

The DATA Group Income Fund

2005
Q1



Quarterly Report
Quarter 1 - Ended March 31, 2005

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.



Solutions
BEYOND
PRINT



We are committed to customer service and quality.

We do what we say we will do.

We conduct our business ethically and legally.

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

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

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

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

Letter to Unitholders

We are pleased to provide to our unitholders our first quarterly report on the results of our operations and related distributions.

In our first quarter, we achieved both our operational targets and distributions to unitholder objectives. Total cash available for distribution to unitholders was \$6.0 million, or \$0.404 per unit (for the period of December 21, 2004 to March 31, 2005). To date, we have made or announced distributions of \$0.315 per unit, which is equivalent to an annualized distribution of \$1.125 per unit, for a current payout ratio of 78.0%

The DATA Group's financial objective is to provide unitholders with reliable and growing distributions. To achieve this objective, our strategy is to:

- Build upon our leadership in and the growing demand for document management outsource solutions;
- Focus on higher value added products and services;
- Cross-sell the depth and breadth of our offering to existing customers while developing new customer relationships;
- Continue to build upon the excellent operating efficiency improvements achieved in the last five years; and
- Selectively pursue strategic acquisitions accretive to distributable cash before synergies.

In its first quarter (January 1, 2005 – March 31, 2005) as a public company, the Fund had revenue of \$54.2 million, an increase of 2.7% compared with the same period in 2004.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) during the quarter was \$6.4 million or 11.9% of revenue compared to approximately \$6.5 million or 12.3% of revenue in the same period of 2004.

Net loss for the quarter (January 1, 2005 – March 31, 2005) was \$0.329 million compared to a profit of \$3.5 million for the same period in 2004. This recorded loss was as a result of a one-time charge of \$5.8 million relating to the fair value allocation charge of Company inventory due to purchase price accounting on acquisition of Data Business Forms Limited by the Fund, and year-over-year changes due to public company costs.

The past six months have quite naturally been an extraordinarily busy period for us. I am generally pleased with the accomplishments of our team in the first quarter, and we look forward to building on our success through the remainder of 2005 and beyond.

In closing, I would like to thank our customers, unitholders and employees for their support.

May 2005
The DATA Group Income Fund



David M. Odell
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The DATA Group Income Fund (the "Fund") commenced business operations on December 21, 2004, when it completed an initial public offering ("IPO") and purchased all of the outstanding common shares of Data Business Forms Limited ("the Company", "DATA Group" or "Company") from WFIH, Inc. The Company is a wholly owned subsidiary of the Fund.

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 provide approximately 75% of total revenue) sell a broad range of printed products and document management services directly to end users. Sundog (which provides approximately 13% of total revenue) is a commercial printer specializing in the production of high-quality annual reports, marketing materials and event tickets. Multiple•Pakfold (which provides approximately 12% of revenue) sells forms and labels to independent brokers and resellers.

It has been the intention of the Fund to comply with the continuous disclosure obligations released by the Ontario Securities Commission on December 19, 2003 in preparing this management's discussion and analysis.

Pursuant to an Order dated March 31, 2005 issued by the Canadian Securities Administrators, The DATA Group Income Fund is required to include in its first quarter results ended March 31, 2005 the results of operations for the period from December 21, 2004 to March 31, 2005.

In order to assist the reader in understanding management's discussion and analysis of the results of operations, the Fund has presented supplementary financial information for the period from December 21, 2004 to December 31, 2004, financial information for the period from January 1, 2005 to March 31, 2005, and financial information for the period from January 1, 2004 to March 31, 2004. Revenues, cost of revenues, gross margins, selling, general and administrative expenses and earnings before interest, taxes, depreciation and amortization adjusted for inventory fair value allocation charges (Adjusted EBITDA¹) have also been provided for the comparative period March 31, 2004, as the Fund believes that this is the relevant information that is comparable as a result of the change in capital structure of the business following the acquisition of the Company by the Fund.

All financial information is presented in Canadian dollars, unless specified otherwise. The 2004 comparative quarterly information presented herein includes the historical financial information of the underlying business operations prior to the acquisition of the Company by the Fund. Accordingly,

cost of revenues, depreciation and amortization, interest expense, pension expense and the provision for income taxes will not be directly comparable as these income statement items are most affected by the change in the capital structure and the application of purchase accounting by the Fund.

Additional information relating to the Fund, including the audited balance sheet as at December 31, 2004 and the Annual Information Form for 2004, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward-Looking Statements

Certain statements in this management's discussion and analysis are "forward-looking statements" ,which reflect management's current beliefs and expectations regarding the Fund and DATA Group's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements, which may be identified by words such as "anticipate", "should", "could", "believe", "continue", "expect", "intend", "may", "will", "project" and "estimate", are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. Many factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including risks related to competition from competitors supplying similar products and services, failure to develop product and service options, limited growth in the printing of traditional business forms, expansion through acquisition, negotiation of collective agreements, an adverse change in labour relations, pension liabilities, increases in the cost of paper or other raw materials, economic conditions, interest rates and continued availability of credit facilities, among other risk factors. These factors should not be considered exhaustive. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Fund and DATA Group cannot assure investors that actual results will be consistent with these forward-looking statements. Such forward-looking statements are made as of the date of this report. Neither the Fund nor DATA Group assumes any obligation to update or revise such statements or any information contained in this report, or to publicly release the results of any revisions to forward-looking statements to reflect new events, assumptions or circumstances that the Fund or DATA Group may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements.

Non-GAAP Measures

DATA Group provides some non-GAAP (non-generally accepted accounting principles) measures as supplementary information that management believes would be useful to investors. These non-GAAP measures include Adjusted EBITDA¹ and cash available for distribution². Investors are

cautioned that the Fund may calculate these measures differently than other companies or income trusts and, as such, they may not be comparable. These amounts do not have a standardized meaning under GAAP and should not be construed as an alternative to GAAP measures. The Fund has reconciled these non-GAAP measures to the unaudited interim consolidated financial statements and has included them in this management's discussion and analysis, including Adjusted EBITDA¹ to cash available for distribution² (see Table 4), and operating cash flow to cash available for distribution² (see Table 5). See footnotes for further information.

