

doing what we say we will do.

Q2

The DATA Group Income Fund
Quarter two – ended June 30, 2011

we are committed to our values

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 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.

LETTER TO UNITHOLDERS

I am pleased to provide our unitholders with our 2011 Second Quarter report on the results of our operations and related distributions.

In the second quarter of 2011, the Data Group continued to “do what we said we would do”. We are continuing to execute on our plan to position the Data Group for long term growth while maintaining a healthy balance sheet, stabilizing our financial results in 2011 and most importantly, maintaining our annual distributions to unitholders of \$0.65 per unit. During the quarter we continued to make progress on our three key initiatives: focusing our strategic priorities on an aggressive sales effort in our core market of document management services and marketing related print to generate new business; accelerating the development of new products and services to provide enhanced value to our customers and new revenue streams for the Data Group; and implementing available cost savings initiatives.

In the second quarter of 2011, we won a number of new large accounts without any material client losses. 2011 year to date revenue from new business development is approximately \$10.0 million. These wins have contributed to our improved gross profit because most are in relatively high margin categories such as document management, direct mail, digital print and labels. In addition, during the second quarter of 2011 we expanded our capability in the growing areas of short run, on demand marketing print and retail gift card and loyalty card production, hired new sales personnel, and continued with our new sales training program. In the third quarter of 2011, we intend to commence direct marketing to existing and potential clients in order to increase awareness of our products and services.

In the area of new product development, the Data Group is now entering the digital photo book market, which is experiencing double digit annual growth rates, with the launch of an innovative new product offering. In the third quarter of 2011, we intend to launch another new offering in a rapidly growing market; electronic direct marketing solutions that will augment the Data Group’s existing printed direct mail services with marketing related e-mail, mobile messaging, promotional web pages, and associated professional consulting services. We are also actively researching additional new products and services for future launch. We do not expect these initiatives to have a material impact on our results of operations until later in the fourth quarter of 2011 or in 2012. Finally, we continue to explore acquisition opportunities that are consistent with our new product development strategy.

Cost savings in the second quarter of 2011 contributed to our improved gross profit, met our planned expectations and were consistent with the previous year, as we realized incremental savings from equipment and real estate leases and process improvements. In the second quarter of 2011, we created a strategic sourcing department to initiate additional savings programs which will benefit us in the future. Offsetting these costs savings, the Data Group had increases in costs, as planned, associated with new business and new product development.

Revenues for the quarter ended June 30, 2011 were \$80.0 million, a decrease of 1.2% compared to the same period in 2010. Net income for the second quarter of 2011 was \$1.4 million or \$0.06 per basic unit compared to a net income of \$2.3 million or \$0.10 per basic unit for the same period in 2010. Revenues for the six months ended June 30, 2011 were \$164.3 million, a decrease of 1.4% compared to the same period in 2010. Net income for the six months ended June 30, 2011 was \$3.2 million or \$0.13 per basic unit compared to a net income of \$5.6 million or \$0.24 per basic unit for the same period in 2010. The main reason for the decrease in net income from the prior period is the fact that The DATA Group Income Fund (“Fund”) became subject to income tax on January 1, 2011.

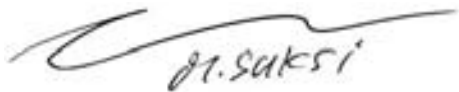
Gross profit for the second quarter of 2011 was \$20.2 million or 25.2% of revenues compared to gross profit of \$19.5 million or 24.0% of revenues for the same period in 2010. Gross profit for the six months ended June 30, 2011 was \$41.6 million or 25.3% of revenues compared to gross profit of \$40.4 million or 24.2% of revenues for the same period in 2010. Adjusted EBITDA for the second quarter of 2011 was \$6.9 million or 8.6% of revenues compared to Adjusted EBITDA of \$7.4 million or 9.1% of revenues for the same period in 2010. Adjusted EBITDA for the six months ended June 30, 2011 was \$14.9 million or 9.1% of revenues compared to Adjusted EBITDA of \$15.5 million or 9.3% of revenues in the same period in 2010. See “Non-GAAP Measures” in the accompanying report for a description of Adjusted EBITDA. The main reason for the decrease in Adjusted EBITDA from the prior periods was the cost of our investment in the development of new products and services.

The Fund had total cash available for distribution of \$4.3 million or \$0.183 per unit for the second quarter of 2011. Our total distributions to unitholders during the quarter were \$3.8 million or \$0.163 per unit, for a payout ratio of 88.7%. In the first six months of 2011, the Fund had total cash available for distribution of \$9.3 million or \$0.397 per unit. Our total distributions to unitholders during the first six months of 2011 were \$7.6 million or \$0.326 per unit, for a payout ratio of 81.9%. All of our distributions in the second quarter and the first six months of 2011 were funded from cash generated by the Data Group’s operations. See “Non-GAAP Measures” in the accompanying report for a description of cash available for distribution.

Finally, a comment on our unitholder distribution policy. Investors want to understand our intention and our ability to sustain our distribution. More specifically, during our 2010 Annual General Meeting in May, our unitholders voted to approve our plan to convert the Fund to a corporation at the end of 2011 and this upcoming conversion may be creating some confusion regarding how it will impact our distributions. To clarify this point, we already reduced our distributions in January 2011, as a result of becoming taxable at the beginning of 2011, our anticipated financial performance, and our intent to invest in our strategic plan. We do not expect the conversion to a corporation at the end of 2011 to have any further impact on our distribution policy. Our intention is to maintain our annual distributions at the current level of \$0.65 per unit as long as our financial performance continues to justify this, as it has in the first half of 2011.

I would like to conclude by thanking our unitholders for their ongoing support, our customers for continuing to work with us to maximize the value we provide to them and our dedicated employees for their diligent efforts.

August 2011

A handwritten signature in black ink, appearing to read "M. Suksi", with a long, sweeping horizontal line above it.

Michael Suksi
President and Chief Executive Officer

The DATA Group

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

This Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2011 should be read in conjunction with the MD&A of The DATA Group Income Fund (the "Fund") for the year ended December 31, 2010, the unaudited interim financial report of the Fund for the three and six months ended June 30, 2011, and the audited annual financial statements of the Fund for the year ended December 31, 2010. These documents are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. External economic, industry and risk factors remain substantially unchanged from those described in the Fund's 2010 annual MD&A, unless otherwise noted.

The Fund owns directly and indirectly all of the outstanding partnership units of The Data Group Limited Partnership (the "Data Group") and all of the outstanding shares of the Data Group's general partner, Data Business Forms Limited ("Data Business Forms").

All financial information in this MD&A is presented in Canadian dollars and in accordance with generally accepted accounting principles measured under International Financial Reporting Standards ("IFRS") for publicly accountable entities effective January 1, 2011 and in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for periods prior to the adoption of IFRS, unless otherwise noted.

The date of this MD&A is August 8, 2011. Additional information relating to the Fund, including the Fund's most recently filed audited consolidated financial statements, Annual Information Form and Management Proxy Circular, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report 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 and/or 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 report, 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 report. 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, objectives or achievements of the Fund and the Data Group to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal assumptions and risks that the Fund made or took into account in the preparation of these forward-looking statements include the impact of economic conditions on the Data Group's businesses; the risk that the Data Group may not be successful in growing its business or in managing its organic growth; 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; competition from competitors supplying similar products and services; and the application of recent changes to the income tax treatment of certain income trusts, such as the Fund, which as of January 1, 2011, subject

the Fund to tax. Additional factors are discussed elsewhere in this report and under the heading “Risks and Uncertainties” in the Fund’s publicly available disclosure documents, as filed by the Fund on SEDAR (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 report 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 report includes certain non-GAAP measures as supplementary information. When used in this report, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization. Adjusted EBITDA for the three and six months ended June 30, 2011 means EBITDA adjusted for corporate conversion costs. Adjusted EBITDA for the three and six months ended June 30, 2010 means EBITDA with no adjustments. The Fund believes that, in addition to net income (loss), EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of the Data Group and/or the Fund. Cash available for distribution for the three and six months ended June 30, 2011 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, changes in working capital, corporate conversion costs, financing costs, and other non-cash items. Cash available for distribution for the three months ended June 30, 2010 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, changes in working capital, and other non-cash items. Cash available for distribution for the six months ended June 30, 2010 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, pension plan wind-up contributions, changes in non-cash working capital, and other non-cash items. Specifically, the Fund views cash available for distribution as a measure generally used by Canadian income funds and other issuers, investors and management as an indicator of financial performance. EBITDA, Adjusted EBITDA and cash available for distribution are not earnings or cash flow measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. 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 (loss) determined in accordance with IFRS as indicators of the Data Group’s or the Fund’s performance, nor is cash available for distribution an alternative to cash flows from operating, investing and financing activities determined in accordance with IFRS as measures of liquidity and cash flows. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below. For a reconciliation of cash provided by (used in) operating activities to cash available for distribution, see Table 4 below.

The IFRS-related disclosures and values in this report have been prepared using the standards and interpretations currently issued and expected to be effective at the end of the Fund’s first annual IFRS reporting period of December 31, 2011. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and as a result the June 30, 2011 and December 31, 2011 underlying values prepared on a basis consistent with IFRS are subject to change. The amounts expressed in this report have not been audited by the Fund’s external auditor.

BUSINESS OF THE DATA GROUP

The Data Group is a leading provider of total document management solutions, with growing capabilities in direct marketing and specialized print products, and operates as two reportable segments. DATA East and West (which provided approximately 95% of total revenue for the second quarter of 2011) sells a broad range of printed products, commercial printing products, event tickets and document management services directly to end users. Multiple Pakfold (which provided approximately 5% of total revenue for the second quarter of 2011) sells business forms and labels to independent brokers and resellers. Sales of some of the Data Group's products are subject to seasonal fluctuations in demand. Certain elements of the Data Group's gift card and direct mail businesses and the buying pattern of certain major customers of the Data Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters. The Data Group previously had three reportable segments: DATA East and West, Sundog and Multiple Pakfold. The Sundog segment's operations have become more integrated with the DATA East and West segment to better serve customers and maximize operational efficiencies. Beginning January 1, 2011, the operations of Sundog are included in the DATA East and West segment. The results of operations for Sundog for the three and six months ended June 30, 2011 and 2010 are included in the results of operations of the DATA East and West segment.

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, labels, commercial printing and event tickets. 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 when costs and revenues can be reliability measured, collection is probable, the transfer of title occurs and risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are shipped to the customer. Since the majority of the Data Group's products are customized, product returns are not significant. The Data Group may provide pre-production services to its customers, however, these services do not have standalone value and there is no objective and reliable evidence of fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. The Data Group recognizes warehousing fees as the service is provided. The Data Group occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing service fees are included in one overall selling price of the Data Group's custom print products, the consideration is allocated to each component based on relative selling prices.

Costs of Revenues 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, health benefits 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 identifiable intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

Conversion to a Corporate Structure

As previously announced, the Fund has received unitholder and court approval of the proposed reorganization of the Fund pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Ontario). The purpose of the Arrangement is to convert the Fund from an income trust structure to a dividend paying public corporation at the end of 2011. Under the terms of the Arrangement, unitholders will receive, in exchange for each of their units, one common share of a newly incorporated Ontario corporation ("Data Group Inc.") and the Fund would be wound up into Data Group Inc., which would, directly or indirectly, carry on the Data Group's business.

