

Q1  
2006



The DATA Group Income Fund  
Quarter 1 – Ended March 31, 2006



# Our values.

The DATA Group of Companies has evolved a deeply rooted, widely recognized way of doing business. Our success owes much to a set of corporate values, which have helped to define our culture.

We are committed to customer service and quality.

We do what we say we will do.

We conduct our business ethically and legally.

We are a people-oriented company committed to safety and the environment.

We will develop, adapt, and use technology for our customers' benefit.

We strive for market leadership and take pride in our products and services.

We encourage decision-making and initiative at all levels of our Company.

## Letter to Unitholders

I am pleased to provide our Unitholders with our 2006 First Quarter report on the results of our operations and related distributions.

The DATA Group's objective continues to be to provide Unitholders with steady, dependable and growing distributions. In our first quarter of 2006, the Fund had total cash available for distribution of \$5.8 million or \$0.388 per unit. Our distribution to Unitholders was \$4.3 million or \$0.290 per unit for a payout ratio of 74.7%. Revenue for the period ended March 31, 2006 was \$56.2 million, an increase of 3.7% compared with the same period in 2005. Net Income was \$4.0 million or \$0.27 per unit.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) in the quarter was \$6.9 million or 12.2% of revenue compared to \$6.4 million or 11.9% of revenue in the same period of 2005.

Our team produced an excellent quarter with significant increases in revenue, gross profit and Adjusted EBITDA versus same quarter year ago. These results reflect the implementation of new business wins and our continuing focus on our key initiatives and values.

In closing, I would like to extend to you, our valued Unitholders, our appreciation for your faith in us. In addition, we are most thankful for the continuing support of our customers and the pride and dedication of our employees.

May 2006  
The DATA Group Income Fund



David M. Odell  
President and Chief Executive Officer

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2006 should be read in conjunction with The DATA Group Income Fund's (the "Fund") MD&A for the year ended December 31, 2005 and the interim unaudited financial statements for the three months ended March 31, 2006. These documents are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). External economic and industry factors remain substantially unchanged from those described in the Fund's 2005 annual MD&A, unless otherwise stated.

The Fund owns all of the outstanding shares of Data Business Forms Limited ("the Company" or "DATA Group").

The Company is a leading provider of total document management solutions, including printed products, and operates as three divisions. DATA East and West (which provides approximately 76% of total revenue) sells a broad range of printed products and document management services directly to end users. Sundog (which provides approximately 12% of total revenue) is a commercial printer specializing in the production of high-quality annual reports, marketing materials and event tickets. Multiple Pakfold (which provides approximately 12% of total revenue) sells forms and labels to independent brokers and resellers.

Pursuant to an order of Canadian securities regulatory authorities, the Fund was required to include in its consolidated results of operations for the period ended December 31, 2005, its consolidated results of operations for the period from December 21, 2004 to December 31, 2004.

All financial information in this MD&A is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"), unless specified otherwise.

The date of this MD&A is May 8, 2006. Additional information relating to the Fund, including the Fund's most recently filed Annual Information Form and Management Proxy Circular, is available on SEDAR.

### **Forward-Looking Statements**

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, the words such as "may", "would", "could", "will", "expect", "anticipate", "estimate",

“believe”, “intend”, “plan”, and other similar expressions are intended to identify forward-looking statements. These statements reflect the Fund’s current views regarding future events and operating performance, are based on information currently available to the Fund, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance or achievements of the Fund and the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, competition from competitors supplying similar products and services, the Company’s ability to grow its sales or even maintain historical levels of its sales of printed business documents, increases in the costs of paper and other raw materials used by the Company, the Company’s ability to maintain relationships with its customers, and the other factors which are discussed under the heading “Risks and Uncertainties” in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, the Fund does not intend, and does not assume any obligation, to update these forward-looking statements.

### **Non-GAAP Measures**

This MD&A includes certain non-GAAP measures as supplementary information. When used in this MD&A, “EBITDA” means earnings before interest, taxes, depreciation and amortization, and “Adjusted EBITDA” means EBITDA adjusted for non-cash inventory fair value allocation charges. Management believes that EBITDA, Adjusted EBITDA and cash available for distribution (or distributable cash) are useful measures in evaluating the performance of the Company and/or the Fund. Specifically, management views cash available for distribution as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similarly titled measures presented by other issuers.

Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP, as indicators of the Company’s or the Fund’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of net income to Adjusted EBITDA, see Table 3 below, and

for a reconciliation of cash flow from operations to cash available for distribution, see Table 4 below. If the calculation of cash available for distribution for the period from December 21, 2004 to March 31, 2005 had included pension contributions, the Fund's cash available for distribution for that period would have decreased by approximately \$5.0 million or \$0.336 per unit.

## General Information and Results of Operations

**Table 1** The following table sets out selected historical financial information for the periods noted.

Consolidated Financial Information  
For the periods ended March 31, 2006 and 2005  
*(in thousands of dollars, unaudited)*

|   | Jan. 1<br>to<br>Mar. 31,<br>2006<br>\$ | Jan. 1<br>to<br>Mar. 31,<br>2005<br>\$( <sup>1</sup> ) | Dec. 21,<br>2004 to<br>Mar. 31,<br>2005<br>\$( <sup>1</sup> ) |
|---|--|--|---|
| Revenues  | 56,164                                 | 54,172   | 59,888  |
| Cost of revenues                                  | <u>39,582</u>                          | <u>44,628</u>  | <u>49,641</u>   |
| Gross profit                                      | 16,582                                 | 9,544  | 10,247  |
| Selling, general and<br>administrative expenses   | 10,492                                 | 9,750  | 10,870  |
| Amortization                                      | <u>1,652</u>                           | <u>1,652</u>   | <u>1,847</u>  |
| Income (loss) before interest<br>and income taxes | <u>4,438</u>                           | <u>(4,858)</u>   | <u>(2,470)</u>  |
| Interest expense on long-<br>term debt            | <u>543</u>                             | <u>476</u>   | <u>558</u>  |
| Income (loss) before income<br>taxes              | 3,895                                  | (2,363)  | (3,028)   |
| Recovery future income<br>taxes                   | <u>(108)</u>                           | <u>(2,034)</u>   | <u>(2,234)</u>  |
| Net income (loss) for the<br>period               | <u>4,003</u>                           | <u>(329)</u>   | <u>(794)</u>  |

**Note:**

<sup>(1)</sup> Certain costs have been reclassified as cost of sales, consistent with the current period presentation.

**Table 2** The following table sets out selected historical financial information by business segment for the periods noted.

Consolidated Financial Information  
For the periods from January 1 to March 31, 2006 and 2005  
*(in thousands of dollars, except percentage amounts, unaudited)*

|   | <b>Jan. 1 to<br/>Mar. 31,<br/>2006</b> | <b>Jan. 1 to<br/>Mar. 31<br/>2005 <sup>(1)</sup></b> |
|---|--|--|
|   | <b>\$</b>                              | <b>\$</b>  |
| <u>Revenues</u>                                       |  |  |
| DATA East and West                                    | 43,655                                 | 41,093   |
| Sundog  | 7,460                                  | 7,513  |
| Multiple Pakfold                                      | 6,202                                  | 6,430  |
| Intersegment  | (1,153)                                | (864)  |
|   | <u>56,164</u>                          | <u>54,172</u>  |
| <u>Gross Profit</u>                                   |  |  |
| DATA East and West                                    | 12,737                                 | 6,178  |
| Sundog  | 2,709                                  | 2,434  |
| Multiple Pakfold                                      | 1,136                                  | 932  |
|   | <u>16,582</u>                          | <u>9,544</u>   |
| <u>Gross Profit, as a percentage of revenue</u>       |  |  |
| DATA East and West                                    | 29.2%                                  | 15.0%  |
| Sundog  | 36.3%                                  | 32.4%  |
| Multiple Pakfold                                      | 18.3%                                  | 14.5%  |
|   | <u>29.5%</u>                           | <u>17.6%</u>   |
| <u>Selling, general and administrative expenses</u>   |  |  |
| As a percentage of revenue                            | 10,492                                 | 9,750  |
| Adjusted EBITDA                                       | 18.7%                                  | 18.0%  |
| Adjusted EBITDA margin, as a<br>percentage of revenue | 6,863                                  | 6,435  |
| Net income  | 12.2%                                  | 11.9%  |
|   | <u>4,003</u>                           | <u>(329)</u>   |

**Note:**

<sup>(1)</sup> Certain costs have been reclassified as cost of sales, consistent with the current period presentation.

