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# Adding value

THE DATA GROUP INCOME FUND  
ANNUAL REPORT 2006

## **CORPORATE PROFILE**

The Data Group is one of Canada's leading suppliers of total document management solutions, serving more than 11,800 customers from strategically located operations across the country.

We have a lengthy history of successful and profitable operations, dating back more than a century.

The long-term relationships we have established with our customers are founded on providing them with excellent service and helping them achieve significant savings on the large and complex task of producing, storing and distributing a wide range of documents and related materials.

The Data Group units and convertible debentures are traded on the TSX under the symbols DGI.UN and DGI.DB, respectively.

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## FINANCIAL HIGHLIGHTS

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- A major strategic acquisition provides strength and flexibility for future developments
- Corporate restructuring completed as planned to maximize distributable cash
- Distributable cash increased by 18% in 2006
- EBITDA increased by more than 29% during the same period

(IN THOUSANDS OF DOLLARS)	DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 31, 2004 TO DECEMBER 31, 2005 \$
Revenue	286.7	220.7
Adjusted EBITDA	33.1	25.7
Net Income	27.9	9.5
Distributable Cash	24.5	20.7
Cash Distributions	21.4	17.4

A man with light brown, wavy hair, wearing a dark grey suit, a light blue shirt, and a patterned tie, stands in a large industrial factory. He is smiling and has his hands in his pockets. The background shows a complex network of metal beams, pipes, and industrial equipment, including a large red cart in the foreground. The lighting is bright and even.

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**“ 2006 WAS A YEAR OF SIGNIFICANT ACHIEVEMENT FOR THE DATA GROUP – A YEAR WHEN WE CONTINUED TO FULFILL OUR COMMITMENTS TO UNITHOLDERS. AS PROMISED, WE COMPLETED A MAJOR ACQUISITION AND REORGANIZED TO MAXIMIZE DISTRIBUTABLE CASH.”**

– DAVID ODELL

## LETTER TO UNITHOLDERS

2006 was a year of significant achievement for the Data Group – a year when we continued to fulfill our commitments to unitholders. As promised, we completed a major acquisition and restructured the Fund to maximize distributable cash.

The acquisition during the third quarter of Relizon Canada – previously our largest and best competitor – added substantial value to the combined organization and provides us with significant opportunities for achieving meaningful synergies. It was a major step forward in meeting our objective of maintaining and increasing the cash available for distribution to unitholders.

We also restructured the Fund to carry on, in a limited partnership, the business previously operated by a wholly-owned subsidiary corporation. The purpose of this change was two-fold. First, it established a “flow-through” entity that will enable us to maximize cash available for distribution. It also provides greater flexibility in our legal and operating structure – a structure that is now more in keeping with the customary income trust model.

The proposed changes to federal legislation regarding income trusts announced on October 31, 2006, had an immediate impact on valuations throughout the sector – including the Data Group units. We view the proposed changes as a disappointing development in what was otherwise such a promising year.

At this stage, it’s still much too early to say what our ultimate response to legislative changes may be. We will continue to monitor developments very carefully and keep the best interests of unitholders clearly in mind as we review future courses of action.

However, the federal announcement cannot, and should not, obscure the fact that 2006 was an outstanding year for the Data Group, based strictly on the execution of elements of our business strategy that are within our control.

The successful completion of the Relizon Canada acquisition has substantially increased our size, our customer base and our financial strength. As a result, we are a much stronger organization than we were just a year ago, with much greater flexibility and capability to capitalize on whatever the future may bring.

In the past, we have demonstrated that we can execute against the commitments we have made to unitholders. We are committed to delivering on the synergies identified by management in connection with the Relizon Canada acquisition.

In closing, we want to thank unitholders for their continuing faith in us. We are also most thankful for the ongoing support of our customers and the pride and dedication of our employees.

(signed) David Odell

President and Chief Executive Officer



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# Strategic growth

THE 2006 ACQUISITION OF RELIZON CANADA INCREASED THE DATA GROUP'S CUSTOMER BASE TO MORE THAN 11,800 CLIENTS AND ADDED MAJOR NEW FACILITIES AT STRATEGIC LOCATIONS ACROSS CANADA, INCLUDING THIS STATE-OF-THE-ART PLANT IN DRUMMONDVILLE, QUEBEC.

The acquisition of Relizon Canada on August 31, 2006, represents a major step forward for the Data Group. Relizon Canada had for many years been our strongest and most respected competitor – a company built on a solid base of more than a century of successful operation in Canada.

The combination of the two organizations is expected to yield synergies of approximately \$7 million, which we expect to fully realize by the third quarter of 2008. Savings and efficiencies have been identified in areas such as:

- improved utilization of plant and equipment
- streamlined procurement practices
- reduced requirements for maintenance capital expenditures
- reduced sales and marketing expenses

The combination of the Data Group and Relizon Canada creates a new organization much greater than the sum of its parts. While both companies operated in the same general business segments, each had significant regional strengths and specialty product capabilities that are highly complementary and can be better leveraged as a combined business.

As well, a greater diversity of product lines and clients reduces our reliance on any one customer or product.

We believe that those factors have, in turn, increased the stability of our cash flow and our ability to maintain and increase distributions to unitholders.



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# Customers

WORKING INTO THE NIGHT WHEN REQUIRED IS JUST ONE ASPECT OF THE DATA GROUP'S COMMITMENT TO CUSTOMERS. BY OFFERING LOWER COSTS AND BETTER SERVICE, WE HAVE ESTABLISHED LONG-TERM RELATIONSHIPS WITH SOME OF CANADA'S LARGEST AND MOST SOPHISTICATED COMPANIES AND OTHER ORGANIZATIONS.



With the completion of the Relizon Canada acquisition, the Data Group has more than 11,800 customers, including some of Canada's largest and best-known organizations. Our customer base includes most of the major banks, several multinational oil companies, a number of large retailers, large health-care providers and senior governments.

Despite the size and stability of these organizations, no one customer represented more than six percent of our total revenues in 2006.

Most of our 25 largest customers have been with us for more than 10 years. And we're proud to say that we have never lost a major contract.

What's our secret of success? First we meet or exceed specific service-level deliverables. This is summed up in our motto: "We do what we say we will do."

Second, we achieve specific targets for reducing our customers' costs of producing, storing and distributing documents. And we achieve those savings while improving service to their own customers – both internal and external.

Freed from the cost and complexity of managing documents, our customers can focus their attention and capital expenditures where they belong – on their core business activities.

Lower costs, better service – it's a win-win situation that makes for sound, lasting relationships.



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# Total document solutions

THE DATA GROUP'S PROPRIETARY OUTSOURCING SOLUTIONS CAN GREATLY REDUCE THE COSTS OF WAREHOUSING, DISTRIBUTION, FINANCING AND MANAGING INVENTORY, PURCHASING EQUIPMENT AND HIRING SPECIALIZED STAFF, WHICH CAN REPRESENT UP TO 90 PER CENT OF AN ORGANIZATION'S TOTAL DOCUMENT COSTS.



Why have total document solutions been embraced by some of Canada's largest and most sophisticated organizations? And why has the Data Group become one of the leading organizations in Canada for providing those solutions?

It's estimated that actual printing costs represent only about 10 percent of a company's total expenses associated with a document. Other costs – such as design, warehousing, distribution, financing inventory, managing inventory, purchasing equipment and hiring specialized staff – make up the lion's share of the total costs.

The Data Group's proprietary outsourcing solutions can reduce those total costs considerably by applying a strategic, three-part process that forms a crucial part of our competitive advantage:

**ORGANIZE** – put all of the pertinent information about the documents the client uses in our proprietary software system.

**MANAGE** – identify opportunities to combine, eliminate and redesign to reduce costs. Analyze such issues as rate of usage and risk of obsolescence to determine reorder quantities and reduce the total costs of ownership.

**MIGRATE** – migrate the production of these documents to exactly the right equipment from our wide range of production facilities – the right technology for the right application.

We then take over the warehousing and inventory management of documents, thereby reducing our customers' working-capital requirements.

Proprietary systems supporting total document solutions that work for customers – all key ingredients in the Data Group's formula for long-term success.



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# Value-added products

HIGHER-VALUE PRODUCTS, SUCH AS THESE LOTTERY TICKETS PRODUCED AT OUR NEW PLANT IN EDMONTON, ALBERTA, DIVERSIFY OUR PRODUCT AND SERVICE OFFERING, THUS CREATING A MORE STABLE REVENUE BASE. OTHER RECENT EXAMPLES OF NEW PRODUCTS INCLUDE EVENT TICKETS, PERSONALIZED DIRECT MAIL AND GIFT CARDS.



The Data Group is continually searching for higher-value products and services to add to our revenue base.

Recent examples of new products include event tickets, personalized direct mail and gift cards.

By diversifying our product and service offering, we create multiple income streams that add to the stability of our total revenues.

New products and services build on our core competencies, enabling us to gain leverage from the skills of our people and the capabilities of our organization.

One example is event tickets, which we now produce, manage and deliver for major-league sports teams, as well as for a leading stock-car association. Since event tickets are just like currency, we apply the same measures to their production as we use with long-standing product lines such as bank drafts and money orders.

This enables us to lever our existing capabilities in fraud prevention, in-house security and absolute accuracy in the development of new revenue channels.

Constant change in the retail and corporate landscape – combined with the relentless pace of technological development – mean that opportunities for new value-added products are just around the corner. And we'll be looking to secure them.

A woman with dark hair in a ponytail, wearing a pink and white striped turtleneck sweater, stands in a print shop. She is holding a stack of papers and looking towards the left. The shop is filled with large white copiers and printers. In the foreground, there are stacks of printed materials, including a stack of purple and white brochures and a stack of orange and white brochures. The lighting is bright and even.

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# Employee development

MEETING AND EXCEEDING CUSTOMER EXPECTATIONS IN A FAST-PACED BUSINESS WHERE ATTENTION TO DETAIL IS CRITICAL REQUIRES SKILLED AND DEDICATED EMPLOYEES. THAT'S WHY WE EMPHASIZE EMPLOYEE DEVELOPMENT AND PROMOTION FROM WITHIN.



In a company like the Data Group that is committed to excellent customer service, we recognize that employee skill and commitment are critical to delivering superior results.

That's why we place a strong emphasis on employee development and promotion from within.

To meet and exceed customer expectations in a fast-paced business where attention to detail is critical, we encourage initiative and decision-making at all levels of the organization.

The Data Group has a significant proportion of long-service employees, including our highly professional sales organization.

Many of our people spend their entire careers with our organization. And we recognize their contributions in numerous ways, including our ROCC (Recognition of Commitment and Contribution Program).

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# Unitholders

The Data Group has a sound business model with the proven ability to operate profitably in a wide range of business conditions and over many business cycles.

There are several important reasons for our long-term success:

- a substantial base of high-quality customers, allied with us in long-term relationships based on excellent service and substantial savings for the customer
- a leading or major share in all our markets
- a diversity of product lines that provide stable cash flows
- reasonable capital expenditure requirements
- the ongoing potential for developing new value-added products and services
- and a skilled workforce of experienced and committed employees

These strengths – bolstered by our recent acquisition of Relizon Canada – provide the Data Group with substantial flexibility to capitalize on future opportunities and to continue adding value for unitholders.

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

The DATA Group Income Fund (the "Fund") owns directly and indirectly all of the outstanding partnership units of The Data Group Limited Partnership (the "Data Group") and all the outstanding shares of the Data Group's general partner, Data Business Forms Limited. The Data Group is a leading provider of total document management solutions, including printed products, and operates as three divisions. DATA East and West (which provided approximately 83% of total revenue in calendar year 2006) sell a broad range of printed products and document management services directly to end users. Sundog (which provided approximately 9% of total revenue in calendar year 2006) is a commercial printer specializing in the production of high-quality annual reports, marketing materials and event tickets. Multiple Pakfold (which provided approximately 8% of total revenue in calendar year 2006) 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 March 7, 2007. Additional information relating to the Fund, including the Fund's most recently filed Annual Information Form and Management Proxy Circular, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### 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, objectives or achievements of the Fund, Data Business Forms Limited ("DBFL") and/or its successor, the Data Group, or industry results to be materially different from any future results, performance, objectives 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 Data Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The principal assumptions that the Fund made in the preparation of these forward-looking statements include the ability of management to achieve approximately \$7.0 million per annum in pre-tax operating and other synergies and cost savings, and other benefits expected to be realized, and the timing and net present value thereof, based on the achievement of operational efficiencies from restructuring, integration and other initiatives relating to the combination of the respective businesses previously carried on by DBFL and Relizon Canada Inc. ("Relizon Canada"); the accuracy of estimated synergies in respect of expected cash flows, cost savings and profitability from the combination of the DBFL and Relizon Canada businesses; the risk that the DBFL and Relizon Canada businesses will not be integrated successfully; the risk that any savings, growth prospects or other synergies from the combination of those businesses will not be fully realized or will take longer to realize than expected; competition from competitors supplying similar products and services; the Data Group'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 Data Group; the Data Group's ability to maintain relationships with its customers; and the implementation of proposed changes to the income tax treatment of certain income trusts, such as the Fund, announced on October 31, 2006, which will, if implemented, subject the Fund to tax commencing in 2011 (the "2006 Proposed Tax Changes"), and the effect of that announcement on the trading price of the Fund's units. Additional factors are discussed under the heading "Risks and Uncertainties" in this MD&A and in the Fund's other publicly available disclosure documents, as filed by the Fund on SEDAR ([www.sedar.com](http://www.sedar.com)). 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, in addition to net income, EBITDA is a useful supplemental measure in evaluating the performance of the Data Group and/or the Fund, as it provides investors with an indication of cash available for distribution (or distributable cash) prior to debt service, capital expenditures and income taxes. Cash available for distribution (or distributable cash) means Adjusted EBITDA increased by, or reduced for, partnership conversion costs, gain (loss) on sale of fixed assets, cash interest expense, maintenance capital expenditures, pension contributions in excess of expense and cash income taxes. 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 any standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution are unlikely to be comparable to similar 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 Data Group'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 cash provided by (used in) operating activities to Adjusted EBITDA to cash available for distribution, see Table 3 below. If the calculation of cash available for distribution for the period from January 1, 2006 to December 31, 2006 had included special pension contributions of \$4.0 million to the defined benefit pension plan of the former Relizon Canada, the Fund's cash available for distribution for that period would have decreased by \$4.0 million or \$0.170 per unit. If the calculation of cash available for distribution for the period from December 21, 2004 to December 31, 2005 had included pension contributions funded from the Fund's initial public offering in December 2004, the Fund's cash available for distribution for that period would have decreased by approximately \$5.0 million or \$0.336 per unit. These special contributions were excluded because they were contemplated at the time of the respective acquisitions and were not funded out of operating cash flows.

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## RECENT DEVELOPMENTS

### RELIZON CANADA ACQUISITION

On August 31, 2006, the Fund acquired from The Relizon Company (the "Relizon Canada Acquisition") all of the shares of Relizon Canada for a purchase price (the "Purchase Price") of \$141.0 million, subject to a working capital adjustment. The Purchase Price consisted of a cash payment of \$112.0 million and 2,964,326 trust units of the Fund. The Purchase Price was adjusted down by \$1.0 million based on the closing calculation of the working capital of Relizon Canada. Immediately following the Relizon Canada Acquisition, Relizon Canada and Data Business Forms Limited (a predecessor to the Data Group) were amalgamated and continued as "Data Business Forms Limited" prior to the reorganization of the Fund on September 30, 2006. See – "Reorganization" below.

At the time of the Relizon Canada Acquisition, Relizon Canada was a provider of document outsourcing solutions in Canada, helping organizations improve the efficiency and effectiveness of their printed and electronic communications, both internally with employees, and externally with customers, vendors and prospects. At the time of the Relizon Canada Acquisition, Relizon Canada had approximately 1,000 employees and operated five manufacturing facilities, four business service centres, one warehouse and distribution centre and 27 sales offices across Canada.