GENERAL INFORMATION AND RESULTS OF OPERATIONS

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

Consolidated Financial Information

For the periods ended June 30, 2011 and 2010 <i>(in thousands of Canadian dollars, except per unit amounts, unaudited)</i>	Apr. 1 to June 30, 2011	Apr. 1 to June 30, 2010	Jan. 1 to June 30, 2011	Jan. 1 to June 30, 2010
	\$	\$	\$	\$
Revenues	79,992	80,995	164,280	166,559
Cost of revenues	59,806	61,516	122,679	126,170
Gross profit	20,186	19,479	41,601	40,389
Selling, general and administrative expenses	14,698	13,742	29,565	28,112
Amortization of identifiable intangible assets	2,565	2,566	5,131	5,132
Corporate conversion costs	253	-	414	-
Income before finance costs and income taxes	2,670	3,171	6,491	7,145
Finance costs				
Interest expense	1,388	1,676	2,744	2,970
Interest income	(19)	(26)	(45)	(26)
Change in fair value of conversion options	(848)	(2,553)	(995)	(1,439)
Amortization of transaction costs	132	298	262	430
	653	(605)	1,966	1,935
Income before income taxes	2,017	3,776	4,525	5,210
Income tax expense (recovery)				
Current	440	-	1,027	(324)
Deferred	171	1,490	338	(104)
	611	1,490	1,365	(428)
Net income for the period	1,406	2,286	3,160	5,638
Basic and diluted income per unit	0.06	0.10	0.13	0.24
Number of units outstanding	23,490,592	23,490,592	23,490,592	23,490,592

Consolidated Statements of Financial Position Information <i>(in thousands of Canadian dollars, unaudited)</i>	As at June 30, 2011	As at June 30, 2010
	\$	\$
Current assets	90,746	101,810
Current liabilities	37,993	41,151
Total assets	281,466	311,005
Non-current liabilities	119,851	129,517
Unitholders' equity	123,622	140,337

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

Consolidated Financial Information

For the periods ended June 30, 2011 and 2010 <i>(in thousands of Canadian dollars, except percentage amounts, unaudited)</i>	Apr. 1 to June 30, 2011	Apr. 1 to June 30, 2010	Jan. 1 to June 30, 2011	Jan. 1 to June 30, 2010
	\$	\$	\$	\$
Revenues				
DATA East and West	77,078	78,118	158,710	161,029
Multiple Pakfold	3,782	3,740	7,285	7,484
Intersegment	(868)	(863)	(1,715)	(1,954)
	79,992	80,995	164,280	166,559
Gross profit				
DATA East and West	19,400	18,820	40,160	39,074
Multiple Pakfold	786	659	1,441	1,315
	20,186	19,479	41,601	40,389
Gross profit, as a percentage of revenues				
DATA East and West	25.2%	24.1%	25.3%	24.3%
Multiple Pakfold	20.8%	17.6%	19.8%	17.6%
	25.2%	24.0%	25.3%	24.2%
Selling, general and administrative expenses				
	14,698	13,742	29,565	28,112
As a percentage of revenues	18.4%	17.0%	18.0%	16.9%
Adjusted EBITDA (see Table 3)				
	6,900	7,352	14,870	15,531
Adjusted EBITDA margin, as a percentage of revenues	8.6%	9.1%	9.1%	9.3%
Net income for the period				
	1,406	2,286	3,160	5,638

Table 3 The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See “Non-GAAP Measures”.

Adjusted EBITDA Reconciliation

For the periods ended June 30, 2011 and 2010 <i>(in thousands of Canadian dollars, unaudited)</i>	Apr. 1 to June 30, 2011 \$	Apr. 1 to June 30, 2010 \$	Jan. 1 to June 30, 2011 \$	Jan. 1 to June 30, 2010 \$
Net income for the period	1,406	2,286	3,160	5,638
Interest expense	1,388	1,676	2,744	2,970
Interest income	(19)	(26)	(45)	(26)
Change in fair value of conversion options	(848)	(2,553)	(995)	(1,439)
Amortization of transaction costs	132	298	262	430
Depreciation of property, plant and equipment	1,412	1,615	2,834	3,254
Amortization of identifiable intangible assets	2,565	2,566	5,131	5,132
Corporate conversion costs	253	-	414	-
Current income tax expense (recovery)	440	-	1,027	(324)
Deferred income tax expense (recovery)	171	1,490	338	(104)
Adjusted EBITDA	6,900	7,352	14,870	15,531

RESULTS OF OPERATIONS

THE DATA GROUP INCOME FUND

Revenues

For the quarter ended June 30, 2011, the Fund recorded revenues of \$80.0 million, a decrease of \$1.0 million or 1.2% compared with the same period in 2010. The decrease, before intersegment revenues, was the result of a \$1.0 million decrease in the DATA East and West segment. For the six months ended June 30, 2011, the Fund recorded revenues of \$164.3 million, a decrease of \$2.3 million or 1.4% compared with the same period in 2010. The decrease, before intersegment revenues, was primarily the result of a \$2.3 million decrease in the DATA East and West segment and a \$0.2 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 quarter ended June 30, 2011, cost of revenues decreased to \$59.8 million from \$61.5 million for the same period in 2010. Gross profit for the quarter ended June 30, 2011 was \$20.2 million, which represented an increase of \$0.7 million or 3.6% from \$19.5 million for the same period in 2010. The increase in gross profit for the quarter ended June 30, 2011 was attributable to gross profit increases of \$0.6 million in the DATA East and West segment and of \$0.1 million in the Multiple Pakfold segment, respectively. Gross profit as a percentage of revenues increased to 25.2% for the quarter ended June 30, 2011 compared to 24.0% for the same period in 2010. For the six months ended June 30, 2011, cost of revenues decreased to \$122.7 million from \$126.2 million for the same period in 2010. Gross profit for the six months ended June 30, 2011 was \$41.6 million, which represented an increase of \$1.2 million or 3.0% from \$40.4 million for the same period in 2010. The increase in gross profit for the six months ended June 30, 2011 was attributable to gross profit increases of \$1.1 million in the DATA East and West segment and of \$0.1 million

in the Multiple Pakfold segment, respectively. Gross profit as a percentage of revenues increased to 25.3% for the six months ended June 30, 2011 compared to 24.2% for the same period in 2010.

Selling, General and Administrative Expenses and Severance Expenses

Selling, general and administrative (“SG&A”) expenses, including administrative expenses of the Fund but excluding amortization of identifiable intangible assets, for the quarter ended June 30, 2011 increased \$1.0 million to \$14.7 million compared to \$13.7 million in the same period of 2010. As a percentage of revenues, these costs were 18.4% of revenues for the quarter ended June 30, 2011 compared to 17.0% of revenues for the same period in 2010. The increase in SG&A expenses for the three months ended June 30, 2011 was the result of the Data Group’s investments to launch its new products and services initiatives of approximately \$0.2 million and higher sales costs to generate new business of approximately \$0.2 million. For the quarters ended June 30, 2011 and 2010, the Data Group incurred \$0.3 million and \$0.2 million of severance expenses, respectively. SG&A expenses for the six months ended June 30, 2011 increased \$1.5 million to \$29.6 million compared to \$28.1 million for the same period of 2010. The increase in SG&A expenses was the result of the Data Group’s investments to launch its new products and services initiatives of approximately \$0.6 million, higher sales costs to generate new business of approximately \$0.3 million and an increase in information technology costs. As a percentage of revenues, these costs were 18.0% of revenues for the six months ended June 30, 2011 compared to 16.9% of revenues for the same period in 2010. For the six months ended June 30, 2011 and 2010, the Data Group incurred \$0.5 million and \$0.3 million of severance expenses, respectively. Severances costs for the three and six months ended June 30, 2011 and 2010 were included in SG&A and were related to the Data Group’s on-going productivity improvements and cost reduction initiatives.

Adjusted EBITDA

For the quarter ended June 30, 2011, Adjusted EBITDA was \$6.9 million, or 8.6% of revenues. Adjusted EBITDA for the quarter ended June 30, 2011 decreased \$0.5 million or 6.1% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 9.1% of revenues in 2010 to 8.6% of revenues in 2011. Adjusted EBITDA for the six months ended June 30, 2011 was \$14.9 million, or 9.1% of revenues. Adjusted EBITDA for the six months ended June 30, 2011 decreased \$0.7 million or 4.3% from the same period in the prior year and the Adjusted EBITDA margin for the six month period, as a percentage of revenues, decreased from 9.3% of revenues in 2010 to 9.1% of revenues in 2011.

Interest Expense and Finance Costs

Interest expense on long-term debt outstanding under the Data Group’s credit facilities and the Fund’s outstanding \$45.0 million aggregate principal amount of 6.00% Convertible Unsecured Subordinated Debentures (the “6.00% Convertible Debentures”) was \$1.4 million for the three months ended June 30, 2011 compared to \$1.7 million for the same period in 2010. On April 27, 2010, the Fund issued the 6.00% Convertible Debentures and, on December 31, 2010, the Fund redeemed all of its 6.75% Extendible Convertible Unsecured Subordinated Debentures (the “6.75% Convertible Debentures”), which were outstanding at June 30, 2010. Interest expense on long-term debt outstanding under the Data Group’s credit facilities and the Fund’s outstanding convertible debentures was \$2.7 million for the six months ended June 30, 2011 compared to \$3.0 million for the same period in 2010.

Finance costs for the three month periods ended June 30, 2011 and 2010 included a \$0.8 million and a \$2.6 million, respectively, recovery related to the change in the fair value of the Fund’s conversion options. Finance costs for the six month periods ended June 30, 2011 and 2010 included a \$1.0 million and a \$1.4 million, respectively, recovery related to the change in the fair value of the Fund’s conversion options. The conversion option is the conversion

feature in each of the Fund's outstanding convertible debentures, which is measured at fair value at each reporting date.

Income Taxes

The Fund reported income before income taxes of \$2.0 million, a current income tax expense of \$0.4 million and a deferred income tax expense of \$0.2 million for the three months ended June 30, 2011 compared to income before income taxes of \$3.8 million and a deferred income tax expense of \$1.5 million for the three months ended June 30, 2010. The Fund reported income before income taxes of \$4.5 million, a current income tax expense of \$1.0 million and a deferred income tax expense of \$0.3 million for the six months ended June 30, 2011 compared to income before income taxes of \$5.2 million, a current income tax recovery of \$0.3 million and a deferred income tax recovery of \$0.1 million for the six months ended June 30, 2010. The current income tax expense was related to the income tax payable on the Fund's estimated taxable income for the three and six month periods ended June 30, 2011. Beginning January 1, 2011, the Fund is subject to income tax at a rate similar to the combined federal and provincial corporate rate applicable to a taxable Canadian corporation. The deferred income tax expense was due to a change in estimates of future reversals of temporary differences for the three and six month periods ended June 30, 2011. The current income tax recovery for the six months ended June 30, 2010 represents the final adjustment related to the amount payable by the Data Group to settle reassessments by Canada Revenue Agency and certain provincial tax authorities that, in each case, adjust the pricing between Relizon Canada Inc. ("Relizon Canada") and its former parent company prior to its acquisition by the Fund. The deferred income tax recovery was due to a change in estimates of future reversals of temporary differences and new temporary differences that arose during the three and six month periods ended June 30, 2010.

Net Income

Net income for the quarter ended June 30, 2011 was \$1.4 million compared to a net income of \$2.3 million for the quarter ended June 30, 2010. The decrease in comparable profitability for the quarter ended June 30, 2011 was substantially due to higher SG&A expenses, corporate conversion costs which were expensed in the quarter, a larger recovery related to the change in the fair value of the conversion options in the Fund's outstanding convertible debentures in 2010, and current income tax expense in the second quarter of 2011. The decrease in comparable profitability was partially offset by higher gross profit in 2011 as a result of cost savings realized from the on-going productivity improvement and cost reduction initiatives, and a lower deferred income tax charged compared to the same period in 2010 as discussed above.