## ***Results of Operations***

### ***The DATA Group Income Fund***

For the quarter ended March 31, 2006, the Fund recorded revenues of \$56.2 million, an increase of 3.7% or \$2.0 million compared with the same period in 2005. The overall increase before intersegment revenues, was due to an increase in DATA East and West revenues of \$2.6 million offset by a decrease in Multiple Pakfold revenues of \$0.2 million. A more detailed discussion of the results of operations of each of the Fund's reporting segments is set out below.

For the quarter ended March 31, 2006, cost of revenues decreased from \$44.6 million for the same period in 2005 to \$39.6 million in 2006. This resulted in a gross profit in the first quarter of 2006 of \$16.6 million, which increased \$7.0 million or 73.7% from \$9.5 million in the first quarter of 2005. The increase in gross profit resulted from a charge of \$5.8 million in 2005 relating to a purchase accounting inventory fair value allocation, and a \$1.2 million increase in gross profit across all segments. At the date of acquisition of the Company by the Fund, \$6.7 million of the purchase price was allocated to inventory in order to increase the value to estimated fair market value, less the cost of selling. This inventory was substantially sold during the first quarter of 2005 and, accordingly, the Fund recorded an additional cost of sales charge of \$5.8 million relating to the inventory sold. As a percentage of revenue, before the 2005 purchase accounting inventory fair value allocation, gross profit increased in the quarter ended March 31, 2006 to 29.5% from 28.3% for the same period in 2005 as gross profit increased in all segments.

Selling, general and administrative ("SG&A") expenses, including administrative expenses of the Fund, for the quarter ended March 31, 2006, were \$10.5 million as compared to \$9.7 million in 2005. The \$0.8 million increase was substantially due to an increase in sales expense and management incentive compensation, due to the strong performance of the company in the current quarter.

Net income for the quarter ended March 31, 2006 was \$4.0 million compared to a net loss of \$0.3 million for the quarter ended March 31, 2005. The increase in comparable profitability was due to the factors discussed above.

For the quarter ended March 31, 2006, Adjusted EBITDA was \$6.9 million, or 12.2% of revenue. As compared to the same period in 2005, Adjusted EBITDA increased by \$0.4 million and the Adjusted EBITDA margin, as a percentage of revenue, increased slightly from 11.9% of revenue to 12.2% of revenue.

Interest expense on long-term debt relating to the Company's revolving bank facility was \$0.543 million for the quarter ended March 31, 2006 compared to \$0.476 million for the same period in 2005. Interest expense increased due to the general rise in interest rates during 2005 and the first quarter of 2006, and the Company's decision to fix the interest rate on \$30.0 million of its long-term debt in the fourth quarter of 2005.

Interest income of \$0.1 million was earned during the quarter ended March 31, 2006, compared to \$0.036 million for the same period in 2005. This interest income was substantially related to the cash and cash equivalents held by the Fund.

### ***DATA East and West***

For the quarter ended March 31, 2006, revenue at the Company's DATA East and West segment increased \$2.6 million or 6.2% to \$43.7 million from \$41.1 million for the same period in the prior year.

The revenue increase in the quarter was due to the continued focus on higher value-added document management services contracts and agreements, combined with increases in lottery slips, labels and variable imaging.

After adjusting for the purchase accounting inventory fair value allocation (\$5.8 million in the first quarter of 2005), cost of revenues increased 6.1% from \$29.1 million for the same period in 2005 to \$30.9 million in the first quarter of 2006. As a result, gross profit increased 6.7% to \$12.7 million in the first quarter of 2006 from \$11.9 million for the same period in 2005. The gross profit percentage improved to 29.2% in the first quarter of 2006 from 29.1% for the same period in 2005. This increase in gross profit is a result of the revenue increase outlined above.

### ***Sundog***

Revenues at the Company's Sundog division for the quarter ended March 31, 2006 remained consistent with the same period in the prior year at \$7.5 million. A major rebranding for a customer produced in the first quarter of 2005 did not repeat in 2006. However, this was offset by increased demand for annual report production and commercial printing orders.

For the quarter ended March 31, 2006, cost of revenues decreased \$0.3 million or 6.5% from \$5.1 million in the first quarter of 2005 to \$4.8 million for the same period in 2006. Accordingly, gross profit increased by \$0.3 million or 11.3% for the quarter ended March 31, 2006 from \$2.4 million for the same period in 2005 to \$2.7 million in 2006. The overall increase in gross profit was attributable to lower material costs as a result of the above noted changed product mix and lower direct labour costs.

As a result, gross profit as a percentage of revenue increased to 36.3% in the quarter ended March 31, 2006 from 32.4% in the comparable period of 2005.

### ***Multiple Pakfold***

Revenue at the Company's Multiple Pakfold division for the quarter ended March 31, 2006 declined 3.5% to \$6.2 million from \$6.4 million for the same period in 2005.

The decrease in revenue in the quarter was due to the loss of a significant order from a third party as previously noted in the third quarter and annual MD&A for 2005. However, the loss has been partially offset in the current quarter of 2006 by new business sold at higher margins than the lost business.

For the quarter ended March 31, 2006, cost of revenues decreased 7.9% from \$5.5 million to \$5.1 million and gross profit increased by 21.9% from \$0.9 million for the quarter ended March 31, 2005 to \$1.1 million for the same period in 2006. The gross profit margin was 18.3% for the quarter ended March 31, 2006 compared to 14.5% for the same period in 2005. The improvement in gross profit was due to the new business having a higher contribution than the lost order. We believe it is also the result of the changes made in 2005 to reduce costs and improve operating efficiencies.

### **Cash Available for Distribution**

For the quarter ended March 31, 2006, the Fund generated \$5.8 million or \$0.388 per unit of cash available for distribution compared to \$6.0 million or \$0.404 per unit in the December 21, 2004 to March 31, 2005 period of the prior year. Cash available for distribution was calculated by deducting the cash interest of \$0.5 million, maintenance capital expenditures of \$0.4 million, and cash pension contribution in excess of expense of \$0.2 million from Adjusted EBITDA of \$6.9 million. See Table 3 for a breakdown of these figures for the periods from January 1, 2006 to March 31, 2006 and December 21, 2004 to March 31, 2005, respectively.

For the quarter ended March 31, 2006, the Fund declared distributions of \$4.3 million or \$0.290 per unit. The calculation of cash available for distribution exceeded actual distributions by \$1.46 million or \$0.098 per unit for the quarter ended March 31, 2006 versus \$1.32 million or \$0.089 per unit for the period from December 21, 2004 to March 31, 2005.

Distributions paid by the Fund on its outstanding trust units during the quarter ended March 31, 2006 were funded entirely from cash generated by the Company's operations.

