009. Also, as a consequence of our price increases, a number of customers whose volume represented 6.7% of total volume in the first quarter advised that they will stop buying from Menu during the second quarter of 2009.

* See Note A on page 19 of Management's Discussion and Analysis of Financial Results

Looking ahead, Menu expects that these losses will be partially offset by increasing sales to our current customers and through the acquisition of new customers. As we previously reported, at least one study has shown that during periods of economic recession consumers increase their purchases of private-label products. It is our belief that Menu is already seeing the benefit of this type of shift and believes that some portion of the 7.5% growth in volume realized in the first quarter with continuing customers is a result of this increase in consumer demand for private-label products. Since approximately 71% of Menu's business, in the first quarter of 2009, is private-label manufacturing, a recurrence of this phenomenon is likely to translate into additional volume for Menu during the remainder of the year. The acquisition of new customers is an ongoing process and there continue to be opportunities in the marketplace in this regard. Menu has already been successful in attracting two new customers whose volume is expected to contribute modestly to Menu's sales in the second half of 2009. In addition, Menu was recently advised that one of its largest customers plans to increase its distribution of Menu-produced products, and this should increase sales by between 1% and 2% in the last half of 2009.

The Fund remains sensitive to the impact lost business may have on its operations going forward and has embarked on a process to ensure that operating costs remain properly aligned with our expected business throughout the remainder of 2009 and into 2010. By so doing we will be able to at least partially mitigate any adverse effects the lost business may have on cash flow and profitability.

We appreciate the continued support of our investors and I want to take this opportunity to thank our lenders, suppliers, customers and employees who are seeing us through these challenging times and who have already helped Menu to strengthen its business foundation. I look forward to reporting our second quarter results in August 2009.

Paul K. Henderson
President and Chief Executive Officer
Menu Foods GenPar Limited
Administrator of Menu Foods Income Fund

Management's Discussion and Analysis of Financial Results
For the quarter ended March 31, 2009

(All tabular amounts, except per unit amounts, expressed in thousands of Canadian dollars, unless otherwise noted)

Presentation of Financial Information

The following discussion and analysis of the financial results of Menu Foods Income Fund (the "Fund") is dated as of May 14, 2009 and is supplementary to and should be read in conjunction with the unaudited consolidated financial statements for the quarters ended March 31, 2009 and 2008.

The Fund is the indirect owner of Menu Foods Limited ("Menu"), a leading North American private label/contract manufacturer of wet pet food products. The Fund's results include those of Menu, its subsidiaries, affiliates and the partnerships which conduct its day-to-day business.

Where applicable, financial information contained herein is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is reported in Canadian dollars.

During the first quarter of 2009 the Fund changed the classification of certain expenses from selling, general and administrative expenses to cost of sales. The comparative figures for the quarter ended March 31, 2008 and for the eight quarters ended March 31, 2009 have been restated to reflect this new classification.

The nature of the Fund's operations gives rise to only a few critical accounting estimates. The most significant accounts where such estimates might apply are accounts receivable, inventory, goodwill and recall costs. In the case of accounts receivable and inventory, required provisions and/or reserves are specific in nature. In the case of goodwill, impairment is assessed based on the estimated fair value of the business, determined by reference to the trading value of the Fund's units. Recall costs are estimated based upon the best information available to management at the time.

Certain statements in this Management's Discussion and Analysis of Financial Results are "forward-looking statements," which reflect management's expectations regarding the Fund and Menu's future growth, results of operations, performance, business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Many factors could cause results to differ materially from the results discussed in the forward-looking statements, including risks related to dependence on key suppliers, economic conditions, competition, regulatory change, foreign exchange rates and interest rates, among others. Although the forward-looking statements are based on what management believes to be reasonable assumptions, the Fund and Menu cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report, and neither the Fund nor Menu assumes any obligation to update or revise them to reflect new events or circumstances.

Overall Performance and Results of Operations

The following table highlights selected comparative results (all figures, except per unit amounts, expressed in thousands of Canadian dollars)

	For the quarter ended March 31,	
	2009	2008
	$	$
Sales	84,125	55,581
Cost of sales	76,413	50,221
Gross profit	7,712	5,360
Selling, general and administrative expenses	4,427	2,739
Income before the under noted	3,285	2,621
Restructuring and related expenses	-	102
Financial expenses	3,187	4,699
Income (loss) before income taxes and non-controlling interest	98	(2,180)
Current income taxes	44	24
Net income (loss) for the period	54	(2,204)
Basic net income (loss) per Trust Unit	0.003	(0.108)
Diluted net income (loss) per Unit	0.002	(0.108)
Basic weighted average number of Trust Units outstanding (000's)	20,362	20,362
Diluted weighted average number of Units outstanding (000's)	29,984	29,984
Average US/Cdn exchange rate per Bank of Canada	0.8037	0.9955

Operating Results for the Quarter Ended March 31, 2009

Sales for the quarter ended March 31, 2009, were $84.1 million, up 51.4% or $28.5 million compared to the same quarter last year. This increase, relative to the first quarter of 2008, is attributable to:

1. the strengthening of the United States dollar relative to the Canadian dollar, which had the effect of increasing sales by $13.6 million;

2. the impact of the price increases to our private-label customers since the end of the first quarter of 2008 and the effect of pricing adjustments to pass through cost increases to Menu's contract-manufacturing customers, together with changes to sales mix and other variables, which had the effect of increasing sales by $10.8 million; and

3. a 7.4% increase in volume, which increased sales by $4.1 million;

Overall, volume (expressed in cases of 24 cans, pouches or cups) was up 7.4% compared to the quarter ended March 31, 2008. Can volume, which represented 84.8% of Menu's volume in the first quarter of 2009 (86.5% in 2008), grew by 5.4% (equating to an increase in total volume of 4.6%) while pouch volume, which represented 14.5% of total volume (13.5% in 2008), increased by 15.7% (equating to an increase in total volume of 2.1%) compared to the first quarter of 2008. The remaining 0.7% in increased volume represents sales of the new cup format which was introduced late in 2008.

As a consequence of the recall, during 2007, the Fund was advised by some customers that they would no longer be purchasing certain products from Menu. This was expected to occur over time, and by the fourth quarter of 2008 these customers were only accounting for about 6% of the Fund's total volume. While in the quarter ended March 31, 2009 these customers reaffirmed their intention to withdraw their business from Menu before the end of 2009, their purchases increased 6.4% over the same period in 2008, such that they accounted for 9.3% of sales in 2009 (9.4% in 2008). During the quarter ended March 31, 2009, in part, in response to recent price increases

and in part as a consequence of a decision by a branded customer to self-manufacture their own products, certain other customers advised Menu that they would be discontinuing purchasing some products as well. These products accounted for approximately 10.4% of sales during the quarter ended March 31, 2009. In total, customers representing 19.7% of sales volume in the first quarter of 2009 are expected to have stopped purchasing from the Fund by the end of the year.

Gross profit increased by $2.4 million (or 43.9%) for the quarter ended March 31, 2009, compared to the prior year. This increase is attributable to:

1. *Foreign Exchange Effect on Sales.* The strengthening of the United States dollar relative to the Canadian dollar during the quarter had the effect of increasing sales by approximately $13.6 million and that translated into an increase in gross profit of $1.8 million for the quarter ended March 31, 2009.

2. *Effect of Change in Sales Volume.* As previously noted, total volume for the first quarter of 2009 increased by 7.4%. This change in sales volume increased gross profit by $0.7 million.

3. *Price and Cost Increases/Adjustments.* During the first and third quarters of 2008 Menu followed a leading national brand manufacturer and announced price increases to private-label customers that were implemented during the second and fourth quarters of 2008. In addition, in December 2008 Menu initiated its own increase to private-label customers, which was implemented during the first quarter of 2009. On a comparative basis to the same quarter in 2008, the costs of certain inputs to production, including raw and packaging materials (tinplate used in cans, in particular) and labour and benefits, have continued to rise and have increased cost of sales as a result. The selling price increases referred to above, together with selling price increases to contract-manufacturing customers, improved operating efficiencies and other variables, combined to more than offset these cost increases, and increased gross profit by $0.9 million.

4. *Increase in Amortization*. The reduction in finished goods inventory levels during the quarter resulted in less amortization of capital assets being included in inventory as part of factory overhead costs, and more being expensed as part of cost of sales. Furthermore, the strengthening of the United States dollar, relative to the Canadian dollar, also served to increase the amount of amortization expensed as part of cost of sales. Taken together, these two items accounted for virtually all of the increase in the amortization associated with the cost of goods sold of $1.0 million versus the first quarter of 2008.

Selling, general and administrative expenses for the quarter ended March 31, 2009 increased by $1.7 million compared to the prior year. Approximately $0.9 million of this change is due to an increase in foreign exchange losses on the Unites States dollar exposure in working capital in Menu's Canadian operations. The balance of the change is in large part also the result of the strengthening of the United States dollar, relative to the Canadian dollar, and reflects the fact that a majority of the Fund's expenses are incurred in United States dollars.

EBITDA for the quarter ended March 31, 2009 amounted to $7.5 million. This represents a $2.3 million (or 42.6%) improvement over the same quarter in 2008. The strengthening of the United States dollar, relative to the Canadian dollar, has increased sales, gross margin, selling, general and administrative expenses, amortization, interest and EBITDA. Menu estimates that each change of $0.01 in the cost of the Canadian dollar changes EBITDA by approximately $0.11 million and Distributable Cash (see Note A) by approximately $0.08 million, on a quarterly basis. Menu estimates that the strengthening of the United States dollar during the first quarter of 2009 versus the same period in 2008 increased EBITDA by approximately $2.1 million and Distributable Cash by approximately $1.6 million.

Amortization (which is included in cost of sales and SG&A expense) in the first quarter of 2009 was $1.0 million higher than in 2008. This change is principally a result of the increase in amortization expensed in cost of sales, as explained above.

Financial expenses were $1.5 million lower during the quarter ended March 31, 2009 than in the first quarter of 2008. This change is principally attributable to the fact that during the first quarter of 2008, the Fund recorded a loss of $1.7 million on interest rate swaps compared to a negligible loss this year. Otherwise, during the first quarter of 2009, interest expense increased by $0.2 million, reflecting both the strengthening of the United States dollar, relative to the Canadian dollar, partially offset by the lower interest rates applicable to the Fund's bank borrowings this year.

The Fund operates using a number of different legal structures (e.g. partnerships, trusts, corporations etc.) in a number of jurisdictions. Each of these structures and jurisdictions is subject to income tax at different rates. The effective tax rate can vary from quarter-to-quarter, depending upon the taxing jurisdiction and the legal structure in which the income is earned. Since the Fund has approximately $89.9 million in available tax losses it is not expecting to pay much current income taxes for the foreseeable future.

Net income for the quarter ended March 31, 2009, was $0.1 million, compared to a net loss of $2.2 million for the quarter ended March 31, 2008.