Net income for the six months ended June 30, 2011 was \$3.2 million compared to a net income of \$5.6 million for the six months ended June 30, 2010. The decrease in comparable profitability for the six months ended June 30, 2011 was substantially due to higher SG&A expenses, corporate conversion costs, a larger recovery related to the change in the fair value of the conversion options in the Fund's outstanding convertible debentures in 2010, and higher current and deferred income tax expense as discussed above.

DATA EAST AND WEST

Revenues at the Data Group's DATA East and West segment for the quarter ended June 30, 2011 decreased \$1.0 million or 1.3% to \$77.1 million from \$78.1 million for the same period in the prior year. Revenues for the six months ended June 30, 2011 decreased \$2.3 million or 1.4% to \$158.7 million from \$161.0 million for the same period in the prior year.

Revenues for the three months ended June 30, 2011 decreased at a slower rate than experienced in previous quarters. During the three months ended June 30, 2011, the segment experienced strong sales in May and June after weaker sales in April. In addition, revenues from the sale of lottery rolls during the second quarter of 2011 were consistent with the same period in 2010 and during the first six months of 2011 sale of lottery rolls were higher than the same period in 2010, respectively. During the second quarter of 2011 and the first six months of 2011, the segment experienced revenue gains from new business, which partially offset declines in revenues from existing customers. During the first quarter of 2011, revenues from commercial printing in Alberta were higher due to the completion of several large projects for major customers.

For the quarter ended June 30, 2011, gross profit increased \$0.6 million to \$19.4 million from \$18.8 million for the same period in 2010. Gross profit as a percentage of revenues for the quarter ended June 30, 2011 increased to 25.2% from 24.1% for the same period in 2010. For the six months ended June 30, 2011, gross profit increased \$1.1 million to \$40.2 million from \$39.1 million in the same period of 2010. Gross profit as a percentage of revenues for the six months ended June 30, 2011 increased to 25.3% from 24.3% for the same period in 2010. The increase in gross profit as a percentage of revenues during the three and six months ended June 30, 2011 was due to cost savings realized from on-going productivity improvement and cost reduction initiatives and better capacity utilization as a result of those measures. Revenues from new business also increased gross profit as most of the new business was in relatively high margin categories. In addition, the segment continued development on its new products and services initiatives, which is expected to positively impact revenues and gross margins in late 2011 and in 2012.

MULTIPLE PAKFOLD

Revenues at the Data Group's Multiple Pakfold segment for the quarter ended June 30, 2011 increased \$0.1 million or 1.1% to \$3.8 million from \$3.7 million for the same period in the prior year. Revenues for the six months ended June 30, 2011 decreased \$0.2 million or 2.7% to \$7.3 million from \$7.5 million for the same period in the prior year.

The slight increase in revenues for the three months ended June 30, 2011 was due to higher quoting activity. The decrease in revenues for the six months ended June 30, 2011 was attributable to aggressive pricing by competitors, a change in reorder cycles and was partially offset by higher quoting activity.

For the quarter ended June 30, 2011, gross profit increased \$0.1 million to \$0.8 million from \$0.7 million for the same period in the prior year. Gross profit as a percentage of revenues for the quarter ended June 30, 2011 increased to 20.8% from 17.6% for the same period in 2010. For the six months ended June 30, 2011, gross profit increased \$0.1 million to \$1.4 million from \$1.3 million for the same period of 2010. Gross profit as percentage of revenues for the six months ended June 30, 2011 increased to 19.8% from 17.6% for the same period in 2010. The improvement in gross profit as a percentage of revenues for the three and six months ended June 30, 2011 was due to cost savings realized from cost reduction initiatives undertaken in prior periods by the segment to improve operating efficiencies.

Table 4 The following table provides a reconciliation of cash provided by (used in) operating activities to cash available for distribution for the periods noted. See “Non-GAAP Measures”.

Cash Available for Distribution Reconciliation

For the periods ended June 30, 2011 and 2010 <i>(in thousands of Canadian dollars, except percentages and per unit amounts, unaudited)</i>	Apr. 1 to June 30, 2011 \$	Apr. 1 to June 30, 2010 \$	Jan. 1 to June 30, 2011 \$	Jan. 1 to June 30, 2010 \$
Cash provided by (used in) operating activities	4,230	5,639	5,787	18,485
<i>Capital adjustments:</i>				
Maintenance capital expenditures ⁽¹⁾	(312)	(485)	(873)	(735)
<i>Other adjustments including discretionary items:</i>				
Changes in working capital ⁽²⁾	23	(589)	3,788	(8,078)
Pension plan wind-up contributions ⁽³⁾	-	-	-	1,260
Other ⁽⁴⁾	103	101	204	(126)
Corporate conversion costs	253	-	414	-
Financing costs	9	-	9	-
Cash available for distribution	4,306	4,666	9,329	10,806
Distributions to unitholders ⁽⁵⁾	3,820	6,805	7,640	13,610
Excess (shortfall) of cash available for distribution over actual distributions	486	(2,139)	1,689	(2,804)
<i>Per unit ⁽⁶⁾</i>				
Cash available for distribution per unit ⁽⁶⁾	0.183	0.199	0.397	0.460
Distributions to unitholders per unit ⁽⁶⁾	0.163	0.290	0.326	0.580
Excess (shortfall) of cash available for distribution per unit over actual distributions per unit	0.020	(0.091)	0.071	(0.120)
Payout ratio ⁽⁷⁾	88.7%	145.8%	81.9%	125.9%

Notes:

- (1) 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.
- (2) Cash provided by (used in) operating activities has been adjusted for changes in 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.
- (3) Excludes pension plan wind-up contributions to the Data Group's Relizon Canada defined benefit pension plan. During the six months ended June 30, 2010, the Data Group made its 2010 annual contribution of \$0.6 million and an additional wind-up contribution prepayment of \$0.6 million to that pension plan. In addition, during the year ended December 31, 2010, the final outstanding wind-up deficiency of \$0.8 million was funded by the Data Group in advance of the benefit settlement, as required under applicable pension regulations. The wind-up of the Relizon Canada defined benefit pension plan was substantially completed in 2010.
- (4) Includes other amounts that do not reflect the ongoing operations of the Data Group's business.
- (5) Distributions are in respect of the distributions declared.
- (6) 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 or paid and not the weighted average number of units outstanding. As at June 30, 2011 and 2010, 23,490,592 units were outstanding.
- (7) The payout ratio represents the distributions paid or declared to unitholders as a percentage of the cash available for distribution, in each case for the relevant period.

CASH AVAILABLE FOR DISTRIBUTION

See Table 4 above for a reconciliation of cash provided by (used in) operating activities to cash available for distribution for the three and six month periods ended June 30, 2011 and 2010, respectively, and the amounts discussed below.

For the three months ended June 30, 2011, the Fund generated \$4.3 million or \$0.183 per unit of cash available for distribution compared to \$4.7 million or \$0.199 per unit for the same period in 2010. Cash available for distribution for the three months ended June 30, 2011 was calculated by deducting from cash provided by (used in) operating activities of \$4.2 million, maintenance capital expenditures of \$0.3 million, and adding back other non-cash items of \$0.1 million and corporate conversion costs of \$0.3 million, respectively. Cash available for distribution for the three months ended June 30, 2010 was calculated by deducting from cash provided by (used in) operating activities of \$5.6 million, maintenance capital expenditures of \$0.5 million and changes in working capital of \$0.6 million, respectively, and adding back other non-cash items of \$0.1 million.

For the six months ended June 30, 2011, the Fund generated \$9.3 million or \$0.397 per unit of cash available for distribution compared to \$10.8 million or \$0.460 per unit for the same period in 2010. Cash available for distribution for the six months ended June 30, 2011 was calculated by deducting from cash provided by operating activities of \$5.8 million, maintenance capital expenditures of \$0.9 million, and adding back changes in non-cash working capital of \$3.8 million, other non-cash items of \$0.2 million and corporate conversion costs of \$0.4 million, respectively. Cash available for distribution for the six months ended June 30, 2010 was calculated by deducting from cash provided by operating activities of \$18.5 million, maintenance capital expenditures of \$0.7 million, changes in non-cash working capital of \$8.1 million and other non-cash items of \$0.1 million, respectively, and adding back pension plan wind-up contributions of \$1.3 million.

For the three months ended June 30, 2011, the Fund declared distributions of \$3.8 million or \$0.163 per unit. Cash available for distribution exceeded actual distributions by \$0.5 million or \$0.020 per unit for the three months ended June 30, 2011. For the six months ended June 30, 2011, the Fund declared distributions of \$7.6 million or \$0.326 per unit. Cash available for distribution exceeded actual distributions by \$1.7 million or \$0.071 per unit for the six months ended June 30, 2011. During the three and six months ended June 30, 2011, the Data Group made cash payments of \$0.2 million and \$0.6 million, respectively, for the accrued restructuring provisions related to severance costs incurred as part of the Data Group's on-going productivity improvement initiatives charged to restructuring expense. These cash payments were funded by cash generated from operations and existing cash resources. The restructuring costs paid during the three and six month periods have been deducted in determining cash available for distribution as these payments are included in cash provided by (used in) operating activities.

For the three months ended June 30, 2010, the Fund declared distributions of \$6.8 million or \$0.290 per unit. Actual distributions exceeded cash available for distribution by \$2.1 million or \$0.091 per unit for the three months ended June 30, 2010. During the quarter ended June 30, 2010, the Data Group made cash payments of \$0.4 million for the accrued restructuring provisions related to severance costs incurred as part of the Data Group's on-going productivity improvement initiatives charged to restructuring expense. These cash payments were funded entirely by cash generated from operations and the net proceeds from the sale of the Data Group's former facility in Orangeville Ontario. The restructuring costs paid during the quarter have been deducted in determining cash available for distribution as these payments are included in cash provided by (used in) operating activities.

For the six months ended June 30, 2010, the Fund declared distributions of \$13.6 million or \$0.580 per unit. Actual distributions exceeded cash available for distribution by \$2.8 million or \$0.120 per unit for the six months ended June 30, 2010. During the six months ended June 30, 2010, the Data Group made cash payments of \$1.2 million for the restructuring costs accrued as part of the purchase price accounting for the Relizon Canada acquisition and for the related integration costs, consisting primarily of severance payments and moving costs and accrued restructuring provisions related to severance costs incurred as part of the Data Group's on-going productivity improvements initiatives charged to restructuring expense. These cash payments were funded by cash generated from operations, the net proceeds from the sale of the Data Group's former facility in Orangeville Ontario and existing cash resources. The restructuring and integration costs paid during the period have been deducted in determining cash available for distribution as these payments are included in cash provided by (used in) operating activities.

Table 5 The following table sets out selected historical financial information for the periods noted.