The DATA Group Income Fund

On December 21, 2004, The DATA Group Income Fund completed an initial public offering of 13,327,277 Units at a price of \$10.00 per Unit for aggregate proceeds of \$133.274 million. The Fund also issued 47,823 Units to certain executives for proceeds of \$0.478 million. The proceeds were used to purchase the common shares of Data Business Forms Limited from WFIH, Inc. The total purchase price for the Company was \$129.92 million comprised of cash of \$101.16 million, a note payable of \$14.39 million, the over-allotment note of \$13.97 million, and the right to receive a tax refund estimated to be \$0.4 million.

On January 17, 2005, the underwriters exercised their over-allotment option and the Fund issued an additional 1,486,133 Units for net proceeds of \$13.97 million. The proceeds from the issuance of these additional Units were used to repay the over-allotment note owing to WFIH, Inc. No additional Units have been issued since this date and, as a result, there remains a total of 14,861,133 Units issued and outstanding.

Concurrent with the acquisition of the Company by the Fund, Data Business Forms Limited reorganized which included an amalgamation with a wholly owned subsidiary of the Fund. As a result of these transactions, the Fund holds a \$117.1 million 14% unsecured, subordinated note (the "DATA Note") due 2014 (subject to extension), payable by the Company to the Fund.

General Information and Results of Operations

On a non-consolidated basis, the Fund generates its income primarily from the interest received on the DATA Note, plus dividends, if applicable. When the expenses it incurs related to the administration of the Fund are taken into account, the Fund generates net income that is distributed to unitholders. For the first quarter ended March 31, 2005, the Fund generated on a consolidated basis cash available for distribution² of \$6.0 million or \$0.404 per Unit.

Distributions

The following is a summary of the declared distributions, record dates and payment dates:

Record Date	Payment Date	Per Unit	Amount
January 31, 2005	February 15, 2005	\$0.12702	\$1.887 million
February 28, 2005	March 15, 2005	\$0.09375	\$1.393 million
March 31, 2005	April 15, 2005	\$0.09375	\$1.393 million

Whenever there is an excess of cash available for distribution² over actual distributions, this excess is retained primarily in the operating company, Data Business Forms, to allow for seasonal fluctuations in cash from operations, unforeseen additional expenses, and unforeseen maintenance capital expenditures.

Taxation

The Fund qualifies as a mutual fund trust as defined under the Income Tax Act (Canada) (the "Tax Act") and is subject to taxation on its income for the year, less the portion paid or payable in respect of distributions to unitholders. Since it is the intention to pay all of the net income of the Fund to unitholders, the Fund itself should have no taxable income and, therefore, should not pay any income tax, which was the case for the 2004 fiscal year.

From the unitholders' perspective, amounts paid or payable by the Fund in respect of the distribution period of the fiscal year are taxable in the hands of the unitholders as interest and dividend income, as the case may be. In certain circumstances, distributions are classified as a return of capital for Canadian income tax purposes, rather than as interest or dividend income. Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions by the Fund.

Liquidity and Capital Resources

The Fund's operating cash flows are generated entirely from interest on the Company Notes and dividends. Regular monthly distributions are paid to unitholders based on the cash received less expenses of the Fund and any amounts paid in connection with the redemption of Units. On an ongoing basis, the Fund does not expect to require additional capital resources to maintain its investment in the Company, other than the renegotiation of credit arrangements from time to time or in connection with financing for acquisition purposes.

Risks and Uncertainties

Among the risks and uncertainties affecting the Fund are the following (see also the Fund's final prospectus dated December 14, 2004):

Currency Risk

The Company is exposed to some minor financial risk from fluctuations in exchange rates and the degree of volatility in these rates.

Interest Rate Risk

Advances under the New Credit Facility will bear interest at rates based upon the prime rate of interest. Accordingly, the Company will be exposed to interest rate risk on those advances. The Company may undertake transactions to hedge its interest rate risk on the New Credit Facility.

Commodity Prices

Due to the significance of paper in the manufacture of most of the Company's products, DATA Group is dependent upon the availability of competitively priced paper. In fiscal 2004, the cost of paper represented approximately 25.4% of the Company's cost of revenues. Historically and consistent with industry practice, the Company has generally been able to pass on price increases in the cost of paper to its customers. The Company cannot be certain that it will be able to pass on future increases in the cost of paper to its customers.

See also "Risk Factors" for a discussion of other risks and uncertainties affecting the Company's business.

Dependence on the Company

The Fund is a trust, which is entirely dependent on the operations and assets of the Company through the ownership of shares and the Company Notes. Accordingly, the cash distributions per Unit to the holders thereof are dependent on the Company's ability to pay its interest obligations under the Data Note and to declare and pay dividends or make other distributions on its shares, which will depend, among other things, on compliance with applicable laws and its credit facilities.

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Company Performance

Although the Fund intends to distribute the interest and dividend income earned by the Fund, less expenses and any amounts paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Company and paid to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors,

including profitability, debt covenants, intercompany guarantees by the Fund, fluctuations in working capital, the sustainability of margins and capital expenditures.

Restrictions on Potential Growth

After a holdback of 7.5%, the Company will pay out substantially all of its operating cash flow. This will make any additional capital and operating expenditures and further acquisitions dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of the Company and its cash flow.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws governing the treatment of mutual fund trusts will not be changed in a manner that could adversely affect the holders of Units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations would be materially different.

Income fund structures generally involve significant amounts of intercompany or similar debt, generating substantial interest expense, which serves to reduce earnings and, therefore, income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. The Company’s management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable.

The Company may be reassessed for taxes from time to time. Such reassessments, together with associated interest and penalties, could adversely affect the Company and the Fund.

Data Business Forms Limited

General Information and Results of Operations

As described above, the Fund is required to include in its first quarter results ended March 31, 2005, the results of operations for the period from December 21, 2004 to March 31, 2005. In order to assist the reader in understanding management’s discussion and analysis of results of operations, the Fund has also provided information relating to revenues, cost of revenues, gross profits, selling, general and administrative expenses and earnings before interest, taxes, depreciation and amortization adjusted for a fair value inventory allocation charge (Adjusted EBITDA¹) for the period from December 21, 2004 to December 31, 2004, for the period from January 1, 2005 to March 31, 2005 (“calendar period ended March 31, 2005”), and for the period from January 1, 2004 to March 31, 2004 (“first quarter of 2004” or “comparative period ended March 31, 2004”) (see Table 2),

as the Fund believes that this provides the relevant information that is comparable as a result of the change in capital structure of the business following the acquisition of the Company by the Fund.