Summary of Quarterly Results

The following table highlights quarterly comparative results (restated to reflect the change in classification of expenses from selling, general and administrative expenses to cost of sales):

	For the Quarter Ended							
	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007	Jun 30, 2007
Sales	$84,125	$83,015	$61,625	$60,330	$55,581	$55,001	$78,050	$47,244
Cost of sales	$76,413	$75,371	$57,620	$55,471	$50,221	$51,865	$72,965	$46,220
Gross profit	$7,712	$7,644	$4,005	$4,859	$5,360	$3,136	$5,085	$1,024
Selling, general and administrative expenses	$4,427	$5,382	$3,004	$2,702	$2,739	$3,907	$2,537	$2,802
Product recall	-	-	-	-	-	-	$11,086	$1,914
Restructuring and related expenses	-	$131	$10	$70	$102	($11,452)	$15,889	-
Goodwill impairment	-	-	-	-	-	$30,615	-	-
Financial expenses	$3,187	$5,400	$3,100	$1,347	$4,699	$3,887	$4,393	$1,853
Income taxes	$44	$25	($60)	$5	$24	$85	$481	($74)
Income (loss) before non-controlling interest	$54	($3,294)	($2,049)	$735	($2,204)	($23,906)	($29,301)	($5,471)
Net income (loss)	**$54**	**($3,294)**	**($2,049)**	**$735**	**($2,204)**	**($21,723)**	**($19,295)**	**($3,602)**
Net income (loss) per Trust Unit								
Basic ($)	$0.003	($0.162)	($0.101)	$0.036	($0.108)	($1.113)	($1.011)	($0.189)
Diluted ($)	$0.002	($0.162)	($0.101)	$0.025	($0.108)	($1.113)	($1.011)	($0.189)
Weighted average number of Trust Units outstanding ('000's)								
Basic	20,362	20,362	20,362	20,362	20,362	19,516	19,087	19,087
Diluted	28,984	28,984	28,989	28,989	28,984	28,984	28,984	28,984
Exchange rate – US$ (1)	$0.8037	$0.8249	$0.9600	$0.9901	$0.9955	$1.0184	$0.9571	$0.9104

(1) Average 3-month rate per Bank of Canada

During the eight quarters ended March 31, 2009 it is important to note the following:

Between March 16, 2007 and May 22, 2007 Menu experienced a series of product recalls which had a devastating effect on the Fund's performance during 2007. While most of the recall-related costs were reflected in the first quarter of the year, it was the second quarter which was most

severely impacted operationally as the Fund suspended shipments of most "cuts and gravy" style product (which had accounted for 48% of the Fund's business in 2006) while the recalls were in effect. Also, during the second quarter, several customers suspended all purchases from Menu, regardless of format, until the recall of their products was complete and a number of other customers advised that they would no longer be purchasing products from the Fund. Taken together, these developments meant that the second quarter of 2007 represented the low point in operational performance for 2007.

By the third quarter of 2007 the Fund had resumed shipping to most of its private-label customers and consequently volume increased by about 79% when compared to the second quarter. Management believed that a portion of the demand in the third quarter of 2007 was attributable to the fact that many customers, who had been without product for several months, needed to rebuild inventory in their distribution systems and, consequently, did not expect this trend to continue into the fourth quarter. Sales during the fourth quarter did fall to about 75% of volumes in the third quarter, but remained 34% greater than in the second quarter.

During the second and third quarters of 2007 the final quantification of the costs of the recalls was completed and additional recall related costs arose as a result. During the third quarter of 2007, the Fund announced a restructuring to better align costs with its ongoing business operations. The restructuring initiatives took several forms and under GAAP, depending upon their nature, were either recognized in 2007, 2008 or will be recognized in future periods. Another by-product of the recalls was the need to write-down goodwill by $30.6 million to reflect the value the marketplace was ascribing to the Fund's units. This write-down was reflected in the fourth quarter of 2007.

Since 2007, except for a 3.4% decrease in the first quarter of 2008, sales volumes have exceeded those achieved during the fourth quarter of 2007 by between 0.6% and 11.3%. The extent to which business with the Fund's continuing customers would be re-established was one of the great uncertainties arising out of the recalls in 2007. Management believes that this trend offers a clear and positive answer to this significant question.

In addition to benefiting from these volume increases, sales since 2007 have grown as a result of a stronger United States dollar, relative to the Canadian dollar, and a series of price increases necessary to recover escalating costs from our customers. The timely translation of cost increases into price increases remains a challenge to be managed by the Fund; however, management is encouraged by the extent to which this has been achieved more recently.

For the most part, selling, general and administrative expenses declined early in 2008 as a consequence of the restructuring initiatives undertaken in late 2007. However, as time passed, the impacts of a stronger United States dollar, higher public company costs, and foreign exchange losses on Menu's United States dollar exposure in working capital eroded these earlier savings.

The significant quarter to quarter changes in financial expenses can largely be explained by fluctuations in the mark to market adjustment in respect of the Fund's interest rate swaps.

Liquidity

During the quarter ended March 31, 2009, the Fund generated cash flow from operations of $4.6 million. This amount was decreased by $5.0 million as a result of changes in non-cash working capital items. Specifically, accounts payable and accrued liabilities decreased by $7.1 million and accounts receivable increased by $0.9 million, while inventories decreased by $3.0 million. The reduction in accounts payable and accrued liabilities during the quarter primarily reflects the timing and extent of inventory purchases near the quarter end, the reduction in inventory undertaken during the first quarter of 2009, the payment of certain year end accruals and the acceleration of supplier payments to once again take advantage of early payment discounts. The

increase in accounts receivable reflects the growth in sales due to higher volumes, the price increases effective during the quarter and the timing of sales near the end of the period. The monitoring of inventory levels remains a priority for the Fund and management is pleased with the progress made in this area during the first quarter of 2009, particularly given the effects of continually rising input costs, especially tinplate. Finished goods inventories in the fourth quarter of 2008 had been increased in advance of scheduled maintenance that took down one plant for the first week of 2009, so a decrease was to be expected.

No distributions were declared during 2009.

As of March 31, 2009, the Fund reached an agreement with its lenders to modify the terms of its existing credit facilities. This arrangement modified the terms governing the US$30 million revolving bank operating facility, the US$20 million revolving bank recall term facility (the "Recall Term Facility") and the non-revolving senior secured notes facilities. The Fund's US$30 million revolving operating facility, which was due to expire on June 30, 2009, was extended until October 29, 2010 on terms and conditions that were substantially unchanged. The Recall Term Facility, which was due to be reduced by US$3.0 million on each of March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009, has been modified such that reductions of US$3.0 million will take place on each of June 30, 2009, September 30, 2009, December 31, 2009 and March 31, 2010, at which time the Recall Term Facility will have been extinguished. The holders of the senior secured notes have consented to these changes. On March 31, 2009 the Fund had drawn or committed US$31.1 million ($39.2 million) of the US$42.0 million combined bank facilities.

The Fund had working capital of $26.0 million as at March 31, 2009 ($7.9 million deficiency-December 31, 2008). The extension of the revolving operating facility until October 29, 2010 accounts for most of this improvement during the quarter. Historically the Fund has operated with positive working capital. The deficiency that existed at December 31, 2008 had arisen as a consequence of the $55 million in recall related expenses incurred in 2007, which were funded by bank indebtedness, asset sales and working capital management. .

Cash flow from operations, together with the remaining unutilized bank facilities, the expected proceeds from the sale of assets still available for sale and working capital management, is expected to be sufficient to fund Menu's normal, ongoing operating requirements and maintenance capital expenditures.

Various legal actions and investigations have been commenced against the Fund as a consequence of the product recall. A number of product liability class action lawsuits were commenced in the United States and Canada, over 100 of which were consolidated in what is known as the pet food multi-district litigation. On October 14, 2008, the United States District Court for the District of New Jersey (the "U.S. Court") issued an oral order giving final approval of the cross-border settlement agreement in the pet food multi-district litigation (the "Settlement Agreement"). On November 3, 2008 there was a simultaneous hearing for final approval in the various Canadian courts (the "Canadian courts"). Formal final approval of the U.S. Court was given on November 19, 2008, and final approval of the Canadian courts was provided on November 27, 2008. Two appeals have been filed from the order of the U.S. Court approving the Settlement Agreement. It is uncertain how long these appeals will take to resolve. No appeals have been filed in Canada and the time for filing an appeal has passed. However, the Settlement Agreement requires the appeals in the United States to be finally determined prior to any payments to claimants, and therefore settlement payments to pet owners in both the United States and Canada will be delayed until the appeals have been resolved. The Settlement Agreement would resolve the class action lawsuits filed in the U.S. and Canadian courts and is binding on all members of the settlement class, except for the 114 individuals who have validly opted out of the settlement and who thereby retain their individual claim against one or more of the defendants, including Menu. Menu's contribution to the settlement fund is within the $55 million estimate of recall costs previously provided. This contribution was paid, by Menu, subsequent to March 31, 2009.

Other actions and investigations remain outstanding, and it is possible that additional actions or investigations may arise in the future. The Fund may be required to expend significant amounts and to devote considerable management time to these matters. It is not possible to predict the amount of such expenses, the resolution of such claims or investigations, or the extent to which these items will be paid by insurance. Furthermore, if the actual cost of the recall and restructuring exceed management's estimates of $55 million and $5.4 million, respectively, the Fund may need to obtain consent from its lenders and/or additional credit facilities, although there can be no assurances that such consents or facilities would be provided or available.

In common with most other companies, recent events in the world credit markets and the world economy could have a significant impact on the Fund going forward. Conditions in credit markets and the economy generally could adversely affect Menu's customers. To date management believes these developments have not had a significant adverse impact on either sales volumes or the creditworthiness of Menu's customers, but it is possible that adverse effects could arise in the future. In addition, any strengthening of the United States dollar relative to the Canadian dollar will have a positive impact on EBITDA, Distributable Cash and net assets. The United States dollar had strengthened significantly during the fourth quarter of 2008 and so far during 2009 remains at levels not seen since 2005. The Fund estimates that on an annual basis, each change of $0.01 in the cost of the Canadian dollar changes EBITDA by $0.44 million and Distributable Cash by $0.325 million.

The following table highlights the Fund's contractual obligations as at March 31, 2009:

	Payments Due by Period				
Contractual Obligations	Total $	Less than 1 year $	1 to 3 years $	4 to 5years $	After 5 years $
Senior secured notes	109,365	9,202	100,163	--	--
Bank indebtedness	41,550	11,134	30,416		--
Letter of credit	927	--	927	--	--
Operating leases	1,403	766	637	--	--
Purchase obligations	2,439	2,439	--	--	--
Total contractual obligations	155,684	23,541	132,143	--	--

The senior secured notes and bank indebtedness obligations also reflect interest arising at the currently prevailing rates. Purchase obligations reflect contractual commitments to suppliers of a portion of the gas and electricity needs of the Fund's manufacturing facilities.

Capital Resources

During the quarter ended March 31, 2009, Menu spent $0.7 million on property, plant and equipment. Capital expenditures, which the Fund defines as being of a maintenance nature for purposes of determining Distributable Cash, which totalled almost $0.7 million for the quarter ended March 31, 2009, were financed from the cash flow of the business. These maintenance capital expenditures were over and above the $3.1 million (2008 - $2.3 million) for labour and parts expended by Menu for the ongoing repairs and maintenance of its plants that have been expensed as part of cost of sales. Management estimates that, on an annual basis, maintenance capital expenditures between $2.0 million and $3.0 million are necessary to maintain Menu's current production capacity. Capital expenditures of a growth nature were nominal for the quarter.