Excess (Shortfall) of Cash Flows and Shortfall of Net Income over Distributions Paid or Declared

For the periods ended June 30, 2011 and 2010 <i>(in thousands of Canadian dollars, unaudited)</i>	Apr. 1 to June 30, 2011	Apr. 1 to June 30, 2010	Jan. 1 to June 30, 2011	Jan. 1 to June 30, 2010
	\$	\$	\$	\$
Cash provided by (used in) operating activities	4,230	5,639	5,787	18,485
Net income for the period	1,406	2,286	3,160	5,638
Actual cash distributions paid or declared relating to the period	3,820	6,805	7,640	13,610
Excess (shortfall) of cash provided by (used in) operating activities over cash distributions paid or declared	410	(1,166)	(1,853)	4,875
Shortfall of net income over cash distributions paid or declared	(2,414)	(4,519)	(4,480)	(7,972)

EXCESS (SHORTFALL) OF CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES OVER CASH DISTRIBUTIONS PAID OR DECLARED

See Table 5 above for a calculation of the difference between cash provided by (used in) operating activities to cash distributions paid or declared for the three and six month periods ended June 30, 2011 and 2010, respectively. Cash provided by (used in) operating activities includes changes in working capital, various accrued restructuring provisions related to severance costs incurred as part of the Data Group's on-going productivity improvement initiatives and charged to restructuring and severance expense and pension plan wind-up contributions. The pension plan wind-up contributions and payments against those accrued restructuring provisions will reduce cash from operating activities but are not considered in the Fund's calculation of cash available for distribution and determining distributions.

Distributions paid by the Fund on its outstanding units during the quarter ended June 30, 2011 were funded entirely from cash generated by the Data Group's operations. The excess of cash provided by (used in) operating activities over cash distributions paid or declared for the quarter ended June 30, 2011 was principally due to an increase in profitability from cost savings realized from on-going productivity improvement and cost reduction initiatives and better capacity utilization as a result of those measures.

Distributions paid by the Fund on its outstanding units during the quarter ended June 30, 2010 were funded entirely from cash generated by the Data Group's operations and from existing cash resources. The shortfall of cash provided by (used in) operating activities over cash distributions paid or declared for the quarter ended June 30, 2010 was principally due to the revenue declines experienced by the Data Group during that period, which were partially offset by revenues from new business generated and realized cost savings from cost reduction initiatives implemented during 2009.

Distributions paid by the Fund on its outstanding units during the six months ended June 30, 2011 were funded entirely from cash generated by the Data Group's operations. The shortfall of cash provided by (used in) operating activities over cash distributions paid or declared for the six months ended June 30, 2011 was principally due to the increase in working capital.

Distributions paid by the Fund on its outstanding units during the six months ended June 30, 2010 were funded entirely from cash generated by the Data Group's operations, net proceeds from the sale of the Data Group's former facility in Orangeville, Ontario and from existing cash resources. The excess of cash provided by (used in) operating activities over cash distributions paid or declared for the six months ended June 30, 2010 was principally due to the revenue declines experienced by the Data Group during that period, which were partially offset by revenues from new business generated and realized cost savings from cost reduction initiatives implemented during 2009.

The Fund expects that, as a result of changes in working capital or declines in revenues from on-going operations, it may be necessary from time to time to use the existing cash resources of the Data Group to fund, at current levels, a portion of the distributions paid on the Fund's outstanding units. The Fund does not anticipate that the use of existing cash resources in this manner will adversely affect the Data Group's ability to fund its operations, capital expenditures or service its debt obligations in 2011.

SHORTFALL OF NET INCOME OVER CASH DISTRIBUTIONS PAID OR DECLARED

In calculating cash available for distribution and determining cash distributions, the Fund excludes non-cash expenses that are charged to earnings and deducts capital expenditures which are capitalized in its consolidated financial statements. The non-cash expenses for the three and six month periods ended June 30, 2011 and 2010, respectively, which were not included in calculating cash available for distribution and determining cash distributions consisted of depreciation of property, plant and equipment, amortization of identifiable intangible assets, charges or recoveries related to changes in the fair value of the Fund's conversion options and the provision for or the recovery of deferred income taxes.

For the quarter ended June 30, 2011, the Fund's cash distributions paid on its outstanding units exceeded its net income by \$2.4 million. Net income for the quarter ended June 30, 2011 included \$2.6 million in non-cash amortization of identifiable intangible assets, \$1.4 million in non-cash amortization of depreciation of property, plant and equipment, a \$0.8 million recovery related to the change in the fair value of the Fund's conversion options and non-cash deferred income tax expense of \$0.2 million.

For the quarter ended June 30, 2010, the Fund's cash distributions paid on its outstanding units exceeded its net income by \$4.5 million. Net income for the quarter ended June 30, 2010 included \$2.6 million in non-cash amortization of identifiable intangible assets, \$1.6 million in non-cash depreciation of property, plant and equipment, a \$2.6 million recovery related to the change in the fair value of the Fund's conversion options and a non-cash deferred income tax expense of \$1.5 million.

For the six months ended June 30, 2011, the Fund's cash distributions paid on to its outstanding units exceeded net income by \$4.5 million. Net income for the six months ended June 30, 2011 included \$5.1 million in non-cash amortization of intangible assets, \$2.8 million in non-cash depreciation of property, plant and equipment, a \$1.0 million recovery related to the fair value of the Fund's conversion options and a non-cash deferred income tax expense of \$0.3 million.

For the six months ended June 30, 2010, the Fund's cash distributions paid on its outstanding units exceeded net income by \$8.0 million. Net income for the six months ended June 30, 2010 included \$5.1 million in non-cash amortization of intangible assets, \$3.3 million in non-cash amortization of depreciation of property, plant and equipment, a \$1.4 million recovery related to the fair value of the Fund's conversion options, a non-cash current income tax recovery of \$0.3 million related to prior periods and a non-cash deferred income tax recovery of \$0.1 million.

Table 6 The following table sets out selected historical financial information for the periods noted.

Eight Quarter Consolidated Statement of Cash Available for Distribution – Summary

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

	2011		2010				2009	
	IFRS		Canadian GAAP		IFRS		Canadian GAAP	
	Q2 ⁽¹⁾	Q1 ⁽¹⁾	Q4 ⁽²⁾	Q3	Q2 ⁽²⁾	Q1 ⁽²⁾	Q4 ⁽³⁾	Q3 ⁽³⁾
	\$	\$	\$	\$	\$	\$	\$	\$
Adjusted EBITDA ⁽⁴⁾	6,900	7,970	7,912	7,198	7,352	8,179	9,143	8,648
Cash available for distribution ⁽⁵⁾	4,306	5,023	5,912	4,637	4,666	6,140	7,158	6,690
Distributions to unitholders	3,820	3,820	6,805	6,805	6,805	6,805	6,805	6,805
Excess (shortfall) of cash available for distribution over actual distributions	486	1,203	(893)	(2,168)	(2,139)	(665)	353	(115)
Per unit								
Cash available for distribution per unit ⁽⁵⁾	0.183	0.214	0.252	0.198	0.199	0.261	0.305	0.285
Distributions per unit	0.163	0.163	0.290	0.290	0.290	0.290	0.290	0.290
Excess (shortfall) of cash available for distribution per unit over actual distributions per unit	0.020	0.051	(0.038)	(0.092)	(0.091)	(0.029)	0.015	(0.005)

Notes:

- (1) Includes restructuring and severance expenses of \$0.3 million and \$0.2 million in the second and first quarters of 2011 related to the Data Group's 2011 on-going productivity improvement initiatives to reduce its cost of operations.
- (2) Includes restructuring expenses of \$0.2 million, \$0.1 million and \$0.3 million in the first, second and fourth quarters of 2010, respectively, related to the Data Group's 2010 restructuring and on-going productivity improvement initiatives to reduce its cost of operations.
- (3) Includes restructuring expenses of \$0.9 million and \$0.7 million in the third and fourth quarters of 2009, respectively, related to the Data Group's 2009 restructuring and on-going productivity improvement initiatives to reduce its cost of operations.
- (4) Adjusted EBITDA for the (i) second and first quarters of 2011 means EBITDA adjusted for corporate conversion costs; (ii) fourth quarter of 2010 means EBITDA adjusted for a gain on the settlement of a pension plan, gains on the redemption of convertible debentures and a goodwill impairment charge; (iii) third quarter of 2010 means EBITDA adjusted for a loss on the settlement of a pension plan; (iv) second and first quarters of 2010 means EBITDA with no adjustments; (v) fourth quarter of 2009 means EBITDA adjusted for write downs of assets held for sale; and (vi) third quarter of 2009 means EBITDA with no adjustments. For a reconciliation of net income to Adjusted EBITDA for the second quarters of 2011 and 2010, respectively, see Table 3 above.
- (5) Cash available for distribution for the (i) second quarter of 2011 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, changes in working capital, corporate conversion costs, financing costs, and other non-cash items; (ii) first quarter of 2011 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, changes in working capital, corporate conversion costs, and other non-cash items; (iii) third and first quarters of 2010 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, pension plan wind-up contributions, changes in working capital, and other non-cash items; and (iv) fourth quarters of 2010 and 2009, second quarter of 2010 and the third quarter of 2009 means cash provided by (used in) operating activities increased by, or reduced for, maintenance capital expenditures, changes in working capital, and other non-cash items, respectively. For a reconciliation of cash provided by (used in) operating activities to cash available for distribution for the second quarters of 2011 and 2010, respectively, see Table 4 above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Data Group maintains an amended and restated credit agreement (the “Amended Credit Agreement”) with two Canadian chartered banks, providing for the establishment of revolving credit facilities (the “Revolving Bank Facility”). The Revolving Bank Facility has a maximum available principal amount of \$90.0 million and matures on August 31, 2013. Market conditions could affect certain terms of the replacement facility along with the terms of other debt instruments that the Data Group enters into from time to time. The Amended Credit Agreement contains financial covenants and restrictions 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 (“Credit Agreement EBITDA”) and a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges (the “Fixed Charge Ratio”). Effective January 1, 2011, the Data Group amended the terms of the Amended Credit Agreement such that, in respect of the first nine months of 2011, the Fixed Charge Ratio will be calculated on a cumulative quarterly basis commencing with the quarter ended March 31, 2011 and not on the basis of the Data Group’s four most recently completed fiscal quarters. This amendment will enable the Data Group to calculate the Fixed Charge Ratio on a basis which takes into account the reduction in the Fund’s monthly cash distributions on its units which took effect in January 2011 and the redemption of the Fund’s 6.75% Convertible Debentures on December 31, 2010. Following September 30, 2011, the Fixed Charge Ratio will be calculated on the basis of the Data Group’s four most recently completed fiscal quarters. The minimum ratio allowed under the amended terms of the Amended Credit Agreement is 1.00. As at June 30, 2011, the Data Group had outstanding borrowings of \$55.0 million under this credit facility and was in compliance with its credit facility covenants. At June 30, 2011, all of the Data Group’s indebtedness outstanding under the credit facility was subject to floating interest rates of 4.48%.

At December 31, 2010, the Data Group did not maintain the Fixed Charge Ratio but was in compliance with its other covenants in the Amended Credit Agreement. The Data Group obtained a waiver from its lenders with respect to the non-compliance with the Fixed Charge Ratio as at December 31, 2010. Under Canadian GAAP, the waiver of the non-compliance with the Fixed Charge Ratio subsequent to year end resulted in the Revolving Bank Facility being classified as a non-current liability. Under IFRS, a waiver received after the reporting date is not considered in classifying debt as current or non-current with a covenant violation at the reporting date. Accordingly, the Revolving Bank Facility was classified as a current liability under IFRS at December 31, 2010.

At June 30, 2011, the Fund had outstanding \$45.0 million aggregate principal amount of 6.00% Convertible Debentures. The 6.00% Convertible Debentures mature on June 30, 2017, bear interest at a rate of 6.00% payable semi-annually and are convertible into units of the Fund at any time at the option of the holder prior to maturity or redemption at a conversion price of \$12.20 per unit. The terms of the 6.00% Convertible Debentures are described in greater detail in the Fund’s short form prospectus dated April 16, 2010, which is available on SEDAR at www.sedar.com.