Selected Annual Information

Table 1 highlights certain selected financial information for the year ended December 31, 2004.

Consolidated Financial Information
For the year ended December 31, 2004
(in thousands of dollars except per Unit amounts)

	Dec. 21, 2004 to Dec. 31, 2004 \$
Net revenues	5,715
Net loss	(465)
Net loss per unit	(0.03)
Total assets*	221,891
Total long-term financial liabilities*	40,000

* Amounts indicated are the balances as at December 31, 2004.

Table 2 provides unaudited financial information for the periods noted.

Unaudited Interim Consolidated Financial Information

March 31, 2005

(in thousands of dollars, unaudited)

	Period Ended Dec. 21 to Dec. 31, 2004	Period Ended Jan. 1, to Mar. 31, 2005	Period Ended Dec. 21 2004 to Mar. 31, 2005	Period Ended Jan. 1, to Mar. 31, 2004
	\$	\$	\$	\$
Revenues	5,715	54,173	59,888	52,740
Cost of revenues	4,972	44,277	49,249	37,307
Gross profit	743	9,896	10,639	15,433
Selling, general and administrative expenses	1,141	10,121	11,262	9,989
	(398)	(225)	(623)	5,444
Amortization	185	1,662	1,847	(87) *
Income (loss) before interest and income taxes	(583)	(1,887)	(2,470)	5,531
Interest expense (income)				
Long-term debt	82	476	558	-
Other	-	-	-	(52)
	82	476	558	(52)
Income (loss) before income taxes	(665)	(2,363)	(3,028)	5,583
Provision for (recovery of) income taxes				
Current		-		2,026
Future	(200)	(2,034)	(2,234)	-
	(200)	(2,034)	(2,234)	2,026
Net income (loss) for the period	(465)	(329)	(794)	3,557

* Amortization of deferred gains in 2004.

Table 3

Unaudited Interim Consolidated Financial Information
For the periods from January 1 to March 31, 2005 and 2004
(in thousands of dollars, unaudited)

	Jan. 1 to Mar 31, 2005 \$	Jan. 1 to Mar 31, 2004 \$
<u>Revenues</u>		
DATA East and West	\$41,093	\$40,901
Multiple•Pakfold	6,430	6,864
Sundog	7,513	6,072
Intersegment	(864)	(1,097)
	54,172	52,740
<u>Gross profit</u>		
DATA East and West	6,529	12,286
Multiple•Pakfold	932	1,337
Sundog	2,434	1,809
	9,895	15,433
<u>Gross profit, as a percentage of revenue</u>		
DATA East and West	15.9%	30.0%
Multiple•Pakfold	14.5%	19.5%
Sundog	32.4%	29.8%
	18.3%	29.3%
<u>Selling, general and administrative expenses</u>		
	10,121	9,989
As a percentage of revenue	18.7%	18.9%
Adjusted EBITDA ¹	6,435	6,510
Adjusted EBITDA ¹ margin, as a percentage of revenue	11.9%	12.3%
Net income (loss)	(329)	3,557

As the results disclosed in accordance with GAAP for the Fund and the Company prior to the IPO are materially different in many respects due to the change in the underlying capital structure, it is difficult to compare the 2005 and 2004 financial results of the Fund with those of the Company for the period prior to December 21, 2004. However, DATA Group management believe that the revenues, cost of revenues, gross profits, selling, general and administrative expenses and Adjusted EBITDA¹ of the underlying business are comparable and, therefore, have included this information in Table 3 above, for purposes of comparison.

The Fund recorded revenue of \$5.7 million for the period from December 21, 2004 to December 31, 2004. The cost of revenue was \$5.0 million which included a fair value inventory allocation charge in the amount of \$0.9 million. Gross profit for the period was \$0.7 million (12.3% of revenue) and net loss for the period was \$0.5 million. The results for the period were impacted by the Company being closed for a number of days during the Christmas holiday period, thereby not generating a revenue stream to cover fixed costs.

The Fund recorded revenues of \$54.2 million for the first quarter ended March 31, 2005, an increase of 2.7% compared with the same period in 2004. This was due primarily to increased revenue at Sundog, reflecting stronger annual report revenue than the same period a year ago.

Cost of revenues increased by 18.8% from \$37.3 million in 2004 to \$44.3 million in 2005.

This resulted in a gross profit of \$9.9 million in the first quarter ended March 31, 2005 compared with \$15.4 million for the same period in 2004. This decline resulted from a charge of \$5.8 million relating to the inventory fair value allocation charge. At the date of acquisition, \$6.6 million of the purchase price was allocated to inventory in order to increase the value to estimated fair market value, less cost of selling. This inventory was substantially sold during the first quarter of 2005 and, accordingly, the quarter included an additional cost of sales charge relating to the inventory sold through adjusted to fair market value on the purchase price equation. As a percentage of revenue, the gross margin declined in the first quarter of 2005 to 18.3% from 29.3% in 2004. Before the fair value inventory allocation charge, gross profit margins were 28.9% in 2005. Further comments on each reporting segment are discussed below.

Selling, general and administrative expenses, including administrative expenses of the Fund, for the period ended March 31, 2005 were \$10.1 million as compared to \$9.9 million for the same period in 2004. The \$0.3 million increase in costs resulted primarily from public company costs compared with 2004. Selling, general and administrative expenses were at 18.7% of revenue in 2005 compared to 18.9% in 2004.

Net loss for the period ended March 31, 2005 was \$0.3 million compared with a profit of \$3.6 million for the same period in 2004.

For the period ended March 31, 2005, earnings before interest, taxes, depreciation and amortization adjusted for fair value inventory allocation charge (Adjusted EBITDA¹) was \$6.4 million, or 11.9% of revenue. As compared to the same period in 2004, Adjusted EBITDA¹ was lower by approximately

\$0.08 million and the Adjusted EBITDA¹ margin, as a percentage of revenue, was down from 12.3% of revenue to 11.9% of revenue.