The Relizon Canada Acquisition was consistent with the Fund's acquisition strategy to identify consolidation opportunities within its existing core business segments and acquire strong companies with complementary strengths and significant opportunities to achieve meaningful synergies. Corporate synergies are expected to consist primarily of cost savings relating to reduction of overhead and support services. This strategy is intended to assist the Fund in achieving its objective of generating stable and growing cash available for distribution. Paralleling the success of Data Business Forms Limited, the Relizon Canada business had also maintained long-term relationships with the majority of its largest customers for more than 10 years. Management believes that this evidences the commitment of both businesses to meeting and exceeding the expectations of clients and demonstrates the alignment between each business' fundamental approach to their markets, operating styles and values. At the time of the Relizon Canada Acquisition, both the Relizon Canada business and the DBFL business operated primarily within the same market segments.

However, each business enjoys both regional strengths and specialty product capabilities which complement the other and can be better leveraged as a combined business. In addition, further diversification of products and customer base is expected to mitigate the risk associated with a shift in demand from any one customer or industry, or with potential market shifts in demand for any one product or service. Management believes that the Relizon Canada Acquisition creates significant opportunities to achieve meaningful cost synergies and has identified the potential to realize annual pre-tax operating and corporate synergies of approximately \$7.0 million. These savings are expected to be fully realized by approximately the third quarter of 2008. Operating synergies are expected to consist primarily of cost savings related to cost improvements from more efficient operations as a result of facilities integration and improved asset utilization, streamlined procurement practices and economies of scale; reduced maintenance capital expenditure requirements; and reduced sales and marketing expenses. On March 1, 2007, the Fund announced a restructuring plan in connection with the integration of the DBFL and Relizon Canada businesses, which includes a reduction in the acquired business and Data Group's workforce, the relocation of certain employees to other Data Group facilities and the closure of four plants. See "Outlook". As at December 31, 2006, management had accrued \$10.4 million of restructuring costs estimated to be incurred in restructuring Relizon's business. However, the amount of these restructuring costs is subject to modification as management completes a detailed assessment of the assets acquired and liabilities assumed pursuant to the Relizon Canada Acquisition and changes may be made as more information becomes available.

The cash portion of the Purchase Price was funded with a combination of funds raised pursuant to a public offering of securities of the Fund, additional borrowings under the Company's credit facilities, and cash on hand. In connection with the Relizon Canada Acquisition, the Fund issued to the public (the "Offering") 5,650,000 subscription receipts at a price of \$9.50 per subscription receipt (the "Subscription Receipts"), each representing the right to receive one unit of the Fund (a "Unit") for no additional consideration upon completion of the Relizon Canada Acquisition, for gross proceeds of approximately \$53.7 million, and \$35.0 million aggregate principal amount of 6.75% extendible convertible unsecured subordinated debentures (the "Convertible Debentures"). Following the closing of the Relizon Canada Acquisition, the Fund issued 5,650,000 Units upon the exchange of the Subscription Receipts. The net proceeds of the Offering were approximately \$84.6 million and were used to fund \$82.0 million of the cash portion of the Purchase Price. The remainder of the cash portion of the Purchase Price was funded through existing cash balances and committed credit facilities provided by two Canadian chartered banks.

The Convertible Debentures mature on December 31, 2011. The Convertible Debentures are convertible at the holder's option into Units at any time prior to the maturity of the Convertible Debentures (including any redemption of the Convertible Debentures) at a conversion price of \$11.25 per Unit, subject to adjustment in certain events. The Convertible Debentures may not be redeemed by the Fund prior to December 31, 2009. Between December 31, 2009 and December 31, 2010, the Convertible Debentures may be redeemed by the Fund at its option, in whole or in part, at a price equal to the principal amount of the Convertible Debentures so redeemed plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after December 31, 2010 and prior to the maturity date of the Convertible Debentures, the Convertible Debentures may be redeemed by the Fund at its option, in whole or in part, at a price equal to the principal amount of the Convertible Debentures so redeemed plus accrued and unpaid interest. Subject to any required regulatory approval and provided no event of default has occurred and is continuing, the Fund may, at its option, elect to satisfy its obligations to repay, in whole or in part, the principal amount of, and any premium on, the Convertible Debentures which are to be redeemed or which have matured by delivering Units to holders of Convertible Debentures. Any accrued and unpaid interest will be paid in cash. In such event, payment will be satisfied by delivering for each \$100 due, that number of Units obtained by dividing \$100 by 95% of the volume weighted average trading price of the Units on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or maturity. In certain circumstances, the Fund may also elect to satisfy all or part of its interest payment obligations by delivering Units to a trustee for sale, in which event holders of Convertible Debentures will be entitled to receive a cash payment equal to the interest owed from the proceeds of the sale of those Units. Upon the acquisition of voting control or direction over 66<sup>2</sup>/<sub>3</sub>% or more of the Units (on a fully-diluted basis), each holder of Convertible Debentures may require the Fund to purchase the whole or any part of such holder's Convertible Debentures at a price equal to 101% of the principal amount of the Convertible Debentures plus accrued and unpaid interest.

## REORGANIZATION

On September 30, 2006, the Fund reorganized its structure to carry on in a limited partnership (being the Data Group) the business previously carried on by DBFL (including the Relizon Canada business) (the "Reorganization"). In connection with the Reorganization, DBFL became the General Partner of the Data Partnership. The purpose of the Reorganization was to establish a "flow-through" organizational structure which will enable the Fund to maximize cash available for distribution and provide a more flexible legal and operating structure, including future expansion opportunities. The Reorganization was effected by way of a plan of arrangement following receipt by the Fund of an advance income tax ruling from the Canada Revenue Agency, approval by the Fund's Unitholders and applicable court and regulatory approvals. The Reorganization did not result in a change to the number, type or ownership of the outstanding units of the Fund and had no impact on the daily operations of the Fund. As part of the Reorganization, certain consequential amendments were made to the Fund's Declaration of Trust.

As a result of the Reorganization, other than the recognition of certain tax attributes that remain in DBFL, the Data Group and the Fund are no longer expected to pay income taxes under current tax legislation (see – "Outlook") and, accordingly, does not recognize future income tax assets and liabilities on temporary differences or recognize unused income tax losses or credits. As a result, net future income tax liabilities (amounting to \$13.4 million) were eliminated and increased the earnings of the Fund. This adjustment was recognized on September 30, 2006 and increased net income, but did not affect cash or the cash flows of the Fund. If the 2006 Proposed Tax Changes are implemented in their current form, the Fund would expect to pay income taxes commencing in 2011 and would be required, if the proposed tax changes become substantively enacted, to recognize future income tax assets and liabilities on temporary differences to the extent they will reverse in 2011 and subsequent years. See "Outlook".

A detailed description of the Reorganization is contained in the Fund's management information circular dated August 28, 2006, which is available on SEDAR.

## AMENDED CREDIT FACILITIES

In connection with the completion of the Relizon Canada Acquisition, DBFL entered into an amended and restated credit agreement (the "Amended Credit Agreement") with two Canadian chartered banks (collectively, the "Lenders"), providing for the establishment of increased credit facilities (the "Amended Credit Facilities") consisting of a committed revolving credit facility in the maximum principal amount of \$90.0 million maturing on August 31, 2009, the proceeds of which are or were used for ongoing operating and working requirements, for general corporate purposes, for funding revolving loans of approximately \$40.0 million which were outstanding at the date of the Amended Credit Agreement, and to fund part of the cash portion of the purchase price for the Relizon Canada Acquisition. The Amended Credit Facilities replaced the existing credit facilities of DBFL, which were established immediately prior to the Fund's initial public offering in December 2004 to fund ongoing operating requirements, working capital requirements, general corporate purposes and for certain acquisitions and investments. The Amended Credit Agreement was further amended and restated on September 30, 2006 to reflect the changes to the Fund's organizational structure resulting from the Reorganization, including the assumption by the Data Group of all of DBFL's obligations under the Amended Credit Agreement.

The Amended Credit Agreement contains customary terms, conditions and covenants. The following is a summary of the material terms and conditions of the Amended Credit Agreement (after giving effect to the Reorganization). The summary is qualified in its entirety by the provisions of the Amended Credit Agreement.

The Amended Credit Agreement contains restrictive covenants which limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Data Group and its affiliates (collectively, the "Borrowers") to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, to make or give investments, loans or guarantees, to sell or otherwise dispose of assets, and to merge or consolidate with another entity. A failure to comply with the obligations in the Amended Credit Agreement in respect of the Amended Credit Facilities could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under those facilities. The Amended Credit Agreement contains usual reporting requirements. The Amended Credit Facilities are secured by conventional security charging all the property and assets of each of the Borrowers. Conditions to drawdown contain standard provisions.

The Amended Credit Agreement also contains financial covenants which require the Data Group to at all times maintain a quarterly maximum ratio of total debt to adjusted EBITDA and a quarterly minimum ratio of EBITDA to fixed charges. The Borrowers are required to make certain mandatory repayments, including prepayment of 100% of the net cash proceeds from the sale of assets of the Borrowers in excess of an aggregate of \$2.0 million per annum (other than inventory sales in the normal course of business) unless reinvested in like assets within an agreed upon period.

The terms of the positive and negative covenants contained in the Amended Credit Agreement are available on SEDAR.

#### **SOURCES OF REVENUE AND REVENUE RECOGNITION POLICY**

The Data Group derives its revenues from a variety of sources, including document management services, business forms and documents, and commercial printing. The Data Group generally negotiates sales contracts and service level agreements with its customers and generally does not use standardized contracts. The Data Group's customer agreements and terms typically include provisions consistent with industry practice, allowing it to pass on increases in the cost of paper and other raw materials used in the manufacture of its products.

The Data Group recognizes revenue from the sale of products upon shipment to the customer, upon the transfer of title and when risk of loss passes to the buyer, and upon completion of services provided. Since the majority of the Data Group's products are customized, product returns are not significant. The Data Group recognizes warehousing fees as the service is provided.

#### **COSTS OF REVENUE AND EXPENSES**

The Data Group's costs of revenues consist of raw materials, manufacturing salaries and benefits, occupancy and depreciation. The Data Group's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefit costs consist of employee salaries and health benefits at the Data Group's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at the Data Group's facilities and utilities, insurance and building maintenance. The Data Group's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries and commissions, and include related travel, corporate communications costs, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries and other personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications and professional service fees.

## GENERAL INFORMATION AND RESULTS OF OPERATIONS

**Table 1**

The following table sets out selected historical financial information for the periods noted. **The period from January 1, 2006 to December 31, 2006 includes results of operations of the Relizon Canada business for the period from August 31, 2006 to December 31, 2006.**

### CONSOLIDATED FINANCIAL INFORMATION FOR THE PERIODS ENDED DECEMBER 31, 2006 AND 2005

(IN THOUSANDS OF DOLLARS, UNAUDITED)	JANUARY 1 TO DECEMBER 31, 2006 \$	JANUARY 1 TO DECEMBER 31, 2005 \$	DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
Revenues	<b>286,650</b>	215,025	220,740
Cost of revenues	<b>211,633</b>	159,175	164,188
Gross profit	<b>75,017</b>	55,850	56,552
Selling, general and administrative expenses	<b>51,754</b>	39,767	40,867
Integration costs	<b>164</b>	-	-
Amortization	<b>7,558</b>	6,618	6,803
	<b>59,476</b>	46,385	47,670
Income before interest and income taxes	<b>15,541</b>	9,465	8,882
Interest expense on long-term debt	<b>3,865</b>	2,044	2,126
Income before income taxes	<b>11,676</b>	7,421	6,756
Future income tax recovery	<b>(16,215)</b>	(2,545)	(2,745)
Net income for the period	<b>27,891</b>	9,966	9,501

**Table 2**

The following table sets out selected historical financial information by business segment for the periods noted. **The period from January 1, 2006 to December 31, 2006 includes results of operations of the Relizon Canada business for the period from August 31, 2006 to December 31, 2006.**

**CONSOLIDATED FINANCIAL INFORMATION** FOR THE PERIODS ENDED DECEMBER 31, 2006 AND 2005

(IN THOUSANDS OF DOLLARS, EXCEPT PERCENTAGE AMOUNTS, UNAUDITED)	JANUARY 1 TO DECEMBER 31, 2006 \$	JANUARY 1 TO DECEMBER 31, 2005 \$
<b>Revenues</b>		
DATA East and West	<b>241,791</b>	168,272
Sundog	<b>26,299</b>	25,484
Multiple Pakfold	<b>23,198</b>	25,139
Intersegment	<b>(4,638)</b>	(3,870)
	<b>286,650</b>	215,025
<b>Gross Profit</b>		
DATA East and West	<b>61,954</b>	43,389
Sundog	<b>9,154</b>	8,524
Multiple Pakfold	<b>3,909</b>	3,937
	<b>75,017</b>	55,850
<b>Gross Profit, as a percentage of revenue</b>		
DATA East and West	<b>25.6%</b>	25.8%
Sundog	<b>34.8%</b>	34.4%
Multiple Pakfold	<b>16.9%</b>	15.7%
	<b>26.2%</b>	26.0%
<b>Selling, general and administrative expenses</b>	<b>51,754</b>	39,767
As a percentage of revenue	<b>18.1%</b>	18.5%
Adjusted EBITDA	<b>33,111</b>	25,018
Adjusted EBITDA margin, as a percentage of revenue	<b>11.6%</b>	11.6%
Net income	<b>27,891</b>	9,966

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## RESULTS OF OPERATIONS

### THE DATA GROUP INCOME FUND

#### Overview

On August 31, 2006, the Fund acquired the shares of Relizon Canada. At the time of the Relizon Canada Acquisition, both Relizon Canada and DBFL operated primarily within the same market segments. Since the date of the Relizon Canada Acquisition, the Data Group has been engaged in the integration of the former Relizon Canada and DBFL businesses, with a view to achieving operating and corporate synergies through the combination of those businesses. On March 1, 2007, the Fund announced a restructuring plan designed to realize on those synergies. See "Outlook". The following discussion and analysis includes the results of operations of the former Relizon Canada business for the period from August 31, 2006 to December 31, 2006. Those operations now form part of the Data Group's DATA East and West division and represent the principal reason for changes in the Fund's results of operations for 2006 compared to 2005.

#### Revenues

For the year ended December 31, 2006, the Fund recorded revenues of \$286.7 million, an increase of \$71.6 million or 33.3% compared with the same period in 2005. The full year increase, before intersegment revenues, was the net result of a \$73.5 million increase in the DATA East and West segment (which includes the results of the Relizon Canada business for the period from August 31, 2006 to December 31, 2006), a \$0.8 million increase in the Sundog segment offset by a \$1.9 million decrease in the Multiple Pakfold segment. A more detailed discussion of the results of operations of each of the Fund's reporting segments is set out below.

#### Cost of Revenues and Gross Profit

For the year ended December 31, 2006, cost of revenues increased from \$159.2 million in 2005 to \$211.6 million in 2006. This resulted in a gross profit for the year ended December 31, 2006 of \$75.0 million, which represented an increase of \$19.2 million or 34.3% from \$55.8 million in 2005. In 2006, a charge of \$4.9 million relating to the fair value allocated to the inventory acquired pursuant to the Relizon Canada Acquisition (the "Relizon Inventory Allocation"). In 2005 a \$5.8 million charge relating to the fair value of inventory acquired pursuant to the purchase of Data Business Forms Limited was recognized by the Fund (the "DBFL Inventory Allocation"). Cost of revenues, excluding both fair value of inventory allocations, increased \$53.3 million or 34.7% to \$206.7 million. This resulted in a gross profit for the year ended December 31, 2006 of \$79.9 million which represented an increase of \$18.3 million or 29.7% compared to the prior year. As a percentage of revenue, before the 2006 and 2005 purchase accounting inventory fair value allocations, gross profit decreased for the year ended December 31, 2006 to 27.9% of revenues from 28.7% in 2005.

#### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, including administrative expenses of the Fund, for the year ended December 31, 2006 increased \$12.0 million to \$51.8 million compared to \$39.8 million in 2005. Excluding the expenses incurred by the operations of the Relizon Canada business, SG&A expenses increased \$0.8 million or 2.1%. This increase was attributable to \$0.6 million of expenses in connection with the Reorganization and \$0.7 million of moving expenses in the DATA East and West segment incurred in connection with the move to a new Edmonton facility, offset by \$0.5 million of reduced corporate expenses due to lower long-term incentive plan and management bonus expenses. The Data Group also incurred \$0.2 million of integration costs in 2006 for severance expenses in the DATA East and West segment.

#### Adjusted EBITDA

For the year ended December 31, 2006, Adjusted EBITDA was \$33.1 million or 11.6% of revenue. As compared to the same period in 2005, Adjusted EBITDA for the year ended December 31, 2006 increased by \$8.1 million and the Adjusted EBITDA margin for the year ended December 31, 2006, as a percentage of revenue, was consistent at 11.6% of revenue.

### **Interest Expense**

Net interest expense on long-term debt relating to the Data Group's credit facilities and the Convertible Debentures increased from \$2.0 to \$3.9 million due to the additional interest expense on the \$30.0 million drawn under the Data Group's credit facilities and the issuance of \$35.0 million aggregate principal amount of Convertible Debentures, in each case to fund the Relizon Canada Acquisition.

For the year ended December 31, 2006, interest income of \$0.4 million was earned, compared to \$0.2 million in the comparable period of 2005. This interest income was substantially related to the cash and cash equivalents held by the Data Group.

### **Income Taxes**

The Fund reported pre-tax income of \$11.7 million and a tax recovery of \$16.2 million for the year ended December 31, 2006. The recovery of future taxes arose from the reorganization of the legal structure of the Fund described above under "Recent Developments – Reorganization" and the reduction of substantively enacted tax rates for corporations in future years, which received Royal Assent on June 22, 2006. Other than the recognition of certain tax attributes that remain in DBFL, and subject to proposed changes to the Income Tax Act (Canada) discussed below, the Data Group and the Fund are no longer expected to pay income taxes and, accordingly, does not recognize future income tax assets and liabilities on temporary differences or recognize unused tax losses or credits relating to the Data Group. On October 31, 2006, the Minister of Finance (Canada) announced the 2006 Proposed Tax Changes which, if implemented, would subject income trusts such as the Fund to tax at corporate rates on the taxable portion of their distributions. These proposed changes would apply beginning with the 2011 taxation year of the Fund. If the 2006 Proposed Tax Changes are implemented in their current form, the Fund would expect to pay taxes commencing in 2011 and would be required to recognize future income tax assets and liabilities on temporary differences to the extent they will reverse in 2011 and subsequent years. See "Outlook".

### **Net Income**

For the year ended December 31, 2006 net income was \$27.9 million compared to \$10.0 million in 2005. The increase in comparable profitability was due to the factors discussed above.

### **DATA EAST AND WEST**

This segment includes the operations of the Relizon Canada business for the period from August 31, 2006 to December 31, 2006. For the year ended December 31, 2006, revenue at the Data Group's DATA East and West segment increased \$73.5 million or 43.7% to \$241.8 million from \$168.3 million in 2005.

The increase in revenue in the year is due to a number of factors. The principal factor for the increase is the acquisition of Relizon Canada. Other factors affecting revenue continue to be increased sales of lottery slips, variable imaging and laser cut sheets, offset by a decline in direct mail and traditional business forms.

For the year ended December 31, 2006, after adjusting for the purchase accounting inventory fair value allocations described above (\$4.9 million attributable to the Relizon Inventory Allocation and \$5.8 million attributable to the DBFL Inventory Allocation), gross profit increased 36.1% to \$66.9 million from \$49.2 million in 2005. The gross profit, as a percentage of revenue, before the 2006 and 2005 purchase accounting inventory fair value allocations, declined to 27.7% from 29.2% for the same period in 2005. The decline in gross profit percentage was due to relatively lower margins in the Relizon Canada business.

As part of the Fund's restructuring plan announced on March 1, 2007, the Fund will close three of its plants located in Hemmingford, Quebec; Orangeville, Ontario; and Medicine Hat, Alberta. These plant closures are designed to reduce excess production capacity within the DATA East and West division following the combination of the former Relizon Canada and DBFL businesses. See "Outlook".

### SUNDOG

Revenues at the Data Group's Sundog division for the year ended December 31, 2006, increased 3.2% to \$26.3 million from \$25.5 million in 2005. The revenue increase was due to increased annual report production and commercial print orders offset by a major customer rebranding that took place in the prior year that did not repeat in 2006.

For the year ended December 31, 2006, gross profit increased \$0.6 million or 7.4% to \$9.2 million from \$8.5 million in the same period of 2005. The overall increase in gross profit was due to reduced material costs required in the product mix, reduced spoilage levels and lower direct labour costs.

### MULTIPLE PAKFOLD

Revenue at the Data Group's Multiple Pakfold division for the year ended December 31, 2006, declined 7.6% to \$23.2 million from \$25.1 million in 2005.

The decrease in revenue in 2006 was due to the loss of third party orders in circumstances where production for those orders was moved by the customer to the United States and to the loss of a significant order from a third party.

For the year ended December 31, 2006, gross profit was flat at \$3.9 million in 2006 and 2005. The gross profit margin for the year was 16.9% compared to 15.7% in 2005. The improvement in gross margin percent despite the loss of revenue is due to improved operating efficiencies as a result of product mix changes.

On March 1, 2007, the Fund announced that it will close its Dorval, Quebec plant in order to reduce excess production capacity within its Multiple Pakfold division and is designed to improve margins within this segment of the Data Group's business. See "Outlook".

### CASH AVAILABLE FOR DISTRIBUTION

For the year ended December 31, 2006, the Fund generated \$24.5 million or \$1.326 per unit of cash available for distribution compared to \$20.7 million or \$1.395 per unit from December 21, 2004 to December 31, 2005. Cash available for distribution has been calculated by adding back to Adjusted EBITDA of \$33.1 million, \$0.7 million of costs incurred to reorganize the structure of the Fund (see "Recent Developments – Reorganization") and deducting cash interest of \$3.4 million, maintenance capital expenditures of \$3.6 million and cash pension contributions in excess of expense of \$2.4 million (excluding special contributions of \$4.0 million to the Relizon Canada defined benefit pension plan). See Table 3 for a breakdown of these figures for the periods from January 1, 2006 to December 31, 2006 and December 21, 2004 to December 31, 2005, respectively.

For the year ended December 31, 2006, the Fund declared distributions of \$21.4 million or \$1.159 per unit. The Fund declared in respect of the month of August, 2006, \$0.8 million of distributions on the 8.6 million units of the Fund issued on August 31, 2006 upon the exchange of Subscription Receipts, and in connection with the acquisition of Relizon Canada, while no corresponding EBITDA was earned by the Fund from the operations of Relizon Canada, other than the one business day of August 31, 2006.

Distributions paid by the Fund on its outstanding Units during the year ended December 31, 2006 were funded entirely from cash generated by the Data Group's operations.

**Table 3**

The following table sets out selected historical financial information for the periods noted. **The period from January 1, 2006 to December 31, 2006 includes results of operations of the Relizon Canada business for the period from August 31, 2006 to December 31, 2006.**

**CASH AVAILABLE FOR DISTRIBUTION AND ADJUSTED EBITDA** FOR THE PERIODS ENDED DECEMBER 31, 2006 AND 2005

(IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT, UNAUDITED)	JANUARY 1 TO DECEMBER 31, 2006 \$	DECEMBER 31, 2004 TO DECEMBER 31, 2005 \$
Cash provided by operating activities	20,484	19,376
Changes in non-cash working capital	(2,123)	(7,948)
Pension contribution in excess of expense	6,383	5,989
Amortization of deferred financing fees	(452)	(314)
Gain (loss) on disposal of fixed assets	3	(245)
Other items, net	33	-
Interest expense	3,865	2,126
Non-cash inventory fair value allocation charges	4,918	6,668
Adjusted EBITDA	33,111	25,652
Add:		
Trust reorganization costs (1)	651	-
Loss (gain) on disposal of fixed assets	(3)	245
Less:		
Cash interest expense (2)	3,325	1,812
Maintenance capital expenditures (3)	3,585	2,372
Pension contributions in excess of expense (4)	2,383	989
Cash income taxes (5)	-	-
Cash available for distribution (6)	24,466	20,724
Distributions to Unitholders (7)	21,380	17,421
Excess of cash available for distribution over actual distributions	3,086	3,303
Per unit (8)		
Cash available for distribution per unit (8)	1.326	1.395
Distributions to Unitholders per unit (8) (9)	1.159	1.172
Excess of cash available for distribution per unit over actual distributions per unit (8)	0.167	0.223
Payout ratio	87.4%	84.0%

**Notes:**

- (1) Costs directly incurred to reorganize the organizational structure of the Fund into a 'flow-through entity' have been added back as they represent a one-time cost with expected future benefit to the Fund's Unitholders.
- (2) Cash interest expense is interest expense calculated in accordance with GAAP, less the interest cost associated with amortization of deferred finance fees, accretion of convertible debentures and unfavourable lease obligation.
- (3) Maintenance capital expenditures are additions, replacements or improvements to property, plant and equipment to maintain the Data Group's business operations. These expenditures involve the replacement of printing and digital equipment, computers and software and leasehold improvements.
- (4) Excludes special contributions to the Data Group's defined benefit pension plans of \$4.0 million in 2006 and \$5.0 million in 2004 as these were funded from the proceeds raised for the Relizon Canada Acquisition and the Funds initial public offering, respectively.
- (5) Cash income taxes are current income taxes calculated in accordance with GAAP.
- (6) Cash available for distribution has not been adjusted for changes in non-cash working capital so as to remove the impact of timing differences in cash receipts and cash disbursements, which generally reverse themselves but can vary significantly across quarters.
- (7) Distributions are in respect of the distributions declared.
- (8) Per unit calculations are based upon the number of units outstanding at the end of each month consistent with the number of units upon which distributions are declared and paid and not the weighted average number of units outstanding.  
As at December 31, 2006, 23,475,659 units were outstanding and 14,861,333 units were outstanding as at December 31, 2005.
- (9) The Fund declared \$0.8 million of distributions on the 8.6 million units issued on August 31, 2006, upon the exchange of subscription receipts for units of the Fund, and in connection with the acquisition of Relizon Canada for the month of August while no corresponding Adjusted EBITDA was earned by the Fund from the operations of the Relizon Canada business other than the one business day of August 31, 2006.

### EIGHT 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 DECEMBER 31, 2005			
	Q4(3) \$	Q3(2) \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1(1) \$
Adjusted EBITDA	<b>13,213</b>	<b>6,611</b>	<b>6,424</b>	<b>6,863</b>	6,469	5,712	6,410	7,061
Cash available for distribution	<b>8,300</b>	<b>5,320</b>	<b>5,090</b>	<b>5,760</b>	4,706	4,493	5,528	5,997
Distributions to Unitholders	<b>6,801</b>	<b>5,969</b>	<b>4,305</b>	<b>4,305</b>	4,305	4,263	4,179	4,674
Excess of cash for distribution over actual distributions	<b>1,499</b>	<b>(649)</b>	<b>785</b>	<b>1,455</b>	401	230	1,349	1,323
Per unit:								
Cash available for distribution per unit:	<b>0.354</b>	<b>0.258</b>	<b>0.343</b>	<b>0.388</b>	0.317	0.302	0.372	0.404
Distributions per unit	<b>0.290</b>	<b>0.290</b>	<b>0.290</b>	<b>0.290</b>	0.290	0.287	0.281	0.314
Excess (shortfall) of cash available for distribution per unit over actual distributions per unit	<b>0.064</b>	<b>(0.032)</b>	<b>0.053</b>	<b>0.098</b>	0.027	0.015	0.091	0.090

**Notes:**

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

(2) Includes results of operations of the Relizon Canada business for the period from August 31, 2006 to September 30, 2006.

(3) Includes results of operations of the Relizon Canada business for the three months ended December 31, 2006.

### 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 Adjusted EBITDA provides useful supplemental information for investors, as illustrated in Table 3 above.

Changes in non-cash working capital increased cash by \$2.1 million in the year ended December 31, 2006. Accounts receivable increased by \$6.4 million, inventory levels decreased by \$2.1 million, prepaid expenses decreased by \$2.2 million, income taxes recoverable decreased by \$0.4 million and accounts payable, accrued liabilities and accrued restructuring and integration costs increased by \$3.9 million for that period. The changes in non-cash working capital are substantially attributable to a portion of the business previously carried on by Relizon Canada which is impacted by higher business activity in the fourth quarter, offset by the Relizon Inventory Allocation which reduced inventories by \$4.9 million.

### INVESTING ACTIVITIES

Capital expenditures for the year ended December 31, 2006 of \$3.6 million related primarily to maintenance capital expenditures, which were financed by operating cash flows. Specifically, \$1.0 million was incurred on leasehold improvements for the Data Group's new Edmonton facility and the Sundog division acquired a new Heidelberg Speedmaster printing press for \$0.8 million.

The Fund paid cash of \$113.1 million for Relizon Canada Inc, including acquisition costs and net of \$1.9 million in cash acquired.

The final payment of \$0.4 million was made in the first quarter of 2006 in connection with the acquisition of DBFL by the Fund.

The Data Group intends to continue to fund necessary maintenance capital expenditures by utilizing cash flow from operations. Based upon the Data Group's review of Relizon Canada's historical maintenance capital expenditures, the age and condition of Relizon Canada's existing property, plant and equipment, and the opportunities to reduce or eliminate duplication of productive capacity, management estimates that the total annual maintenance capital expenditures of the combined businesses of DBFL and Relizon Canada will be approximately \$4.6 million per year. The Data Group will continue its practice of performing regular repair and maintenance with respect to plant and equipment.

## FINANCING ACTIVITIES

During the year ended December 31, 2006, the Fund issued 5,650,000 units upon the exchange of the Subscription Receipts for net proceeds of \$50.4 million and \$33.6 million net proceeds from the issuance of the Convertible Debentures. See “Recent Developments – Relizon Canada Acquisition”. In addition, the Data Group increased its existing credit facilities to a maximum principle amount of \$90.0 million and increased the Data Group’s borrowings under those credit facilities by \$30.0 million in order to fund a portion of the purchase price for the Relizon Canada Acquisition. See “Recent Developments – Amended Credit Facilities”. The Fund paid \$1.0 million in financing costs.

For the year ended December 31, 2006, the Fund paid cash distributions of \$20.5 million.

## OPERATING RESULTS FOR THE FOURTH QUARTER OF 2006

(IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT AMOUNTS, UNAUDITED)	OCTOBER 1 TO DECEMBER 31, 2006 <sup>(1)</sup> \$	OCTOBER 1 TO DECEMBER 31, 2005 \$
Revenues	<b>108,846</b>	55,980
Cost of revenues	<b>81,530</b>	40,024
Gross profit	<b>27,316</b>	15,956
Selling, general and administrative expenses	<b>18,588</b>	10,231
Integration costs	<b>164</b>	–
Amortization of intangible assets	<b>2,411</b>	1,652
Income before interest and income taxes	<b>6,153</b>	4,073
Interest expense:		
Long-term debt	<b>1,817</b>	573
Income before income taxes	<b>4,336</b>	3,500
Recovery of future income taxes	–	(116)
Net income for the period	<b>4,336</b>	3,616

**Note:**

(1) Includes results of operations for the Relizon Canada business for the three months ended December 31, 2006.