Off-Balance Sheet Arrangements

The Fund is not party to any contractual arrangements under which an unconsolidated entity may have any obligation under certain guaranteed contracts, a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. Except as discussed under Financial Instruments and Other Instruments, the Fund has no obligations under derivative instruments, or a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support or engages in leasing, hedging or research and development services with the Fund.

Controls and Procedures

Multilateral Instrument 52-109 ("MI 52-109") requires the Fund's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to make certain certifications related to the information contained in the Fund's annual filings. Specifically, the CEO and CFO must acknowledge that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Fund. In addition, in respect of:

(a) Disclosure Controls and Procedures

The CEO and CFO must certify that they have designed the disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Fund, including its consolidated subsidiaries, is made known to them in a timely manner and that information required under securities legislation is recorded, processed, summarized and reported in a timely manner.

As at March 31, 2009, the Fund's management, under the supervision of, and with the participation of, the CEO and CFO evaluated the design of the disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that as at March 31, 2009, the Fund's disclosure controls and procedures were appropriately designed.

Consistent with the concept of reasonable assurance, the Fund recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Fund's disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

(b) Internal Controls over Financial Reporting

The CEO and CFO must certify that they have designed such internal controls over financial reporting, or caused them to be designed under their supervision; to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

As at March 31, 2009, the Fund's management, under the supervision of, and with the participation of, the CEO and CFO evaluated the design of the controls over financial reporting. No material weaknesses in the design of these controls over financial reporting were identified. Based on this evaluation, the CEO and CFO have concluded that as at March 31, 2009, the Fund's controls over financial reporting were appropriately designed.

Consistent with the concept of reasonable assurance, the Fund recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. As such, the Fund's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

During the third quarter of 2008, management enacted a change to internal controls that could materially affect, or could be reasonably considered to materially affect, the internal controls over

financial reporting. Specifically, the Fund undertook, on a company-wide basis, a software conversion to a new inventory tracking system which better integrates with the Fund's existing enterprise system. During the third and fourth quarters of 2008 this system was implemented, in respect of finished goods, in the Fund's Canadian and one United States plant, respectively. During the first quarter of 2009 this system was implemented, in respect of finished goods, in the Fund's remaining United States plant. This change arises from the Fund's ongoing efforts to improve the efficiency and effectiveness of its internal controls.

Critical Accounting Estimates

In preparing the Fund's consolidated financial statements, management is required to make estimates and assumptions based on information available as of the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and revenues and expenses for the periods reported. Notwithstanding that management applies judgement based on assumptions believed to be reasonable in the circumstances; actual results can vary from these assumptions. It is possible that materially different results could be reported if different assumptions were used.

The most significant of these estimates relate to the collectibility of accounts receivable; the valuation of inventory and goodwill; and the final costs of the product recall.

Accounts Receivable

Credit worthiness is assessed both at the commencement of the business relationship and on a regular basis thereafter. Should management consider, based upon historical trends or current developments, the recoverability of any account to be in doubt, appropriate reserves are established and the ongoing business relationship monitored closely.

Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory reserves are established whenever management believes the recoverability of the carrying value of the inventory to be in doubt.

Goodwill

Goodwill is valued at the lower of cost and net realizable value and is not amortized. The Fund reviews goodwill on an annual basis or at any other time when events or changes arise that suggests an impairment of the carrying value. Impairment is recognized when the estimated fair value of the goodwill is lower than its carrying value. Since the Fund operates as one reporting unit, the trading value of the Fund's units is used to establish the fair value of the Fund, which is then compared to the fair value of the other net assets to derive a residual value for goodwill.

Product recall

The estimated product recall costs are based on the best information currently available to the management of the Fund. The ultimate determination of these costs is dependant on the amount of product actually returned and certain other factors.

Lawsuits have been initiated against the Fund and certain of its subsidiaries in the United States and in Canada relating to the recall, some of which remain outstanding in the United States as they are not resolved by the Settlement Agreement. Furthermore, the U.S. Food and Drug Administration is conducting an investigation into the situation. The United States Attorney for the Western District of Missouri, based in Kansas City, has informed Menu that it is the target of a criminal investigation for possible violations of the U.S. federal Food, Drug and Cosmetic Act. It is possible that additional actions or investigations may arise in the future. The Fund expects to

expend significant amounts and devote considerable management time with regard to these matters. The Fund cannot predict the amount of such expenses, the resolution of any claims or investigations, the extent to which these items will be paid by the Fund's insurers, or whether the Fund will have sufficient resources to pay any or all of these items.

Financial Instruments and Other Instruments

Credit Risk

No single customer accounts for more than 10% of sales, so the Fund does not have a significant exposure to any individual customer. The Fund, in the normal course of business, reviews each new customer's credit history and available financial information before extending credit and performs regular reviews of its existing credit performance.

Foreign Exchange Risks

The Fund generates significant cash flows in foreign currency and is therefore exposed to risks relating to foreign exchange fluctuations. In order to reduce this risk, the Fund uses derivative financial instruments, which are not held or issued for speculative purposes.

As at March 31, 2009 and 2008, the Fund did not have any outstanding foreign currency forward contracts.

Interest Rate Risks

During the first quarter of 2006, the Fund fixed interest rates at 5.35% plus the applicable spread, at the time, of 1.55% on US$50 million through to October 2010. The marked-to-market value of the contract as at March 31, 2009 resulted in an unrealized loss of $20 (March 31, 2008 – $1,670), which was charged to financial expenses during the year. The cumulative unrealized loss on the interest rate swap is $3,888 (December 31, 2008 - $3,868) and is included in accounts payable and accrued liabilities.

Fair Value of Financial Instruments

The carrying values of cash, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities and income taxes payable approximate their fair values because of the near term nature of these instruments. The carrying value of long-term debt bearing interest at variable rates approximates its fair value because effective rates represent the rates that should be used to calculate fair value.

The carrying value of long-term debt bearing interest at a fixed rate approximates its fair value.

Outstanding Units

The following table highlights the number of Units outstanding:

	Trust Units	Class B Exchangeable Units
March 31, 2009, December 31, 2008	20,361,654	8,622,589

During the year ended December 31, 2007, 390,156 unit options with an exercise price of $7.34 were granted to 47 employees; 18,390 unit options with an exercise price of $3.00 were granted to one employee; 1,189,300 unit options with an exercise price of $1.82 were granted to 70 employees; and 21,000 unit options with an exercise price of $0.92 were granted to one

employee. These options vest in equal annual amounts over three years and will expire 39 months after the day they were granted. During the year ended December 31, 2007, 219,416 unit options with an exercise price of $4.56; 21,000 unit options with an exercise price of $5.00; 21,000 unit options with an exercise price of $6.20; 6,000 unit options with an exercise price of $6.55; and 87,588 unit options with an exercise price of $7.34 were forfeited. During the year ended December 31, 2007, 9,746 options with an exercise price of $4.56 were exercised by one employee.

During the year ended December 31, 2008; 27,900 unit options, with an exercise price of $1.35 were granted to five employees, 21,000 unit options with an exercise price of $1.10 were granted to one employee, 15,300 unit options, with an exercise price of $1.37 were granted to three employees. All options granted during 2008 vest in equal annual amounts over three years and will expire 39 months after the day they were granted. During the year ended December 31, 2008, 63,000 unit options with an exercise price of $4.56; 37,200 unit options with an exercise price of $7.34; and 71,100 unit options with an exercise price of $1.82 were forfeited.

On June 30, 2008, as part of the settlement of certain claims against the Fund relating to the recall, the Fund agreed to issue 1 million five-year Trust Unit warrants in the Fund. The Trust Unit warrants were issued on August 22, 2008 and are exercisable at $1.33, the fair market value on that date.

During the quarter ended March 31, 2009; 505,600 unit options, with an exercise price of $0.79 were granted to seventy two employees. All options granted during 2009 vest in equal annual amounts over three years and will expire 39 months after the day they were granted.

Recent Canadian accounting pronouncements issued and not yet adopted

The Accounting Standards Board has adopted a strategic plan that will have GAAP converge with International Financial Reporting Standards ("IFRS") effective January 2011. During the third quarter of 2008, the Fund began the process of assessing the major differences between its current accounting policies and those expected to apply under IFRS as a first step in preparing for its transition from GAAP to IFRS.

Outlook

Product Recall and Litigation

Between March 16, 2007 and May 22, 2007 the Fund instituted a series of recalls of certain products, manufactured between November 8, 2006 and March 6, 2007, which were suspected of containing an adulterated ingredient. In addition, the Fund instituted a withdrawal of all varieties of recalled product, regardless of its date of manufacture, in order to reduce the risk that any recalled product might remain on the retailer's shelves.

Throughout this period of time, the Fund worked closely with regulatory authorities and its customers to learn as much as it could about the cause for the recall. It was ultimately determined that the adulterated ingredient was wheat gluten adulterated with melamine and related compounds. This ingredient was imported from China by a broker in the United States. Subsequent to Menu's recall a number of other significant companies in the pet food industry, who had also purchased wheat gluten from this same broker, followed suit and instituted recalls of their own. As it transpired, the Fund, the pet food industry, our customers and consumers were all victims of a fraud of monumental proportions.

The Fund estimates that, based on currently available information, the direct costs associated with this recall, which will ultimately be financed from a combination of internally generated cash flow, proceeds from asset sales and bank credit facilities, will approximate $55 million. This amount has been expensed and reflected in the results for the year ended December 31, 2007.

During 2007 the Fund entered into a number of agreements with its lenders to increase the amount available under the bank facility and to modify the terms of its existing facility in order to provide funding for the direct and indirect costs of the recall. The amended agreements increase the rates of interest paid by the Fund. Both of these changes have increased the Fund's financial expenses and are expected to continue to do so going forward.

Lawsuits have been initiated against the Fund and certain of its subsidiaries in the United States and in Canada, which seek to recover damages on behalf of the named plaintiffs and a purported class of pet owners. On October 14, 2008, the U.S. Court issued an oral order giving final approval of the Settlement Agreement which consolidated over 100 of the class action product liability civil suits commenced. On November 3, 2008 there was a simultaneous hearing for final approval in the various Canadian courts. Formal final approval of the U.S. Court was given on November 19, 2008 and final approval of the Canadian courts was provided on November 27, 2008. Two appeals have been filed from the order of the U.S. Court approving the Settlement Agreement. It is uncertain how long these appeals will take to resolve. No appeals have been filed in Canada and the time for filing an appeal has passed. However, the Settlement Agreement requires the appeals in the United States to be finally determined prior to any payments to claimants, and therefore settlement payments to pet owners in both the United States and Canada will be delayed until the appeals have been resolved. The Settlement Agreement would resolve the class action lawsuits filed in the U.S. and Canadian courts and is binding on all members of the settlement class, except for the 114 individuals who have validly opted out of the settlement and who thereby retain their claims against one or more of the defendants, including Menu.

The Settlement Agreement created a settlement fund of US$24 million that will allow a potential recovery of up to 100% of all economic damages incurred by pet owners, subject to certain limitations. The settlement fund, administered by a neutral claims administrator, will be available to persons in the United States and Canada who purchased or obtained, or whose pets used or consumed, recalled pet food and who have filed claims forms in accordance with the procedures approved by the U.S. and Canadian courts. Pursuant to the Settlement Agreement, the settlement fund is funded by the defendants, including the Fund and its product liability insurer. The Fund's corporate contribution to the settlement is within its previously recorded recall provision of $55 million.