**Table 3**

Cash Available for Distribution and Adjusted EBITDA  
For the periods ended March 31, 2006 and 2005  
*(in thousands of dollars, except per unit amounts, unaudited)*

| Period ended  | Jan. 1, 2006<br>to<br>Mar. 31, 2006<br>\$ | Dec. 21, 2004<br>to<br>Mar. 31, 2005<br>\$ |
|---|---|--|
| Net Income (loss)   | 4,003                                     | (794)                                      |
| Add:  |   |  |
| Recovery of income taxes  | (108)                                     | (2,234)                                    |
| Interest expense  | 543                                       | 558  |
| Depreciation  | 773                                       | 1,016                                      |
| Amortization  | 1,652                                     | 1,847                                      |
| Non-cash inventory fair value allocation charges                                      | -   | 6,668                                      |
| Adjusted EBITDA   | 6,863                                     | 7,061                                      |
| Less:   |   |  |
| Cash interest expense <sup>(1)</sup>  | 467                                       | 473  |
| Maintenance capital expenditures <sup>(2)</sup>                                       | 426                                       | 271  |
| Pension contributions in excess of expense <sup>(3)</sup>                             | 210                                       | 319  |
| Cash income taxes <sup>(4)</sup>  | -   | -  |
| Cash available for distribution   | 5,760                                     | 5,998                                      |
| Distributions to Unitholders <sup>(5)</sup>   | 4,305                                     | 4,674                                      |
| Excess of cash available for distribution over actual distributions                   | 1,455                                     | 1,324                                      |
| Per unit (14,861,333 units)   |   |  |
| Cash available for distribution per unit <sup>(6)</sup>                               | 0.388                                     | 0.404                                      |
| Distributions to Unitholders per unit <sup>(6)</sup>                                  | 0.290                                     | 0.315                                      |
| Excess of cash available for distribution per unit over actual distributions per unit | 0.098                                     | 0.089                                      |
| Payout ratio  | 74.7%                                     | 78.0%                                      |

Notes:

- <sup>(1)</sup> Cash interest expense is interest expense calculated in accordance with GAAP, less amortization of deferred finance fees.
- <sup>(2)</sup> Maintenance capital expenditures are additions, replacements or improvements to property and equipment to maintain the Company's business operations. These expenditures involve the replacement of printing and digital equipment, computers and software and leasehold improvements.
- <sup>(3)</sup> Excludes a special contribution of \$5.0 million to the Company's defined benefit pension plan in 2004, which was funded from the proceeds invested by the Fund in the Company in connection with the Fund's initial public offering.
- <sup>(4)</sup> Cash income taxes are current income taxes calculated in accordance with GAAP.
- <sup>(5)</sup> Distributions are in respect of the distributions declared.
- <sup>(6)</sup> Per unit calculations are based on the total number of units outstanding as of the first distribution and not the weighted average number of units.

**Table 4**

Reconciliation of Cash Flow from Operations to Cash Available for Distribution  
For the periods ended March 31, 2006 and 2005  
*(in thousands of dollars, unaudited)*

|  | <b>Jan. 1<br/>to<br/>Mar. 31, 2006</b> | <b>Dec. 21, 2004<br/>to<br/>Mar. 31, 2005</b> |
|--|--|---|
|  | <b>\$</b>                              | <b>\$</b>                                     |
| Cash flow from operations <sup>(1)</sup> | 6,182                                  | (5,400)                                       |
| Pension contributions <sup>(2)</sup>     | -                                      | 5,000   |
| Maintenance capital expenditures         | (426)                                  | (271)   |
| Other                                    | 4                                      | 1   |
| Inventory fair value allocation charge   | -                                      | 6,668   |
| Cash available for distribution          | 5,760                                  | 5,998   |

Notes:

- <sup>(1)</sup> *Prior to changes in non-cash items relating to operating activities.*
- <sup>(2)</sup> *Represents a special contribution of \$5.0 million to the Company's defined benefit pension plan in 2004, which was funded from the proceeds invested by the Fund in the Company in connection with the Fund's initial public offering.*

**Five Quarter Consolidated Statement of Distributable Cash – Summary**  
*(in thousands of dollars, except per unit amounts, unaudited)*

|   | 2006     | For the Period from December 21, 2004 to<br>December 31, 2005 |          |          |                         |
|---|----------|---|----------|----------|-------------------------|
|   | Q1<br>\$ | Q4<br>\$  | Q3<br>\$ | Q2<br>\$ | Q1 <sup>(1)</sup><br>\$ |
| Adjusted EBITDA   | 6,863    | 6,469   | 5,712    | 6,410    | 7,061                   |
| Cash available for distribution   | 5,760    | 4,706   | 4,493    | 5,528    | 5,997                   |
| Distributions to Unitholders  | 4,305    | 4,305   | 4,263    | 4,179    | 4,674                   |
| Excess of cash for distribution<br>over actual distributions                                | 1,455    | 401   | 230      | 1,349    | 1,323                   |
| <b>Per unit (14,861,333 units)</b>  |          |   |          |          |                         |
| Cash available for distribution<br>per unit   | 0.388    | 0.317   | 0.302    | 0.372    | 0.404                   |
| Distributions per unit  | 0.290    | 0.290   | 0.287    | 0.281    | 0.314                   |
| Excess of cash available for<br>distribution per unit over actual<br>distributions per unit | 0.098    | 0.027   | 0.015    | 0.091    | 0.090                   |

Note:

<sup>(1)</sup> Represents the period from December 21, 2004 to March 31, 2005.

### Cash Flow from Operations

As cash flow from operations has been determined in accordance with GAAP, management believes that the reconciliation of this measure to cash available for distribution provides useful supplemental information for investors, as illustrated in Table 4 above.

Changes in non-cash working capital increased cash by \$2.1 million in the quarter ended March 31, 2006. Accounts receivable increased by \$0.6 million as a result of the increased business activity at the Sundog and Multiple Pakfold segments compared to the fourth quarter of 2005, offsetting a decline in accounts receivable in the DATA East and West segment due to timing of receipt of customer payments. Inventory levels increased by \$2.0 million as a result of purchasing requirements for specific production requirements in the DATA East and West segment.

## Investing Activities

Capital expenditures for the quarter ending March 31, 2006 of \$0.4 million related primarily to maintenance capital expenditures, which were financed by operating cash flows. Also, the final payment of \$0.4 million was made in connection with the acquisition of the Company by the Fund.

## Financing Activities

For the quarter ended March 31, 2006, the Fund paid cash distributions of \$4.3 million to its Unitholders.

### Five Quarter Results of Operations - Summary (in thousands of dollars, except per unit amounts, unaudited)

|                                 | For the period from December 21,<br>2004 to December 31, 2005 |        |        |        |                   |
|---------------------------------|---|--------|--------|--------|-------------------|
|                                 | 2006  | Q4     | Q3     | Q2     | Q1 <sup>(1)</sup> |
|                                 | Q1  | Q4     | Q3     | Q2     | Q1 <sup>(1)</sup> |
|                                 | \$  | \$     | \$     | \$     | \$                |
| Revenue                         | 56,164  | 55,980 | 52,447 | 52,425 | 59,888            |
| Net Income (loss)               | 4,003   | 3,616  | 3,204  | 3,475  | (794)             |
| Basic Income (loss)<br>per unit | 0.27  | 0.24   | 0.22   | 0.23   | (0.05)            |

Note:

<sup>(1)</sup> Represents the period from December 21, 2004 to March 31, 2005.

## Additional Information

Additional information relating to the Fund, including the Fund's most recently filed Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## New Accounting Policies

### Accounting By a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)

In September 2005, the CICA issued EIC-156 regarding "Accounting By a Vendor For Consideration Given to a Customer (Including a Reseller of the Vendor's Products)". This abstract applies to fiscal years beginning on or after January 1, 2006 and is to be adopted retroactively. The abstract addresses if a vendor provides a customer a sales incentive or other consideration whether that consideration is an adjustment to the selling prices of the vendor's products and therefore a reduction of revenue or a

cost incurred by the vendor and therefore classified as cost or expense. The adoption of this abstract did not have an impact on the Fund.

### **Disclosure Controls**

With the supervision and participation of the Company's senior management team, the Chief Executive Officer and the Chief Financial Officer of the Company have evaluated the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of the Fund and the Company, as of March 31, 2006. Based on that evaluation, those officers have concluded that such disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information relating to the Fund and the Company is made known to management and disclosed in accordance with the applicable securities laws.