Depreciation expense for the period ended March 31, 2005 was \$0.9 million compared with \$1.1 million for the quarter ended March 31, 2004. This expense related to the depreciation of property and equipment comprised primarily of printing equipment, leasehold improvements relating to facilities, computers and office equipment used in operations.

When the Fund purchased the Company, \$56.6 million of the purchase price was allocated to intangible assets, which represents the value of customer relationships, trademarks and trade names and the value of technology and software acquired. Intangible assets are amortized over the expected periods of benefit, generally from seven to nine years, which resulted in a charge of \$1.7 million for the period ended March 31, 2005. In accordance with GAAP, goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired, and is not amortized. No impairment provision against goodwill was required in the period ended March 31, 2005.

Interest expense on long-term debt relating to the bank term debt was \$0.5 million for the period ended March 31, 2005. This represented an effective 4.50% interest rate on the Company's \$40.0 million term bank loan. Non-cash interest expense totaling \$0.1 million for the period ended March 31, 2005 is comprised of the amortization of deferred finance fees included in interest on long-term debt.

Interest income of \$0.04 million was earned during the period ended March 31, 2005. This interest relates to the cash and cash equivalents held by the Fund during the first quarter of 2005. The Fund does not expect to maintain this level of cash and cash equivalents as some of this cash was held to pay professional and other fees associated with the offering and acquisition of the Company.

The Fund reported a pre-tax loss of \$2.4 million and a recovery of future income taxes of \$2.0 million for the period ended March 31, 2005. The recovery of future income taxes arises primarily from deductions claimed for accounting purposes in excess of deductions claimed for tax purposes including the amortization of intangibles (\$1.7 million) and purchase adjustments relating to inventory, which are included in the cost of goods sold (\$5.8 million).

Generally, the expected income tax recovery would be \$0.8 million based on statutory income tax rates of 34%, while the actual income tax recovery is around 86% of pre-tax income. Since the Fund is a mutual fund trust for Canadian income tax purposes, the income that is allocated to the

unitholders is not taxable in the trust. As a result, interest paid by the Company to the trust is not taxable in the Fund. During the period, the Company paid the trust interest in the amount of \$4.1 million, which increases the total tax recoverable by \$1.4 million.

The net loss was \$0.3 million or \$0.02 per Unit after the recovery of income tax of \$2.0 million.

DATA East and West

Revenues for the period ended March 31, 2005 were essentially flat at \$41.1 million from \$40.9 million.

While revenues were essentially flat, sales declines in very low value added stock tab were replaced with higher value added Document Management Services contracts and agreements. This reflects our continued strategic focus on higher value added products and services.

After adjusting for the inventory fair value allocation charge, cost of revenues increased by 0.70% to \$28.8 million in 2005 from \$28.6 million in 2004, in line with the increase in revenue. As a result, gross margin remained constant at \$12.3 million or 30% of revenues in both 2005 and 2004.

Sundog

Revenues for the period ended March 31, 2005 increased approximately 23% to \$7.5 million from \$6.1 million in the same period a year ago.

This was primarily due to increased annual report production driven in part by changes in annual report filing requirements.

Cost of revenues increased by 19.1%, resulting in a gross profit improvement of \$0.6 million or 32.4% of revenue compared to 29.8% in 2004.

Multiple•Pakfold

Revenues for the period ended March 31, 2005 decreased by approximately 6.3% to \$6.4 million from \$6.9 million.

Cost of revenues was essentially unchanged at \$5.5 million in 2005 and 2004. Consequently, gross margin decreased from \$1.3 million or 19.5% of revenues in 2004 to \$0.9 million or 14.5% in 2005. These results reflect overall soft demand in this channel, as well as the fact that two significant

pieces of business in the 2005 quarter had higher material content than did the 2004 quarter product mix.

We have made several management changes at Multiple•Pakfold, including appointing a new Vice President and General Manager and supervisory changes in Toronto and Montreal. In addition, we have reduced overall head count and increased maintenance expense to improve efficiencies on certain pieces of equipment.

We expect to see improved results at Multiple•Pakfold later this year.

Payments to The DATA Group Income Fund

The Fund generated \$6.0 million or \$0.404 per Unit of cash available for distribution² for the period ended December 21, 2004. Cash available for distribution² for the period ended March 31, 2005 was calculated by deducting cash interest of \$0.5 million, maintenance capital expenditures of \$0.3 million, cash pension contribution of \$0.3 million from Adjusted EBITDA¹ of \$7.1 million. See Table 4 for a breakdown of these figures for the period from December 21, 2004 to March 31, 2005.

Cash payments to the Fund were sufficient to declare distributions of \$4.7 million or \$0.315 per Unit for the period ended March 31, 2005. The calculation of cash available for distribution² exceeded actual distributions by \$1.3 million or \$0.089 per Unit for the period ended March 31, 2005.

Table 4

Cash Available for Distribution² and EBITDA¹
For the period ended March 31, 2005
(in thousands of dollars, except per unit amounts, unaudited)

Period ended	Dec. 21, 2004 to Mar. 31, 2005 \$
Net loss	(794)
Add:	
Recovery of income taxes	(2,234)
Interest expense	558
Depreciation	1,016
Amortization	1,847
Non-cash inventory step-up charges	6,668
Adjusted EBITDA ¹	<u>7,061</u>
Less:	
Cash interest expense †	473
Maintenance capital expenditures ††	271
Pension Contributions in excess of expense **	319
Cash income taxes (recovery) †††	<u>-</u>
Cash available for distribution ²	<u>5,998</u>
Distributions to unitholders *	<u>4,674</u>
Excess of cash for distribution ² over actual distributions	<u>1,324</u>
Per unit (14,861,133 units)	
Cash available for distribution ² ***	<u>0.404</u>
Distributions to unitholders ***	<u>0.315</u>
Excess of cash for distribution ² over actual distributions	<u>0.089</u>
Payout ratio	<u>78.0%</u>

* Distributions are in respect of the quarterly distribution declared, not what was paid in the quarter.

† Cash interest expense is interest expense calculated in accordance with GAAP, less amortization of deferred finance fees.