At June 30, 2011, the Data Group had cash and cash equivalents of \$5.3 million compared to \$8.0 million at December 31, 2010. The cash equivalents consist mainly of short-term investments, such as money market deposits. The Data Group has deposited the cash equivalents with reputable Canadian financial institutions, from which the Data Group believes the risk of loss to be remote. In addition, under the terms of the Data Group’s credit facility, the Data Group had access to \$35.0 million of available credit less letters of credit granted of \$3.2 million at June 30, 2011.

In assessing the Data Group's liquidity requirements, the Data Group takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused line of credit, cash from investing activities such as sales of redundant assets, and access to the capital markets, as well as its ongoing cash needs for its existing operations, payments associated with various restructurings and productivity improvement initiatives, taxes and cash required to finance currently planned expenditures. The Data Group anticipates that its maintenance capital expenditures will be approximately \$2.0 to \$3.0 million in 2011. Cash flows from operations could be negatively impacted by decreased demand for the Data Group's products and services, which could result from factors such as the adverse economic conditions and competition from competitors supplying similar products and services, or by increased costs associated with the manufacturing and distribution of products or the provision of services. The Data Group's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

The Fund believes that the currently projected cash flow from the operations of the Data Group, existing cash resources and borrowings under available credit facilities, if necessary, will be sufficient to fund the Data Group's currently projected operating requirements, payments associated with accrued restructuring provisions as the result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to the Data Group's pension plans, maintenance capital expenditures and distributions to the Fund's unitholders in 2011.

Cash Flow from Operations

Changes in working capital decreased cash flow from operations by \$0.1 million during the quarter ended June 30, 2011. Trade payables increased by \$0.9 million as a result of the timing of payments to suppliers for purchases during the second quarter of 2011. Deferred revenues decreased by \$1.9 million due to the timing of shipments during the second quarter of 2011. Changes in working capital decreased cash flow from operations by \$3.8 million during the six months ended June 30, 2011. The trade receivables balance increased by \$2.8 million as a result of the timing of payments by customers of the DATA East and West segment. Inventory levels increased by \$0.9 million as a result of the timing of shipments of products to customers of the DATA East and West segment. Income taxes payable increased by \$1.0 million due to the income taxes payable on the Fund's estimated taxable income for the six months ended June 30, 2011. Distributions payable decreased by \$1.0 million as a result of the reduction in cash distributions to unitholders beginning in January 2011.

Pension Funding Obligations

The Data Group maintains defined benefit and defined contribution pension plans for certain of its employees, which were previously maintained by Data Business Forms (the "DBFL Plan") and Relizon Canada (the "Relizon Canada Plan"), respectively. The Data Group also contributes to the Graphic Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Granby and Drummondville, Québec plants. Certain former senior executives of Relizon Canada participated in a Supplementary Executive Retirement Plan ("SERP"), which provided for pension benefits payable as a single life annuity with a five year guarantee.

The Data Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DBFL Plan to fund current or future funding deficiencies which may emerge. Applicable pension legislation requires that the funded status of the defined benefit provisions of the Data Group's ongoing 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). The funded status of the Data Group's pension plans are impacted by actuarial assumptions, the plan's investment performance, changes in economic conditions and

debt and equity markets, changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administrative expenses, among others. Where an actuarial valuation reveals a solvency deficit, current pension regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. Annual actuarial valuations are required on the DBFL Plan until the solvency deficiency is reduced to a level under which applicable pension regulations allow the valuations to be completed every three years. Based on these valuations, the annual cash contributions to this plan will be determined annually and will depend on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others.

During the year ended December 31, 2010, the Data Group engaged actuaries to complete an updated actuarial valuation of the DBFL Plan, which determined that, as at January 1, 2010, the DBFL Plan had a significant solvency deficit. Based upon the January 1, 2010 actuarial valuation report, the Data Group was required to increase its annual cash contributions to the DBFL Plan from \$1.5 million to approximately \$2.2 million effective from January 1, 2010, a reduction from the \$3.5 million previously disclosed. The final funding requirement for 2011 will be based on the actuarial valuation as at January 1, 2011, which will be completed within the first nine months of 2011.

The Data Group issued a notice to wind-up the Relizon Canada Plan effective December 31, 2008, such that no benefits will accrue under the Relizon Canada Plan after December 31, 2008. A Relizon Canada Plan amendment to this effect has been adopted by the Data Group. During the year ended December 31, 2009, the Data Group engaged actuaries to prepare the wind-up actuarial report for the Relizon Canada Plan as at December 31, 2008. Based upon this wind-up report, the Relizon Canada Plan has an estimated wind-up deficiency of \$2.9 million and a 5 year annual funding obligation of \$0.6 million, assuming that the solvency deficit is fully funded and the benefits are settled by the end of 2013. During the six months ended June 30, 2010, the Data Group made its 2010 annual contribution of \$0.6 million and an additional wind-up contribution prepayment of \$0.6 million to the Relizon Canada Plan. By December 31, 2010, substantially all of the outstanding pension obligations were settled through the purchase of annuity contracts or lump-sum payments pursuant to participant elections and a final wind-up deficiency of \$0.8 million was funded in advance of the benefit settlement, as required under applicable pension regulations. As a result of the wind-up during the year ended December 31, 2010, the Data Group recorded a gain on settlement of this pension plan of \$0.6 million.

The SRDF is a defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry jointly-trusted by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. The Data Group makes contributions to the SRDF based on a percentage of the wages of unionized employees covered by the respective negotiated collective bargaining agreements.

The SERP is unfunded and its pension benefits will be paid out of the general revenues of the Data Group. The Data Group's annual funding obligation under the SERP is \$0.6 million.

Investing Activities

Capital expenditures for the quarter ended June 30, 2011 of \$0.3 million related primarily to maintenance capital expenditures and were financed by cash flow from operations and existing cash resources. Capital expenditures for

the six months ended June 30, 2011 of \$0.9 million related primarily to maintenance capital expenditures and were financed by cash flow from operations and existing cash resources.

Financing Activities

For the three and six months ended June 30, 2011, the Fund paid or declared aggregate cash distributions of \$3.8 million and \$7.6 million, respectively, to its unitholders.

OUTSTANDING UNIT DATA

At June 30, 2011 and December 31, 2010, there were outstanding 23,490,592 units of the Fund and \$45.0 million aggregate principal amount of 6.00% Convertible Debentures. Each of the 6.00% Convertible Debentures are convertible into Fund units. See “Liquidity and Capital Resources – Liquidity” above.

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 its 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 Fund’s distributions are subject to the discretion of its Board of Trustees. The Fund’s Board of Trustees actively monitors the Fund’s cash available for distribution and its payout ratio.

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 and income tax liabilities and expenses associated with restructurings and productivity improvement initiatives), 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 following is a summary of the declared distributions, record dates and payment dates in respect of the Fund’s outstanding units in 2011:

Record Date	Payment Date	Per Unit	Amount
January 31, 2011	February 15, 2011	\$0.05420	\$1.273 million
February 28, 2011	March 15, 2011	\$0.05420	\$1.273 million
March 31, 2011	April 15, 2011	\$0.05420	\$1.274 million
April 29, 2011	May 13, 2011	\$0.05420	\$1.273 million
May 31, 2011	June 15, 2011	\$0.05420	\$1.273 million
June 30, 2011	July 15, 2011	\$0.05420	\$1.274 million

CONTRACTUAL OBLIGATIONS

There were no significant new contractual obligations for operating leases during the three and six months ended June 30, 2011. See “Liquidity and Capital Resources – Liquidity” in the Fund’s MD&A for the year ended December 31, 2010 for a description of the 6.00% Convertible Debentures.

Table 7 The following table sets out selected historical financial information for the periods noted.

Eight Quarter Results of Operations - Summary

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

	2011		2010				2009	
	IFRS		Canadian GAAP		IFRS		Canadian GAAP	
	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$
Revenue	79,992	84,288	84,958	80,734	80,995	85,564	90,698	84,443
Net income (loss)	1,406	1,754	32	(1,174)	2,286	3,352	6,236	3,261
Basic income (loss) per unit	0.06	0.07	0.00	(0.05)	0.10	0.14	0.27	0.14
Diluted income (loss) per unit	0.06	0.07	0.00	(0.05)	0.10	0.14	0.27	0.14

The variations in the Fund's quarterly revenues and net income (loss) over the eight quarters ended June 30, 2011 can be attributed to several principal factors: general uncertain economic conditions in Canada, a goodwill impairment charge, restructuring and severance expenses related to the Data Group's on-going productivity improvement and cost reduction initiatives, a loss on the settlement of a pension plan, costs related to Fund's plan to convert to a corporation at the end of 2011, charges and recoveries related to the change in the fair value of the Fund's conversion options and, beginning January 1, 2011, the fact that the Fund is subject to income tax at the same combined federal and provincial corporate tax rate applicable to a taxable Canadian corporation.

The Fund's net income for the second quarter of 2011 included costs of \$0.3 million related to the Fund's plan to convert to a corporation at the end of 2011, a \$0.8 million recovery related to the change in the fair value of the Fund's conversion options and a current income tax expense of \$0.4 million related to the income tax payable on the Fund's estimated taxable income for the quarter. The Fund's net income for the second quarter of 2010 includes a \$2.6 million recovery related to the change in the fair value of the Fund's conversion options and a deferred income tax expense of \$1.5 million related to a change in estimates of future reversals of temporary differences before the Fund becomes taxable on January 1, 2011 and new temporary differences that arose during the period.

The Fund's net income for the first quarter of 2011 includes costs of \$0.2 million related to the Fund's plan to convert to a corporation at the end of 2011 and a current income tax expense of \$0.6 million related to the income tax payable on the Fund's estimated taxable income for the quarter. The Fund's net income for the first quarter of 2010 includes a deferred income tax recovery of \$1.6 million related to a change in estimates of future reversals of temporary differences before the Fund became taxable on January 1, 2011 and a \$1.1 million charge related to the change in the fair value of the Fund's conversion options in the Fund's outstanding convertible debentures.

The Fund's results of operations throughout 2010 and 2009 were negatively affected by generally poor economic conditions in Canada, which resulted in volatile operating results, and lower revenues and profitability during these periods. The Data Group's net income for the third quarter of 2010 includes a loss on the settlement of a pension plan of \$2.2 million. The Fund's net income for the third quarter of 2009 improved as a result of costs savings from on-going productivity improvements and cost reduction initiatives and revenues from new business, which increased capacity utilization and contributed a strong product mix with higher value added and margin.

During the first two quarters of 2011, the Data Group incurred severance costs of \$0.5 million as part of its on-going productivity improvement initiatives to reduce its cost of operations. Included in the Fund's quarterly net income for

2011 are restructuring and severance expenses of \$0.3 million and \$0.2 million incurred during the second and first quarters of 2011, respectively.

During the fourth quarter of 2010, the Data Group performed its annual review for impairment of goodwill, which resulted in the Fund recognizing an impairment of goodwill charge of \$4.3 million related to the Data Group's Sundog operations.

During 2010, the Data Group incurred restructuring costs of \$0.6 million as part of its on-going productivity improvement initiatives to reduce its cost of operations. Included in the Fund's quarterly net income for 2010 are restructuring expenses of \$0.2 million, \$0.1 million and \$0.3 million incurred during the first, second and fourth quarters of 2010, respectively.