### Revenues

For the quarter ended December 31, 2006, the Fund recorded revenues of \$108.8 million, an increase of 94.4% or \$52.9 million compared with the same period in 2005. The revenue increase, before intersegment revenues, was substantially the result of a \$52.3 million increase in the DATA East and West segment resulting from the acquisition of Relizon Canada.

### Cost of Revenues and Gross Profit

For the quarter ended December 31, 2006, cost of revenues increased from \$40.0 million in 2005 to \$81.5 million in 2006. This resulted in a gross profit in the fourth quarter of 2006 of \$27.3 million, which represented an increase of \$11.4 million or 71.2% from \$16.0 million in the fourth quarter of 2005. In the quarter, the Relizon Inventory Allocation, increased cost of revenues by \$2.4 million and was allocated to the DATA East and West segment. Cost of revenues, excluding the Relizon Inventory Allocation, increased \$39.1 million or 97.7% to \$79.1 million. The increase was the result of a \$39.7 million increase in the DATA East and West segment resulting substantially from the acquisition of Relizon Canada. This resulted in a gross profit increase in the current quarter of \$13.8 million to \$29.7 million from \$16.0 million in the fourth quarter of 2005. The increase in gross profit was attributable to a \$13.5 million increase in the DATA East and West segment resulting substantially from the acquisition of Relizon Canada. As a percentage of revenue the gross profit, excluding the Relizon Inventory Allocation, decreased to 27.3% from 28.5% in the same period in 2005.

### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, including administrative expenses of the Fund, for the quarter ended December 31, 2006, were \$18.6 million as compared to \$10.2 million in the same period of 2005. Excluding the expenses incurred by the operations of the Relizon Canada business, SG&A expenses were consistent with the comparative period. The SG&A expenses were impacted by \$0.7 million of moving expenses in the DATA East and West segment from the move to a new Edmonton facility offset by \$0.2 million of reduced selling expenses and \$0.5 million of reduced corporate expenses. The Data Group also incurred \$0.2 million of integration costs in 2006 that are attributable to severance expenses in the DATA East and West segment.

### Adjusted EBITDA

For the quarter ended December 31, 2006, Adjusted EBITDA was \$13.2 million, or 12.1% of revenue. As compared to the same period in 2005, Adjusted EBITDA for the three months ended December 31, 2006 increased \$6.7 million or 104.3%. The increase was substantially attributable to the acquisition of Relizon Canada. The Adjusted EBITDA margin for the three months ended December 31, 2006, as a percentage of revenue, increased slightly from 11.6% of revenue in 2005 to 12.1% of revenue in 2006.

### Interest Expense

Net interest expense on long-term debt relating to the Data Group's credit facilities and the Convertible Debentures was \$1.8 million for the quarter ended December 31, 2006 compared to \$0.6 million for the same period in 2005. Net interest expense increased due to the additional interest expense on the \$30.0 million drawn under the Data Group's credit facilities and the issuance of \$35.0 million aggregate principal amount of Convertible Debentures, in each case to fund the Relizon Canada Acquisition.

Interest income of \$0.1 million was earned during the quarter ended December 31, 2006, consistent with the prior year. This interest income was substantially related to the cash and cash equivalents held by the Data Group.

### Income Taxes

The Fund reported pre-tax income of \$6.2 million and no tax expense for the quarter ended December 31, 2006. The nil amount of future tax expense arose from the reorganization of the legal structure of the Fund described above under "Recent Developments – Reorganization". Other than the recognition of certain tax attributes that remain in DBFL, and subject to proposed changes to the Income Tax Act (Canada) discussed below, the Data Group and the Fund are no longer expected to pay income taxes and, accordingly, does not recognize future income tax assets and liabilities on temporary differences or recognize unused tax losses or credits relating to the Data Group. On October 31, 2006, the Minister of Finance (Canada) announced the 2006 Proposed Tax Changes which, if implemented, would subject income trusts such as the Fund to tax at corporate rates on the taxable portion of their distributions. These proposed changes would apply beginning with the 2011 taxation year of the Fund. If the 2006 Proposed Tax Changes are implemented in their current form, the Fund would expect to pay taxes commencing in 2011 and would be required to recognize future income tax assets and liabilities on temporary differences to the extent they reverse in 2011 and subsequent years. See "Outlook".

## Net Income

Net income for the quarter ended December 31, 2006 was \$4.4 million compared to net income of \$3.6 million for the quarter ended December 31, 2005. The increase in comparable profitability was due to the factors discussed above.

## Eight Quarter Results of Operations – Summary

(IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT AMOUNTS, UNAUDITED)	2006				FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005			
	Q4(3) \$	Q3(2) \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1(1) \$
Revenue	108,846	67,838	53,802	56,164	55,980	52,447	52,425	59,888
Net income (loss)	4,336	15,239	4,312	4,002	3,616	3,204	3,475	(794)
Basic income (loss) per unit	0.19	0.86	0.29	0.27	0.24	0.22	0.23	(0.05)
Diluted income (loss) per unit	0.18	0.82	0.29	0.27	0.24	0.22	0.23	(0.05)

### Notes:

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

(2) Includes results of operations of the Relizon Canada business for the period from August 31, 2006 to September 30, 2006.

(3) Includes results of operations for the Relizon Canada business for the three months ended December 31, 2006.

## FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, unitholder distributions payable, interest rate swaps and long-term debt, the amounts of which, other than interest rate swaps, are included in the Fund's balance sheet as at December 31, 2006 and December 31, 2005, respectively.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and unitholder distributions payable approximates their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the revolving bank facility approximates its carrying value as it bears interest at a floating interest rate. Based on the quoted market price, the Fund's Convertible Debentures had a fair value of \$35.4 million at December 31, 2006. As of December 31, 2006, the fair value of the outstanding interest rate swaps was approximately \$0.1 million, which the Data Group would receive if it were to close out the contracts.

The Data Group is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Data Group's large client base and by control and follow-up of customers' accounts. Creditworthiness of customers is monitored continuously. The Data Group maintains an allowance for bad debts and credit losses, which to date have been within expectations. The Data Group is also exposed to credit risk with its holdings of cash and cash equivalents. The Data Group minimizes this credit risk by placing these financial assets with governments and well-capitalized financial institutions.

## CONTRACTUAL OBLIGATIONS

Management believes that the Data Group will have sufficient resources from its operating cash flow to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2006. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and equipment. During the year, the Data Group's operating lease commitments increased due to the acquisition of Relizon Canada.

### Contractual Obligations

AS AT DECEMBER 31, 2006 (IN THOUSANDS OF DOLLARS)	TOTAL	2007	2008	2009	2010	2011	2012 AND THEREAFTER
Long-term debt	70,000	–	–	70,000	–	–	–
Convertible debentures	35,000	–	–	–	–	35,000	–
Operating leases	88,045	14,654	12,689	11,605	10,194	8,079	30,824
Total	193,045	14,654	12,689	81,605	10,194	43,079	30,824

The Data Group has defined benefit pension plans for the benefit of certain employees and a defined contribution plan for other employees. During the year ended December 31, 2006, the Data Group contributed \$8.0 million to its defined benefit plan. Management expects that payments under the defined benefit pension plans will be approximately \$2.8 million in calendar 2007 and payments for the defined contribution plan should continue in 2007 at approximately the same level as in 2006.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Fund's off-balance sheet arrangements are operating leases, pension obligations, post employment benefits and interest rate swaps.

The Data Group has entered into interest-rate swap contracts with its lenders. As a result of these contracts, the borrowing rate on \$30.0 million or 42.9% of its outstanding indebtedness is effectively fixed at an interest rate of 3.91% plus stamping fees until December 21, 2007 and 4.16% plus stamping fees until August 28, 2009 and the borrowing rate on \$20.0 million or 28.6% of its outstanding indebtedness is effectively fixed at an interest rate of 4.22% plus stamping fees until August 28, 2009.

In 2006, the discount rate applied to the accrued pension benefit obligation was increased to 5.25% from 5.0% reflecting long-term interest rates at December 31, 2006. Management has adopted an updated mortality table consistent with the mortality assumptions used for solvency funding purposes under applicable actuarial guidelines. The net impact of these two changes is an actuarial loss of \$3.1 million that will be amortized over the average remaining service life of plan employees.

#### **TRANSACTIONS WITH RELATED PARTIES**

There are regular intercompany activities between the Fund and its subsidiaries during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of the Fund. Related parties are defined as individuals who can influence the direction or management of the Fund or any of its subsidiaries and are, therefore, the trustees of the Fund and the directors and officers of the Fund's subsidiaries. Neither the Fund nor any of its subsidiaries entered into any transactions with related parties as defined above during the year ended December 31, 2006.

#### **CRITICAL ACCOUNTING ESTIMATES**

A summary of significant accounting policies is included under Note 3 of the Notes to the Consolidated Financial Statements of the Fund. Critical accounting estimates require management to make certain judgments and estimates, some of which may be uncertain. Changes in these accounting estimates may have an impact on the financial results of the Fund. Details of the critical accounting estimates are discussed below.

##### **Allowance for Doubtful Accounts**

The Data Group maintains an allowance for bad debts that management believes represents the best estimate of probable or likely loss. The allowance is based on a review of specific customer accounts receivable balances as well as amounts for non-specific items. Management regularly assesses the adequacy of the allowance by reviewing such factors as probabilities of default, economic conditions, customers' credit history and historical recovery rates. Changes in any of these factors may result in a change to the allowance and could adversely affect the results of the Fund.

##### **Inventory Reserves**

The Data Group maintains a reserve for slow-moving or obsolete inventory, which is reviewed periodically based upon usage and inventory age to determine its adequacy. Physical inventories are taken throughout each year.

**Goodwill**

Under GAAP, goodwill is not amortized but is tested for impairment, at least annually, or more frequently if conditions exist that indicate there may be impairment. Management applies a fair-value-based test to the carrying value of each reporting unit. A goodwill impairment charge would be recorded if the amount of the recorded goodwill exceeds the difference between the fair value of the reporting unit and the fair value of the net assets of each respective reporting unit. The Fund has completed its annual impairment test for 2006 and no adjustment for impairment was required.

**Intangible Assets**

The Fund has recognized intangible assets that are comprised of customer relationships, trademarks and trade names and technology. These intangible assets have definite lives. These intangibles are amortized over their estimated useful lives of seven to nine years. Management judgment is required to determine the useful life of the intangible assets and, where it is believed to be required, an impairment provision is provided. The useful life of between seven and nine years is determined by reviewing the length of customer relationships and other factors.

**Pensions**

The Data Group maintains a defined benefit and a defined contributory pension plan for certain employees and contributes to the Graphics and Communications International Union pension plan for certain employees at the Granby, Quebec plant. The Data Group accounts for its defined benefit pension plan in accordance with GAAP, which requires assumptions concerning future events. Such actuarial assumptions include expected returns on assets, projected salary increases, discount rates, retirement age, mortality rates and withdrawal rates, among others. The Data Group manages these plans by meeting with the actuarial consultants and the fund manager on a regular basis and reviewing periodic reports outlining the return on pension assets relative to the market. Assumptions are reviewed on an ongoing basis and adjustments are made whenever management believes that conditions have materially changed. Management's estimates are outlined in the table below. Changes in assumptions may materially impact on the amount of pension expense recognized in any period.

As a result of evaluating the information referred to above, the Data Group increased the discount rate that was used to calculate its pension benefit obligations as at December 31, 2006 to better reflect current Canadian economic conditions. Salary increase assumptions were the same at December 31, 2006 and December 31, 2005. The expected long-term rate of return takes into account recent market performance and the Data Group's expectations about future long-term market returns. The following table summarizes the rates used in fiscal 2006 and 2005 to calculate the Data Group's pension benefit obligations.

**Significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations**

	<b>DECEMBER 31, 2006</b>	DECEMBER 31, 2005
Discount rate	<b>5.25%</b>	5.00%
Expected rate of return on plan assets	<b>7.50%</b>	7.50%
Rate of compensation increase	<b>3.50%</b>	3.50%

### **Income Taxes**

Management uses judgment to estimate current and future income taxes. This involves determining taxable income, temporary differences between tax and accounting carrying values and income tax loss carry-forwards. Prior to the reorganization on September 30, 2006, the Data Group had a structure similar to other structures that involved significant amounts of intercompany or similar debt that generated substantial interest expense, to reduce earnings and, therefore, income tax payable. There can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense deducted. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable. On September 30, 2006, the Fund reorganized pursuant to a plan of arrangement and as a result, the business operations of the Fund are now carried on by a partnership. Since the partnership is not taxable under current tax legislation, the Fund no longer recognizes any future tax assets or liabilities. However, if the proposed new trust legislation becomes enacted, the Fund would be subject to taxes on certain income earned from investments in its subsidiaries and the Fund would be required to recognize future income tax assets and liabilities with respect to those temporary differences of its assets and liabilities and those of its subsidiaries that are expected to reverse in or after 2011. The determination of the amount of temporary differences that are expected to reverse in or after 2011 requires estimates and judgments about the future and the actual temporary differences that reverse may differ from those amounts originally estimated. In the ordinary course of business, the Fund's subsidiaries enter into transactions where the ultimate tax determination may be uncertain. These uncertainties require that the Fund and its subsidiaries make estimates of its ultimate tax liabilities and, accordingly, the provision for income taxes. While management believes these estimates are reasonable and appropriate, additional liabilities may result when uncertain tax positions are resolved or settled at amounts that differ from those estimates. The Fund and its subsidiaries may also be reassessed for taxes from time to time. Such reassessments, the impact of which is not expected to be material, together with associated interest and penalties could adversely affect the subsidiaries and the Fund.

### **Purchase Price Allocation**

The purchase price of an acquired business is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgments and estimates. Adjustments to fair value assessments are recorded to goodwill over the purchase price allocation period, not exceeding one year from the date of acquisition, with the exception of certain adjustments related to restructuring activities, the resolution of which may extend beyond the purchase price allocation period.

## **NEW ACCOUNTING POLICIES**

### **Comprehensive Income**

The Canadian Institute of Chartered Accountants (the "CICA") issued Section 1530 of the CICA Handbook, regarding "Comprehensive Income". This Section applies to fiscal years beginning on or after October 1, 2006. It provides reporting and disclosure requirements with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Corporation's shareholders. These transactions and events include changes in fair value of certain financial instruments.

Adoption of this section on January 1, 2007 requires that the Fund will present comprehensive income and its components in a separate financial statement.

### **Financial Instruments – Recognition and Measurement**

The CICA issued Section 3855 of the CICA Handbook on "Financial Instruments – Recognition and Measurement Income". This Section applies to fiscal years beginning on or after October 1, 2006. It exposes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. The Section requires financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, to be measured at fair value.

The Fund is currently evaluating the impact that this section will have on its consolidated financial statements as of January 1, 2007.

## Hedges

The CICA issued Section 3865 of the CICA Handbook regarding “Hedges”. This section applies to fiscal years beginning on or after October 1, 2006. The recommendations expand the guidelines presented in Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item.

The Fund does not believe adoption of this section will have a material impact on its consolidated financial statements on January 1, 2007.

## 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).

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the supervision and participation of the Data Group’s senior management team, the Chief Executive Officer and the Chief Financial Officer of the Data Group 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 Data Group, as of December 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 Data Group is made known to management and disclosed in accordance with the applicable securities laws.

With the supervision and participation of the Data Group’s senior management team, the Chief Executive Officer and the Chief Financial Officer of the Data Group have evaluated the design of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of the Fund and the Data Group, as of December 31, 2006. Based on that evaluation, those officers have concluded that such internal controls over financial reporting are sufficiently effective to provide reasonable assurance regarding the reliability of the Fund’s financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Fund acquired the Relizon Canada business on August 31, 2006. The Data Group is continuing the documentation and assessment of the design of internal controls over financial reporting for that business and will finalize that review in 2007, following the completion of restructuring and integration initiatives.