†† Maintenance capital expenditures are additions, replacements or improvements to property and equipment to maintain the Company's business operations. These expenditures involve the replacement of printing and digital equipment, computers and software and leasehold improvements.

††† Cash income taxes are current income taxes calculated in accordance with GAAP.

** Excludes special pension contribution of \$5 million funded from IPO proceeds.

*** Per Unit calculations are based on the total number of units outstanding as of the first distribution and not the weighted average number of units.

Table 5

Reconciliation of Operating Cash Flow to Cash Available for Distribution²
For the period from December 21, 2004 to March 31, 2005
(in thousands of dollars)

	Dec. 21, 2004 to Mar. 31, 2005 \$
Cash flow from operations*	(5,400)
Pension contributions **	5,000
Other	1
Maintenance capital expenditures	(271)
Inventory fair value allocation charge	6,668
Cash available for distribution ²	5,998

* Prior to net changes in current assets and liabilities
 ** Special contributions funded out of proceeds from the IPO

Liquidity and Capital Resources

Concurrent with the acquisition of the Company, the existing credit facilities with outstanding borrowings of \$53.9 million were repaid and a new credit facility was obtained. The Company entered into a three-year revolving credit bank facility having a total availability of \$50.0 million. The new credit facility is secured by substantially all of the Company's assets and bears interest at prime plus varying rates between 0% and 2%, dependent upon achieving certain financial ratios. At March 31, 2005, there were \$40.0 million of borrowings outstanding. The revolving term facility is available to finance working capital fluctuations and capital expenditures.

Cash Flow from Operations

As cash flow from operations has been determined in accordance with Canadian GAAP, management believes that the reconciliation of this measure to cash available for distribution² provides useful supplemental information for investors, as illustrated in Table 5 above.

Investing Activities

The Fund acquired Data Business Forms Limited on December 21, 2004 for a total cash payment of \$101.16 million and the issuance of a note in the amount of \$14.388 million, a convertible note in the

amount of \$13.97 million, and the obligation to pay the former owners of Data Business Forms Limited a tax refund amount estimated to be \$0.4 million. The total cash paid was increased by \$13.97 million on January 17, 2005 when the over-allotment note was paid. The total cash paid for the purchase was \$115.1 million. Upon acquisition, the Company held cash balances of \$0.3 million and, accordingly, the total cash investment was \$114.8 million. Capital expenditures amounted to \$0.271 million related primarily to maintenance capital expenditures financed out of operating cash flows.

Financing Activities

On December 21, 2004, the Fund completed an initial public offering of 13,327,277 Units for net proceeds of \$123.071 million, after expenses of \$10.203 million. The Fund also issued 47,823 Units to certain executives for proceeds of \$0.478 million. On January 17, 2005, the underwriters exercised their over-allotment option, and the Fund issued an additional 1,486,133 Units for net proceeds of \$13.970 million. The total net cash proceeds from the issuance of Units totalled \$137.5 million.

Upon acquisition, \$53.9 million of existing long-term borrowings of Data Business Forms Limited were repaid and a new credit facility was obtained. The initial proceeds obtained under the new credit facility were \$40.0 million. The costs associated with the new credit facility were \$0.9 million and are reported as deferred finance fees on the balance sheet.

Financial Instruments

The DATA Group Income Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, unitholder distributions payable and long-term debt, the amounts of which are included in the Fund's balance sheet as at March 31, 2005 and December 31, 2004.

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 long-term debt approximates its carrying value as it bears interest at a floating interest rate.

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 careful 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, well-capitalized financial institutions.

Contractual Obligations

The DATA Group believes that it 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 March 31, 2005. For further clarity, 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.

The Company has a defined benefit pension plan for the benefit of certain employees and a defined contribution plan for other employees. During the period ended March 31, 2005, the Company contributed approximately \$5.7 million to the defined benefit plan. Management expects that payments under the defined benefit pension plan will be approximately \$2.4 million in 2005 and payments for the defined contribution plan should continue in 2005 at approximately the same level as in 2004.

Contractual Obligations
As at December 31, 2004
(in thousands of dollars, unaudited)

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Long-term debt	40,000	-	40,000		-
Operating leases	47,110	6,111	10,402	7,054	23,543
Purchase obligations	-	-	-	-	-
Total	87,110	6,111	50,402	7,054	23,543

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements other than operating leases and pension obligations as described elsewhere in the MD&A.

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 or 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 period ended March 31, 2005.

Critical Accounting Estimates

A summary of significant accounting policies is included under Note 2 of the Notes to Unaudited Interim Consolidated Financial Statements. 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 Company maintains an allowance for bad debts that management believes are 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 Company 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 Canadian GAAP, goodwill is not amortized but is tested for impairment, at least annually, or more frequently if conditions exist that indicated 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.

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 Company 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 Company accounts for its defined benefit pension plan in accordance with generally accepted accounting principles, 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 Income Fund 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. Changes in assumptions may impact on the amount of pension expense recognized in any period.

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. Income fund structures generally involve significant amounts of intercompany or similar debt and generating substantial interest expense, which serves 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. The Company's management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable. In the ordinary course of business, the Fund's subsidiary enters into transactions where the ultimate tax determination may be uncertain. These uncertainties require that the Company 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 Company may 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 Company and the Fund.

New Accounting Policies

The Company may undertake transactions to hedge its interest rate risk on the new floating rate credit facility. The Company will adopt the accounting requirements of the CICA's Accounting Guideline 13, "Hedging Relationships". This standard sets out the conditions that must be met in order to apply hedge accounting. Any derivative financial instrument that does not qualify for hedge accounting must be accounted for on a mark-to-market basis. The impact of not applying hedge accounting is that gains and losses on a derivative instrument may not be recorded in the same accounting period as gains or losses on the hedged item.

Outlook

Management believes that the Fund will continue to meet its objectives for the balance of the year, continuing at minimum to provide monthly distributions to unitholders of \$0.09375 per Unit.

The Company will continue to fund necessary maintenance capital expenditures by utilizing cash flow from operations. Based on our first quarter and what we currently see for the balance of the year, we expect maintenance capital expenditures to be considerably less than the conservative \$3.7 million forecast in the prospectus.