### **Outlook**

Management believes that the Fund will continue to meet its objectives, continuing to meet its monthly per unit distributions to Unitholders of \$0.09656.

The Company will continue to fund necessary maintenance capital expenditures by utilizing cash flow from operations.

The Company has determined that in 2006 it may be subject to a current tax liability as a result of incurring lower than forecasted interest costs on third party debt and lower capital cost allowance due to reduced capital expenditures. As at March 31, 2006 the Company has a loss carry-forward balance for income tax purposes of \$0.096 million, which management expects will be used in future quarters. Management estimates that, based upon the Fund's existing corporate structure, current tax liabilities could result in a reduction of cash available for distribution in 2006, the amount of which will depend upon the Company's future operating results. Management believes that any potential tax liabilities will not impact distributions on the Fund's trust units in 2006 based upon a distribution of \$0.09656 per unit per month. However, in the interest of maximizing cash available for distribution to Unitholders, management has begun exploring alternative options to reduce the tax exposure of the Company, including a review of the Fund's current organizational structure.

The Company will continue its strategic focus on being the leading document management service provider in Canada, concentrating on providing high value-added products and services. The Company will also pursue acquisition opportunities.

## Distributions

The Fund has adopted a policy that the Fund will distribute all of its cash available for distribution to the maximum extent possible to Unitholders by monthly cash distributions of its net monthly cash receipts, less estimated amounts required for the payment of expense obligations, taxes and cash redemptions of units.

The board of directors of the Company has adopted a policy that the Company will distribute all of its available cash, subject to applicable law, by way of monthly dividends on its common shares or other distributions on its securities, after satisfaction of its debt service obligations (including interest on the unsecured, subordinated note to the Fund, the "DATA note") and other expense obligations (including tax and pension liabilities), making any principal repayments in respect of the DATA note considered advisable by its board of directors, with the consent of the Fund, retaining amounts for capital expenditures, reasonable and appropriate working capital, and satisfaction of its obligations under the Company's long-term incentive plan.

The following is a summary of the declared distributions, record dates and payment date in respect of the units since the Fund's inception:

| <b>Record Date</b> | <b>Payment Date</b> | <b>Per Unit</b> | <b>Amount</b>   |
|--------------------|---------------------|-----------------|-----------------|
| January 31, 2005   | February 15, 2005   | \$0.12702       | \$1.887 million |
| February 28, 2005  | March 15, 2005      | \$0.09375       | \$1.393 million |
| March 31, 2005     | April 15, 2005      | \$0.09375       | \$1.393 million |
| April 29, 2005     | May 13, 2005        | \$0.09375       | \$1.393 million |
| May 31, 2005       | June 15, 2005       | \$0.09375       | \$1.393 million |
| June 30, 2005      | July 15, 2005       | \$0.09375       | \$1.393 million |
| July 29, 2005      | August 15, 2005     | \$0.09375       | \$1.393 million |
| August 31, 2005    | September 15, 2005  | \$0.09656       | \$1.435 million |
| September 30, 2005 | October 14, 2005    | \$0.09656       | \$1.435 million |
| October 31, 2005   | November 15, 2005   | \$0.09656       | \$1.435 million |
| November 30, 2005  | December 15, 2005   | \$0.09656       | \$1.435 million |
| December 31, 2005  | January 13, 2006    | \$0.09656       | \$1.435 million |
| January 31, 2006   | February 15, 2006   | \$0.09656       | \$1.435 million |
| February 28, 2006  | March 15, 2006      | \$0.09656       | \$1.435 million |
| March 31, 2006     | April 13, 2006      | \$0.09656       | \$1.435 million |
| April 28, 2006     | May 15, 2006        | \$0.09656       | \$1.435 million |

## **Risks and Uncertainties**

An investment in the units involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described below before investing in units. The risks described below are not the only ones facing the Fund and/or the Company. Additional risks not currently known to the Fund and/or the Company, or that the Fund and/or the Company currently believe are immaterial may also impair the business, results of operations, financial condition and liquidity of the Company, and the ability of the Fund to make distributions on the units.

## **Risks Related to The Business**

### **Competition from Competitors Supplying Similar Products and Services**

Some of the DATA Group's competitors have economic resources greater than those of the Company and are well-established suppliers. If consolidation in the document management or printing industry occurs, some competitors may become larger and pose an additional competitive threat to the business of the Company. A competitor may reduce the price of its products or services in an attempt to gain increased sales, and the corresponding pricing pressure placed on the Company may result in reduced profit margins or cash flow. A loss of business may occur if the DATA Group does not meet competitive prices that fall below its profitability targets. Several of the Company's products and services are sold into select market segments and there can be no assurance that these segments will not attract additional competitors that could have greater financial, technological, manufacturing and marketing resources than the DATA Group.

### **Limited Growth in the Printing of Traditional Business Forms**

The overall printing industry is highly competitive and has not grown over the last several years and, accordingly, it may be difficult for the DATA Group to grow its sales or even maintain historical levels of its sales of printed business documents. The Company has depended heavily on sales of printed business forms, which accounted for approximately 30% of the DATA Group's revenues in fiscal 2005. However, the overall printed forms industry has not grown in the last few years due to technological advancements resulting in the decline in the use of traditional paper-based forms. In addition, the printed document industry historically has been affected by general economic and industry cycles that have materially and adversely affected print distributors and print manufacturers. Accordingly, for the DATA Group to continue to experience growth in printed document sales, the Company must increase its market share and individual customer share and respond to changes in demand in this segment of the industry. The DATA Group also faces competition from alternative sources of communication and information transfer, such as facsimile machines, electronic mail, and the Internet. These sources of communication and advertising may adversely impact printed product sales in the future.

### **Increases in the Cost of Paper or Other Raw Materials**

In fiscal 2005, the cost of paper, carbon and other raw materials represented approximately 35.3% of the Company's related revenues. Increases in paper costs could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. The DATA Group cannot be certain that the Company will be able to pass on future increases in the cost of paper to its customers consistent with industry practice. Moreover, rising paper costs and their consequent impact on the Company's pricing could lead to a decrease in the volume of products sold. The overall paper market is beyond the Company's control, and as a result, the DATA Group cannot be certain that future paper price increases will not result in decreased volumes and decreased cash flow and profitability.

Due to the significance of paper in the manufacture of most of the Company's products, the DATA Group is dependent upon the availability of paper. During periods of tight paper supply, many paper producers allocate shipments of paper based on the historical purchase levels of customers. Unforeseen developments in world paper markets coupled with shortages of raw paper could result in a decrease in supply, which would cause a decrease in the volume of product the Company could produce and sell, and could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Additionally, the DATA Group utilizes a number of raw materials, including carbon, ink, film, offset plates, chemicals and solvents, glue, wire and subcontracted components, that are subject to price fluctuations beyond its control. There has generally been a lag time before those increases could be passed on to the Company's customers. There can be no assurance that the price of the Company's raw materials will not increase in the future or that the Company will be able to pass on those increases to its customers consistent with industry practice. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. The Company cannot be certain that a shortage of any of these raw materials will not occur in the future or what effect, if any, such a shortage would have on the Company's cash flow and profitability.

### **Customer Relationships**

The Company typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with the Company at any time. In addition, even if customers should decide to continue their relationship with the DATA Group, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. A loss of several customers, a substantial decrease in

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order volumes from several customers, a loss of a significant customer or a change in the terms of the relationship with a significant customer could have an adverse impact on the Company's financial performance.