Other actions and investigations remain outstanding, and it is possible that additional actions or investigations may arise in the future. The U.S. Food and Drug Administration is conducting an investigation into the situation. The United States Attorney for the Western District of Missouri, based in Kansas City, has informed Menu that it is the target of a criminal investigation for possible violations of the U.S. Federal Food, Drug and Cosmetic Act. It is possible that additional actions or investigations may arise in the future. The Fund may be required to expend significant amounts and to devote considerable management time to these matters. It is not possible to predict the amount of such expenses, the resolution of such claims or investigations, or the extent to which these items will be paid by insurance.

Customers

During 2007, the Fund was advised that customers whose volume represented approximately 37% of sales in 2006 would no longer be purchasing these products from Menu. Much of this business was lost during 2007 and 2008. Early in 2009 these customers, who accounted for about 9.3% of the Fund's total volume during the first quarter, reaffirmed their intention to stop purchasing products from the Fund by the end of 2009. The Fund believes that the recall did not cause it to violate any of its contracts with its customers because, among other things, the recall was caused by unforeseen circumstances beyond the Fund's control. However, it is possible that in the future Menu may be found to have breached contracts with one or more of its customers as a result of the recall.

In addition, during the quarter ended March 31, 2009, in part as a response to recent price increases and in part as a consequence of decisions by a branded customer to self-manufacture their own products, certain other customers advised Menu that they would be discontinuing purchasing some items from the Fund. These customers accounted for approximately 10.2% of sales during the quarter ended March 31, 2009. This business will be lost over the remainder of 2009.

Cost and Price Increases

Increasing input costs are a regular part of Menu's business. Rising costs of steel and aluminum mean higher can costs. Anecdotally, steel cans are made from "tinplate" sheets of steel covered in a thin layer of tin. The tinplate suppliers to Menu's can manufacturer increased prices by 75% during 2009. This happened even though prices of pure steel and tin have fallen sharply during the same period. Higher utility costs, together with increases in medical benefits (escalating at rates well above inflation) and labour, push the cost of operating higher. Legislation in the United States on work hours for truck drivers and trucking delays crossing the Canadian/United States border similarly increases the cost of delivery. Rising costs for meats and/or grain products also increase the cost of products. Such cost increases have occurred routinely over the past number of years and continued to occur in 2009. Regular price increases are essential to mitigate the effect rising costs have on margins.

In respect of its private-label business, in both the United States and Canada, Menu's practice, in order to help ensure that the Fund's products are competitively priced at retail, has been to initiate price increases once leading national brand manufacturers have announced price increases on their products, although in some instances, such as during the fourth quarter of 2008, Menu has initiated price increases independent of the national brands. Typically these increases follow a period of rising costs and consequently are preceded by a time of compressed margins. In some instances, as has been the case in the past, outside factors can allow the period of compression to continue for much longer than would otherwise be the case. Absent regular price increases in the future, Menu expects that the margins on its private-label business will continue to be compressed from time-to-time.

In the fourth quarter of 2008, responding to the rising cost of tinplate, Menu initiated price increases to private-label customers in both the United States and Canada in respect of product in steel cans, effective in the first quarter of 2009. This price increase is expected to increase Menu's sales by about 3.0% and should enable Menu to recover some of the steel can cost increases.

For the contract-manufacturing portion of Menu's business, most of these cost increases are automatically passed on to customers (albeit with some timing delays). Consequently, the degree of margin compression is not as severe as it can be in the case of the private-label business.

Bovine Spongiform Encephalopathy ("BSE")

The US and Canada have been categorized by the World Organization for Animal Health, as having minimal risk for BSE. Both countries, however, continue to enhance their feed safety systems to further reduce this risk.

Beginning in August 2008, with respect to the export of pet foods from Canada to the United States, based on the categorization referred to above, our Canadian facility was again permitted to utilize certain Canadian beef products. This use had been suspended since 2003 with the first incidence of BSE in Canadian cattle. Import permits are still required, however, with annual facility inspection and renewal.

Conversely, with respect to the export of pet foods from the United States to Canada, effective July 12, 2007, Canada announced an enhanced feed rule (the "Rule"), whereby specified risk

materials (i.e. those components of the animal thought to have the highest level of infectivity when consumed) are banned in all animal feed, including pet food. A prohibition order (enacted to allow publication of the new Health of Animals regulations as described below) has been in place since the effective date of this Rule. Under this prohibition order pet food imported from the United States is relieved from complying with the Rule but instead must be certified as to the absence of specified risk materials.

Part IV of the Canadian Food Inspection Agency's Health of Animals Regulations was published in the Canada Gazette on February 19, 2009. While this will ultimately have the effect of requiring import permits for imported pet food containing ruminant material, as well as an Importer's Statement of Compliance of all pet foods, the wording of the health certificates to be signed by the government authorities of export countries as well as the importer's statement has yet to be finalized.

Although there is typically a 60-day window from publication to enactment of the regulations, the existing prohibition order extends until June 30, 2009. The pet food associations of both the United States and Canada have requested that the Minister not repeal the prohibition order to allow time for the details of the new process to be defined.

Subordination and Distribution

The Fund has two classes of units: (a) publicly traded Trust Units; and (b) privately held Class B Units. The Declaration of Trust established that the Class B Units' rights to distributions were subordinated to those of the public Trust Units until such time as certain conditions were satisfied. These conditions were met by February 2005, and since that time, except as discussed below, the Class B Units have no longer been subordinated to the publicly traded Trust Units.

On May 11, 2005, certain holders of Class B Units (including senior management), representing more than 11 million units, agreed to forego a portion of their distributions until February 2006. Specifically, holders of approximately 3.4 million units agreed to forego all distributions, while holders of approximately 7.7 million units agreed to forego receipt of distributions in excess of $0.02 per unit. Such unitholders are entitled to a reimbursement of such foregone distributions, which at March 31, 2009 amounted to $4.2 million, only to the extent that the Fund generates sufficient Distributable Cash in the future and declares distributions in excess of 9 cents per unit, per month.

Financial Covenants

Most of the Fund's outstanding debt is represented by its bank facilities and senior secured notes. As at March 31, 2009, the Fund had $38.2 million drawn on its bank facilities and $94.8 million of senior secured notes outstanding. Each of these facilities has financial covenants and cross-default provisions that must be met. The terms of these facilities are described above under "Liquidity".

The costs associated with the product recalls and restructuring were significant and resulted in the Fund not being in compliance with certain financial covenants with its bank and senior secured noteholders during 2007. Accordingly, on May 14, 2007 and again on October 19, 2007, the Fund entered into amended agreements with its lenders that, among other things, defined the terms and conditions governing the Fund's facilities going forward. Until the Recall Term Facility is extinguished and the balance owed under the bank facility is less than US$15 million for five consecutive business days and the Fund achieves a total debt to EBITDA (a non-GAAP measure that is defined in the amended banking agreement) ratio (the "Leverage Ratio"), on a trailing twelve-month basis of 3 to 1 or less (the "Threshold Conditions"), and until such time as the recall costs no longer impact the Fund's Leverage Ratio, certain of the covenants forming part of the agreements governing the facilities have been suspended. Under covenants presently effective (under both the bank facilities and senior secured notes facility) the Fund's EBITDA before recall and restructuring costs and operating leases must be at least $20 million on a trailing twelve-

month basis each calendar quarter. Additionally, under the terms of the amended agreements, not more than $55 million may be utilized by the Fund for recall-related costs and restructuring costs should approximate $4 million, upon completion of the restructuring.

The Fund is precluded from paying distributions to its unitholders at any time the Leverage Ratio exceeds 3 to 1.

Legislative Changes

Like others in the trust sector, the Fund was impacted by the Canadian Government's decision on October 31, 2006 to introduce a tax on distributions made by publicly traded income trusts. Bill C-52 which, in part, imposes this new tax on income funds and other similar flow through entities, passed fourth reading in the House of Commons on June 12, 2007. To put things in context, it is important to note that the majority of the Fund's business is conducted outside of Canada and that the Fund is taxable in each of the foreign jurisdictions in which it operates. Since the Fund's IPO, for the periods ended December 31, 2002, 2003, 2004 and 2005, the percentage of distributions that were considered "other taxable income" amounted to 22.79%, 22.38%, 21.05% and 34.98%, respectively. Given the difficult conditions experienced in 2005, management does not consider the composition of distributions in that year to be representative of future expectations. Distributions have been suspended since 2005, and the Fund's distribution strategy will not be revisited until such time as distributions are permitted under the covenants with its lenders. Management's interpretation of the announcements made by the Department of Finance is that it is only this "other taxable income" that will be subject to the proposed tax of 31.5% starting in 2011.

Risks and Uncertainties

Menu and the Fund are subject to numerous risk factors in their ongoing business. These risk factors include adequacy of credit facilities, the ability to obtain price increases in the face of rising costs, reliance on key customers, absence of long-term sales contracts, customer performance and relationships, foreign exchange fluctuations, governmental regulations and restrictions, legislative changes, reliance on key suppliers, reliance on key personnel, among others. For a review of some of the risks affecting the business, please refer to notes 25 and 26 to the accompanying consolidated financial statements. Additional information about the Fund is available at www.sedar.com.

Many of the risks and uncertainties facing the Fund result from the product recall, including its ultimate final cost, the extent of any fines or penalties that may be assessed, the cost of any resulting litigation or investigations, including the extent to which these costs will be covered by insurance, and the impacts of the foregoing on liquidity.

The strength of the Canadian dollar relative to the United States dollar and the ongoing inability to pass input cost increases on to private-label customers in a timely manner are more traditional risks facing the Fund. Since a majority of the Fund's operations and assets are in the United States, a "natural" business hedge exists. However, while it is possible, for specified periods, to hedge distributable cash flow against future fluctuations in the currency (as has been done in the past during periods when distributions were being paid), it is not possible to hedge business operations, so a strong Canadian dollar will have a negative impact on the relative contribution of the Fund's United States dollar denominated business. Similarly, if the Fund absorbs increased raw material and other costs without the benefit of a timely price increase to its private-label customers, gross margin will be depressed and profitability and the Fund's ability to pay distributions will be curtailed. Given the nature of the industry, price increases are generally beyond Menu's control.

The Fund's lenders do not permit the Fund to make any monthly distributions unless it is in compliance with the covenants contained in the original Agreements with the lenders, including a total debt to EBITDA ratio of 3 to 1 or less. There can be no assurance as to either when the

Fund will resume monthly distributions, or the amount of the monthly distributions that will be paid at that time.

On October 31, 2006 the Department of Finance (Canada) announced the “Tax Fairness Plan” whereby the income tax rules applicable to publicly traded trusts and partnerships were significantly modified. Bill C-52, which imposes a new tax on distributions of income funds and other similar public flow through entities, passed fourth reading in the House of Commons on June 12, 2007 and is therefore considered substantively enacted under GAAP. The Fund is considering the possible impact of the new rules. The new rules may adversely affect the marketability of the Fund’s units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the new rules apply to the Fund, the distributable cash of the Fund may be reduced.