There were no changes in the Fund’s internal controls over financial reporting during the most recent interim reporting period that have materially affected, or are reasonably likely to materially affect, the Fund’s internal controls over financial reporting.

## 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 Fund’s Board of Trustees does not currently anticipate increasing distributions to Unitholders based on the contribution of the Relizon Canada Acquisition but will continue to monitor the Fund’s cash available for distributions and its payout ratio.

As discussed in the Fund’s management’s discussion and analysis of financial condition and results of operations for the third quarter of 2006, management has developed a plan to integrate and restructure the Relizon Canada business. On March 1, 2007, the Fund announced a restructuring plan resulting in the closure of four plants, the elimination of 121 jobs and the transfer of 99 jobs to other facilities. The plants to be closed in the proposed restructuring are located in Dorval, Quebec; Hemmingford, Quebec; Orangeville, Ontario; and Medicine Hat, Alberta. The plants are scheduled to be closed during the third quarter of 2007. As a result of this plan, the Data Group has recognized restructuring and provisions relating to the planned termination of certain employees of the business and for other costs to exit or terminate specific leases and contracts which the Data Group intends to modify or terminate. In addition to the plan announced on March 1, management has completed other initiatives to reduce management, sales and administration expenses. These restructuring and related liabilities are based on contractual obligations and management’s best estimates and have been recognized as assumed liabilities in the preliminary purchase price allocation as they were contemplated at the time of the Relizon Canada Acquisition, and were therefore included in the underlying net identifiable assets acquired. The Data Group will continue to review its operations and undertake restructuring initiatives to maintain a

competitive cost structure. These initiatives may result in the consolidation of facilities, and the Data Group may incur additional severance costs, accelerated further depreciation expense, and impairment charges related to property, plant and equipment and costs attributable to the termination of contracts for leases, supplier arrangements and other contractual obligations. The Fund believes that restructuring charges are likely to occur in 2007 as the Data Group continues to rationalize sales and operations as a result of the Relizon Canada Acquisition and other initiatives. Additional unanticipated costs may also be incurred to integrate the Relizon Canada business. Any closure of facilities leased by the Data Group prior to the acquisition will be expensed as incurred.

On October 31, 2006, the Canadian Government announced a "Tax Fairness Plan" that would, among other things, create a new tax regime for publicly traded income trusts including the Fund. Under the proposed rules, the taxable portion of an income trust's distributions would be subject to taxation in a manner similar to the treatment of taxable income within a corporation. For existing income trusts, the new rules would not become applicable until 2011 provided they limit their expansion to "normal growth" prior to that year. On December 15, 2006 the Government issued guidelines with respect to what it would consider "normal growth" for existing income trusts that wish to ensure that they don't become subject to the proposed tax rules until 2011. Under these guidelines, the amount of equity units that an income trust can issue to finance growth up to 2011 may not exceed the value of its publicly traded equity units on October 31, 2006 (subject to annual limits). The guidelines do not explicitly limit the amount of debt that an income trust can issue to fund growth, although as a practical matter this will be constrained by credit considerations and/or financial covenants.

On December 21, 2006, the Government released draft legislation for comment. Considerable uncertainty still exists as the draft legislation does not fully address all aspects of the tax regime introduced in the Tax Fairness Plan (including the "normal growth guidelines"). Further, the proposed legislation is now subject to review by a Parliamentary committee through an expedited public hearing process. Timing for enactment of the legislation by Parliament remains uncertain.

If enacted in their present form, the proposed tax changes would, all other things being equal, likely result in a reduction of cash available for distribution from the Fund commencing in 2011. With respect to the proposed limitations on equity unit issuances, the Data Group believes that the Fund should be able to fund its currently identified growth plan. However, with the current uncertainty in the capital markets resulting from the proposed tax changes, there can be no assurance that sufficient capital will be available to fund further acquisitions or expansion projects. The Data Group, with input from external legal and financial advisors, is closely monitoring legislative developments and carefully assessing the impact of the proposed legislation on the business and financial outlook of the Fund and its broader effect on the income trust sector as a whole, all with a view to adopting a strategy that will maximize value to unitholders going forward once legislative framework is finalized.

Management believes the acquisition of Relizon Canada has introduced a marginal amount of seasonality into the business. The gift card business as well as the buying pattern of a major customer appear to indicate that the fourth quarter may have higher revenues and profit than the other three quarters.

The Data Group 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 Data Group will also pursue acquisition opportunities within its existing business segments.

## **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 Data Group has adopted a policy that the Data Group will distribute all of its available cash, subject to applicable law, by way of monthly distributions on its partnership interests (all of which are held directly or indirectly by the Fund), after satisfaction of its debt service obligations and other expense obligations (including pension liabilities), retaining amounts for capital expenditures, reasonable and appropriate working capital, and satisfaction of its obligations under the Data Group's long-term incentive plan.

The Fund's Board of Trustees does not currently anticipate increasing distributions to Unitholders based on the contribution of the Relizon Canada Acquisition but will continue to monitor the Fund's cash available for distributions and its payout ratio.

The following is a summary of the declared distributions, record dates and payment date in respect of the units during the year ended December 31, 2006:

RECORD DATE	PAYMENT DATE	PER UNIT	AMOUNT
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
May 31, 2006	June 15, 2006	\$0.09656	\$1.435 million
June 30, 2006	July 14, 2006	\$0.09656	\$1.435 million
July 31, 2006	August 15, 2006	\$0.09656	\$1.435 million
August 31, 2006	September 15, 2006	\$0.09656	\$2.267 million
September 29, 2006	October 13, 2006	\$0.09656	\$2.267 million
October 31, 2006	November 15, 2006	\$0.09656	\$2.267 million
November 30, 2006	December 15, 2006	\$0.09656	\$2.267 million
December 29, 2006	January 15, 2007	\$0.09656	\$2.267 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 Data Group. Additional risks not currently known to the Fund and/or the Data Group, or that the Fund and/or the Data Group currently believe are immaterial may also impair the business, results of operations, financial condition and liquidity of the Data Group, and the ability of the Fund to make distributions on the units.

For a description of certain risks related to the combined business of DBFL and Relizon Canada, see “Forward-Looking Statements” above.

### **RISKS RELATED TO THE BUSINESS**

#### **Potential Undisclosed Liabilities Associated with the Relizon Canada Acquisition**

There may be liabilities and contingencies that the Fund did not discover in its due diligence prior to consummation of the Relizon Canada Acquisition and the Fund may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies could have a material adverse effect on the Fund’s business, financial condition, liquidity and results of operations.

#### **Integration of Relizon Canada into the Data Group**

The operations of the Data Group and Relizon Canada were conducted as separate and distinct businesses prior to the Relizon Canada Acquisition, each with its own management team, sales force and operations. On March 1, 2007, the Fund announced a restructuring plan in connection with the integration of the Data Group and Relizon Canada businesses. Under the restructuring plan, the Partnership will reduce its workforce, relocate certain employees to other Data Group facilities and close plants in Québec, Ontario and Alberta. There can be no assurance that problems will not arise in the future in connection with the integration. The Data Group could face contractual and other restrictions on its ability to implement expected cost reductions. The Data Group may not be able to realize anticipated cost savings and efficiencies from that restructuring initiative and other efforts to integrate the two businesses. There can be no assurance that unforeseen costs and expenses, including those related to compensation costs, or other factors will not offset, in whole or in part, the expected cost savings or other components of the respective operating plans. In particular, the Data Group has assumed that its assumptions regarding average compensation costs and average years of service for those employees affected by its restructuring plan are materially correct and that the restructuring is executed in a timely manner. Further, the transfer and integration of employees from one facility to another may require substantial attention from, and place substantial demands upon, senior management of the Data Group, as well as require the cooperation of employees. Failure to successfully complete the integration of the operations of the Data Group and Relizon Canada could have a material adverse effect on the Data Group’s business, financial condition, liquidity and results of operations.

#### **Inability to Sustain and Manage Organic Growth**

A principal component of the Data Group's strategy is to continue its internal growth. The Data Group may not be successful in growing its business or in managing its organic growth and a failure to do so could have a material adverse effect on its business, financial condition, liquidity and results of operations and the amount of cash available for distribution to Unitholders. The Data Group's growth depends on its ability to accomplish a number of things, including, successfully introducing new products; identifying and developing new geographic markets; developing new products and gaining market acceptance for them; establishing and maintaining favourable relationships with customers in new markets and market segments and maintaining these relationships in existing markets; and successfully managing expansion and obtaining the required financing. Any growth the Data Group achieves may require additional employees and an increase in the scope of both its operation and financial systems and the geographic area of its operations.

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

Some of the Data Group's competitors have economic resources greater than those of the Data Group 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 Data Group. 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 Data Group 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 Data Group'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 Data Group has depended heavily on sales of printed business forms, which accounted for approximately 26% of the Data Group's revenues in fiscal 2006. 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 Data Group 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 2006, the cost of paper, carbon and other raw materials represented approximately 35.7% of the Data Group's related revenues. Increases in paper costs could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations. The Data Group cannot be certain that the Data Group 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 Data Group's pricing could lead to a decrease in the volume of products sold. The overall paper market is beyond the Data Group'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 Data Group'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 Data Group could produce and sell, and could have a material adverse effect on the Data Group'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 Data Group's customers. There can be no assurance that the price of the Data Group's raw materials will not increase in the future or that the Data Group 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 Data Group's business, financial condition, liquidity and results of operations. The Data Group 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 Data Group's cash flow and profitability.

#### **Customer Relationships**

The Data Group 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 Data Group 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 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 Data Group's financial performance.

#### **Seasonality**

Sales of some of the Data Group's products are subject to predictable marginal seasonal fluctuations in demand. While certain variable costs can be managed to match seasonal patterns, a significant portion of costs, including rent, are fixed and cannot be adjusted for seasonality.

#### **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 Data Group 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 Data Group'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 it is intended that the Data Group will be careful in selecting businesses to acquire, acquisitions involve a number of risks, including the possibility that Data Group pays more than the acquired 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.

#### **Operating Hazards**

The Data Group's revenues are dependent on the continued operation of its facilities. The operation of the Data Group's facilities involves a number of risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The Data Group may also have exposure to future claims with respect to workplace exposure, workers' compensation and other matters. There can be no assurance as to the actual amount or the timing of these liabilities. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations and the amount of cash available for distribution to Unitholders.

#### **Negotiation of Collective Agreements**

Current union agreements are typically three years in duration and are subject to expiration at various times in the future. The collective agreement with respect to the unionized employees at the Data Group's facility in Anjou, Québec expires on April 30, 2007. If the Data Group is unable to renew 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 March 1, 2007 (after giving effect to workforce reductions in connection with the restructuring announced by the Fund on March 1, 2007) the Data Group employed approximately 2,105 employees, of whom approximately 18% are 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 Data Group's business, financial condition, liquidity and results of operations.

#### **Pension Liabilities and Unfunded Benefit Plans**

Applicable pension legislation requires that the funded status of the Data Group's registered defined benefit pension plans 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.

Following the closing of the Relizon Canada Acquisition, the Data Group made a \$4.0 million payment in respect of certain underfunded pension liabilities of Relizon Canada. Even with such payment and the five year amortization period for solvency funding, the Data Group may have to make substantial annual or one-time cash contributions to the pension plans of the Data Group, including, without limitation, in connection with any reduction of support services or integration of facilities, and the level of those contributions will increase in the event of poor pension fund investment performance and/or further declines in long-term Government of Canada bond rates.

Certain senior executives of Relizon Canada participated in a Supplementary Executive Retirement Plan (“SERP”), which provides for pension benefits payable as a single life annuity with a five year guarantee. Upon completion of the Relizon Canada Acquisition and related transactions, the SERP became an obligation of the Data Group. The SERP is unfunded and will be paid out of the general revenues of the Data Group.

Certain employees of Relizon Canada were provided with post-employment and post-retirement benefits, including health care and life insurance benefits on retirement and unfunded long-term disability benefits to certain former or inactive employees, their beneficiaries and covered dependents. These post-employment and post-retirement benefits are funded on a pay-as-you-go basis.

#### **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 Data Group 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 Data Group, including Relizon Canada, have registered some of their 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 Partnership regards as proprietary. Policing unauthorized use of the Data Group’s software is difficult. The Data Group generally enters into confidentiality and assignment agreements with the Data Group’s employees and generally controls access to and distribution of the Data Group’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 Data Group’s services or technology without authorization, or to develop similar services or technology independently. The Data Group is not aware that any of its owned software, trademarks or other proprietary rights that are material to the operations of its business infringe the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against the Data Group in the future. Any such claims, with or without merit, can be time consuming and expensive to defend and may require the Data Group to enter into royalty or licensing agreements or cease the alleged infringing activities.

#### **Uninsured and Underinsured Losses and Insurance Costs**

The Data Group 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 Data Group’s business, financial condition, liquidity and results of operations.

The Data Group’s cost of maintaining professional errors and omissions insurance and director and officer liability insurance is significant. The Data Group could experience higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, the Data Group’s insurance policies must be renewed annually. The Data Group’s ability to continue to obtain insurance at affordable premiums also depends upon its ability to continue to operate with an acceptable claims record. A significant increase in the number of claims against the Data Group, the assertion of one or more claims in excess of its policy limits or the inability to obtain adequate insurance coverage at acceptable rates, or at all, could have a material adverse effect on the business, financial condition and results of operations of the Data Group and the ability of the Fund to make distributions on the Units.

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

The Data Group’s operations are subject to a complex and onerous legislative regime, including laws, statutes, regulations, by-laws, 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 Data Group’s business, financial condition, liquidity and/or 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/or results of operations.

#### **Dependence on Key Personnel**

The success of the Data Group depends upon the personal efforts of a small group of senior management. Although the Data Group 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 Data Group's business, financial condition, liquidity and results of operations.

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

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

#### **Risk of Future Legal Proceedings**

The Data Group 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 damage 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 Data Group has failed to comply with laws or regulations. The result of these proceedings cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on the Data Group's results of operations in any future period, and a substantial judgment could have a material adverse impact on the Data Group's business, financial condition, liquidity and results of operations.

The Data Group has received a letter on behalf of a former executive of Relizon Canada asserting certain entitlements arising from the termination of the former executive's employment following the completion of the Relizon Canada Acquisition. The letter indicates that the former executive may commence legal proceedings in respect of this matter. To date, no such proceedings have, to the knowledge of the Fund, been commenced. The amount claimed by the former executive is not currently determinable. Although the Data Group intends to defend this claim vigorously, there can be no assurance that the Data Group will be successful in doing so, or that this dispute with the former executive will not have a material adverse impact on the Data Group.

#### **Limited Recourse Against The Relizon Company**

Unitholders do not have a direct statutory right or any other rights against The Relizon Company or any of its shareholders. The sole remedy of the Fund against The Relizon Company or any of its shareholders will be the Fund exercising its rights under the Share Purchase Agreement to claim indemnification in respect of a breach of the representations and warranties in that agreement by The Relizon Company. The Relizon Company has represented and warranted in favour of the Fund that the information in the short form prospectus filed with securities regulatory authorities relating to Relizon Canada is true and correct. However, The Relizon Company has made no representation or warranty that the information pertaining to The Relizon Company in such short form prospectus constitutes full, true and plain disclosure.

## RISKS RELATED TO THE STRUCTURE OF THE FUND

### Income Tax Matters

Although the Fund and the Partnership are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA will agree with the expenses claimed. If CRA successfully challenges the deductibility of expenses, the Partnership's taxable income and losses and indirectly that of the Fund or 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.

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 Partnership to produce a cumulative profit over the expected period that the business will be carried on by the Partnership. 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 of 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.