The Company will continue its strategic focus on being the leading document management service provider in Canada, concentrating on providing high value added products and services to achieve target annual organic profit growth of 2.5% to 3%. The Company will also pursue acquisition opportunities, which are accretive to distributable cash before synergies.

1. *While Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization adjusted for the non-cash inventory charges) is not a recognized measure under Canadian generally accepted*

accounting principles (GAAP), management believes it to be a useful supplemental measure. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income (loss) as an indicator of The DATA Group's performance or cash flows. The DATA Group's method of calculating EBITDA and Adjusted EBITDA may differ from other companies' or income trusts' and may not be comparable to measures used by other companies or income trusts. For a reconciliation of net income to Adjusted EBITDA, see Table 4.

- 2. Cash available for distribution, or distributable cash, is not intended to be representative of cash flow or results of operations determined in accordance with GAAP and does not have a standardized meaning prescribed by GAAP. Cash available for distribution is unlikely to be comparable to similar measures used by other companies or income trusts. The calculation of cash available for distribution is different from actual cash flow. There are some accrued expenses, such as pension expense that are recognized differently from when payments are made and reduce or increase the cash available for distribution thereby creating a difference between cash available for distribution and actual cash flow. For a reconciliation of cash flow from operations to cash available for distribution, see Table 5. If the calculation of cash available for distribution had included pension contributions, the Fund's cash available for distribution would have been decreased by approximately \$5 million or \$.336 per Unit for the period ended March 31, 2005.*

Interim Consolidated Balance Sheet
(Unaudited)

(in thousands of dollars)

	March 31, 2005 \$ (Unaudited)	December 31, 2004 \$
Assets		
Current assets		
Cash and cash equivalents	7,041	5,125
Accounts receivable	25,844	25,065
Inventories (note 3)	21,910	27,966
Prepaid expenses	1,544	1,528
Income taxes recoverable	315	666
	56,654	60,350
Property and equipment	15,372	16,036
Goodwill (note 1)	88,194	88,194
Intangible assets (note 4)	54,753	56,405
Deferred finance fees	830	906
	215,803	221,891
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,758	20,908
Distribution payable	1,393	-
Future income taxes (note 5)	-	1,931
	22,151	22,839
Term bank loan (note 6)	40,000	40,000
Convertible note (note 7)	-	13,970
Future income taxes (note 5)	16,196	16,305
Pension obligation (note 8)	5,405	5,693
	83,752	98,807
Unitholders' Equity (note 9)		
Units	137,519	123,549
Accumulated loss	(794)	(465)
Cumulative distributions	(4,674)	-
	132,051	123,084
	215,803	221,891

Approved by the Board of Trustees

 Trustee

 Trustee

Interim Consolidated Statement of Operations
(Unaudited)
For the period from December 21, 2004 to March 31, 2005

(in thousands of dollars, except per unit amounts)

	\$
Revenue	59,888
Cost of revenues - including depreciation of \$931	<u>49,249</u>
Gross profit	<u>10,639</u>
Expenses	
Selling, commissions and expenses	6,499
General and administration	4,763
Amortization of intangible assets	<u>1,847</u>
	<u>13,109</u>
Loss before interest and income taxes	(2,470)
Interest expense	
Long-term debt	<u>558</u>
Loss before income taxes	(3,028)
Recovery of future income taxes	<u>(2,234)</u>
Net loss for the period	<u>(794)</u>
Basic loss per Unit	<u>(0.05)</u>
Weighted average number of Units	<u>14,474,938</u>

Interim Consolidated Statement of Unitholders' Equity
(Unaudited)
For the period from December 21, 2004 to March 31, 2005

(in thousands of dollars)

	Unitholders' capital \$	Accumulated loss \$	Cumulative distributions \$	Total \$
Issuance of Units - net of issuance costs (note 1)	123,549	-	-	123,549
Loss for the period from December 21, 2004 to December 31, 2004	-	(465)	-	(465)
Balance as at December 31, 2004	123,549	(465)	-	123,084
Issuance of Units	13,970	-	-	13,970
Distributions declared (note 10)	-	-	(4,674)	(4,674)
Loss for the three-month period ended March 31, 2005	-	(329)	-	(329)
Balance as at March 31, 2005	137,519	(794)	(4,674)	132,051

Interim Consolidated Statement of Cash Flows
(Unaudited)
For the period from December 21, 2004 to March 31, 2005

(in thousands of dollars)

\$

Cash provided by (used in)

Operating activities

Net loss for the period	(794)
Items not involving cash	
Depreciation of property and equipment	1,016
Amortization of intangible assets	1,847
Pension expense	359
Contributions made to pension plans	(5,678)
Amortization of deferred financing fees	85
Gain on disposal of property and equipment	(1)
Future income taxes	(2,234)
	<u>(5,400)</u>
Changes in non-cash items relating to operating activities (note 11)	8,106
	<u>2,706</u>

Investing activities

Purchase of property and equipment	(271)
Proceeds on disposal of property and equipment	3
Acquisition of business - net of cash acquired of \$323 (note 1)	(114,807)
	<u>(115,075)</u>

Financing activities

Repayment of acquired Data Business Forms' long-term debt	(53,913)
Proceeds from long-term debt	40,000
Payment of bank financing fees	(915)
Distributions to unitholders	(3,281)
Issuance of Units - net of expenses (note 1)	137,519
	<u>119,410</u>

Increase in cash and cash equivalents during the period 7,041

Cash and cash equivalents - Beginning of period -

Cash and cash equivalents - End of period 7,041

Supplemental cash flow information

Interest paid 566

Non-cash investing and financing activities

Acquisition of certain assets and settlement for non-cash consideration 14,388

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

1 The Fund

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

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 the outstanding shares of Data Business Forms. Concurrent with the acquisition, Data Business Forms reorganized, which included the statutory amalgamation with a subsidiary of the Fund. The amalgamated company continued as Data Business Forms Limited.