Various legal actions and investigations have been commenced against the Fund as a consequence of the product recall. A number of product liability class action lawsuits were commenced in the United States and Canada, over 100 of which were consolidated in what is known as the pet food multi-district litigation. On October 14, 2008, the U.S. Court issued an oral order giving final approval of the cross-border settlement agreement in the pet food multi-district litigation (the “Settlement Agreement”). On November 3, 2008 there was a simultaneous hearing for final approval in the various Canadian courts (the “Canadian courts”). Formal final approval of the U.S. Court was given on November 19, 2008, and final approval of the Canadian courts was provided on November 27, 2008. Two appeals have been filed from the order of the U.S. Court approving the Settlement Agreement. It is uncertain how long these appeals will take to resolve. No appeals have been filed in Canada and the time for filing an appeal has passed. However, the Settlement Agreement requires the appeals in the United States to be finally determined prior to any payments to claimants, and therefore settlement payments to pet owners in both the United States and Canada will be delayed until the appeals have been resolved. The Settlement Agreement would resolve the class action lawsuits filed in the U.S. and Canadian courts and is binding on all members of the settlement class, except for the 114 individuals who have validly opted out of the settlement and who thereby retain their individual claim against one or more of the defendants including Menu. Menu’s contribution to the settlement fund is within the $55 million estimate of recall costs.

Other actions and investigations remain outstanding, and it is possible that additional actions or investigations may arise in the future. The Fund may be required expend significant amounts and to devote considerable management time to these matters. It is not possible to predict the amount of such expenses, the resolution of such claims or investigations, or the extent to which these items will be paid by insurance.

In addition to the matters noted above, the Fund is involved in various claims and litigation both as plaintiff and defendant. In the opinion of management, the resolution of claims against the Fund will not result in a material effect on the consolidated financial position of the Fund. Any settlements or awards will be reflected in the consolidated statement of operations as the matters are resolved.

Additional Information

Additional information regarding the Fund, including its Annual Information Form and all public filings, can be found on SEDAR at www.sedar.com.

Note A: EBITDA is not a recognized measure under GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure of operating performance as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. EBITDA, as defined in the Menu Foods Limited

Partnership Agreement, is Earnings Before Interest, Taxes, Depreciation, Amortization and Non-controlling Interest. Adjusted EBITDA restates EBITDA by removing the effects of non-recurring items.

Distributable Cash is not a recognized measure under GAAP. Management believes that together with net income and EBITDA, Distributable Cash is a useful supplemental measure of operating performance, which provides investors with an indication of cash available for distribution after adjusting for maintenance capital expenditures and certain principal repayments. The computation and disclosure of Distributable Cash in this Management's Discussion and Analysis is in all material respects in accordance with the guidance provided in the CICA's publication "Distributable Cash in Income Trusts and Other Flow-Through Entities – Guidance on Preparation and Disclosure in Management's Discussion and Analysis – Draft Interpretive Release."

Investors should be cautioned, however, that neither EBITDA nor Distributable Cash should be construed as an alternative to net income determined in accordance with GAAP as an indicator of Menu's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flow. Menu's method of calculating EBITDA and Distributable Cash may differ from other companies and, accordingly, EBITDA and Distributable Cash may not be comparable to measures used by other companies.

The following are reconciliations of: net income to EBITDA and Cash Flow from Operating Activities to Distributable Cash for current quarter and since the inception of the Fund:

	For the Quarter ended March 31,		**Since Inception (May 22, 2002) to March 31,**
	2009	**2008**	**2009**
	$'000's	$'000's	$'000's
Net income (loss)	54	(2,204)	(91,099)
Adjust for:			
Goodwill impairment loss	-	-	124,030
Unrealized foreign exchange	779	172	3,923
Non-controlling interest of Class B Exchangeable Units	-	-	(30,210)
Amortization of property, plant and equipment	3,365	2,340	96,302
Amortization of customer relationship	-	-	2,789
Unit based compensation	115	156	1,351
Future income taxes	-	-	(7,370)
Current income taxes	44	24	3,040
Interest and financial expenses	3,187	4,699	59,044
EBITDA	7,544	5,187	161,800
Adjust for			
Product recall	-	-	(x) 52,530
Restructuring and related expenses		102	4,749
Adjusted EBITDA	7,544	5,289	(x) 219,079

	For the Quarter ended March 31,		**Since Inception (May 22, 2002) to March 31,**
	2009	**2008**	**2009**
	$'000's	$'000's	$'000's
Cash flow from operating activities	(400)	154	77,543
Adjust for:			
Maintenance capital expenditures	(661)	(619)	(16,406)
Principal repayments (*)	-	(7)	(624)
Distributable Cash	(1,061)	(472)	60,513

(*) principal repayments exclude amounts paid to the bank and note holders under the terms of amended Agreements
(x) the 2008 annual report stated product recall expenses as $55,000, which was not adjusted for $2,470 in recall related amortization that had been reclassified from product recall to amortization of property, plant and equipment in respect of 2007. Accordingly, EBITDA and adjusted EBITDA since inception have been reduced by $2,470.

Menu Foods Income Fund

Consolidated Balance Sheets

(All figures expressed in thousands of Canadian dollars, unaudited)

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Assets		
Current assets		
Cash	28	210
Accounts receivable		
Trade	18,328	16,093
Other	1,638	2,439
Inventories (note 6)	44,494	46,426
Prepaid expenses and sundry assets	2,376	2,447
Total Current Assets	**66,864**	**67,615**
Property, plant and equipment (note 7)	**72,699**	**73,034**
Goodwill (note 8)	**41,357**	**41,357**
Other assets (note 9)	**195**	**306**
Total Assets	**181,115**	**182,312**
Liabilities		
Current liabilities		
Bank indebtedness (note 10)	8,829	36,839
Accounts payable and accrued liabilities (notes 2 and 3)	30,721	37,284
Income taxes payable	1,318	1,362
Total Current Liabilities	**40,868**	**75,485**
Long-term debt (note 11)	**123,943**	**91,227**
Total Liabilities	**164,811**	**166,712**
Unitholders' Equity		
Trust Units (note 13)	**176,004**	**176,004**
Warrants (note 13)	**648**	**648**
Contributed surplus (note 15)	**1,366**	**1,251**
Deficit	**(150,581)**	**(150,635)**
Accumulated other comprehensive loss (note 17)	**(11,133)**	**(11,668)**
Total Unitholders' Equity	**16,304**	**15,600**
Total Liabilities, Class B Exchangeable Units and Unitholders' Equity	**181,115**	**182,312**

(Going Concern, Contingencies and Commitments - notes 2, 3 and 22)

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

Menu Foods Income Fund

Consolidated Statements of Operations and Deficit

(All figures, except Unit and per Unit amounts, expressed in thousands of Canadian dollars, unaudited)

	Quarter ended March 31, 2009	2008
	$	$
Sales	**84,125**	**55,581**
Cost of sales (note 20)	**76,413**	**50,221**
Gross profit	**7,712**	**5,360**
Selling, general and administrative expenses (note 21)	**4,427**	**2,739**
Income before the undernoted	**3,285**	**2,621**
Restructuring and related expenses (note 3)	**-**	**102**
Financial expenses (note 18)	**3,187**	**4,699**
Income (loss) before income taxes	**98**	**(2,180)**
Current income taxes	**44**	**24**
Net income (loss) for the period	**54**	**(2,204)**
Deficit - beginning of period	**(150,635)**	**(143,823)**
Deficit - end of period	**(150,581)**	**(146,027)**
Deficit comprises:		
Accumulated net loss	**(90,392)**	**(85,838)**
Accumulated distributions	**(60,189)**	**(60,189)**
	(150,581)	**(146,027)**
Basic net income (loss) per Trust Unit	$ 0.003	$ (0.108)
Diluted net income (loss) per Trust Unit	$ 0.002	$ (0.108)
Basic weighted average number of Trust Units outstanding (note 13)	20,361,654	20,361,654
Diluted weighted average number of Trust Units outstanding (note 13)	28,984,243	28,984,243

Consolidated Statements of Comprehensive Income (Loss)

(All figures expressed in thousands of Canadian dollars, unaudited)

	Quarter ended March 31, 2009	2008
	$	$
Net income (loss) for the period	54	(2,204)
Other comprehensive income (loss), net of tax of $nil (2008 - $nil):		
Unrealized gains on translating financial statements of self-sustaining foreign operations	3,789	4,168
Losses on hedges of unrealized foreign currency translation	(3,254)	(3,868)
Comprehensive income (loss) for the period	589	(1,904)

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

Menu Foods Income Fund

Consolidated Statements of Cash Flows

(All figures expressed in thousands of Canadian dollars, unaudited)

	Quarter ended March 31,	
	2009	**2008**
	$	$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	54	(2,204)
Adjustments for non-cash items		
Unrealized foreign exchange loss (note 21)	779	172
Amortization of property, plant and equipment	3,365	2,340
Amortization of deferred financing fees	224	182
Unit-based compensation (note 15)	115	156
Gain on sale of property, plant and equipment	(2)	-
Marked-to-market adjustment (note 25)	20	1,670
	4,555	2,316
Change in non-cash working capital items		
Accounts receivable	(930)	1,546
Inventories	2,994	(2,963)
Accounts payable and accrued liabilities	(7,062)	(1,116)
Prepaid expenses and sundry assets	94	389
Income taxes	(51)	(18)
	(400)	**154**
Financing activities		
Change in bank indebtedness	960	842
Long-term debt repayments	-	(7)
Deferred financing charge	(70)	-
	890	**835**
Investing activities		
Purchase of property, plant and equipment	(672)	(751)
Proceeds from sale of property, plant and equipment	-	4
	(672)	**(747)**
Increase (decrease) in cash	**(182)**	**242**
Cash - beginning of period	**210**	**25**
Cash - end of period	**28**	**267**

Supplementary information

Income taxes paid	108	62
Interest paid	3,092	2,881

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

1. Description of the business

Menu Foods Income Fund (the “Fund”) is an unincorporated open-ended trust, established under the laws of the Province of Ontario by Declaration of Trust dated March 25, 2002. The Fund was created to hold, directly or indirectly, investments in entities engaged in the manufacture and sale of pet food products, including the securities or assets of Menu Foods Limited (“Menu”).

Menu was incorporated on May 17, 1971 under the laws of the Province of Ontario. Menu is mainly engaged in the manufacture of wet pet food products, which are sold primarily to retail and wholesale operations in the United States and Canada.

2. Product recall, contingencies and going concern

On March 16, 2007, the Fund announced the recall of a portion of the dog and cat food it manufactured between December 3, 2006 and March 6, 2007. Other products and dates of manufacture were added to the recall on April 5, April 10, April 17, May 2 and May 22, 2007 and the Fund announced a voluntary withdrawal of certain products on March 24, 2007. The recalls and withdrawal related primarily to "cuts and gravy" style products manufactured by Menu, but included certain other products as well. These products were manufactured and sold under private-label and contract manufactured for some national brands.

During 2007 management estimated that the costs associated with the recalls and withdrawal noted above would amount to approximately $55,000. The costs associated with the recall resulted in the Fund not being in compliance with certain financial covenants included in the loan agreements with its lenders.

During 2007, 2008 and again in 2009, the Fund entered into amended agreements with its lenders, which among other things, defined the terms and conditions governing the Fund's revolving bank facility (note 10) and non-revolving senior secured notes facility (note 11).