On September 8, 2005, the Department of Finance (Canada) released a consultation paper on tax and other issues related to publicly listed flow-through entities such as income trusts and limited partnerships and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that he had requested that the CRA postpone providing advanced income tax rulings respecting flow-through entities effective immediately, that the Department of Finance (Canada) was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures were appropriate. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process and no legislative amendments were proposed to change the taxation of income trusts or to impose tax on holdings of "restricted investment properties". Instead the Minister of Finance (Canada) has tabled a Notice of Ways and Means Motion that will enhance the dividend gross-up and tax credit mechanism applicable to dividends paid by certain corporations after 2005. In addition, the CRA will resume providing advance income tax rulings in respect of flow-through entities.

On October 31, 2006, the Canadian Government announced a "Tax Fairness Plan" that would, among other things, create a new tax regime for publicly traded income trusts including the Fund. Under the proposed rules, the taxable portion of an income trust's distributions would be subject to taxation in a manner similar to the treatment of taxable income within a corporation. For existing income trusts, the new rules would not become applicable until 2011 provided they limit their expansion to "normal growth" prior to that year. On December 15, 2006 the Government issued guidelines with respect to what it would consider "normal growth" for existing income trusts that wish to ensure that they don't become subject to the proposed tax rules until 2011. Under these guidelines, the amount of equity units that an income trust can issue to finance growth up to 2011 may not exceed the value of its publicly traded equity units on October 31, 2006 (subject to annual limits). The guidelines do not explicitly limit the amount of debt that an income trust can issue to fund growth, although as a practical matter this will be constrained by credit considerations and/or financial covenants.

On December 21, 2006, the Government released draft legislation for comment. Considerable uncertainty still exists as the draft legislation does not fully address all aspects of the tax regime introduced in the Tax Fairness Plan (including the "normal growth guidelines"). Further, the proposed legislation is now subject to review by a Parliamentary committee through an expedited public hearing process. Timing for enactment of the legislation by Parliament remains uncertain.

If enacted in their present form, the proposed tax changes would, all other things being equal, likely result in a reduction of cash available for distribution from the Fund commencing in 2011. With respect to the proposed limitations on equity unit issuances, the Data Group believes that the Fund should be able to fund its currently identified growth plan. However, with the current uncertainty in the capital markets resulting from the proposed tax changes, there can be no assurance that sufficient capital will be available to fund further acquisitions or expansion projects. The Data Group, with input from external legal and financial advisors, is closely monitoring legislative developments and carefully assessing the impact of the proposed legislation on the business and financial outlook of the Fund and its broader effect on the income trust sector as a whole, all with a view to adopting a strategy that will maximize value to unitholders going forward once legislative framework is finalized.

#### **Dependence of the Fund on the Data Group**

The cash distributions to the Unitholders are entirely dependent on the ability of the Data Group to pay its interest obligations under the Notes, 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 Data Group, it pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of the Data Group to produce positive operating results. The Fund's ability to pay distributions is also subject to the risks encountered by the Data Group in the operation of its business and the results of operations and financial condition of the Data Group.

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

The Data Group had third party debt service obligations under the Previous Credit Facility and will continue to have third party debt obligations under the Amended Credit Facility. The degree to which the Data Group is leveraged could have important consequences to the holders of the Units, including: (i) a portion of the Data Group'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 Data Group's borrowings are at variable rates of interest, which exposes the Data Group to the risk of increased interest rates. The Data Group'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 Amended Credit Facility contains numerous restrictive covenants that limit the Data Group with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Data Group 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 Amended 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 Amended Credit Facility were to be accelerated, there can be no assurance that the Data Group's assets would be sufficient to repay in full that indebtedness.

### **Amended Credit Facilities**

The Amended Credit Facilities have a three-year term. The Data Group may need to refinance the Amended Credit Facilities at the conclusion of its term, and there can be no assurance that the Data Group will be able to do so or able to do so on terms as favourable as the Amended Credit Facilities. If the Data Group is unable to refinance the Amended Credit Facilities or is only able to refinance the Amended Credit Facilities on less favourable and/or more restrictive terms, this may have a material adverse effect on the Data Group's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facilities may be less favourable or more restrictive than the terms of the Amended Credit Facilities, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions to Unitholders.

### **Cash Distributions are Not Guaranteed and Will Fluctuate with the Data Group'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 Units, there can be no assurance regarding the amounts of income to be generated by the Fund or the Data Group. 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 Data Group. 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 Data Group and should not be viewed by investors as units in the Data Group or Relizon Canada. 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 Data Group and Relizon Canada. 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.

### **Possible 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. However, in jurisdictions outside the Provinces of Ontario, Quebec and Alberta, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, 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 will be conducted to seek to minimize such risk.

### **Restrictions on Potential Growth**

The payout by the Data Group 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 Data Group and the related cash flow to the Fund.

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

In the event of a bankruptcy, liquidation or reorganization of the Data Group, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Data Group 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 Data Group. Except for restrictions under the Data Group's credit facility, the Data Group is not limited in its ability to incur secured or unsecured indebtedness.

### **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 Data Group directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the securities of the Partnership. In addition, securities of the Partnership 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. Securities of the Partnership 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.

### **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.

### **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.

## FINANCIAL REPORTING RESPONSIBILITY OF MANAGEMENT

The accompanying consolidated financial statements of The DATA Group Income Fund (the “Fund”) have been prepared by management of the Data Group Limited Partnership (the “Data Group”), a wholly-owned subsidiary of the Fund, and approved by the Trustees of the Fund. Management of the Data Group is responsible for the preparation and presentation of these financial statements and all the financial information contained within this Annual Report within reasonable limits of materiality. The Fund’s consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. The financial information throughout the text of this Annual Report is consistent with that in the financial statements.

To assist management in discharging these responsibilities, the Data Group maintains a system of internal controls which are designed to provide reasonable assurance that the Fund’s consolidated assets are safeguarded, that transactions are executed in accordance with management’s authorization and that the financial records form a reliable base for the preparation of accurate and timely financial information.

Management recognizes its responsibilities for conducting the Data Group’s affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

PricewaterhouseCoopers LLP, Chartered Accountants, are appointed by the Unitholders and have audited the consolidated financial statements of the Fund in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Fund.

The Trustees of the Fund have appointed an Audit Committee composed of three directors who are not members of management of the Data Group. The Audit Committee meets periodically with management and the auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. It is responsible for reviewing the Fund’s annual and interim consolidated financial statements and the report of the auditors. The Audit Committee reports the results of such reviews to the Trustees of the Fund and makes recommendations with respect to the appointment of the Fund’s auditors. In addition, the Trustees may refer to the Audit Committee other matters and questions relating to the financial position of the Fund and its subsidiaries.

(Signed) David M. Odell

PRESIDENT & CHIEF EXECUTIVE OFFICER  
THE DATA GROUP LIMITED PARTNERSHIP

(Signed) Paul O’Shea

CHIEF FINANCIAL OFFICER  
THE DATA GROUP LIMITED PARTNERSHIP

## AUDITORS’ REPORT

### To the Unitholders of The DATA Group Income Fund

We have audited the consolidated balance sheets of The DATA Group Income Fund (the “Fund”) as at December 31, 2006 and 2005 and the consolidated statements of income and accumulated income and cash flows for the year ended December 31, 2006 and for the period from December 21, 2004 to December 31, 2005. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006 and the period from December 21, 2004 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS  
TORONTO, ONTARIO  
MARCH 7, 2007

## CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,767	8,903
Accounts receivable	55,010	26,363
Inventories (NOTE 4)	46,331	20,890
Prepaid expenses and other current assets	3,788	2,470
Income taxes recoverable	2,056	66
	<b>111,952</b>	58,692
Property, plant and equipment (NOTE 6)	53,497	14,946
Goodwill (NOTE 2)	152,570	87,973
Intangible assets (NOTE 7)	76,362	49,797
Future income taxes (NOTE 8)	183	-
Deferred financing fees	2,601	601
	<b>397,165</b>	212,009
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	52,939	20,208
Accrued restructuring and integration provisions (NOTES 2 AND 11)	10,473	-
Distributions payable	2,267	1,435
	<b>65,679</b>	21,643
Revolving bank facility (NOTE 9)	70,000	40,000
Convertible debentures (NOTE 10)	34,155	-
Future income taxes (NOTE 8)	-	16,032
Unfavourable lease obligation (NOTE 2)	1,355	-
Pension obligations (NOTE 12)	10,619	4,735
Post-employment benefits (NOTE 13)	700	-
	<b>182,508</b>	82,410
<b>Unitholders' Equity</b>		
Units (NOTE 14)	215,164	137,519
Conversion option (NOTE 10)	902	-
Accumulated income	37,392	9,501
Cumulative distributions (NOTE 16)	(38,801)	(17,421)
	<b>214,657</b>	129,599
	<b>397,165</b>	212,009

Approved by Board of Trustees

(Signed) David Odell

TRUSTEE

(Signed) Derek Ridout

TRUSTEE

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED INCOME

(IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT AMOUNTS)	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
<b>Revenues</b>	<b>286,650</b>	220,740
<b>Cost of revenues</b> (including depreciation of \$4,640 and \$3,032, respectively) (NOTE 5)	<b>211,633</b>	164,188
<b>Gross profit</b>	<b>75,017</b>	56,552
<b>Expenses</b>		
Selling, commissions and expenses	<b>30,525</b>	23,734
General and administrative (including depreciation of \$455 and \$267, respectively)	<b>21,229</b>	17,133
Integration costs (NOTE 11)	<b>164</b>	–
Amortization of intangible assets	<b>7,558</b>	6,803
	<b>59,476</b>	47,670
<b>Income before interest and income taxes</b>	<b>15,541</b>	8,882
<b>Interest expense on long-term debt</b> (net of interest income of \$415 and \$195, respectively)	<b>3,865</b>	2,126
<b>Income before income taxes</b>	<b>11,676</b>	6,756
<b>Future income tax recovery</b> (NOTE 8)	<b>(16,215)</b>	(2,745)
<b>Net income for the period</b>	<b>27,891</b>	9,501
<b>Accumulated income – beginning of period</b>	<b>9,501</b>	–
<b>Accumulated income – end of period</b>	<b>37,392</b>	9,501
<b>Basic income per unit</b> (NOTE 15)	<b>1.57</b>	0.64
<b>Diluted income per unit</b> (NOTE 15)	<b>1.54</b>	0.64

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF DOLLARS)	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the period	27,891	9,501
Items not involving cash		
Depreciation of property, plant and equipment	5,095	3,299
Amortization of intangible assets	7,558	6,803
Pension expense (NOTE 12)	1,663	1,289
Contributions made to pension plans (NOTE 12)	(8,046)	(7,278)
Amortization of deferred financing fees	452	314
Loss (gain) on disposal of property and equipment	(3)	245
Accretion of convertible debentures	57	-
Unfavourable lease obligation	(55)	-
Post-employment benefits	(36)	-
Future income taxes	(16,215)	(2,745)
	<b>18,361</b>	<b>11,428</b>
Changes in non-cash items relating to operating activities (NOTE 17)	<b>2,123</b>	<b>7,948</b>
	<b>20,484</b>	<b>19,376</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,585)	(2,372)
Proceeds on disposal of property and equipment	34	1
Acquisition of Data Business Forms Limited (net of cash acquired of \$323) (NOTE 2)	(374)	(114,807)
Acquisition of Relizon Canada Inc. (net of cash acquired of \$1,888) (NOTE 2)	(113,097)	-
	<b>(117,022)</b>	<b>(117,178)</b>
<b>Financing activities</b>		
Repayment of acquired Data Business Forms' long-term debt	-	(53,913)
Proceeds from issuance of trust units – net of expenses (NOTE 2)	50,402	137,519
Proceeds from issuance of convertible debentures (NOTES 2 AND 10)	33,600	-
Proceeds from revolving bank facility (NOTE 9)	30,000	40,000
Financing costs	(1,052)	(915)
Distributions to Unitholders (NOTE 16)	(20,548)	(15,986)
	<b>92,402</b>	<b>106,705</b>
<b>(Decrease) increase in cash and cash equivalents during the period</b>	<b>(4,136)</b>	<b>8,903</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>4,767</b>	<b>8,903</b>
<b>Supplemental cash flow information</b>		
Interest paid	3,052	2,496
<b>Non-cash investing and financing activities</b>		
Acquisition of certain assets and settlement for non-cash consideration	-	14,388
Units issued in connection with business acquisition (NOTE 2)	27,243	-

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006 AND THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005  
(IN THOUSANDS OF DOLLARS, EXCEPT NUMBER OF UNITS AND PER UNIT AMOUNTS)

### NOTE 1

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#### 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 commenced operations on December 21, 2004 and was created to invest in common shares and unsecured subordinated notes of Data Business Forms Limited (“Data Business Forms”). On August 31, 2006, the Fund acquired the business of Relizon Canada Inc. (“Relizon Canada”).

Effective September 30, 2006, the Fund reorganized its structure, pursuant to a plan of arrangement to carry on in a limited partnership the business previously carried on by Data Business Forms, as a corporation. The reorganization created a flow-through structure under Canadian income tax laws whereby the Fund directly and indirectly owns all of the partnership interests of The Data Group Limited Partnership (the “partnership” or the “Data Group”). The reorganization did not result in a change to the number, type or ownership of the outstanding units of the Fund and had no impact on the daily operations of the Fund. As part of the reorganization, certain consequential amendments were made to the Fund’s declaration of trust.

The Data Group 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 Data Group 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. This segment also includes the former business of Relizon Canada Inc.;
- 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.

### NOTE 2

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#### ACQUISITION OF BUSINESSES

##### ACQUISITION OF RELIZON CANADA INC.

On August 31, 2006, the Fund acquired from The Relizon Company (the “Relizon Canada Acquisition”) all of the shares of the Relizon Canada business for cash payment of \$112,000 and 2,964,326 trust units of the Fund, subject to a working capital adjustment. There was an adjustment of \$1,000 to adjust the working capital of Relizon Canada to \$31,300 as of the closing of the Relizon Canada acquisition. Immediately following the Relizon Canada acquisition, Relizon Canada and Data Business Forms were amalgamated and continued as “Data Business Forms Limited” prior to the reorganization of the Fund on September 30, 2006.

The cash payment of \$112,000 was funded with a combination of funds raised pursuant to a public offering of securities of the Fund, additional borrowings under Data Business Form’s credit facilities of \$30,000 and cash on hand. In connection with the Relizon Canada Acquisition, the Fund issued to the public (the “Offering”) 5,650,000 subscription receipts at a cost of \$9.50 per subscription receipt (the “Subscription Receipts”), each representing the right to receive one unit of the Fund (a “Unit”) for no additional consideration upon completion of the Relizon Canada Acquisition, for gross proceeds of approximately \$53,700 and \$35,000 aggregate principal amount of 6.75%, extendible convertible, unsecured, subordinated debentures (the “Convertible Debentures”). Following the closing of the Relizon Canada acquisition, the Fund issued 5,650,000 units on the exchange of the Subscription Receipts. The total net proceeds of the Offering were approximately \$84,000 and were used to fund \$82,000 of the cash portion of the acquisition cost. The remainder of the cash portion of the acquisition cost was funded by the Fund through existing cash balances and committed credit facilities provided by two Canadian chartered banks.

NOTE 2 (CONTINUED)

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

	\$
Cash and cash equivalents	1,888
Accounts receivable	21,220
Inventories (including fair value allocation of \$4,918)	27,550
Prepaid expenses and other assets	3,514
Income taxes recoverable	2,365
Property, plant and equipment	40,092
Goodwill	64,597
Intangible assets	34,123
Accounts payable and accrued liabilities	(29,297)
Restructuring provisions	(10,412)
Unfavourable lease obligation	(1,410)
Pension obligation	(12,266)
Post-employment benefits	(736)
	<hr/> 141,228
Consideration	
Cash	112,000
Units	27,243
Acquisition costs	2,985
Working capital adjustment	(1,000)
	<hr/> 141,228

The intangible assets acquired are amortized over their expected useful lives of 3-12 years. The goodwill and the intangible assets acquired are not deductible for income tax purposes.