### **Failure to Develop Product and Service Options**

The DATA Group's ability to continue to generate comparable net income is based, in part, on the addition of new products and services which could be sold to existing and prospective customers. There can be no assurance that the Company will develop new products or services that will receive market acceptance or that those new products or services will yield favourable margins. The failure to develop and successfully market new products and services at favourable margins could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

### **Expansion Through Acquisitions**

The acquisition and development of existing businesses to be operated by the DATA Group will be dependent on the ability of the DATA Group to identify, acquire and develop suitable acquisition targets in both new and existing markets. While the DATA Group is careful in selecting businesses to acquire, acquisitions involve a number of risks, including the possibility that the DATA Group pays more than the acquired company or assets are worth; the additional expense associated with completing an acquisition and amortizing any acquired intangible assets; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption of the DATA Group's ongoing business and the distraction of management from its day-to-day operations; the inability to incorporate acquired businesses successfully into the DATA Group's operations; and the potential impairment of relationships with the DATA Group's employees, customers and strategic partners. Such risks, if they materialize, could have a material adverse effect on the DATA Group's business, financial condition, liquidity and results of operations.

In addition, the DATA Group may not be able to maintain the levels of operating efficiency that any acquired companies had achieved or might have achieved separately. Successful integration of each of the acquired company's operations would depend upon the DATA Group's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the DATA Group may not be able to achieve the cost savings and other benefits that it would hope to achieve with these acquisitions. Any difficulties in this process could disrupt the DATA Group's ongoing business, distract its management, result in the loss of key personnel or

customers, increase its expenses and otherwise materially adversely affect its business, financial condition, liquidity and results of operations.

In the event of any future acquisitions, the Fund could issue additional units, which would dilute its existing Unitholders' interests, incur debt or assume liabilities. The Fund cannot assure investors that this will not have a material adverse effect on the DATA Group's business, financial condition, liquidity and operating results. Additional indebtedness would make the DATA Group more vulnerable to economic downturns and may limit its ability to withstand competitive pressures. The terms of any additional indebtedness may include restrictive financial and operating covenants, which would limit the DATA Group's ability to compete and expand.

### **Negotiation of Collective Agreement**

Current union agreements are typically three years in duration and are subject to expiration at various times in the future. One collective agreement covering unionized employees in Granby, Québec will expire on April 30, 2006. If the DATA Group is unable to renew this agreement or other union agreements as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances that could have a material adverse effect on the DATA Group's business, financial condition, liquidity and results of operations.

### **An Adverse Change in Labour Relations**

As of December 31, 2005, the Company had approximately 1,224 employees, of whom approximately 12% were members of various local labour unions. If unionized employees were to engage in a concerted strike or other work stoppage, or if other employees were to become unionized, the DATA Group could experience a disruption of operations, higher labour costs or both. A lengthy strike could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

### **Pension Liabilities**

Applicable pension legislation requires that the funded status of the Company's defined benefit registered pension plan be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination).

Where an actuarial valuation reveals a solvency deficit, current regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. The solvency liability is influenced primarily by long-term interest rates and by the investment return on plan assets and also

by certain statutory benefit enhancements that may apply on a plan termination. The interest rate used to calculate benefit obligations for solvency purposes is a prescribed rate derived from the interest rates on long-term Government of Canada bonds. In the current low interest rate environment, the calculation results in a higher present value of the pension obligations, leading to a larger unfunded solvency position.

On the closing of the Acquisition, the Company used a portion of the proceeds of the initial public offering to make a \$5.0 million payment in respect of certain underfunded pension liabilities. Even with such payment and the five year amortization period for solvency funding, the Company will have to make substantial annual cash contributions, and the level of those contributions would increase in the event of poor pension fund investment performance and/or further declines in long-term Government of Canada bond rates.

### **Proprietary Rights May Not be Adequately Protected**

The DATA Group's success and ability to compete depends in part upon its proprietary technology, trademarks and copyrights. The Company regards the software underlying its DDM/INFORMA® system as proprietary, and relies primarily on trade secrets, copyright and trademark law to protect these proprietary rights. The Company has registered some of its trademarks and patents. Existing trade secrets and copyright laws afford only limited protection. Unauthorized parties may attempt to copy aspects of the DATA Group's software or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's software is difficult. The DATA Group generally enters into confidentiality and assignment agreements with the Company's employees and generally controls access to and distribution of the Company's software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's services or technology without authorization, or to develop similar services or technology independently. The DATA Group is not aware that any of its software, trademarks or other proprietary rights infringe the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against the Company in the future. Any such claims, with or without merit, can be time-consuming and expensive to defend and may require the Company to enter into royalty or licensing agreements or cease the alleged infringing activities.

### **Uninsured and Underinsured Losses**

The Company will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a

substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. A substantial loss without adequate insurance coverage could have a material adverse effect on the Company's business, financial condition, liquidity and results of operation.

### **Environment, Health and Safety Requirements**

The Company's operations are subject to a complex and onerous legislative regime, including laws, statutes, regulations, by-laws, the common law guidelines and policies as well as permits and other approvals relating to the protection of the environment and workers' health and safety, governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), the storage, handling, transportation and distribution of dangerous goods and hazardous materials, remediation of releases and the presence of hazardous materials, land use and zoning and employee health and safety (the "Environment, Health and Safety Requirements"). As a result of the DATA Group's operations, it is or may be subject from time to time to orders, fines, penalties, civil claims, administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Any such incident could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

In addition, changes to existing Environment, Health and Safety Requirements or the adoption of new Environment, Health and Safety Requirements in the future, changes to the enforcement of Environment, Health and Safety Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the DATA Group, could require expenditures which might materially affect the business, financial condition, liquidity and results of operations, to the extent not covered by indemnity, insurance or a covenant not to sue.

### **Dependence on Key Personnel**

The success of the Company depends upon the personal efforts of a small group of senior management. Although the Company believes it will be able to replace its key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

### **Credit Facility is Subject to Floating Interest Rates**

The Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Company's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on the Company's financial performance.

## **Risk of Future Legal Proceedings**

The Company is threatened from time to time with, or is named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against the Company, or the imposition of a significant fine or penalty, as a result of a finding that the Company has failed to comply with laws or regulations could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

## **Risks Related to the Structure of The Fund**

### **Dependence of the Fund on the Company**

The cash distributions to the Unitholders are entirely dependent on the ability of the Company to pay its interest obligations under the DATA Note, and dividends or other distributions on its common shares. Distributions to the Unitholders are entirely dependent on the ability of the Fund to pay its operating expenses and to pay distributions. In the conduct of the business of the Company, it pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of the Company to produce positive operating results. The Fund's ability to pay distributions is also subject to the risks encountered by the Company in the operation of its business and the results of operations and financial condition of the Company.

### **Credit Facility and Restrictive Covenants**

The Company has third party debt service obligations under the Credit Facility. The degree to which the Company is leveraged could have important consequences to the holders of the units, including: (i) a portion of the Company's cash flow from operations is dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to the Fund; (ii) certain of the Company's borrowings are at variable rates of interest, which exposes the Company to the risk of increased interest rates. The Company's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness depends on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Credit Facility contains numerous restrictive covenants that limit the Company with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with the obligations in the agreements in respect of the Credit Facility could result in an event of default which, if not cured or

waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay in full that indebtedness.

### **Cash Distributions are Not Guaranteed and Will Fluctuate with the Company's Performance**

Although the Fund intends to distribute the income earned by the Fund less expenses of the Fund and amounts, if any, paid by the Fund in connection with the redemption of units, there can be no assurance regarding the amounts of income to be generated by the Fund or the Company. The actual amount distributed in respect of the units depends upon numerous factors, including profitability, fluctuations in working capital, obligations under applicable credit facilities, the sustainability of margins, capital expenditures and payment of distributions by the Company. The market value of the units may deteriorate if the Fund is unable to meet its distribution targets in the future and that deterioration may be material. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

### **Nature of Units**

Securities such as the units share certain attributes common to both equity securities and debt instruments. The units do not represent a direct investment in the Company and should not be viewed by investors as units in the Company. As holders of units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The units represent a fractional interest in the Fund. The Fund's only assets will be securities of the Company. The price per unit is a function of anticipated distributable cash of the Fund. The units are not "deposits" within the meaning of the Canadian Deposit Insurance Act and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on the business of a trust company.