The acquisition has been accounted for by the purchase method from the date of acquisition. The allocation of the purchase price is not finalized due to estimates used in determining the fair value of the assets acquired and liabilities assumed. The preliminary purchase price allocation is as follows:

	\$
Cash and cash equivalents	323
Accounts receivable	25,420
Inventories	29,122
Prepaid expenses and other assets	2,000
Income taxes recoverable	671
Property and equipment	16,119
Due from parent	14,388
Goodwill	88,194
Intangible assets	56,600
Accounts payable and accrued liabilities	(19,852)
Pension obligation	(10,724)
Long-term debt	(53,913)
Future income tax liabilities - net	(18,430)
	<u>129,918</u>
Consideration	
Cash	101,160
Convertible note (over-allotment note)	13,970
Note payable	14,388
Accrued consideration payable	400
	<u>129,918</u>

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

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.

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

- i) DATA East and West - sells a broad range of printed products and document management services directly to customers in the Canadian market;
- ii) Multiple•Pakfold® - sells forms and labels to independent brokers/resellers in the Canadian market; and
- iii) Sundog - commercial printing division and total document management and event ticket production.

2 Summary of significant accounting policies

Basis of presentation

These unaudited interim consolidated financial statements as at March 31, 2005 and for the period from December 21, 2004 to March 31, 2005 have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows. Results for the period ended March 31, 2005 are not necessarily indicative of results expected for the full fiscal year or any other future period.

The disclosures provided in these interim consolidated financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements and, accordingly, the interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended April 30, 2004 included in the DATA Group Income Fund prospectus dated December 14, 2004 and the consolidated balance sheet as at December 31, 2004. The interim consolidated financial statements have been prepared using the same accounting policies as applied to the company's annual financial statements.

Those interim consolidated financial statements reflect the results of operations for the period from December 21, 2004 to March 31, 2005. As the Fund commenced operations on December 21, 2004, no comparative information is provided.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

Principles of consolidation

The consolidated balance sheet includes the accounts of the Fund and its wholly owned subsidiary company. All intercompany transactions have been eliminated.

Revenue recognition

Revenue from the sale of product is recognized upon shipment to the customer, upon the transfer of title and when risk of loss passes to the buyer. Revenue from services is recognized upon 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 four largest customers represent 14% of total accounts receivable. An allowance for doubtful accounts is maintained to cover estimated credit losses.

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. Cost of finished goods and work-in-process at December 21, 2004 was determined based on estimated fair value and subsequent thereto using the first-in, first-out method. Inventory manufactured by the Company 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.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

Property and equipment

Property and equipment are recorded at cost. 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 and equipment as outlined below:

	Basis	Rate
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 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 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 seven to nine years.

Management reviews the carrying value of its intangible assets annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. If an impairment is determined to exist, the assets are written down to 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 this reporting unit, and there can be no assurance that at the time such reviews are completed, a material impairment charge will not be recorded.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

Pensions

The cost of pensions and other retirement benefits earned by employees covered by the defined benefit pension plan 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 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.

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 tax on income distributed to unitholders. Taxes payable on income of the Fund's distribution to unitholders are the responsibility of individual unitholders.

Income taxes for the Fund's subsidiaries 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 taxes are measured using the substantially enacted 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 tax payable or refundable for the year plus or minus the change in future income tax assets and liabilities during the year.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the 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 earnings for the year.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

Financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the convertible note and note payable approximates fair value due to the short-term maturities of these instruments. The fair value of the term bank loan is not significantly different from its carrying values as the loan bears interest at floating interest rates.

Loss per Unit

Loss per Fund Unit is computed by dividing the net loss available for Fund unitholders by the weighted average number of Fund units outstanding during the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

3 Inventories

	March 31, 2005	December 31, 2004
	\$	\$
	(Unaudited)	
Paper, carbon and ink	6,203	6,759
Work-in-progress	1,730	2,398
Forms, computer paper and labels	13,977	18,809
	<u>21,910</u>	<u>27,966</u>

At the date of acquisition, the cost of inventory was increased by \$6,668 representing the excess of the estimated fair value of inventory over the cost of inventory in the acquired company, Data Business Forms.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

4 Intangible assets

Intangible assets comprise:

	March 31, 2005		
	(Unaudited)		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Software and technology	10,000	400	9,600
Customer relationships	38,900	1,208	37,692
Trademarks and trade names	7,700	239	7,461
	56,600	1,847	54,753
	December 31, 2004		
	(Unaudited)		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Software and technology	10,000	43	9,957
Customer relationships	38,900	127	38,773
Trademarks and trade names	7,700	25	7,675
	56,600	195	56,405

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

5 Income taxes

The difference between the income tax recovery and the recovery sustained for the period from December 21, 2004 to March 31, 2005 by applying the statutory rate is as follows:

	\$ (Unaudited)
Expected income tax at 34%	(1,030)
Trust income not taxable	(1,388)
Other items - net	<u>184</u>
Income tax recovery	<u>(2,234)</u>

The composition of the future income tax asset and liability is as follows:

	March 31, 2005 \$ (Unaudited)	December 31, 2004 \$
Inventory	-	1,953
Property and equipment	1,323	1,408
Intangible assets	18,550	19,110
Pension obligation	(1,831)	(1,929)
Deferred finance fees	(724)	(759)
Benefit of income tax loss carry-forwards	(1,108)	(1,526)
Other	<u>(14)</u>	<u>(21)</u>
Net future tax liability	16,196	18,236
Current future tax liability	<u>-</u>	<u>1,931</u>
Long-term future tax liability	<u>16,196</u>	<u>16,305</u>

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

6 Term bank loan

	March 31, 2005	December 31, 2004
	\$	\$
	(Unaudited)	
Revolving term bank loan	40,000	40,000

On December 21, 2004, the Company entered into a three-year revolving credit bank facility in the amount of \$50,000. The facility is secured by substantially all of the Company's assets and bears interest at prime plus varying rates between 0% to 2%, dependent upon certain financial ratios. As at March 31, 2005, the effective interest rate was 4.5% (December 31, 2004 - 4.5%). The provisions under this facility provide for restrictions on the operations and activities of the Company. Generally, the most significant restrictions relate to permitted investments and distributions, as well as the incurrence and maintenance of certain financial ratios primarily linked to total debt to net income before interest, income taxes, depreciation and amortization and non-cash employee compensation. As at March 31, 2005, the Company was in compliance with all covenants. The revolving term facility is repayable in full in December 2007.