Estimated liabilities of \$10,412 have been included in the preliminary purchase price allocation relating to estimated costs associated with severance and exit costs related to the acquired facilities. The Fund may also incur costs relating to facilities leased by the Data Group. Any costs relating to the Data Group incurred in connection with the integration of the acquired business will be expensed as incurred as integration costs.

As a result of new information, the original purchase price allocation as reported as of September 30, 2006 was adjusted and management is continuing to carry out detailed assessments of the assets acquired and liabilities assumed and changes may be made to the preliminary purchase price allocation when more information becomes available.

**ACQUISITION OF DATA BUSINESS FORMS AND INITIAL PUBLIC OFFERING**

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.

**NOTE 2 (CONTINUED)**

The acquisition has been accounted for by the purchase method and results of operations have been included in the consolidated statement of income and accumulated 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, plant 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)
	129,892
Consideration	
Cash	101,534
Convertible note (over-allotment note)	13,970
Note payable	14,388
	129,892

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.

**NOTE 3**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

Pursuant to an order dated March 31, 2005, issued by the Canadian Securities Administrators, these consolidated financial statements reflect the results of operations for the period from December 21, 2004 to December 31, 2005.

**Principles of consolidation**

The consolidated financial statements include the accounts of the Fund and its wholly owned subsidiaries. All intercompany transactions have been eliminated.

**Revenue recognition**

Revenue from the sale of products is recognized on shipment to the customer, when the transfer of title and when risk of loss passes to the buyer. Revenue from services is recognized on completion of services provided to the customer. The majority of products are customized and product returns are not significant. Warehousing fees are recognized as the service is provided.

**Concentration of credit risk**

Financial instruments, which potentially subject the Fund to concentrations of credit risk, consist primarily of trade accounts receivable.

Credit risk with respect to trade receivables, in management's opinion, is limited due to industry and geographic diversification. The five largest customers represent 16.2% of total accounts receivable. An allowance for doubtful accounts is maintained to cover estimated credit losses.

NOTE 3 (CONTINUED)

**Inventories**

Raw materials inventories are stated at the lower of cost and replacement cost. Printed finished goods and work-in-progress are recorded at the lower of cost and net realizable value. Costs of finished goods and work-in-progress were determined based on estimated fair values and, subsequent thereto using the first-in, first-out method. Inventory manufactured by the Fund includes the cost of materials and labour and the applicable share of variable production overhead.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with maturities of three months or less at the date of purchase.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed using the methods and rates based on the estimated useful lives of the property, plant and equipment as outlined below:

	<b>Basis</b>	<b>Rate</b>
Buildings	straight-line	40 years
Leasehold improvements	straight-line	lease term
Office furniture and equipment	diminishing balance	20%
Presses and printing equipment	straight-line	1 to 10 years
Computer hardware and software	straight-line	1 to 5 years

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An estimate of undiscounted future cash flows produced by the assets, or the appropriate grouping of assets, is compared with the carrying value to determine whether an impairment exists. If an impairment is determined to exist, the assets are written down to their fair value.

**Intangible assets**

Intangible assets are related to acquisitions and are recorded at their fair value at the acquisition date. These assets include customer relationships, existing technology, trademarks and trade names. These assets are amortized over their estimated useful lives of 3 to 12 years.

Management reviews the carrying value of its intangible assets if events or changes in circumstances indicate that the asset may not be recoverable. An estimate of undiscounted future cash flows produced by the assets, or the appropriate grouping of assets, is compared with the carrying value to determine whether an impairment exists. If an impairment is determined to exist, the assets are written down to their fair value.

**Goodwill**

Goodwill represents the excess of cost over the fair value of tangible and identifiable intangible assets acquired in business combinations accounted for by the purchase method.

Goodwill is not amortized but is subject to an annual impairment review or, more frequently, if circumstances indicate goodwill may be impaired. An impairment is recognized when the fair value of a reporting unit is less than the carrying value of the reporting unit's net assets. These impairment reviews are highly dependent on management's projection of future results for reporting units, and there can be no assurance that at the time such reviews are completed, a material impairment charge will not be recorded.

**Pensions**

The cost of pensions and other retirement benefits earned by employees covered by the defined benefit pension plans is determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates. For the purpose of calculating the

**NOTE 3 (CONTINUED)**

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expected return on plan assets, those assets are valued at fair market value. Adjustments arising from changes in pension benefits and assumptions and experience gains and losses above 10% of lower of the accrued benefit obligation and plan assets are amortized over the expected average remaining service lives of the employees. The estimated average remaining service lives of active employees covered by the Data Group and Relizon Canada pension plans are approximately 15 years and 9 years, respectively.

**Deferred finance fees**

Finance costs related to the acquisition of financing are deferred and amortized as interest expense over the term of the related debt.

**Leases**

Leases are classified as capital or operating depending on the terms and conditions of the contracts. Where the Fund is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

**Income taxes**

The Fund is a mutual fund trust for income tax purposes and, therefore, is not subject to income taxes on income distributed to unitholders. Income taxes payable on income of the Fund's distribution to unitholders are the responsibility of individual unitholders.

No income taxes are recognized for the Fund's partnership subsidiary because it is not a taxable entity. Income taxes for the Fund's corporate subsidiary are calculated using the liability method of accounting for income taxes. Future income tax assets or liabilities are recognized for temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. Future income taxes are measured using the substantially enacted income tax rates and laws that will be in effect when the differences are expected to reverse. The income tax expense or benefit is the income taxes payable or refundable for the year, plus or minus the change in future income tax assets and liabilities during the year.

**Convertible debentures**

Upon issuance, convertible debentures are separated into debt and equity components, measured based on their respective estimated fair values. The fair value of the debt component represents the present value of future interest and principal payments under terms of a convertible debenture using a discount rate for similar debt instruments without a conversion feature. The value assigned to the equity component is the estimated fair value of the holders' option to convert the debentures into units.

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the consolidated balance sheet date. Revenues and expenses are translated at rates prevailing on the transaction dates. Gains and losses resulting from translation are included in net income for the year.

**Financial instruments**

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable, interest rate swaps, convertible debentures and the revolving bank facility, the amounts of which, other than interest rate swaps, are included in the Fund's consolidated balance sheets as at December 31, 2006 and December 31, 2005. The Fund does not enter into financial instruments for trading or speculative purposes.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued restructuring provisions and distributions payable approximates their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the revolving term facility approximates the carrying value as it bears interest at variable interest rates. Based on the quoted market price, the Fund's convertible debentures have a fair value of \$35.4 million as at December 31, 2006. The fair value of the Fund's interest rate swap contracts as at December 31, 2006 was a favourable \$0.1 million.

NOTE 3 (CONTINUED)

Derivative financial instruments are utilized to reduce interest-rate risk on the Fund's debt. The Fund's policy is to formally designate financial instruments as a hedge of a specifically identified debt instrument. The Fund believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity, the (notional) principal amount and the interest-rate basis in the instruments all match the terms of the debt instruments being hedged.

In the event of a termination of an interest-rate swap agreement, gains and losses would be deferred under other current or non-current assets or liabilities on the consolidated balance sheets and amortized as an adjustment of interest expense on the hedged debt instrument. In the event of early extinguishment of the debt obligation, any realized or unrealized gain or loss from the swap is recognized in the consolidated statements of income and accumulated income at the time of extinguishment.

**Income per unit**

Income per Fund unit is computed by dividing the net income available for Fund unitholders by the weighted average number of Fund units outstanding during the period. Diluted income per unit is determined using the if converted method to account for the potential dilution relating to the Fund's convertible debentures.

**Use of estimates**

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Actual results could differ from those estimates.

NOTE 4

**INVENTORIES**

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
Paper, carbon and ink	8,279	6,013
Work-in-progress	3,275	1,887
Forms, computer paper and labels	34,777	12,990
	<b>46,331</b>	20,890

At the date of acquisition, the cost of inventory was increased by \$4,918, representing the excess of the estimated fair value of inventory over the cost of inventory in the acquired company, Relizon Canada Inc.

NOTE 5

**COST OF REVENUES**

For the periods from August 31, 2006 to December 31, 2006 and December 21, 2004 to December 31, 2005, the Fund incurred charges of \$4,918 and \$6,668, respectively, as a result of increasing the value of inventory to estimated fair market value at the date of acquisition.

**NOTE 6**

**PROPERTY, PLANT AND EQUIPMENT**

	DECEMBER 31, 2006		
	COST	ACCUMULATED DEPRECIATION	NET
	\$	\$	\$
Land	1,020	—	1,020
Buildings and leasehold improvements	12,495	915	11,580
Office furniture and equipment	1,495	241	1,254
Presses and printing equipment	43,250	5,653	37,597
Computer hardware and software	3,631	1,585	2,046
	<b>61,891</b>	<b>8,394</b>	<b>53,497</b>

	DECEMBER 31, 2005		
	COST	ACCUMULATED DEPRECIATION	NET
	\$	\$	\$
Leasehold improvements	3,719	400	3,319
Office furniture and equipment	346	87	259
Presses and printing equipment	11,921	2,117	9,804
Computer hardware and software	2,259	695	1,564
	<b>18,245</b>	<b>3,299</b>	<b>14,946</b>

Depreciation for the year ended December 31, 2006 was \$5,095 and depreciation for the period from December 21, 2004 to December 31, 2005 was \$3,299.

**NOTE 7**

**INTANGIBLE ASSETS**

	DECEMBER 31, 2006		
	COST	ACCUMULATED AMORTIZATION	NET
	\$	\$	\$
Software and technology	10,000	2,899	7,101
Customer relationships	73,023	9,725	63,298
Trademarks and trade names	7,700	1,737	5,963
	<b>90,723</b>	<b>14,361</b>	<b>76,362</b>

	DECEMBER 31, 2005		
	COST	ACCUMULATED AMORTIZATION	NET
	\$	\$	\$
Software and technology	10,000	1,471	8,529
Customer relationships	38,900	4,451	34,449
Trademarks and trade names	7,700	881	6,819
	<b>56,600</b>	<b>6,803</b>	<b>49,797</b>

Upon the acquisition of Relizon Canada Inc. on August 31, 2006, \$34,123 of the purchase price has been allocated to customer relationship intangible assets and are being amortized over their useful lives of 3 to 12 years.

**NOTE 8**

**INCOME TAXES**

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

	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
Expected income tax provision at 34%	3,979	2,287
Trust income not taxable	(6,039)	(5,576)
Impact of change in substantively enacted future tax rates	(688)	—
Impact of reorganization of corporate structure	(13,388)	—
Non-deductible expenses and other items	(79)	544
Income tax recovery	<b>(16,215)</b>	(2,745)

Prior to the reorganization described in note 1, income tax expense consisted of current and future income taxes. On September 30, 2006, the Fund reorganized, pursuant to a plan of arrangement and as a result, the business operations of the Data Group are now carried on by the limited partnership. Since the limited partnership is not taxable under current income tax legislation, the Fund reversed its accumulated future income tax liability of \$13,388 and recognized a future income tax asset of \$529, relating to non-transferable unused income tax deductions and other tax balances of the general partner.

As a result of the reorganization, the Fund no longer recognizes any future income tax assets or liabilities on temporary differences between the carrying amounts and income tax base of assets and liabilities of the Fund's partnership subsidiaries, as the Fund will distribute to its Unitholders, all or virtually all of its taxable income. As at December 31, 2006, the excess of the carrying value of the Fund's assets and liabilities, excluding goodwill, over their tax base is approximately \$82.5 million, which at current tax rates is \$28.1 million, of which \$25.9 million is related to the carrying value of intangible assets over their tax base, \$7.3 million is related to the carrying value of property, plant and equipment over their tax base and is offset by \$5.1 million relating to the value of pension obligations and other liabilities under their tax base.

On December 21, 2006, the Minister of Finance (Canada) released draft legislation (the "proposals") relating to the federal income taxation of publicly traded trusts that are a specified investment flow-through entity (a "SIFT"), which existed before November 1, 2006 ("existing trust") commencing with taxation years ending in or after 2011.

Under the proposals, certain distributions attributable to a SIFT will not be deductible in computing the SIFT's taxable income and the SIFT will be subject to taxes on such distributions at a rate that is substantially equivalent to the general income tax rate applicable to Canadian corporations. Distributions paid by the SIFT as returns of capital will not be subject to this tax. There will be circumstances when an existing trust may lose its transitional relief when its equity capital grows beyond certain dollar limits measured by reference to the existing trust's market capitalization at the close of trading on October 31, 2006.

The Fund is a SIFT, as defined by the proposals. If enacted, the Fund would be subject to income taxes on certain income earned from investments in its subsidiaries beginning in 2011. The Fund would also be required to recognize future income tax assets and liabilities with respect to the temporary differences of its assets and liabilities and those of its subsidiaries that are expected to reverse in or after 2011.

NOTE 8 (CONTINUED)

The composition of the future income tax liability (asset):

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
Property, plant and equipment	–	1,347
Intangible assets	–	16,819
Pension obligation	–	(1,605)
Deferred financing fees	(529)	(615)
Benefit of income tax loss carry-forwards	–	(337)
Other	346	423
Long-term future tax (asset) liability	<b>(183)</b>	16,032

NOTE 9

**REVOLVING BANK FACILITY**

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
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
5.84% banker's acceptances, maturing March 21, 2007	<b>50,000</b>	–
5.83% banker's acceptances, maturing January 10, 2007	<b>10,000</b>	–
5.83% banker's acceptances, maturing January 4, 2007	<b>7,500</b>	–
5.83% banker's acceptances, maturing January 16, 2007	<b>2,500</b>	–
Revolving bank facility	<b>70,000</b>	40,000

In connection with the completion of the Relizon Canada Acquisition, the Data Group entered into an amended and restated credit agreement (the "Amended Credit Agreement") with two Canadian chartered banks, providing for the establishment of increased credit facilities (the "Revolving Bank Facility") consisting of a committed revolving credit facility in the maximum principal amount of \$90,000 maturing on August 31, 2009, the proceeds of which are to be used for ongoing operating and working capital requirements, for general corporate purposes, for funding existing revolving loans of approximately \$40,000, and for funding part of the cash portion of the purchase price for the Relizon Canada Acquisition. The Revolving Bank Facility replaced the existing credit facilities of the Data Group, which were established immediately prior to the Fund's initial public offering in December 2004 to fund ongoing operating requirements, working capital requirements, general corporate purposes and for certain acquisitions and investments. The Amended Credit Agreement was further amended and restated on September 30, 2006 to reflect the changes to the Fund's organizational structure resulting from the reorganization, including the assumption by the Data Group of all of Data Business Forms' obligations under the Amended Credit Agreement.

The Amended Credit Agreement contains financial covenants which require the Data Group to at all times maintain a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization "EBITDA" and a quarterly minimum ratio of EBITDA to fixed charges. The Data Group is required to make certain mandatory repayments, including prepayment of 100% of the net cash proceeds from the sale of assets of the Data Group in excess of an aggregate of \$2,000 per annum (other than inventory sales in the normal course of business), unless reinvested in like assets within an agreed-upon period.

The Data Group has entered into interest-rate swap contracts with its lenders. As a result of these contracts, the borrowing rate on \$30,000 of its outstanding indebtedness is effectively fixed at an interest rate of 3.91%, plus stamping fees until December 21, 2007 and 4.16% plus stamping fees from December 21, 2007 to August 28, 2009. The borrowing rate on \$20,000 of its outstanding indebtedness is effectively fixed at an interest rate of 4.22% plus stamping fees until August 28, 2009.