During 2009, the Data Group incurred restructuring costs of \$2.0 million as part of its on-going productivity improvement initiatives to reduce its cost of operations. Included in the Fund's quarterly net income for 2009 are restructuring expenses of \$0.1 million, \$0.3 million, \$0.9 million and \$0.7 million incurred during the first, second, third and fourth quarters of 2009, respectively.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Data Group's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of the Fund and the Data Group for external purposes in accordance with IFRS.

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

OUTLOOK

In the second quarter of 2011, the Data Group continued to "do what we said we would do". We are continuing to execute on our plan to position the Data Group for long term growth while maintaining a healthy balance sheet, stabilizing our financial results in 2011 and most importantly, maintaining our annual distributions to unitholders of \$0.65 per unit. The Fund believes that the Data Group's business will stabilize in 2011 and is optimistic about the Data Group's opportunities for growth in 2012. This view is based on the Data Group's ongoing and proven success in winning new business, the Data Group's plans to introduce new products and services and to complete new cost savings programs.

As previously described, the Data Group will focus its strategic priorities on three key initiatives:

- a continued aggressive sales effort in our core markets of document management services and marketing related print to generate new business
- accelerated development of new products and services to provide enhanced value to customers and new revenues streams for the Data Group
- incremental available cost savings initiatives

In connection with these initiatives, in the second quarter of 2011, the Data Group won a number of large new accounts in relatively high margin categories without any material client losses, expanded its capabilities in growing areas of short run, on demand marketing print and retail gift and loyalty card production, hired new sales personnel and continued its new sales training program. In the third quarter of 2011, the Data Group intends to commence direct marketing to existing and potential clients in order to increase awareness of its products and services.

In the area of new product development, the Data Group is now entering the digital photo book market, which is experiencing double digit annual growth rates, with the launch of an innovative new product offering. In the third quarter of 2011, the Data Group intends to launch another new offering in a rapidly growing market; electronic direct marketing solutions that will augment the Data Group's existing printed direct mail services with marketing related e-mail, mobile messaging, promotional web pages, and associated professional consulting services. The Data Group is also actively researching additional new product and services for future launch.

Cost savings in the second quarter of 2011 contributed to the Data Group's improved gross profit, met management's planned expectations and were consistent with the previous year, as the Data Group realized incremental savings from equipment and real estate leases and process improvements. In the second quarter of 2011, the Data Group created a strategic sourcing department to initiate additional savings programs which will benefit the Data Group in the future. Offsetting these costs savings, the Data Group had planned increases in costs associated with new business and new product development.

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 further consolidation of facilities, and the Data Group may incur additional severance costs, accelerated further depreciation expense, impairment charges related to property, plant and equipment, goodwill, and costs attributable to the termination of contracts for leases, supplier arrangements and other contractual obligations.

Although the Fund believes that its current level of distributions to its unitholders is sustainable and consistent with maintaining the long-term health of its business, the Fund's Board of Trustees will continue to closely monitor the Fund's monthly distribution levels in light of the Fund's on-going and anticipated cash available for distribution and cash resources.

The Data Group will continue its strategic focus on being the leading document management service provider in Canada, while expanding in direct marketing, concentrating on providing high value-added products and services. The Data Group will also selectively pursue acquisition opportunities that are consistent with its plans for new products and services development and within its existing business segments.

TRANSITION TO IFRS

The Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS would replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the Fund adopted IFRS effective January 1, 2010 and prepared its 2011 condensed interim consolidated financial statements by applying IFRS accounting policies. The accounting policies followed in the Fund's June 30, 2011 condensed interim consolidated financial statements are the same as those applied in the Fund's consolidated interim consolidated financial statements for the period ended March 31, 2011. The Fund's condensed interim consolidated financial statements for the three and six months ended June 30, 2010 have been restated to reflect the Fund's

financial results for the quarter and the six month period in accordance with IFRS, respectively. Prior to the adoption of IFRS, the Fund's financial statements were prepared in accordance with Canadian GAAP and periods prior to January 1, 2010 have not been restated. The Fund commenced its financial reporting in accordance with IFRS in its first quarter of 2011 condensed interim consolidated financial statements.

IFRS is premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the transition to IFRS does not change the actual cash flows of the Fund, the transition resulted in changes to the Fund's reported consolidated statement of financial position and its consolidated statements of income and comprehensive income. In order to allow users of the Fund's financial statements to better understand these changes, this MD&A should be read in conjunction with Fund's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Fund's condensed interim consolidated financial statements for the quarters ended March 31, 2011 and June 30, 2011 prepared in accordance with IFRS applicable to interim financial statements, respectively. The Fund has also provided reconciliations below between Canadian GAAP and IFRS for unitholders' equity as at June 30, 2010, and comprehensive income for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Fund's consolidated financial statements for the year ended December 31, 2010. These reconciliations provide explanations of each major difference. The adoption of IFRS had no significant impact on the net cash flows of the Fund. The changes made to the consolidated statement of financial position and the consolidated statements of income and comprehensive income for 2010 have resulted in reclassifications of various amounts and additional non-cash items on the statements of cash flows with no material change to the Fund's net cash flows.

Adoption of International Financial Reporting Standards

The following discussion highlights the significant new standards that the Fund has adopted under IFRS and the effect on the comparative 2010 equity and financial performance as previously reported under Canadian GAAP.

(a) Reconciliation of equity as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Fund's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS:

	Note	June 30, 2010 \$
Equity as reported under Canadian GAAP		150,024
IFRS adjustments increase (decrease):		
Employee benefits – Recognition of all cumulative unamortized actuarial gains and losses	(i)	(4,493)
Employee benefits – Adjustments to reflect IAS 19 paragraph 58 (b) / IFRIC 14	(ii)	(5,806)
Recognition of transaction costs	(iii)	2,818
Reclassification of conversion options and fair value adjustments	(iv)	(1,196)
Removal of deferred gain – Sale and leaseback	(v)	1,432
Deferred income tax	(vi)	(2,442)
		(9,687)
Equity as reported under IFRS		140,337

(i) Employee benefits – Recognition of all cumulative unamortized actuarial gains and losses

Under IFRS 1, the Fund has elected to recognize all cumulative unamortized actuarial gains and losses as at January 1, 2010 in opening deficit for all of the Data Group's employee benefit plans.

Post-employment benefit obligations

Under IFRS, the Fund has elected to recognize all actuarial gains and losses immediately in a separate statement of comprehensive income (loss) without recycling to the statement of income in subsequent periods. As a result, actuarial gains and losses are not amortized to the statement of income but are recorded directly to other comprehensive income (loss) at the end of each period.

Under Canadian GAAP, actuarial gains and losses that arose in calculating the present value of the defined benefit obligation and the fair value of plan assets were recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. The "corridor" was 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. This excess of 10% is amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10% corridor were deferred.

No actuarial gains and losses were recorded under Canadian GAAP using the corridor approach during 2010 and therefore, the Fund did not adjust its pension expense for the three and six months ended June 30, 2010, respectively.

Other long-term employee benefits

Under IFRS, other long-term employee benefits are accounted for in a similar manner as post-employment benefit obligations. All actuarial gains and losses are immediately recognized in the statement of comprehensive income (loss) in the year in which they occur without recycling to the statement of income in subsequent periods for other long-term non-pension post-retirement benefit plans. All actuarial gains and losses, as well as all past service costs, are immediately recognized in the statement of income in the year in which they occur for other long-term post-employment benefit plans. Under Canadian GAAP, the Fund was allowed a choice of either delayed or immediate recognition and the selected method of recognition must be applied consistently from year to year. Under Canadian GAAP, the Fund chose to delay the recognition of actuarial gains and losses related to its other long-term employee benefits using the "corridor" approach.

As a result of the transition to IFRS, the Fund has adjusted its other long-term employee benefit expense to remove the Canadian GAAP amortization of actuarial gains and losses related to its other long-term non-pension post-retirement benefit plans for the three and six months ended June 30, 2010, respectively, as actuarial gains and losses are recognized in the statement of comprehensive income (loss) in accordance with IFRS.

(ii) Employee benefits – Adjustments to reflect IAS 19 paragraph 58 (b) / IFRIC 14

The International Financial Reporting Interpretations Committee ("IFRIC") 14 imposes a limit on an accrued benefit asset in respect of a funded defined benefit plan. The intent is to ensure that the accrued benefit asset is limited to the amount recoverable by the Data Group in future periods through surplus refunds or contribution holidays. IFRIC 14 may also create an additional liability related to the Data Group's past service funding contribution requirements for a funded defined benefit plan. The Data Group is required to make special payments towards going concern and solvency deficiencies to the DBFL Plan in respect of a minimum funding requirement and those special payments will not have an economic benefit to the Data Group in the future. The minimum funding requirement under IFRIC 14 for the DBFL Plan at the transition date has been recognized as an adjustment to the Fund's deficit.

The subsequent re-measurement of the additional liability related to the minimum funding requirement shall be recognized immediately in accordance with the Fund's adopted policy for recognition of the post-employment benefit obligation. The Fund has elected to recognize actuarial gains and losses on its post-employment benefit obligation through other comprehensive income (loss).

(iii) Recognition of transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Under IFRS, transaction costs in respect of financial liabilities at fair value through profit or loss are recognized in the statement of income immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are amortized using the effective interest method and are included in finance costs in the statement of income.

Under Canadian GAAP, transaction costs in respect of financial liabilities classified as other financial liabilities were recognized in the statement of income immediately. An accounting policy election was available to recognize transaction costs in the statement of income or in the initial measurement of other financial instruments. The Fund elected to expense the full amount of transaction cost when they were incurred.

On transition to IFRS, the Fund re-established a portion of transaction costs related to other financial instruments previously expensed under Canadian GAAP. These re-established transaction costs that related to the convertible debentures and bank debt are valued by using the effective interest method of calculating the amortization of the transaction costs of those financial liabilities for the three and six months ended June 30, 2010, respectively.

(iv) Reclassification of conversion options and fair value adjustments

The Fund's trust units were reviewed to determine if they would be classified under IFRS as equity or a liability on the statement of financial position. After a detailed analysis and review of and changes to the Fund's Amended and Restated Declaration of Trust, the Fund has determined that its trust units are classified as equity under IFRS. The exceptions in IAS 32 *Financial Instruments: Presentation* which allows an entity to classify puttable instruments as equity do not extend to instruments such as warrants, options and convertible debt that entitle the holder to acquire puttable instruments for a fixed price. Such instruments must be classified as liabilities under IAS 32 have to be recognized separately under IAS 39 *Financial Instruments: Recognition and Measurement*. Under IFRS, the Fund's convertible debentures are a financial liability that is accounted for as two different financial instruments – the debt that is considered to be the host contract under IAS 32 as a financial liability, and the conversion feature, the embedded derivative, under IAS 39 as a financial liability as well. These conversion features were classified under equity under Canadian GAAP.

IAS 39 requires embedded derivatives to be separated from their host contracts, except when the entire contract is measured at fair value through profit or loss or the embedded derivative is closely related to the host contract. The Fund has reviewed the conditions set out in the IAS 39 that allows for an embedded derivative to be accounted for separately and the Fund has determined that these conditions have been met.

Under IFRS, embedded derivatives are initially and subsequently measured at fair value and all changes in fair value are recorded in the statement of income at each reporting date. On the transition date, the difference between the

carrying value of the conversion options recorded under Canadian GAAP and the fair value of the conversion options was recorded through the Fund's opening deficit. In addition to being valued at its fair value, the conversion options were also reclassified as a financial liability upon transition to IFRS.

The host contract (the debt portion of the convertible debenture) is measured as the residual of the proceeds after deducting the fair value of the embedded derivative. The accounting under IFRS is consistent with the accounting under Canadian GAAP; therefore, the amortized cost of the host contract is unchanged on transition to IFRS and no IFRS transitional adjustment was required.