7 Convertible note

The consideration for the acquisition of Data Business Forms included a \$13,970 convertible note (the "over-allotment note"). Pursuant to the terms of the note, in the event that the over-allotment option to acquire up to 1,486,133 Units was exercised by the underwriters, the note would be repaid in cash. Otherwise, the note was required to be converted into 1,486,133 Units within 30 days of closing of the public offering. On January 17, 2005, 1,486,133 Units were issued for net proceeds of \$13,970 on exercise of the over-allotment option, and the note was repaid in cash.

8 Pension obligation

The Fund maintains a defined benefit and a defined contribution pension plan for certain employees and contributes to the Graphics and Communications International Union pension plan for certain employees at the Granby, Quebec plant. There are no other post-retirement benefits for employees. The most recent actuarial valuation for these plans was completed on January 1, 2004.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

Information about the Fund's defined benefit pension plan as at March 31, 2005 and December 31, 2004, in aggregate, is as follows:

	March 31, 2005	December 31, 2004
	\$	\$
	(Unaudited)	
Accrued benefit obligation	36,892	35,928
Fair value of plan assets	31,489	30,237
	<hr/>	<hr/>
Funded status - plan deficit	(5,403)	(5,691)
Unamortized net actuarial loss	(2)	(2)
	<hr/>	<hr/>
Pension obligations	(5,405)	(5,693)

Defined benefit plan obligations

	March 31, 2005	December 31, 2004
	\$	\$
	(Unaudited)	
Accrued benefit obligation		
Balance - Beginning of period (acquired on acquisition)	35,928	35,914
Current service cost	342	45
Interest cost	561	71
Employee contributions	240	31
Benefits paid	(179)	(133)
	<hr/>	<hr/>
Balance - End of period	36,892	35,928

Defined benefit plan assets

	March 31, 2005	December 31, 2004
	\$	\$
	(Unaudited)	
Fair value of plan assets		
Balance - Beginning of period (acquired on acquisition)	30,237	25,190
Actual return on plan assets	591	71
Employer contributions	600	5,078
Employee contributions	240	31
Benefits paid	(179)	(133)
	<hr/>	<hr/>
Balance - End of period	31,489	30,237

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations are as follows:

	%
Discount rate	6.00
Expected rate of return on plan assets	7.50
Rate of compensation increase	4.00

The Fund's pension expense is as follows:

	\$
Pension expense - defined benefit plan	359
Pension expense - defined contribution plan	149

9 Unitholders' equity

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 10 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 holder of Units 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 Fund issued one Unit on November 15, 2004 for cash proceeds of ten dollars. Upon completion of the initial public offering, the initial Unit was redeemed for ten dollars.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

On December 14, 2004, the Fund issued 13,327,377 Units for cash proceeds of \$123,071, net of Unit issuance costs of \$10,203. The Fund also issued 47,823 units to certain executives for \$478. On January 17, 2005, the Fund issued 1,486,133 Units for net cash proceeds of \$13,970.

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	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 - March 31, 2005	14,861,333	137,519

10 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 on the accrual basis. Distributions for the three-month period ended March 31, 2005 are as follows:

Period	Record date	Payment date	Per Unit \$	Amount \$
January 2005	January 31, 2005	February 15, 2005	0.127	1,888
February 2005	February 28, 2005	March 15, 2005	0.094	1,393
March 2005	March 31, 2005	April 15, 2005	0.094	1,393
				<u>4,674</u>

11 Changes in non-cash items relating to operating activities

	\$
Accounts receivable	(424)
Inventories	7,212
Prepaid expenses	456
Income taxes recoverable	356
Accounts payable and accrued liabilities	506
	<u>8,106</u>

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

12 Segmented information

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

	Period from December 21, 2004 to March 31, 2005				
	(Unaudited)				
	DATA East and West \$	Multiple• Pakfold \$	Sundog \$	Intersegment \$	Total \$
Revenue	45,720	7,229	7,876	(937)	59,888
Gross margin	7,063	1,077	2,499	-	10,639
(Loss) income before interest and income taxes	(1,229)	142	1,089	-	2
Unallocated corporate and Fund expenses					2,472
Interest expense - net					558
Income taxes					(2,234)
Net loss for the period					(794)
					March 31, 2005
					(Unaudited)
	DATA East and West \$	Multiple• Pakfold \$	Sundog \$	Corporate \$	Total \$
Assets (other than goodwill)	91,749	5,915	11,391	18,554	127,609
Goodwill	72,496	5,556	10,142	-	88,194
					<u>215,803</u>

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2005

(in thousands of dollars, except per Unit amounts)

	December 31, 2004				
	DATA East and West \$	Multiple• Pakfold \$	Sundog \$	Corporate \$	Total \$
Assets (other than goodwill)	98,343	7,254	10,005	18,095	133,697
Goodwill	72,496	5,556	10,142	-	88,194
					<u>221,891</u>

THE DATA GROUP INCOME FUND

DIRECTORS, TRUSTEES AND OFFICERS

Derek Ridout⁽²⁾⁽³⁾
Chairman, Director and Trustee

Ron Fotheringham⁽¹⁾⁽²⁾⁽³⁾
Director and Trustee

John H. Greenhough⁽¹⁾
Director and Trustee

Thomas R. Spencer⁽¹⁾⁽²⁾⁽³⁾
Director and Trustee

David M. Odell
Director, Trustee and Officer
President and Chief Executive Officer

Paul O'Shea
Officer
Chief Financial Officer
and Corporate Secretary

EXECUTIVE TEAM

David M. Odell
President and
Chief Executive Officer

Paul O'Shea
Chief Financial Officer

Elaine Deramo
Vice President,
Human Resources

Steve Galarneau
President
DATA West

Ross Van Patter
Vice President
and General Manager
Sundog

Tom Cochrane
Vice President
and General Manager
Multiple•Pakfold®

Diane Schwind
Vice President,
Operations
DATA East

CORPORATE INFORMATION

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Toronto Stock Exchange Symbol
DGI.UN

⁽¹⁾ Member, Audit Committee (Chairperson is Thomas R. Spencer)
⁽²⁾ Member, Compensation Committee (Chairperson is Ron Fotheringham)
⁽³⁾ Member, Corporate Governance Committee (Chairperson is Derek Ridout)

The DATA Group Income Fund

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Exchange: TSE

Trading Symbol: DGI.UN