**NOTE 10**

**CONVERTIBLE DEBENTURES**

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
6.75% convertible debentures, maturing on December 31, 2011, interest payable in June and December, convertible at 88.889 units per \$1,000 of debenture, net of a conversion option of \$902	<b>34,155</b>	—

On August 31, 2006, the Fund issued 6.75%, extendible, convertible, unsecured, subordinated debentures (the “Convertible Debentures”). The Convertible Debentures are convertible at the holder’s option into units at any time prior to the maturity of the Convertible Debentures (including any redemption of the Convertible Debentures) at a conversion price of \$11.25 per unit, subject to adjustment in certain events. The Convertible Debentures may not be redeemed, by the Fund prior to December 31, 2009. Between December 31, 2009 and December 31, 2010, the Convertible Debentures may be redeemed by the Fund at its option, in whole or in part, at a price equal to the principal amount of the Convertible Debentures so redeemed, plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after December 31, 2010 and prior to the maturity date of the Convertible Debentures, the Convertible Debentures may be redeemed by the Fund at its option, in whole or in part, at a price equal to the principal amount of the Convertible Debentures so redeemed, plus accrued and unpaid interest. Subject to any required regulatory approval and provided no event of default has occurred and is continuing, the Fund may, at its option, elect to satisfy its obligations to repay, in whole or in part, the principal amount of, and any premium on, the Convertible Debentures, which are to be redeemed or which have matured by delivering units to holders of Convertible Debentures. Any accrued and unpaid interest will be paid in cash. In such event, payment will be satisfied by delivering for each one hundred dollars due, that number of units obtained by dividing one hundred dollars by 95% of the volume weighted average trading price of the units on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or maturity. In certain circumstances, the Fund may also elect to satisfy all or part of its interest payment obligations by delivering units to a trustee for sale, in which event holders of Convertible Debentures will be entitled to receive a cash payment equal to the interest owed from the proceeds of the sale of those units. Upon the acquisition of voting control or direction over 66<sup>2</sup>/<sub>3</sub>% or more of the units (on a fully-diluted basis), each holder of Convertible Debentures may require the Fund to purchase the whole or any part of such holder’s Convertible Debentures at a price equal to 101% of the principal amount of the Convertible Debentures, plus accrued and unpaid interest.

**NOTE 11**

**ACCRUED RESTRUCTURING AND INTEGRATION PROVISIONS**

In connection with the acquisition of Relizon Canada as described in note 2, the Fund adopted a plan to integrate and restructure the acquired business. As a result, the Fund recognized provisions of \$10,412 for severance and relocation and exit costs relating to certain employees and facilities of the acquired business. The Fund expects that these activities will be completed in 2007. The liabilities relating to these costs have been included in the allocation of the purchase price of Relizon Canada.

On March 1, 2007, the Fund announced a restructuring plan in connection with the integration of the DBFL and Relizon Canada businesses, which includes a reduction in the Data Group’s workforce, the relocation of certain employees to other Data Group facilities and the closure of four plants.

Any costs incurred relating to employees of facilities previously leased by the Fund are charged to integration costs as incurred in the consolidated statement of income and accumulated income.

**NOTE 11 (CONTINUED)**

The following is a summary of the amounts accrued and paid relating to restructuring and integration costs:

	\$
Accrued restructuring included in the purchase allocation (NOTE 2)	10,412
Integration costs charged to expense	164
Cash payments	(103)
Balance – December 31, 2006	<b>10,473</b>

**NOTE 12**

**PENSION OBLIGATIONS**

The Data Group sponsors contributory, defined benefit and defined contribution pension plans for its employees including the former employees of Relizon Canada Inc. Pension benefits are primarily based on years of service, compensation and accrued contributions with interest. The Data Group's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements.

Pension benefits for the defined benefit formula are generally calculated based on the number of years of service and the maximum average eligible earnings of each employee during any period of five consecutive years. Pension benefits for the defined contribution formula are based on the accrued contributions with interest. Improvements to the plans are recognized as implicit obligations and recorded as adjustments arising from past services. Current service costs are expensed in the period. Actuarial gains or losses arise from the difference between actual rate of return on the plans' assets for a period and the expected long-term rate of return on the plans' assets for that period from changes in actuarial assumptions used to determine the accrued benefit obligation and from changes to accrued benefit obligation resulting from actual experience differing from long-term assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

The following is a summary of the Data Group's pension obligations, including plans assumed on the acquisition of Relizon Canada Inc.:

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
Accrued benefit obligations	<b>111,123</b>	44,342
Fair value of plan assets	<b>97,912</b>	35,721
Funded status – plan deficit	<b>(13,211)</b>	(8,621)
Unamortized net actuarial loss	<b>2,592</b>	3,886
Pension obligations	<b>(10,619)</b>	(4,735)

**Defined benefit pension plan obligations**

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
Accrued benefit obligation		
Balance – Beginning of period	<b>44,342</b>	35,928
Balance – Acquired from acquisition of Relizon Canada Inc.	<b>59,789</b>	–
Current service cost	<b>2,343</b>	1,367
Interest cost	<b>3,304</b>	2,245
Employee contributions	<b>895</b>	912
Benefits paid	<b>(2,615)</b>	(875)
Actuarial loss	<b>3,065</b>	4,765
Balance – End of period	<b>111,123</b>	44,342

NOTE 12 (CONTINUED)

**Defined benefit pension plan assets**

	DECEMBER 31, 2006 \$	DECEMBER 31, 2005 \$
Fair value of plan assets		
Balance – Beginning of period	35,721	30,237
Balance – Acquired from acquisition of Relizon Canada Inc.	47,523	–
Actual return on plan assets	8,342	3,247
Employer contributions	8,046	2,200
Employee contributions	895	912
Benefits paid	(2,615)	(875)
Balance – End of period	97,912	35,721

**Plan asset composition**

	DECEMBER 31, 2006	DECEMBER 31, 2005
<b>Percentage of plan assets</b>		
Equity – Canadian	27%	34%
Equity – US	16%	12%
Equity – International	23%	11%
Bonds	29%	35%
Cash	5%	8%
Total	100%	100%

**Elements of defined benefit costs recognized**

	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
Current service cost (including provision for plan expenses)	2,443	1,412
Interest cost on obligation	3,304	2,316
Expected return on plan assets	(4,084)	(2,439)
Defined benefit costs recognized	1,663	1,289

**Components of defined benefit pension expense are as follows:**

	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
Current service cost (including provision for plan expenses)	2,443	1,412
Interest cost on obligation	3,304	2,316
Actual return on plan assets	(8,343)	(3,318)
Actuarial loss	3,065	4,765
Pension expense before adjustments to recognize the long-term nature of employee future benefit costs	469	5,175
Difference between expected return and actual return on plan assets	4,259	879
Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation	(3,065)	(4,765)
	1,663	1,289

NOTE 12 (CONTINUED)

**Significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations**

Discount rate	5.25%	5.00%
Expected rate of return on plan assets	7.50%	7.50%
Rate of compensation increase	3.50%	3.50%

The Fund's pension expense related to the defined contribution pension plan is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
Defined contribution pension plan	435	465

NOTE 13

**POST-EMPLOYMENT BENEFITS**

As of August 31, 2006, the Data Group assumed the post-employment benefit obligations of Relizon Canada Inc. Costs related to post-employment and other retirement benefits, other than pensions offered to certain employees are valued using an accrued benefit actuarial method and management's best assumptions.

The following summarizes the change in the benefit obligation:

	DECEMBER 31, 2006 \$
Balance – Acquired from acquisition of Relizon Canada Inc.	736
Interest cost	12
Benefits paid	(48)
Actuarial loss	61
Unrecognized actuarial loss	(61)
Balance – End of period	700

**Significant actuarial assumptions adopted in measuring the Fund's post-employment benefit obligations**

Discount rate	5.25%
Drug expenses – Initial health care cost trend rate	10.5%
Drug expenses – Cost trend rate declines by 2009 to	6.5%
Hospital expenses – health care cost trend rate	3.5%
Other medical expenses – health care cost trend rate	4.5%

**Sensitivity analysis on post-retirement benefits**

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1.0% change in assumed health care cost trend rates would have the following effects:

DECEMBER 31, 2006	1.0% INCREASE	1.0% DECREASE
Effect on total of service and interest cost components	1	1
Effect on post-retirement benefit obligation as at December 31, 2006	21	(22)

**NOTE 14**

**UNITS**

An unlimited number of units may be issued pursuant to the declaration of trust. Units are redeemable by the holder at a price equal to the lesser of 90% of the market price of a unit during the ten consecutive trading day period ending on the trading day immediately prior to the date on which the units were surrendered for redemption and an amount based on the closing price on the redemption date, subject to certain restrictions. Each unitholder of the Fund participates pro rata in any distributions from the Fund. Income tax obligations related to the distributions by the Fund are obligations of the unitholders. Each unit is entitled to one vote at any meeting of unitholders.

The following summarizes the movement in units:

	NUMBER OF UNITS	AMOUNT \$
Issued pursuant to declaration of trust	1	–
Redeemed	(1)	–
Issued upon initial public offering (NOTE 2)	13,327,377	123,071
Issued to certain executives	47,823	478
Balance – December 31, 2004	13,375,200	123,549
Issued upon exercise of the over-allotment option	1,486,133	13,970
Balance – December 31, 2005	14,861,333	137,519
Issued in connection with the Relizon Canada Acquisition (NOTE 2)	2,964,326	27,243
Issued for cash upon conversion of Subscription Receipts (NOTE 2)	5,650,000	50,402
Balance – December 31, 2006	23,475,659	215,164

**Long-term incentive plan**

Key senior management of the Data Group are eligible to participate in the long-term incentive plan (the “LTIP”) that provides a bonus amount, based on the amount of distributable cash generated by the Fund. The Fund’s policy is to recognize an expense for the amount of bonus over the three-year vesting period, using the graded vesting method. The LTIP amount expensed for the year ended December 31, 2006 was \$0.4 million (2005 - \$0.4 million).

**NOTE 15**

**INCOME PER UNIT**

	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
<b>Basic income per unit</b>		
Net income for the period	27,891	9,501
Weighted average units outstanding	17,772,218	14,754,331
Basic income per unit	1.57	0.64
<b>Diluted income per unit</b>		
Net income for the period	27,891	9,501
Adjustment related to Convertible Debentures	984	–
Adjusted net income	28,875	9,501
Weighted average units	17,772,218	14,754,331
Effect of dilutive Convertible Debentures	1,037,037	–
	18,809,255	14,754,331
Diluted income per unit	1.54	0.64

**NOTE 16**

**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 year ended December 31, 2006 are as follows:

MONTH	RECORD DATE	PAYMENT DATE	PER UNIT \$	AMOUNT \$
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
April 2006	April 28, 2006	May 15, 2006	0.097	1,435
May 2006	May 31, 2006	June 15, 2006	0.097	1,435
June 2006	June 30, 2006	July 14, 2006	0.097	1,435
July 2006	July 31, 2006	August 15, 2006	0.097	1,435
August 2006	August 31, 2006	September 15, 2006	0.097	2,267
September 2006	September 29, 2006	October 13, 2006	0.097	2,267
October 2006	October 31, 2006	November 15, 2006	0.097	2,267
November 2006	November 30, 2006	December 15, 2006	0.097	2,267
December 2006	December 29, 2006	January 15, 2007	0.097	2,267
				21,380
During the year ended December 31, 2005				17,421
Cumulative distributions				38,801

**NOTE 17**

**CHANGES IN NON-CASH ITEMS RELATING TO OPERATING ACTIVITIES**

	FOR THE YEAR ENDED DECEMBER 31, 2006 \$	FOR THE PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005 \$
Accounts receivable	(6,427)	(1,554)
Inventories	2,109	8,508
Prepaid expenses and other current assets	2,196	(470)
Income taxes recoverable	375	605
Accounts payable, accrued liabilities and accrued restructuring and integration provisions	3,870	859
	2,123	7,948

**NOTE 18**

**COMMITMENTS AND CONTINGENCIES**

The Fund leases real estate, printing equipment, trucks and office equipment in connection with its sales and manufacturing activities under non-cancellable operating lease agreements, which expire at various dates. Future commitments under non-cancellable operating leases are as follows:

	DECEMBER 31, 2006 \$
2007	14,654
2008	12,689
2009	11,605
2010	10,194
2011	8,079
2012 and thereafter	30,824
	88,045

The Fund's subsidiaries are subject to various claims, potential claims and lawsuits. While the outcome of these matters is not determinable, the Fund's management does not believe that ultimate resolution of such matters will have a material adverse impact on the Fund's financial position.

**NOTE 19**

**SEGMENTED INFORMATION**

The Data Group 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 their exchange amounts. Management evaluates the performance of each segment based on earnings before interest and taxes. 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.

FOR THE YEAR ENDED DECEMBER 31, 2006	DATA EAST AND WEST \$	SUNDOG \$	MULTIPLE PAKFOLD \$	INTERSEGMENT \$	TOTAL \$
Revenue	241,791	26,299	23,198	(4,638)	286,650
Gross profit	61,954	9,154	3,909	-	75,017
Earnings before under noted items	21,748	4,307	760	-	26,815
Unallocated corporate and Fund expenses					11,274
Income before interest and income taxes					15,541
Interest expense on long-term debt – net					3,865
Future income tax recovery					(16,215)
Net income for the period					27,891
<b>Supplemental Information</b>					
Depreciation	4,392	314	389	-	5,095
Purchase of property and equipment	2,500	1,083	2	-	3,585

**NOTE 19** (CONTINUED)

PERIOD FROM DECEMBER 21, 2004 TO DECEMBER 31, 2005	DATA EAST AND WEST \$	SUNDOG \$	MULTIPLE PAKFOLD \$	INTERSEGMENT \$	TOTAL \$
Revenue	172,899	25,847	25,938	(3,944)	220,740
Gross profit	43,882	8,588	4,082	—	56,552
Earnings before under noted items	15,131	3,503	754	—	19,388
Unallocated corporate and Fund expenses					10,506
Income before interest and income taxes					8,882
Interest expense on long-term debt – net					2,126
Future income tax recovery					(2,745)
Net income for the period					9,501

**Supplemental Information**

Depreciation	2,434	316	549	—	3,299
Purchase of property and equipment	1,927	280	165	—	2,372

**Segmented Assets**

DECEMBER 31, 2006	DATA EAST AND WEST \$	SUNDOG \$	MULTIPLE PAKFOLD \$	CORPORATE \$	TOTAL \$
Assets (other than goodwill)	<b>211,053</b>	<b>10,645</b>	<b>5,656</b>	<b>17,241</b>	<b>244,595</b>
Goodwill	<b>136,911</b>	<b>10,117</b>	<b>5,542</b>	—	<b>152,570</b>
					<b>397,165</b>

DECEMBER 31, 2005	DATA EAST AND WEST \$	SUNDOG \$	MULTIPLE PAKFOLD \$	CORPORATE \$	TOTAL \$
Assets (other than goodwill)	91,634	9,639	5,720	17,043	124,036
Goodwill	72,314	10,117	5,542	—	87,973
					212,009

## 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

(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)

## 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, DATA West

**Michael Suksi**  
President, DATA East

**Rick Barron**  
Vice-President, Sales and Marketing,  
DATA West

**Tom Cochrane**  
Vice-President and General Manager,  
Multiple Pakfold

**Brad Hains**  
Vice-President, Sales and Marketing,  
DATA East

**Diane Schwind**  
Vice-President, Operations,  
DATA East

**Ross Van Patter**  
Vice-President and General Manager,  
Calgary Operations

## CORPORATE INFORMATION

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**TRANSFER AGENT**  
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**CORPORATE COUNSEL**  
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**WEBSITE**  
[www.datagroupincomefund.com](http://www.datagroupincomefund.com)

**TORONTO STOCK EXCHANGE SYMBOLS**  
DGI.UN  
DGI.DB

COMMITTED TO

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# 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.



**THE DATA GROUP INCOME FUND**

9195 Torbram Road  
Brampton, ON L6S 6H2

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