### **Restrictions on Potential Growth**

The payout by the Company of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of the Company and the related cash flow to the Fund.

### **Structural Subordination of the Units**

In the event of a bankruptcy, liquidation or reorganization of the Company, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the

assets of the Company before any assets are made available for distribution to the Fund. The units will be effectively subordinated to most of the indebtedness and other liabilities of the Company. Except for the restrictions under the Company's credit facility, the Company is not limited in its ability to incur secured or unsecured indebtedness.

### **Unitholder Liability**

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of units. Unitholders have the benefit of the Trust Beneficiaries' Liability Act, 2004 (Ontario), which came into force in December 2004. That statute in effect provides that Unitholders of the Fund are not, as beneficiaries, liable for any act, default, obligation or liability of the Fund or the Trustees, arising after December 16, 2004. The Trust Beneficiaries' Liability Act, 2004 (Ontario) has not yet been considered by any court to date and there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund are conducted to seek to minimize such risk.

### **Distribution of Securities on Redemption or Termination of the Fund**

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Upon a redemption of units or termination of the Fund, Trustees may distribute securities of the Company directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the securities of the Company. In addition, securities and Notes of the Company are not freely tradable and are not currently listed on any stock exchange and no established market is expected to develop in such securities or Notes. See "Description of the Fund — Redemption Right". Securities of the Company so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

### **The Fund May Issue Additional Units Diluting Existing Unitholders' Interests**

The Declaration of Trust authorizes the Fund to issue an unlimited number of units for such consideration and on such terms and conditions as shall be established by Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues.

## Income Tax Matters

Although the Fund and the Company are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Income Tax Act (Canada) (the “Tax Act”) will be reasonable and deductible in accordance with the applicable provisions of the Tax Act and that the allocations of income and losses to be made for purposes of the Tax Act will be reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency (the “CRA”) will agree with the expenses claimed. If the CRA successfully challenges the deductibility of expenses or the allocation of income and losses, the Company’s allocation of taxable income and losses to the Company, and indirectly the Fund and the Unitholders, will increase or change.

There can be no assurance that Canadian federal income tax law or the interpretation thereof, respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax consequences of holding units could change materially and adversely in certain respects.

Further, interest on the Notes accrues at the Fund level for Canadian federal income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be payable each year to Unitholders in order to reduce the Fund’s taxable income to zero. Where in a particular year, the Fund does not have sufficient distributable cash to distribute such an amount to Unitholders, the Declaration of Trust provides that additional units must be distributed to Unitholders in lieu of cash payments. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, notwithstanding that they do not directly receive a cash payment.

On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. Management believes that it is reasonable to expect the business of the Company to produce a cumulative profit over the expected period that the business will be carried on by the Company. In the February 23, 2005 Federal Budget, (the “2005 Budget”) the Minister of Finance indicated that a revised legislative proposal will be released at an early opportunity for public comment.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act (the “September 16 Proposals”), under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships (or any combination thereof) is more than 50% of the aggregate fair market value of all the units issued by the trust, where more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property. If the September 16 Proposals are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of the Trust were held by non-residents and partnerships other than Canadian partnerships (or any combination thereof), the Trust would thereafter cease to be a mutual fund trust. The September 16 Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance indicated that the September 16 Proposals are being further considered.

### **Investment Eligibility and Foreign Property**

There can be no assurance that the units will continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

### **Effect of Market Interest Rates on Price of Units**

One of the factors that may influence the price of the units in public trading markets will be the annual cash-on-cash return from distributions by the Fund on the units as compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the units.

## Consolidated Balance Sheets

(in thousands of dollars)

|  | March 31,<br>2006<br>\$<br>(unaudited) | December 31,<br>2005<br>\$ |
|--|--|----------------------------|
| <b>Assets</b>                            |  |                            |
| <b>Current assets</b>                    |  |                            |
| Cash and cash equivalents                | 7,926                                  | 8,903                      |
| Accounts receivable                      | 26,936                                 | 26,363                     |
| Inventories                              | 22,895                                 | 20,890                     |
| Prepaid expenses                         | 2,404                                  | 2,470                      |
| Income taxes recoverable                 | -                                      | 66                         |
|  | 60,161                                 | 58,692                     |
| Property and equipment                   | 14,599                                 | 14,946                     |
| Goodwill                                 | 87,973                                 | 87,973                     |
| Intangible assets                        | 48,145                                 | 49,797                     |
| Deferred finance fees                    | 525                                    | 601                        |
|  | 211,403                                | 212,009                    |
| <b>Liabilities</b>                       |  |                            |
| <b>Current liabilities</b>               |  |                            |
| Accounts payable and accrued liabilities | 20,222                                 | 20,208                     |
| Distribution payable                     | 1,435                                  | 1,435                      |
|  | 21,657                                 | 21,643                     |
| Revolving bank facility (note 7)         | 40,000                                 | 40,000                     |
| Future income taxes (note 6)             | 15,924                                 | 16,032                     |
| Pension obligation                       | 4,525                                  | 4,735                      |
|  | 82,106                                 | 82,410                     |
| <b>Unitholders' Equity</b>               |  |                            |
| Units                                    | 137,519                                | 137,519                    |
| Accumulated income                       | 13,504                                 | 9,501                      |
| Cumulative distributions (note 9)        | (21,726)                               | (17,421)                   |
|  | 129,297                                | 129,599                    |
|  | 211,403                                | 212,009                    |

### Approved by the Board of Trustees

  
Trustee

  
Trustee

## Consolidated Statements of Income (Loss) and Accumulated Income (Loss)

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

|  | For the three<br>months ended<br>March 31, 2006<br>\$ | For the period from<br>December 21, 2004<br>to March 31, 2005<br>\$ |
|--|---|---|
| <b>Revenue</b>   | 56,164  | 59,888  |
| <b>Cost of revenues</b> (including depreciation of \$703 and \$931, respectively) (note 5)         | 39,582  | 49,641  |
| <b>Gross profit</b>  | 16,582  | 10,247  |
| <b>Expenses</b>  |   |   |
| Selling, commissions and expenses  | 6,266   | 6,499   |
| General and administration (including depreciation of \$70 and \$85, respectively)                 | 4,226   | 4,371   |
| Amortization of intangible assets  | 1,652   | 1,847   |
|  | 12,144  | 12,717  |
| <b>Income (loss) before interest and income taxes</b>  | 4,438   | (2,470)   |
| <b>Interest expense on long-term debt</b> (net of interest income of \$107 and \$36, respectively) | 543   | 558   |
| <b>Income (loss) before income taxes</b>   | 3,895   | (3,028)   |
| <b>Recovery of future income taxes</b> (note 6)  | (108)   | (2,234)   |
| <b>Net Income (loss) for the period</b>  | 4,003   | (794)   |
| <b>Accumulated income – beginning of period</b>  | 9,501   | -   |
| <b>Accumulated income (loss) – end of period</b>   | 13,504  | (794)   |
| <b>Basic income per unit</b>   | 0.27  | (0.05)  |
| <b>Weighted average number of units</b>  | 14,861,333  | 14,474,938  |