The estimated product recall costs are based on the best information currently available to the management of the Fund. The above-noted estimate of $55,000 remains unchanged as at March 31, 2009. The ultimate determination of these costs is dependent on a number of factors, some of which remain unresolved. Accordingly, actual amounts could differ from these estimates and the differences could be material. The ongoing impact of the product recall could have a material effect on the liquidity of the Fund.

The recall costs of $55,000 noted above include product collection, customer fines and penalties, write off and disposal costs, professional and associated fees necessary to manage through this difficult process and costs incurred to establish and operate a call centre to respond to consumer concerns, together with lost margin on returned product of $2,885. As at March 31, 2009, $7,404 (December 31, 2008 - $7,100) remains in accrued liabilities for recall related costs not yet paid.

2. Product recall, contingencies and going concern (continued)

Lawsuits have been initiated against the Fund and certain of its subsidiaries in the United States and in Canada, which seek to recover damages on behalf of the named plaintiffs and a purported class of pet owners. On November 19, 2008 and on November 27, 2008, the U.S. Court and various Canadian courts, respectively, gave final approval of the comprehensive settlement agreement in the pet food multi-district litigation. Two appeals have been filed from the order of the U.S. Court approving the settlement agreement. It is uncertain how long these appeals will take to resolve. No appeals have been filed in Canada, and the time for filing an appeal has passed. However, the settlement agreement requires the appeals in the United States to be finally determined prior to any payments to claimants, and therefore settlement payments to pet owners in both the United States and Canada will be delayed until the appeals have been resolved.

The settlement agreement resolves more than 100 class action lawsuits filed in the U.S. and Canadian courts and is binding on all members of the settlement class, except for 114 individuals who have validly opted out of the settlement and who thereby retain their claims against one or more of the defendants, including Menu.

The settlement agreement creates a settlement fund of US$24,000 that allows a potential recovery of up to 100% of all economic damages incurred by pet owners, subject to certain limitations. The settlement fund, administered by a neutral claims administrator, will be available to persons in the United States and Canada who purchased or obtained, or whose pets used or consumed, recalled pet food, and who have filed claims forms in accordance with the procedures approved by the U.S. and Canadian courts. Pursuant to the settlement agreement, the settlement fund will be funded by the defendants, including Menu Foods Income Fund and its product liability insurer. The Fund's corporate contribution to the settlement is reflected in the $55,000 estimate of recall costs.

The United States Attorney for the Western District of Missouri, based in Kansas City, has informed Menu that it is the target of a criminal investigation for possible violations of the U.S. Federal Food, Drug and Cosmetic Act. Furthermore, it is possible that additional actions or investigations may arise in the future. The Fund may be required to expend significant amounts and to devote considerable management time to these matters. It is not possible to predict the amount of such expenses, the resolution of such claims or investigations, or the extent to which these items will be paid by insurance.

Given the restructuring activities (note 3) and based on current forecasts, management believes that the Fund will generate sufficient income and cash flows to discharge its obligations as they become due in the normal course of operations and that the Fund will not require any significant additional credit facilities. The agreement with the Fund's bank has been extended to October 29, 2010 (note 10) and its senior secured notes are due on October 31, 2010 (note 11). However, given the significant uncertainty caused by the recall and the legal and regulatory matters referred to above, there is no assurance that additional financing will not be required, or that it will be available to the Fund, if needed. As a result of this uncertainty there may be significant doubt as to the ability of the Fund to continue as a going concern.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis. The Fund's ability to continue as a going concern is dependent on the success of future operations, being able to timely dispose of assets held for sale, the continued support of the Fund's lenders and the outcome of litigation and investigations. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments, which could be material, would be necessary to the carrying values of assets, liabilities, the reported net income and the balance sheet classifications

3. Restructuring and related expenses

As a consequence of the product recalls, during 2007 the Fund had to restructure its operations to better align costs with its ongoing business. The initiatives took several forms, including the sale of surplus assets and the formal restructuring of the remaining operations, and under GAAP, depending upon their nature, were recognized in 2007 or 2008 or will be recognized in future periods. While most of these initiatives have already been accounted for, some will not be completed until later in 2009 or thereafter. To date, in aggregate these activities resulted in a net restructuring expense of $4,749 and, principally as a result of sales of assets, have generated approximately $22,020 in cash (net of $1,142 in lenders' fees). As at March 31, 2009, the accrual for restructuring, which primarily comprises costs associated with inventory disposal together with severance costs, amounted to $571 (December 31, 2008 - $895).

4. Changes in accounting policies and new accounting pronouncements

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which requires the entity to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective for the Fund's 2009 fiscal year, commencing January 1, 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have a material impact on the valuation of Menu's financial assets or liabilities.

Recent Canadian accounting pronouncements issued and not yet adopted

The Accounting Standards Board (the “AcSB”) has adopted a strategic plan that will have Canadian GAAP converge with International Financial Reporting Standards (“IFRS”) effective January 2011. The Fund has commenced its planning and transition from Canadian GAAP to IFRS.

The CICA has issued three new accounting standards: Section 1582 - Business Combinations; Section 1601 - Consolidated Financial Statements and Section 1602 - Non-controlling Interest. These sections replace the former Section 1581 - Business Combinations and Section 1600 - Consolidated Financial Statements and establish a new section for accounting for non-controlling interest in a subsidiary.

Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

The Fund is currently evaluating the impacts of these developments on its consolidated financial statements and will begin application of these standards effective January 1, 2011.

5. Summary of significant accounting policies

a) Basis of presentation

The Fund prepares its consolidated financial statements in accordance with GAAP.

The consolidated financial statements include the accounts of the Fund and all of its subsidiaries. All inter company transactions and accounts have been eliminated on consolidation.

These consolidated financial statements are based on accounting principles consistent with those used and described in the annual consolidated financial statements as at December 31, 2008, and should be read in conjunction with those consolidated financial statements. The disclosures contained in these unaudited interim consolidated financial statements may not include all requirements of GAAP for annual statements.

5. Summary of significant accounting policies (continued)

a) Basis of presentation (continued)

Accounting measurements at interim dates involve greater reliance on estimates than at year-end. In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments of a normal recurring nature to present fairly the financial position of the Fund as at March 31, 2009.

b) Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

c) Cash and cash equivalents

Deposits in banks and short-term investments with original maturities of three months or less are considered cash and cash equivalents. Cash equivalents are carried at fair value.

d) Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. The cost of inventory includes costs directly attributable to the acquisition of raw materials, direct labour, variable production costs and a systematic allocation of fixed production overhead incurred, based on the normal capacity of the production facilities.

e) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Cost represents the cost of acquisition or construction, including preparation and testing charges and direct financing costs incurred until the beginning of commercial production. An impairment loss is recognized when the asset's carrying value is no longer recoverable from estimated future undiscounted cash flows. When an impairment loss is recognized, the carrying value of the asset is reduced to its estimated fair value. Amortization is calculated using the straight-line method applied to the cost of the assets, at annual rates based on their estimated useful lives, as follows:

Buildings	20 - 40 years
Machinery and equipment	3 - 10 years
Equipment under capital lease	3 - 10 years
Other property and equipment	3 - 20 years

Construction-in-progress represents expenditures incurred for uncompleted projects. Upon completion, the related construction-in-progress balance is transferred to the appropriate asset class and amortization commences.

5. Summary of significant accounting policies (continued)

f) Income taxes

The Fund follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and are measured using the currently enacted, or substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset, if it is more likely than not that the asset will not be realized. Applicable withholding taxes are accrued as foreign sourced income is earned to the extent that the repatriation of earnings from foreign subsidiaries is expected to occur.

g) Research and development

Research expenditures are expensed as incurred. Development expenditures are written off as incurred unless, in the view of management, the expenditures are incurred in the development of products or processes, which are expected to be commercially viable for a period that exceeds one year and have a long-term commercial future. In these cases, development costs are deferred and amortized over the estimated commercial life of the product or process on a straight-line basis, not to exceed five years.

h) Other financial liabilities and transaction costs

The Fund classified long-term debt as other financial liabilities, which are measured at amortized cost. Transaction costs, which are netted against the carrying value of the long-term debt are amortized using the effective interest rate method, and are included in financial expenses.

i) Goodwill

Goodwill reflects the price paid for the Menu business in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. Menu operates as one reporting unit for purposes of allocating and evaluating goodwill. The Fund reviews goodwill on an annual basis or at any other time when events or changes have occurred that suggest an impairment of the carrying value. Impairment is tested by comparing the Fund's carrying value of goodwill to its fair value. If the carrying value exceeds the fair value, then there is a potential impairment of goodwill. Any impairment in goodwill is measured by allocating the fair value of the reporting unit, in a manner similar to a purchase price allocation, and comparing the notional goodwill from the fair value allocation to the carrying value of the goodwill. The impairment loss represents the excess of notional goodwill from the fair value allocation over its carrying value.

j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies, except those of self-sustaining subsidiaries, are translated at the exchange rate in effect at the consolidated balance sheet date and non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates prevailing during the period. Gains or losses arising from these translations are included in net comprehensive income (loss).

5. Summary of significant accounting policies (continued)

j) Foreign currency translation (continued)

The assets and liabilities of all foreign subsidiaries, which are considered to be self-sustaining operations, are translated at the exchange rate in effect at the consolidated balance sheet dates. Revenues and expenses are translated at average exchange rates prevailing during the period. The Fund has designated its United States dollar indebtedness, to a maximum of US$85 million, as a hedge of its net investment in the United States. The indebtedness is translated at the exchange rate in effect at the consolidated balance sheet dates. The resulting gains or losses, together with the related income taxes, are included in the foreign currency translation adjustment in the consolidated statement of other comprehensive income (loss).

k) Revenue recognition

The Fund recognizes revenue from the sale of manufactured goods at the time of product shipment. From time to time the Fund enters into contracts with customers to manufacture products on their behalf. In some instances the customers provide a portion of the inventory to be used in the manufacturing process. Accordingly, when the goods are shipped, the Fund includes in sales the invoice price to the customer and includes in cost of sales the Fund's portion of costs incurred.

l) Supplier rebates

Volume rebates on supplier purchases are recorded throughout the year as a reduction of inventory and cost of sales based on management's best estimate of the amounts that will ultimately be received.

m) Unit-based compensation

The fair value of unit-based compensation granted to the Fund's employees is recognized as compensation expense and a credit to contributed surplus over the applicable vesting period.

n) Asset retirement obligations

The fair value of any liability for an asset retirement obligation is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and amortized over the life of the asset. As at March 31, 2009, the Fund has concluded that there were no asset retirement obligations associated with its assets.

5. Summary of significant accounting policies (continued)

o) Financial instruments

The Fund designates its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are recorded at amortized cost. Derivative instruments are recorded in the consolidated statements of operations at fair value except for contracts entered into for the purposes of the Fund's own usage requirements. The Fund uses interest rate swaps to fix interest rates on a portion of its indebtedness. These interest rate swaps are marked to market each reporting period, with changes included in financial expenses in the consolidated statements of operations.