(v) Removal of deferred gain – Sale and leaseback

In 2007, the Data Group sold and leased-back its Brockville, Ontario printing facility. IFRS requires that where the original sale was at fair value that the gain not be deferred but be recognized in income immediately. Canadian GAAP required that gains arising on sale and leaseback transactions be deferred and amortized over the term of the resulting lease. The remaining deferred gain under Canadian GAAP has been recognized at the transition date as an increase in the Fund's opening deficit. The amortization of deferred gains recorded in General and administration expenses under Canadian GAAP during the three and six months ended June 30, 2010 have been reversed to correctly record those transactions under IFRS, respectively.

(vi) Deferred income tax

IAS 12 *Income Taxes* requires that current taxes and deferred tax assets and liabilities be measured based on tax rates and laws that have been enacted or substantively enacted. This is similar to Canadian GAAP. For the Fund, deferred tax balances were previously calculated using the tax rates that were expected to apply to the reporting period(s) when the temporary differences were expected to reverse, based on tax rates enacted or substantively enacted at the end of the reporting period and on the Fund's current legal structure. The Fund is currently subject to tax imposed under the Tax Act on a Specified Investment Flow-Through Entities ("SIFT") trust and has applied Canadian GAAP guidance in Emerging Issues Committee ("EIC")-107 and EIC-167 when measuring its current and future income tax balances. Using this guidance, if the Fund was able to demonstrate intent and ability to distribute earnings, then a lower rate of tax was applied to temporary differences for the measurement of future income taxes and for the purpose of calculating a current tax provision. There are no corresponding guidelines with respect to a SIFT trust under IFRS and, as a result, the Fund is required to follow IAS 12.

In certain circumstances, IAS 12 requires the application of a higher rate of tax (an "undistributed tax rate") in the calculation of current and deferred taxes. IAS 12 requires that current and deferred tax assets and liabilities be measured at the tax rate applicable to undistributed profits until such time that the distribution becomes payable. A SIFT trust is subject to tax on income distributed to unitholders at a rate similar to the combined federal and provincial corporate tax rate applicable to corporations, whereas undistributed income is taxed at the top marginal individual income tax rates. On transition to IFRS, the Fund used an undistributed tax rate, as such, the net deferred tax liability of the flow through entities was recorded under IFRS at the top marginal tax rate for individuals in jurisdictions where the entity has permanent establishments which is approximately 44.7% as opposed to the combined federal and provincial corporate tax rate which was scheduled to be less than 30%.

If and when the Fund converts to a corporation, the Fund will re-measure its deferred tax assets and liabilities in accordance with IFRS Standing Interpretations Committee ("SIC") Standards - 25 *Changes in Tax Structure of an Entity* using the tax rates applicable to a corporation, which do not vary depending on whether income is distributed or not.

The remaining decrease in unitholders' equity related to deferred taxes reflects the change in temporary differences resulting from the effect of the IFRS adjustments described above upon transition to IFRS and by the requirement to use the undistributed tax rates as discussed above for the three and six months ended June 30, 2010, respectively.

(b) Reconciliation of net income and comprehensive income as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Fund's net income and comprehensive income reported in accordance with Canadian GAAP to its net income and comprehensive income in accordance with IFRS for the three and six months ended June 30, 2010, respectively.

	Note	For the three months ended June 30, 2010 \$	For the six months ended June 30, 2010 \$
Net income (loss) and comprehensive income (loss) as reported under Canadian GAAP		(83)	3,296
Differences increasing (decreasing) reported net income (loss):			
Employee benefits	(i)	(11)	(22)
Re-establishment of transaction costs, net of amortization	(ii)	1,967	1,835
Change in fair value of conversion options	(iii)	2,553	1,439
Removal of deferred gain – Sale and leaseback	(iv)	(49)	(98)
Deferred income tax	(v)	(2,091)	(812)
		2,369	2,342
Net income as reported under IFRS		2,286	5,638
Comprehensive income as reported under IFRS		2,286	5,638

(i) Employee benefits

As a result of the transition to IFRS, the Fund has adjusted its other long-term employee benefit expense to remove the Canadian GAAP amortization of actuarial gains and losses related to its other long-term non-pension post-retirement benefit plans for the three and six months ended June 30, 2010, respectively, as actuarial gains and losses are recognized in other comprehensive income in accordance with IFRS.

(ii) Re-establishment of transaction costs, net of amortization

On transition to IFRS, the Fund re-established a portion of transaction costs related to other financial instruments previously expensed under Canadian GAAP. These re-established transaction costs that related to the convertible debentures and bank debt are valued by using the effective interest method of calculating the amortization of the transaction costs of those financial liabilities for the three and six months ended June 30, 2010, respectively.

(iii) Change in fair value of conversion options

Under IFRS, the Fund's conversion options are measured at their fair value and all changes in fair value are recorded in the statement of income at each reporting date.

(iv) Removal of deferred gain – Sale and leaseback

Amortization of deferred gains recorded in General and administration expenses under Canadian GAAP during the three and six months ended June 30, 2010 have been reversed to correctly record those transactions under IFRS, respectively.

(v) Deferred income taxes

Deferred income taxes were impacted by the change in temporary differences resulting from the effect of the IFRS reconciling items described above and by the requirement to use the undistributed tax rates as discussed in section (a) (vi) above for the three and six month periods ended June 30, 2010, respectively.

NEW ACCOUNTING POLICIES

The Fund has not adopted any new accounting policies since the year ended December 31, 2010.

The following are the new accounting standards the Fund plans to adopt when they become effective. Management is evaluating the standards and their impact on the Fund's consolidated financial statements.

International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") was issued in November 2009. The issuance of IFRS 9 is the first phase of the three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement* by improving and simplifying the reporting for financial instruments. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Fund is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* – In May 2011, the International Accounting Standards Board ("IASB") issued IFRS 10, which replaces portions of IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") Interpretation 12 *Consolidation – Special Purpose Entities* in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

IFRS 11 *Joint Arrangements* – In May 2011, the IASB issued IFRS 11, which supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non Monetary Contributions by Venturers*. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly. IFRS 11 presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. As a

result of the issuance of IFRS 10 and IFRS 11, IAS 28 *Investments in Associates and Joint Ventures* (“IAS 28”) has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

IFRS 12 *Disclosure of Interests in Other Entities* – In May 2011, the IASB issued IFRS 12 which requires extensive disclosures relating to a company’s interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Fund is currently assessing the impact of these new standards and amendments on its consolidated financial statements.

IFRS 13 *Fair Value Measurement* – In May 2011, the IASB issued IFRS 13 which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Fund is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 1 *Presentation of Items of Other Comprehensive Income* – In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*. The amendments enhance the presentation of Other Comprehensive Income (“OCI”) in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The Fund is currently assessing the impact of the amendments on its consolidated financial statements.

IAS 19 *Employee Benefits* – In June 2011, the IASB issued amendments to IAS 19 to revise certain aspects of the accounting for pension plans and other benefits. The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Fund is currently assessing the impact of the amendments on its consolidated financial statements.

RISKS AND UNCERTAINTIES

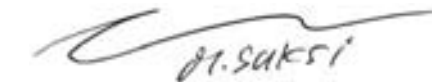
An investment in the units of the Fund involves risks. In addition to the information set out below and the other information contained in this report, investors should carefully consider the risks described in the Fund’s MD&A for the year ended December 31, 2010 before investing in the Fund’s units. The risks described in the Fund’s MD&A for the year ended December 31, 2010 and this report 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 its units.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*(in thousands of Canadian dollars, unaudited)*

	June 30, 2011	December 31, 2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,269	7,995
Trade receivables (note 4)	39,261	36,451
Inventories (note 5)	40,998	40,108
Prepaid expenses and other current assets	5,218	4,819
	90,746	89,373
Non-current assets		
Deferred income tax assets	838	842
Property, plant and equipment (note 6)	24,024	26,020
Identifiable intangible assets (note 7)	28,911	34,042
Goodwill (note 8)	136,947	136,947
	281,466	287,224
Liabilities		
Current liabilities		
Trade payables	29,350	28,689
Provisions (note 9)	310	437
Income taxes payable	1,136	109
Deferred revenue	5,923	6,178
Distributions payable	1,274	2,269
Current portion of revolving bank facility (note 10)	-	54,411
	37,993	92,093
Non-current liabilities		
Revolving bank facility (note 10)	54,514	-
Convertible debentures (note 11)	41,672	42,369
Deferred income tax liabilities	5,106	4,772
Other non-current liabilities (note 12)	2,073	2,277
Pension obligations	14,112	15,317
Post-employment and post-retirement benefits	2,374	2,294
	157,844	159,122
Unitholders' Equity		
Units (note 14)	215,336	215,336
Accumulated other comprehensive loss	(564)	(564)
Deficit	(91,150)	(86,670)
	123,622	128,102
	281,466	287,224

APPROVED BY THE BOARD OF TRUSTEES


Trustee



Trustee

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

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<i>(in thousands of Canadian dollars, except per unit amounts, unaudited)</i>	For the three months ended June 30, 2011	For the three months ended June 30, 2010
	\$	\$
Revenues	79,992	80,995
Cost of revenues	59,806	61,516
Gross profit	20,186	19,479
Expenses		
Selling, commissions and expenses	8,657	7,979
General and administration expenses excluding amortization of identifiable intangibles assets	6,041	5,763
Amortization of identifiable intangible assets	2,565	2,566
Corporate conversion costs	253	-
	17,516	16,308
Income before finance costs and income taxes	2,670	3,171
Finance costs		
Interest expense	1,388	1,676
Interest income	(19)	(26)
Change in fair value of conversion options	(848)	(2,553)
Amortization of transaction costs	132	298
	653	(605)
Income before income taxes	2,017	3,776
Income tax expense (note 19)		
Current	440	-
Deferred	171	1,490
	611	1,490
Net income for the period	1,406	2,286
Comprehensive income for the period	1,406	2,286
Basic income per unit (note 15)	0.06	0.10
Diluted income per unit (note 15)	0.06	0.10

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

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
	\$	\$
Revenues	164,280	166,559
Cost of revenues	122,679	126,170
Gross profit	41,601	40,389
Expenses		
Selling, commissions and expenses	17,516	16,291
General and administration expenses excluding amortization of identifiable intangibles assets	12,049	11,821
Amortization of identifiable intangible assets	5,131	5,132
Corporate conversion costs	414	-
	35,110	33,244
Income before finance costs and income taxes	6,491	7,145
Finance costs		
Interest expense	2,744	2,970
Interest income	(45)	(26)
Change in fair value of conversion options	(995)	(1,439)
Amortization of transaction costs	262	430
	1,966	1,935
Income before income taxes	4,525	5,210
Income tax expense (recovery) (note 19)		
Current	1,027	(324)
Deferred	338	(104)
	1,365	(428)
Net income for the period	3,160	5,638
Comprehensive income for the period	3,160	5,638
Basic income per unit (note 15)	0.13	0.24
Diluted income per unit (note 15)	0.13	0.24

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

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(in thousands of Canadian dollars, unaudited)