## Consolidated Statement of Cash Flows

(in thousands of dollars, unaudited)

| Cash provided by (used in)  | For the three<br>months ended<br>March 31, 2006<br>\$ | For the period<br>from<br>December 21,<br>2004 to<br>March 31, 2005<br>\$ |
|---|---|---|
| <b>Operating activities</b>   |   |   |
| Net income for the period   | 4,003   | (794)   |
| Items not involving cash  |   |   |
| Depreciation of property and equipment                                    | 773   | 1,016   |
| Amortization of intangible assets   | 1,652   | 1,847   |
| Pension expense (note 8)  | 344   | 359   |
| Contributions made to pension plans                                       | (554)   | (5,678)   |
| Amortization of deferred financing fees                                   | 76  | 85  |
| Gain on disposal of property and equipment                                | (4)   | (1)   |
| Future income taxes   | (108)   | (2,234)   |
|   | <u>6,182</u>  | <u>(5,400)</u>  |
| Changes in non-cash items relating to operating activities (note 10)      | <u>(2,058)</u>  | <u>8,106</u>  |
|   | <u>4,124</u>  | <u>2,706</u>  |
| <b>Investing activities</b>   |   |   |
| Purchase of property and equipment  | (426)   | (271)   |
| Proceeds on disposal of property and equipment                            | 4   | 3   |
| Acquisition of business - net of cash acquired of \$323 (note 4)          | <u>(374)</u>  | <u>(114,807)</u>  |
|   | <u>(796)</u>  | <u>(115,075)</u>  |
| <b>Financing activities</b>   |   |   |
| Repayment of acquired Data Business Forms' long-term debt                 | -   | (53,913)  |
| Proceeds from long-term debt  | -   | 40,000  |
| Payment of bank financing fees  | -   | (915)   |
| Distributions to Unitholders  | (4,305)   | (3,281)   |
| Issuance of units - net of expenses (note 4)                              | <u>-</u>  | <u>137,519</u>  |
|   | <u>(4,305)</u>  | <u>119,410</u>  |
| <b>(Decrease) increase in cash and cash equivalents during the period</b> | <b>(977)</b>  | <b>7,041</b>  |
| <b>Cash and cash equivalents - beginning of period</b>                    | <b>8,903</b>  | <b>-</b>  |
| <b>Cash and cash equivalents - end of period</b>                          | <b>7,926</b>  | <b>7,041</b>  |
| <b>Supplemental cash flow information</b>                                 |   |   |
| Interest paid   | 627   | 566   |
| <b>Non-cash investing and financing activities</b>                        |   |   |
| Acquisition of certain assets and settlement for non-cash consideration   | -   | 14,388  |

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2006 & 2005**  
(in thousands of dollars, except per unit amounts, unaudited)

## 1 The Fund

The Data Group Income Fund (the “Fund”) is a trust established under the Laws of the province of Ontario pursuant to a Declaration of Trust dated November 15, 2004. The Fund was created to invest in common shares and \$117,140 of 14% unsecured subordinated notes of Data Business Forms Limited (the “company” or “Data Business Forms”). The Fund commenced operations on December 21, 2004.

Data Business Forms offers a wide variety of print and electronic products and related services, which include traditional business forms, labels, direct mail products, security documents, commercial print, and facility and print management. The company operates in the following business segments:

- a. Data East and West - sells a broad range of printed products and document management services directly to customers in the Canadian market;
- b. Sundog - commercial printing division and total document management and event ticket production; and
- c. Multiple Pakfold - sells forms and labels to independent brokers/resellers in the Canadian market

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the 2005 audited consolidated financial statements and notes thereto.

## 2 Basis of presentation and summary of significant accounting policies

Pursuant to an order of Canadian securities regulatory authorities, the Fund is required to include in its consolidated results of operations for the period ended March 31, 2005, its consolidated results of operations for the period from December 21, 2004 to December 31, 2004. Accordingly, the comparative figures are for the period from December 21, 2004 to March 31, 2005.

The Fund prepares its financial statements in accordance with Canadian generally accepted accounting principles. The accounting policies used in preparing these interim consolidated financial statements are consistent with those followed in the annual 2005 audited consolidated financial statements.

## 3 New accounting policies

### **Accounting By a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor’s Products)**

In September 2005, the CICA issued EIC-156 regarding “Accounting By a Vendor For Consideration Given to a Customer (Including a Reseller of the Vendor’s Products)”. This abstract applies to fiscal

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**The Periods Ended March 31, 2006 & 2005**

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years beginning on or after January 1, 2006 and is to be adopted retroactively. The abstract addresses if a vendor provides a customer a sales incentive or other consideration whether that consideration is an adjustment to the selling prices of the vendor's products and therefore a reduction of revenue or a cost incurred by the vendor and therefore classified as cost or expense. The adoption of this abstract did not have an impact on the consolidated financial statements of the Fund.

**4 Acquisition of business**

On December 14, 2004, the Fund filed a final prospectus for the sale of 13,327,377 units at the price of \$10.00 per unit, for aggregate gross proceeds of \$133,274. The cost related to the issuance of the units was \$10,203, resulting in net proceeds of \$123,071. The Fund also issued 47,823 units to certain executives for proceeds of \$478. On December 21, 2004, in conjunction with the closing of the public offering, the Fund acquired all of the outstanding shares of Data Business Forms. Concurrent with the acquisition, Data Business Forms reorganized, which included the statutory amalgamation with a subsidiary of the Fund. The amalgamated company continued as Data Business Forms Limited.

The acquisition has been accounted for by the purchase method and results of operations have been included in the statement of income from the date of acquisition. The purchase price allocation is as follows:

|  | \$             |
|--|----------------|
| Cash and cash equivalents                | 323            |
| Accounts receivable                      | 24,809         |
| Inventories                              | 29,398         |
| Prepaid expenses and other assets        | 2,000          |
| Income taxes recoverable                 | 671            |
| Property and equipment                   | 16,119         |
| Due from parent                          | 14,388         |
| Goodwill                                 | 87,973         |
| Intangible assets                        | 56,600         |
| Accounts payable and accrued liabilities | (18,975)       |
| Pension obligation                       | (10,724)       |
| Long-term debt                           | (53,913)       |
| Future income tax liabilities - net      | (18,777)       |
|  | <u>129,892</u> |
| Consideration                            |                |
| Cash                                     | 101,160        |
| Convertible note (over-allotment note)   | 13,970         |
| Note payable                             | 14,388         |
| Accrued consideration payable            | 374            |
|  | <u>129,892</u> |

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The Fund paid the accrued consideration payable of \$374 during the three months ended March 31, 2006.

Immediately following the acquisition, the note payable of \$14,388 was settled by offsetting this note with the amount due from parent of \$14,388. On January 17, 2005, the Fund repaid the \$13,970 convertible note with proceeds from the issuance of an additional 1,486,133 units.

## 5 Cost of revenues

For the period ended March 31, 2005, the Fund incurred a \$6,668 charge as a result of increasing the value of inventory to estimated fair market value at the date of acquisition.

## 6 Income taxes

The difference between the income tax recovery and the expected provision (recovery) obtained by applying the statutory rate of 34% is as follows:

|  | <b>For the three<br/>months ended<br/>March 31, 2006<br/>\$</b> | <b>For the period from<br/>December 21, 2004<br/>to March 31, 2005<br/>\$</b> |
|--|---|---|
| Expected income tax provision (recovery)<br>at 34% | 1,320   | (1,030)   |
| Trust income not taxable                           | (1,371)   | (1,388)   |
| Non-deductible expenses and other items            | (57)  | 184   |
|  | <u>(108)</u>  | <u>(2,234)</u>  |

The composition of the future income tax liabilities:

|   | <b>March 31,<br/>2006<br/>\$</b> | <b>December 31,<br/>2005<br/>\$</b> |
|---|----------------------------------|-------------------------------------|
| Property and equipment                    | 1,308                            | 1,347                               |
| Intangible assets                         | 16,260                           | 16,819                              |
| Pension obligation                        | (1,291)                          | (1,605)                             |
| Deferred finance fees                     | (581)                            | (615)                               |
| Benefit of income tax loss carry-forwards | (33)                             | (337)                               |
| Other                                     | 261                              | 423                                 |
|   | <u>15,924</u>                    | <u>16,032</u>                       |

Notes to Consolidated Financial Statements  
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**7 Revolving bank facility**

|  | <b>March 31,<br/>2006</b> | <b>December 31,<br/>2005</b> |
|--|---------------------------|------------------------------|
|  | <b>\$</b>                 | <b>\$</b>                    |
| 5.27% banker's acceptances, maturing March 21, 2006    | -                         | 30,000                       |
| 5.09% banker's acceptances, maturing February 13, 2006 | -                         | 5,000                        |
| 5.26% banker's acceptances, maturing March 20, 2006    | -                         | 2,500                        |
| 5.09% banker's acceptances, maturing January 23, 2006  | -                         | 2,500                        |
| 5.68% banker's acceptances, maturing June 21, 2006     | 30,000                    | -                            |
| 5.52% banker's acceptances, maturing May 16, 2006      | 5,000                     | -                            |
| 5.68% banker's acceptances, maturing June 20, 2006     | 2,500                     | -                            |
| 5.42% banker's acceptances, maturing April 24, 2006    | 2,500                     | -                            |
| Revolving bank facility                                | <u>40,000</u>             | <u>40,000</u>                |

The company has entered into interest-rate swap contracts with its lenders, such that the borrowing rates on \$30.0 million or 75.0% of its outstanding indebtedness is effectively fixed at an interest rate of 5.66% until December 21, 2007.