6. Inventories

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Raw materials and packaging	14,685	14,383
Finished goods	29,809	32,043
	44,494	**46,426**

7. Property, plant and equipment

	As at March 31, 2009		
	Cost	**Accumulated amortization**	**Net**
	$	$	$
Land	4,536	-	4,536
Buildings	45,483	10,490	34,993
Machinery and equipment	101,966	71,822	30,144
Other property and equipment	16,941	14,546	2,395
Construction-in-progress	631	-	631
	169,557	**96,858**	**72,699**

	As at December 31, 2008		
	Cost	**Accumulated amortization**	**Net**
	$	$	$
Land	4,462	-	4,462
Buildings	44,037	9,759	34,278
Machinery and equipment	98,355	66,897	31,458
Other property and equipment	16,330	14,310	2,020
Construction-in-progress	816	-	816
	164,000	**90,966**	**73,034**

Approximately $1,158 in machinery and equipment and $4,026 in buildings were not in use at March 31, 2009 (December 31, 2008 - $1,118 and $4,073, respectively). These assets are currently available for sale.

8. Goodwill

When the Fund purchased its interest in Menu Foods Limited Partnership ("MFLP"), $165,387 of the purchase price was assigned as goodwill in the consolidated financial statements. Under GAAP, goodwill is subject to an annual impairment test, which, for the Fund, takes place as at September 30th of each year, unless events indicate that an impairment has arisen at some other time. In 2005 and again during the fourth quarter of 2007, fair value assessment of the Fund's assets and liabilities resulted in write-downs of goodwill of $93,415 and $30,615 respectively. These charges were non-cash items and did not impact the Fund's credit facilities. The annual impairment test as at September 30, 2008, and events since that time, did not identify any further impairment. The carrying value of goodwill is $41,357 as at March 31, 2009 and December 31, 2008.

9. Other assets

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Deferred commitment fees (note 10)		
Cost	1,123	1,053
Accumulated amortization	(928)	(747)
	195	**306**

10. Bank indebtedness

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Revolving term facility	29,419	28,313
Recall Term Facility	8,829	8,526
Total bank indebtedness	38,248	36,839
Less: long-term portion (note 11)	(29,419)	-
Current bank indebtedness	**8,829**	**36,839**

The banking agreement provides the Fund with two operating facilities (collectively the "Operating Facilities"). As at March 31, 2009 the Fund had drawn $29,419 (equivalent to US$23,324) under its US$30,000 revolving term facility (December 31, 2008 - $28,313; equivalent to US$23,245) and $8,829 (equivalent to US$7,000) under its Recall Term Facility, as defined below (December 31, 2008 - $8,526; equivalent to US$7,000). At March 31, 2009, the Fund had an outstanding irrevocable letter of credit in the amount of $927 (US$735) (December 31, 2008 - $895 (US$735)), which further reduces the amount available under the Operating Facilities.

The costs associated with the product recalls (note 2) and restructuring (note 3) were significant and resulted in the Fund not being in compliance with certain financial covenants with its bank and senior secured noteholders (note 11) (the "Lenders") during 2007. Accordingly, the Fund entered into amended agreements (the "Agreements") with its Lenders that, among other things, defined the terms and conditions governing the Fund's US$30,000 revolving term facility and US$85,000 senior secured notes facilities (note 11) going forward. In addition, the agreement with the bank was extended to June 30, 2009 (note 25) and expanded to include a new US$20,000 credit facility (the "Recall Term Facility"). In March 2009, the Agreement was again extended, for a fee of $75, until October 29, 2010.

The Recall Term Facility was reduced to US$12,000 by December 31, 2008. The facilty was to be further reduced by $3,000 at the end of each calendar quarter of 2009, until the Recall Term Facility was extinguished. In March 2009 the terms of the facility were revised such that the Recall Term Facility is to be reduced by $3,000 at the end of each calendar quarter commencing in June 2009, with the Recall Term Facility being extinguished on March 31, 2010.

10. Bank indebtedness (continued)

Pursuant to its amended banking agreement, the Operating Facilities bear interest at Canadian prime rate (2.50% as at March 31, 2009) plus 3.5%, US base rate (3.25% as at March 31, 2009) plus 3.5% or Euro rate (1.19% as at March 31, 2009) plus 4.75% (the "Base Rates") depending on the currency advanced. These interest rates will continue to apply until the Recall Term Facility is extinguished and the balance owing under the revolving term facility is less than US$15,000 for five consecutive business days and the Fund achieves a total debt to EBITDA (a non-GAAP measure that is defined in the amended banking agreement) ratio (the "Leverage Ratio"), on a trailing twelve-month basis, of 3 to 1 or less (the "Threshold Conditions"), at which time the interest rates will revert to those set out in the Fund's credit facilities prior to amendment, provided that there are no other defaults. The Fund is precluded from paying distributions to its Unitholders at any time the Leverage Ratio exceeds 3 to 1.

Certain of the pre-existing covenants have been suspended until such time as the recall costs no longer impact the Fund's Leverage Ratio and until the Threshold Conditions are satisfied. Specifically, EBITDA before recall and restructuring costs and operating leases must be at least $20,000 on a trailing twelve-month basis each calendar quarter. Under the terms of the amended agreements, not more than $55,000 may be utilized by the Fund for recall-related costs and restructuring costs should approximate $5,400, upon completion of the restructuring. These changes are consistent with the terms and conditions governing the senior secured notes (note 11).

Certain of the amendments required the Fund to pay commitment fees to the bank aggregating to $1,123, plus all associated professional costs. These fees are recorded in other assets and are amortized on a straight-line basis over the life of the credit facility (note 9).

Certain bank indebtedness has been identified as priority indebtedness under an agreement between the bank and senior secured noteholders. Otherwise, the Fund has pledged, on a pari passu basis with its senior secured noteholders, as security for bank indebtedness, all moveable property and book debts and, in addition, has signed a general security agreement.

11. Long-term debt

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Senior secured notes	94,796	91,542
Transaction costs	(272)	(315)
	94,524	91,227
Long-term portion of bank indebtedness (note 10)	29,419	-
	123,943	**91,227**

On October 31, 2003, the Fund closed a private placement offering for US$85,000 in non-revolving floating rate senior secured notes (the "Notes Facility"). The notes, of which US$75,157 were outstanding at March 31, 2009 and December 31, 2008, are repayable on October 31, 2010, with interest payable quarterly. Certain bank indebtedness has been identified as priority indebtedness under an agreement between the bank and senior secured noteholders. Otherwise, the Fund has pledged, on a pari passu basis with its bank, as security for its senior secured notes, all moveable property and book debts and, in addition, has signed a general security agreement.

During 2007, the Fund was not in compliance with certain financial covenants with its Lenders and accordingly, entered into amended agreements with its Lenders that, among other things, define the terms and conditions governing the Fund's bank operating and senior notes facilities going forward. The amendments are more fully described in note 10.

11. Long-term debt (continued)

Pursuant to the terms of the agreements, the Notes Facility now bears interest at floating rate, three-month LIBOR (1.19% as at March 31, 2009) plus 580 basis points. This rate will continue to apply until the Threshold Conditions (note 10) are satisfied, at which time the interest rates will revert to those set out in the Fund's existing Notes Facility, provided that there are no other defaults. The Fund is precluded from paying distributions to its Unitholders at any time the Leverage Ratio exceeds 3 to 1.

Certain of the pre-existing covenants have been suspended on an identical basis with those of the bank, as described in note 10. In addition, the noteholders have acknowledged and consented to the amendments to the bank agreement during 2008, as described in note 10. Furthermore, under the terms of the amended agreements, not more than $55,000 may be utilized by the Fund for recall-related costs and restructuring costs should approximate $5,400 upon completion of the restructuring. The amendments in 2007 required the Fund to pay fees and expenses to the senior secured noteholders of $515 (US$517). These transaction costs were netted against the senior secured notes and are being amortized until October 31, 2010 using the effective interest method.

During the quarter ended March 31, 2006, the Fund fixed interest rates at 5.35% plus the applicable spread on US$50,000 through to October 2010 (note 25).

12. Class B Exchangeable Units

	Number of units	**Carrying value** $
Class B Exchangeable Units		
January 1, 2008	8,622,589	-
Conversion of Class B Exchangeable Units to Trust Units (note 13)	-	-
Share of net loss for the period		-
Share of net foreign currency translation adjustment for the period		-
March 31, 2009 and December 31, 2008	**8,622,589**	**-**

The Class B Exchangeable Units together with their related Special Trust Units (note 13) can be exchanged on a one-for-one basis with the Fund for Trust Units at the option of the holder.

A portion of the gains or losses arising from the translation of foreign subsidiaries is included in accumulated other comprehensive loss in unitholders' equity. The foreign currency translation adjustment is allocated between the Class B Exchangeable units and unitholders' equity on a pro-rata basis.

Under GAAP, when the losses applicable to the non-controlling interest exceed their investment in the Fund's units, the excess and any further losses applicable to the non-controlling interest are allocated to the Trust Unitholders. This process continues once the Fund becomes profitable again until such time as all previously absorbed losses are recovered by the Trust Unitholders. As at March 31, 2009 these absorbed losses, still to be recovered by the Trust Unitholders, amount to $5,697 (December 31, 2008 - $5,713).

12. Class B Exchangeable Units (continued)

During the second quarter of 2005, certain holders of Class B Exchangeable Units agreed to subordinate their entitlement to distributions for a ten-month period beginning with the distributions in respect of the month of May 2005 and ending with the distributions in respect of the month of February 2006. Distributions subordinated amounted to $4,151. Such Unitholders are entitled to a reimbursement of such subordinated distributions before distributions can be increased above 9 cents per unit, per month. No obligation arises to the Fund in respect of these subordinated amounts until it has generated sufficient distributable cash and declares distributions in excess of 9 cents per unit, per month. Accordingly, no amount has been accrued in distributions payable at March 31, 2009 and December 31, 2008.

The Class B Units have economic and voting rights equivalent, in all material respects, to the Trust Units.

13. Trust Units

Authorized
Unlimited number of Trust Units
Unlimited number of Special Trust Units

Issued

	Number of units	Gross proceeds $	Issuance costs $	Net proceeds $
Trust Units				
January 1, 2008	20,361,654	187,304	11,300	176,004
Conversion of Class B Exchangeable Units	-	-	-	-
Exercise of options	-	-	-	-
March 31, 2009 and December 31, 2008	**20,361,654**	**187,304**	**11,300**	**176,004**

On August 22, 2008, the Fund issued 1 million five-year Trust Unit warrants in the Fund as part of the settlement of certain claims against the Fund relating to the recall. The fair value of the Trust Unit warrants, which amounted to $648, has been determined using the Black-Scholes model, incorporating a 3.17% risk free interest rate, a 53% volatility factor, 0.0% expected distributions and expected life of 60 months. On this basis, each Trust Unit warrant was valued at $0.648. The cost is included in the Fund's $55,000 estimate for the overall recall costs (note 2). The Trust Unit warrants are exerciseable for $1.33, in minimum quantities of 10,000 warrants, at any time during the five-year period subsequent to issuance.

Special Trust Units

Special Trust Units are used solely for providing voting rights to the holders of Class B Exchangeable Units ("Class B Units") (note 12) and by their terms have voting rights of the Fund. Special Trust Units are not transferable separately from the Class B Units to which they relate. Conversely, the Special Trust Units will automatically be transferred upon a transfer of the associated Class B Units. Each Special Trust Unit entitles the holder thereof to a number of votes at any meeting of Unitholders and holders of Special Trust Units equal to the number of Units that may be obtained upon the exchange of the Class B Units to which the Special Trust Unit relates, but do not otherwise entitle the holder to any rights with respect to the Fund's property or income. The Fund issued 12,631,915 Special Trust Units relating to the Class B Units at the date of acquisition of Menu. There were 8,622,589 Special Trust Units outstanding as at March 31, 2009 and December 31, 2008 (note 12).

13. Trust Units (continued)

Weighted average number of Units outstanding

Basic net income (loss) per Trust Unit is computed by dividing net income (loss) for the period by the weighted average number of Trust Units outstanding during the period. Diluted net income (loss) per Trust Unit includes the effect of exercising unit options (note 15) and warrants, only if dilutive, and includes the Class B Exchangeable Units using the "if converted" method.

The following table reconciles the basic weighted average number of units outstanding to the diluted weighted average number of units outstanding:

	Quarter ended March 31,	
	2009	**2008**
Weighted average number of Trust Units outstanding - basic	20,361,654	20,361,654
Weighted average number of Class B Units outstanding - basic (note 12)	8,622,589	8,622,589
Dilutive effect of warrants	-	-
Dilutive effect of options (note 15)	-	-
Weighted average number of units outstanding - diluted	**28,984,243**	**28,984,243**

14. Distributions

No distributions were declared on either the Trust Units or the Class B Units during the quarters ended March 31, 2009 and 2008.

15. Unit-based compensation

Unit option plan

The option plan under which these options were granted, which authorizes 2,815,000 units, was approved by the Unitholders at the Annual and Special Meeting of the Fund held on May 11, 2006. Compensation expense of $115 was recognized for the quarter ended March 31, 2009 (2008 - $156), respectively, which was added to contributed surplus. Total compensation expense to be recognized under these awards is estimated to be $1,947. All options expire 39 months after the date of grant, if not exercised.

The fair value of the 48,900 Trust Unit options issued in the quarter ended June 30, 2008 was determined using Black-Scholes, incorporating a 2.97% risk free interest rate, a 60% volatility factor, 0.0% expected distributions and expected life of 39 months. On this basis, each Trust Unit option was valued at $0.54.

The fair value of the 15,300 Trust Unit options issued in the quarter ended September 30, 2008 was determined using Black-Scholes, incorporating a 2.94% risk free interest rate, a 63% volatility factor, 0.0% expected distributions and expected life of 39 months. On this basis, each Trust Unit option was valued at $0.62.

The fair value of the 505,600 Trust Unit options issued in the quarter ended March 31, 2009 was determined using Black-Scholes, incorporating a 1.51% risk free interest rate, a 63% volatility factor, 0.0% expected distributions and expected life of 39 months. On this basis, each Trust Unit option was valued at $0.35.

15. Unit-based compensation (continued)

A summary of option activities since January 1, 2008 is as follows:

	Number of options	Range of exercise prices $	Weighted average exercise prices $
January 1, 2008	2,210,392	0.92-7.34	3.42
Options granted during quarter ended			
June 30, 2008	48,900	1.10-1.35	1.24
September 30, 2008	15,300	1.37	1.37
Options forfeited during quarter ended			
March 31, 2008	(87,600)	1.82-7.34	4.57
June 30, 2008	(60,600)	1.82-7.34	3.53
September 30, 2008	(23,100)	1.82-7.34	3.25
December 31, 2008	**2,103,292**	**0.92-7.34**	**3.34**
Options granted during quarter ended			
March 31, 2009	505,600	0.79	0.79
March 31, 2009	**2,608,892**	**0.79-7.34**	**2.84**

The outstanding options are summarized as follows:

	Options outstanding		Vested options outstanding	
	Number	Weighted average remaining life	Number	Weighted average remaining life
Exercise price				
4.56	610,134	2 months	610,134	2 months
5.25	6,000	2 months	6,000	2 months
7.34	265,368	14 months	176,912	14 months
3.00	18,390	19 months	6,130	19 months
1.82	1,118,200	23 months	372,733	23 months
0.92	21,000	24 months	7,000	24 months
1.35	27,900	29 months	-	-
1.10	21,000	29 months	-	-
1.37	15,300	32 months	-	-
0.79	505,600	38 months	-	-
	2,608,892	**20 months**	**1,178,909**	**11 months**

Contributed surplus attributed to Trust Unit options

	As at	
	March 31, 2009 $	December 31, 2008 $
Opening balance	1,251	658
Compensation expense recognized for unit options during the period	115	593
Ending balance	**1,366**	**1,251**

As the Trust Unit options are exercised, the associated contributed surplus is reclassified to Trust Units (note 13).

16. Capital management

The Fund views its capital as the combination of its bank indebtedness and senior secured notes (“Indebtedness”), Class B Exchangeable Units and equity balances. In general, the overall capital of the Fund is determined and evaluated in the context of its financial objectives and its strategic plan.

The appropriate level of Indebtedness is assessed with reference to expected cash flows and the Fund’s overall business needs and risks. In addition, the Fund’s Indebtedness is subject to a number of covenants and restrictions. The Fund is precluded from paying distributions to its Unitholders at any time the Leverage Ratio (as defined in the Agreement with the Fund's Lenders), on a trailing twelve-month basis, exceeds 3 to 1. The $55,000 in recall related costs expensed in 2007, together with the impact of the recalls on the operations for the year, significantly increased the Fund’s Indebtedness.

The Leverage Ratio for the twelve months ended March 31, 2009 was 5.11 (December 31, 2008 – 5.52). Furthermore, as described more fully in note 10, the Fund is required to have EBITDA before recall and restructuring costs and operating leases of $20,000 on a trailing twelve-months basis each calendar quarter.

In common with other income trusts, the Fund uses its cash flow from operations to invest in capital projects, repay Indebtedness and pay distributions to its Unitholders. For the foreseeable future, cash flow will primarily be used to reduce Indebtedness and finance maintenance capital expenditures until such time as the Leverage Ratio, on a trailing twelve-month basis, is less than 3 to 1.

For the time being, the equity component of capital, which was seriously depleted as a consequence of the events in 2007, will only increase by the amount of income earned and retained by the business. Since cash flow from operations generated by the Fund will be used to reduce the Indebtedness component of capital, the Fund’s overall capital is expected to decrease, but the Leverage Ratio should, subject to foreign exchange fluctuations, improve. The Fund will review its level of equity in light of its ongoing performance and future needs and opportunities and additional equity may be issued if deemed appropriate or necessary.

17. Accumulated other comprehensive loss

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Unrealized losses on translating financial statements of self-sustaining foreign operations	(17,240)	(21,029)
Gains on hedges of unrealized foreign currency translation, net of tax	6,107	9,361
	(11,133)	**(11,668)**

18. Financial expenses

	Quarter ended March 31,	
	2009	**2008**
	$	$
Interest and accretion on senior secured notes	2,573	2,054
Interest on bank indebtedness	594	975
Loss on interest rate swap	20	1,670
	3,187	**4,699**

19. Income taxes

On October 31, 2006, the Department of Finance (Canada) announced tax proposals pertaining to the taxation of income distributed by publicly listed trusts and the tax treatment of trust distributions to their unitholders. On June 12, 2007 the draft legislation, which had been issued on December 31, 2006 passed fourth reading in the House of Commons, and is therefore considered substantively enacted under GAAP. The new legislation will apply to the Fund effective January 1, 2011 and will result in a portion of the Fund's income being subject to tax at the trust level.

Until 2011, income tax obligations relating to distributions from the Fund are obligations of the Unitholders and, accordingly, no provision for income taxes is made in respect of distributed income of the Fund. A provision for income taxes is recognized for the Fund's subsidiaries that are subject to tax.

The provision for income taxes in the consolidated statements of operations and deficit reflects an effective rate that differs from the combined Canadian federal and provincial rates primarily as a result of lower taxes in foreign jurisdictions and valuation allowances taken against available tax losses.

The tax effects of temporary differences that give rise to the future tax assets and future tax liabilities are:

	As at	
	March 31, 2009	**December 31, 2008**
	$	$
Current future income tax assets:		
Accounts receivable, accounts payable and accrued liabilities	361	331
Inventory provisions	512	537
Valuation allowance	(873)	(868)
	-	-
Long-term future income tax (assets) and liabilities:		
Property, plant and equipment	8,933	10,249
Tax benefits of loss carry-forwards	(32,261)	(34,121)
Other	(7,036)	(6,948)
Valuation allowance	30,364	30,820
	-	-

The benefits of these future tax loss carry-forwards, which aggregate to approximately $89,847, expire primarily between 2022 and 2028, with $15,709 expiring by 2015.

20. Other expenses

Research and development expenses amounted to $54 for the quarter ended March 31, 2009 (2008 - $61), respectively . These expenses are included in cost of sales.

21. Selling, general and administrative expenses

Selling, general and administrative expenses include an unrealized foreign exchange loss of $779 (2008 - $172).

22. Commitments

Future minimum payments under operating leases at March 31, 2009 are as follows:

	$
2009	633
2010	533
2011	173
2012	64
2013	-
Thereafter	-
	1,403

In addition, the Fund contracts for a portion of its gas and electricity needs for the upcoming calendar year. As at March 31, 2009 commitments under such contracts amounted to $2,439.

23. Employee benefit plans

The Fund sponsors a 401(k) retirement savings plan in the United States for all eligible employees and a registered defined contribution pension plan for all eligible Canadian employees. The Fund has no past service pension liabilities. Under these plans, contributions are made by plan members, with varying matching contributions from the Fund.

The total expense related to these plans was $80 for the quarter ended March 31, 2009 (2008 - $110).

24. Segmented information .

The Fund's operations fall into one reportable business segment. The Fund is principally engaged in the manufacture of wet pet food products, where it serves major customers on a North American basis. Geographic segment information is presented below.

Accounting policies relating to each geographic operating segment are identical to those used for the purposes of these consolidated financial statements. Intersegment sales are made at values that approximate those prevailing in the markets, less a distribution margin. The point of invoicing and the location of the assets determine the geographic areas.

24. Segmented information (continued)

	Quarter ended March 31, 2009 $	Quarter ended March 31, 2008 $
Sales		
Canada		
Domestic	8,106	10,085
Foreign	15,021	6,011
Intersegment transfers	2,905	2,851
	26,032	18,947
United States		
Domestic	63,954	41,191
Foreign	238	468
Intersegment transfers	15,041	8,459
	79,233	50,118
	105,265	69,065
Elimination of intersegment transfers	(17,946)	(11,310)
Discounts	(3,194)	(2,174)
	84,125	**55,581**

	As at March 31, 2009 $	As at December 31, 2008 $
Property, plant and equipment		
Canada	34,024	38,925
United States	135,533	125,075
	169,557	164,000
Less: Accumulated amortization	96,858	90,966
	72,699	**73,034**

Given the nature of the Fund's operations, goodwill relates to the Fund as a whole and cannot practicably be allocated on a geographic basis.

25. Financial instruments

The Fund has the following categories of financial instruments:

	As at March 31, 2009 $	As at December 31, 2008 $
Measured at fair value:		
Cash	28	210
Interest rate swap	(3,888)	(3,868)
Measured at amortized cost:		
Accounts receivable	19,966	18,532
Bank indebtedness	(8,829)	(36,839)
Accounts payable and accrued liabilities	(26,833)	(33,416)
Long-term debt	(123,943)	(91,227)