**8 Pension expense**

The Fund's pension expense related to the defined benefit and defined contribution plans are as follows:

|                           | <b>For the three<br/>months ended<br/>March 31, 2006</b> | <b>For the period from<br/>December 21, 2004<br/>to March 31, 2005</b> |
|---------------------------|--|--|
|                           | <b>\$</b>  | <b>\$</b>  |
| Defined benefit plan      | 344  | 359  |
| Defined contribution plan | 112  | 149  |

Notes to Consolidated Financial Statements  
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## 9 Cumulative distributions

The Fund makes regular monthly distributions to Unitholders of record as of the last business day of each month. Distributions to Unitholders are calculated and recorded when declared. Distributions by the Fund for the three months ended March 31, 2006 are as follows:

| Period        | Record date       | Payment date                            | Per unit<br>\$ | Amount<br>\$ |
|---------------|-------------------|---|----------------|--------------|
| January 2006  | January 31, 2006  | February 15, 2006                       | 0.097          | 1,435        |
| February 2006 | February 28, 2006 | March 15, 2006                          | 0.097          | 1,435        |
| March 2006    | March 31, 2006    | April 13, 2006                          | 0.097          | 1,435        |
|               |                   |   |                | 4,305        |
|               |                   | During the year ended December 31, 2005 |                | 17,421       |
|               |                   | Cumulative distributions                |                | 21,726       |

## 10 Changes in non-cash items relating to operating activities

|  | For the three<br>months ended<br>March 31, 2006<br>\$ | For the period from<br>December 21, 2004<br>to March 31, 2005<br>\$ |
|--|---|---|
| Accounts receivable                      | (573)   | (424)   |
| Inventories (note 5)                     | (2,005)   | 7,212   |
| Prepaid expenses                         | 66  | 456   |
| Income taxes recoverable                 | 66  | 356   |
| Accounts payable and accrued liabilities | 388   | 506   |
|  | (2,058)   | 8,106   |

## 11 Segmented information

The company has three reportable segments organized on the basis of geography, channels and specialties as follows: Data East and West; Sundog; and Multiple Pakfold. These segments follow the same accounting policies as described in the summary of significant accounting policies, and all intersegment revenues are recorded at the exchange amount. Management evaluates the performance of each segment based on earnings before interest and taxes (EBIT). Corporate expenses, interest expense and income taxes are not taken into account in the evaluation of the performance of the business segments. All significant external sales are to customers located in Canada.

Notes to Consolidated Financial Statements  
**The Periods Ended March 31, 2006 & 2005**  
(in thousands of dollars, except per unit amounts, unaudited)

**For the three months ended March 31, 2006**

|  | <b>Data East<br/>and West<br/>\$</b> | <b>Sundog<br/>\$</b> | <b>Multiple<br/>Pakfold<br/>\$</b> | <b>Intersegment<br/>\$</b> | <b>Total<br/>\$</b> |
|--|--------------------------------------|----------------------|------------------------------------|----------------------------|---------------------|
| Revenue                                  | 43,655                               | 7,460                | 6,202                              | (1,153)                    | 56,164              |
| Gross profit                             | 12,737                               | 2,709                | 1,136                              | -                          | 16,582              |
| Earnings before under noted items        | 5,156                                | 1,398                | 313                                |                            | 6,867               |
| Unallocated corporate and Fund expenses  |                                      |                      |                                    |                            | 2,429               |
| Income before interest and income taxes  |                                      |                      |                                    |                            | 4,438               |
| Interest expense on long-term debt - net |                                      |                      |                                    |                            | 543                 |
| Recovery of future income taxes          |                                      |                      |                                    |                            | (108)               |
| Earnings for the period                  |                                      |                      |                                    |                            | 4,003               |

**Period from December 21, 2004 to March 31, 2005**

|  | <b>Data East<br/>and West<br/>\$</b> | <b>Sundog<br/>\$</b> | <b>Multiple<br/>Pakfold<br/>\$</b> | <b>Intersegment<br/>\$</b> | <b>Total<br/>\$</b> |
|--|--------------------------------------|----------------------|------------------------------------|----------------------------|---------------------|
| Revenue                                  | 45,720                               | 7,876                | 7,229                              | (937)                      | 59,888              |
| Gross profit                             | 6,671                                | 2,499                | 1,077                              | -                          | 10,247              |
| Earnings before under noted items        | (1,229)                              | 1,089                | 142                                | -                          | 2                   |
| Unallocated corporate and Fund expenses  |                                      |                      |                                    |                            | 2,472               |
| Income before interest and income taxes  |                                      |                      |                                    |                            | (2,470)             |
| Interest expense on long-term debt - net |                                      |                      |                                    |                            | 558                 |
| Recovery of future income taxes          |                                      |                      |                                    |                            | (2,234)             |
| Earnings for the period                  |                                      |                      |                                    |                            | (794)               |

**12 Comparative figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

## Directors, Trustees and Officers

### **Derek Ridout** <sup>(2) (3)</sup>

Chairman, Director and Trustee

### **Ron Fotheringham** <sup>(1) (2) (3)</sup>

Director and Trustee

### **John H. Greenhough** <sup>(1)</sup>

Director and Trustee

### **Thomas R. Spencer** <sup>(1) (2) (3)</sup>

Director and Trustee

### **David M. Odell**

Director, Trustee and Officer  
President and Chief Executive Officer

### **Paul O'Shea**

Officer  
Chief Financial Officer and  
Corporate Secretary

## Executive Team

### **David M. Odell**

President and Chief Executive Officer

### **Paul O'Shea**

Chief Financial Officer

### **Elaine Deramo**

Vice President, Human Resources

### **Steve Galarneau**

President,  
The DATA Group of Companies  
Western Canada

### **Rick Barron**

Vice President, Sales  
DATA West

### **Ross Van Patter**

Vice President and General Manager  
Sundog

### **Brad Hains**

Vice President, Sales and Marketing  
Ontario Region

### **Diane Schwind**

Vice President, Operations  
DATA East

### **Tom Cochrane**

Vice President and General Manager  
Multiple Pakfold

## Corporate Information

### **Auditors**

PricewaterhouseCoopers LLP

### **Transfer Agent**

Computershare Investor Services Inc.

### **Corporate Counsel**

McCarthy Tétrault LLP

### **Corporate Office**

9195 Torbram Road  
Brampton, Ontario  
L6S 6H2

Telephone: 905-791-3151

Facsimile: 905-791-1713

Website: [www.datagroupincomefund.com](http://www.datagroupincomefund.com)

### **Toronto Stock Exchange Symbol**

DGI.UN

(1) Member, Audit Committee (Chairperson is Thomas R. Spencer)

(2) Member, Compensation Committee (Chairperson is Ron Fotheringham)

(3) Member, Corporate Governance Committee (Chairperson is Derek Ridout)



The DATA Group Income Fund  
9195 Torbram Road  
Brampton, ON  
L6S 6H2

[www.datagroupincomefund.com](http://www.datagroupincomefund.com)