	Units	Accumulated other comprehensive loss	Deficit	Total Unitholders' Equity
	\$	\$	\$	\$
Balance as at January 1, 2010	215,336	-	(67,027)	148,309
Distributions declared	-	-	(13,610)	(13,610)
Net income for the period	-	-	5,638	5,638
Balance as at June 30, 2010	<u>215,336</u>	<u>-</u>	<u>(74,999)</u>	<u>140,337</u>
Balance as at December 31, 2010	215,336	(564)	(86,670)	128,102
Distributions declared	-	-	(7,640)	(7,640)
Net income for the period	-	-	3,160	3,160
Balance as at June 30, 2011	<u>215,336</u>	<u>(564)</u>	<u>(91,150)</u>	<u>123,622</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS*(in thousands of Canadian dollars, unaudited)*

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income for the period	1,406	2,286
Adjustments to net income		
Depreciation of property, plant and equipment	1,412	1,615
Amortization of identifiable intangible assets	2,565	2,566
Pension expense	124	367
Contributions made to pension plans	(726)	(1,017)
Loss (gain) on disposal of property, plant and equipment	16	(16)
Financing costs	(9)	108
Change in fair value of conversion options	(848)	(2,553)
Amortization of transaction costs	132	191
Accretion of convertible debentures	74	94
Unfavourable lease obligation	(32)	(31)
Amortization of lease inducement	(31)	(31)
Accretion of lease exit accrual	(40)	(39)
Post-employment and post-retirement benefits	39	20
Deferred income tax expense	171	1,490
	4,253	5,050
Changes in working capital (note 13)	(23)	589
	4,230	5,639
Investing activities		
Purchase of property, plant and equipment	(312)	(485)
	(312)	(485)
Financing activities		
Issuance of convertible debentures, net	-	42,734
Repayment of revolving bank facility	-	(45,000)
Distributions to unitholders (note 16)	(3,820)	(6,805)
	(3,820)	(9,071)
Increase (decrease) in cash and cash equivalents during the period	98	(3,917)
Cash and cash equivalents – beginning of period	5,171	19,601
Cash and cash equivalents – end of period	5,269	15,684
Supplemental cash flow information		
Interest paid	1,737	1,431

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

CONSOLIDATED STATEMENTS OF CASH FLOWS*(in thousands of Canadian dollars, unaudited)*

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income for the period	3,160	5,638
Adjustments to net income		
Depreciation of property, plant and equipment	2,834	3,254
Amortization of identifiable intangible assets	5,131	5,132
Pension expense	247	734
Contributions made to pension plans	(1,452)	(3,319)
Loss on disposal of property, plant and equipment	35	104
Financing costs	(9)	108
Change in fair value of conversion options	(995)	(1,439)
Amortization of transaction costs	262	323
Accretion of convertible debentures	148	135
Unfavourable lease obligation	(64)	(62)
Amortization of lease inducement	(61)	(62)
Accretion of lease exit accrual	(79)	(74)
Post-employment and post-retirement benefits	80	39
Deferred income tax expense (recovery)	338	(104)
	<u>9,575</u>	<u>10,407</u>
Changes in working capital (note 13)	(3,788)	8,078
	<u>5,787</u>	<u>18,485</u>
Investing activities		
Purchase of property, plant and equipment	(873)	(735)
Proceeds on disposal of property, plant and equipment	-	2,074
	<u>(873)</u>	<u>1,339</u>
Financing activities		
Issuance of convertible debentures, net	-	42,734
Repayment of revolving bank facility	-	(45,000)
Distributions to unitholders (note 16)	(7,640)	(13,610)
	<u>(7,640)</u>	<u>(15,876)</u>
Decrease (increase) in cash and cash equivalents during the period	<u>(2,726)</u>	<u>3,948</u>
Cash and cash equivalents – beginning of period	<u>7,995</u>	<u>11,736</u>
Cash and cash equivalents – end of period	<u>5,269</u>	<u>15,684</u>
Supplemental cash flow information		
Interest paid	2,274	2,009
Income taxes paid	-	596

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

Notes to The Condensed Interim Consolidated Financial Statements
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1. THE FUND

The DATA Group Income Fund (the “Fund”) is a trust established under the laws of the Province of Ontario pursuant to the Amended and Restated Declaration of Trust dated May 12, 2010, with recent amendments described in the Fund’s Management Proxy Circular dated April 12, 2010. The Fund commenced operations on December 21, 2004 and was initially 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 “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 address of the registered office of the Fund is 9195 Torbram Road, Brampton, Ontario.

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 reportable segments:

- a. DATA East and West - sells a broad range of printed products, commercial printing products, event tickets and document management services and warehousing directly to customers in the Canadian market. This segment also includes the former business of Relizon Canada;
- b. Multiple Pakfold - sells business forms and labels to independent brokers/resellers in the Canadian market.

Sales of some of the Data Group’s products are subject to seasonal fluctuations in demand. Certain elements of the Data Group’s gift card and direct mail businesses as well as the buying patterns of certain major customers of the Data Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters. The Data Group previously had three reportable segments: DATA East and West, Sundog and Multiple Pakfold. The Sundog segment’s operations have become more integrated with the DATA East and West segment to better serve customers and maximize operational efficiencies. Beginning January 1, 2011, the operations of Sundog are included in the DATA East and West segment. The results of operations for Sundog for the three and six months ended June 30, 2011 and 2010 are included in the results of operations of the DATA East and West segment.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Fund prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Fund commenced reporting on this basis in

Notes to The Condensed Interim Consolidated Financial Statements
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its 2011 condensed interim consolidated financial statements. In these condensed interim consolidated financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Fund’s condensed interim consolidated financial statements for the period ended March 31, 2011. The Fund has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Fund’s reported equity as at June 30, 2010 and comprehensive income for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Fund’s consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 8, 2011, the date the Board of Trustees approved these financial statements. Any subsequent changes to IFRS that are given effect in the Fund’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Fund’s Canadian GAAP annual financial statements for the year ended December 31, 2010 and the Fund’s condensed interim consolidated financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The following are the new accounting standards the Fund plans to adopt when they become effective. Management is evaluating the standards and their impact on the Fund’s consolidated financial statements.

International Financial Reporting Standard 9 *Financial Instruments* (“IFRS 9”) was issued in November 2009. The issuance of IFRS 9 is the first phase of the three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement* by improving and simplifying the reporting for financial instruments. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Fund is currently assessing the impact of the new standard on its consolidated financial statements.

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IFRS 10 Consolidated Financial Statements – In May 2011, the International Accounting Standards Board (“IASB”) issued IFRS 10, which replaces portions of IAS 27 *Consolidated and Separate Financial Statements* (“IAS 27”) that addresses consolidation, and supersedes Standing Interpretations Committee (“SIC”) Interpretation 12 *Consolidation – Special Purpose Entities* in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

IFRS 11 Joint Arrangements – In May 2011, the IASB issued IFRS 11, which supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non Monetary Contributions by Venturers*. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly. IFRS 11 presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28 *Investments in Associates and Joint Ventures* (“IAS 28”) has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

IFRS 12 Disclosure of Interests in Other Entities – In May 2011, the IASB issued IFRS 12 which requires extensive disclosures relating to a company’s interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Fund is currently assessing the impact of these new standards and amendments on its consolidated financial statements.

IFRS 13 Fair Value Measurement – In May 2011, the IASB issued IFRS 13 which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Fund is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income – In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*. The amendments enhance the presentation of Other Comprehensive Income (“OCI”) in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The Fund is currently assessing the impact of the amendments on its consolidated financial statements.

IAS 19 Employee Benefits – In June 2011, the IASB issued amendments to IAS 19 to revise certain aspects of the accounting for pension plans and other benefits. The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and

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introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Fund is currently assessing the impact of the amendments on its consolidated financial statements.

3. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS, described in note 2, is summarized in this note as follows:

- (a) Reconciliation of equity as reported under Canadian GAAP to IFRS
- (b) Reconciliation of net income and comprehensive income as reported under Canadian GAAP to IFRS
- (c) Adjustments to the statement of cash flows

(a) Reconciliation of equity as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Fund's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS:

	Note	June 30, 2010 \$
Equity as reported under Canadian GAAP		150,024
IFRS adjustments increase (decrease):		
Employee benefits – Recognition of all cumulative unamortized actuarial gains and losses	(i)	(4,493)
Employee benefits – Adjustments to reflect IAS 19 paragraph 58 (b) / IFRIC 14	(ii)	(5,806)
Recognition of transaction costs	(iii)	2,818
Reclassification of conversion options and fair value adjustments	(iv)	(1,196)
Removal of deferred gain – Sale and leaseback	(v)	1,432
Deferred income tax	(vi)	(2,442)
		(9,687)
Equity as reported under IFRS		140,337

(i) Employee benefits – Recognition of all cumulative unamortized actuarial gains and losses

Under IFRS 1, the Fund has elected to recognize all cumulative unamortized actuarial gains and losses as at January 1, 2010 in opening deficit for all of the Data Group's employee benefit plans.

Post-employment benefit obligations

Under IFRS, the Fund has elected to recognize all actuarial gains and losses immediately in a separate statement of comprehensive income (loss) without recycling to the statement of income in subsequent periods. As a result, actuarial gains and losses are not amortized to the statement of income but are recorded directly to other comprehensive income (loss) at the end of each period.

Under Canadian GAAP, actuarial gains and losses that arose in calculating the present value of the defined benefit obligation and the fair value of plan assets were recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. The "corridor" was 10% of the greater of the accrued

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benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. This excess of 10% is amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10% corridor were deferred.

No actuarial gains and losses were recorded under Canadian GAAP using the corridor approach during 2010 and therefore, the Fund did not adjust its pension expense for the three and six months ended June 30, 2010, respectively.

Other long-term employee benefits

Under IFRS, other long-term employee benefits are accounted for in a similar manner as post-employment benefit obligations. All actuarial gains and losses are immediately recognized in the statement of comprehensive income (loss) in the year in which they occur without recycling to the statement of income in subsequent periods for other long-term non-pension post-retirement benefit plans. All actuarial gains and losses, as well as all past service costs, are immediately recognized in the statement of income in the year in which they occur for other long-term post-employment benefit plans. Under Canadian GAAP, the Fund was allowed a choice of either delayed or immediate recognition and the selected method of recognition must be applied consistently from year to year. Under Canadian GAAP, the Fund chose to delay the recognition of actuarial gains and losses related to its other long-term employee benefits using the “corridor” approach.

As a result of the transition to IFRS, the Fund has adjusted its other long-term employee benefit expense to remove the Canadian GAAP amortization of actuarial gains and losses related to its other long-term non-pension post-retirement benefit plans for the three and six months ended June 30, 2010, respectively, as actuarial gains and losses are recognized in the statement of comprehensive income (loss) in accordance with IFRS.

(ii) Employee benefits – Adjustments to reflect IAS 19 paragraph 58 (b) / IFRIC 14

The International Financial Reporting Interpretations Committee (“IFRIC”) 14 imposes a limit on an accrued benefit asset in respect of a funded defined benefit plan. The intent is to ensure that the accrued benefit asset is limited to the amount recoverable by the Data Group in future periods through surplus refunds or contribution holidays. IFRIC 14 may also create an additional liability related to the Data Group’s past service funding contribution requirements for a funded defined benefit plan. The Data Group is required to make special payments towards going concern and solvency deficiencies to the DBFL Plan in respect of a minimum funding requirement and those special payments will not have an economic benefit to the Data Group in the future. The minimum funding requirement under IFRIC 14 for the DBFL Plan at the transition date has been recognized as an adjustment to the Fund’s deficit.

The subsequent re-measurement of the additional liability related to the minimum funding requirement shall be recognized immediately in accordance with the Fund’s adopted policy for recognition of the post-employment benefit obligation. The Fund has elected to recognize actuarial gains and losses on its post-employment benefit obligation through other comprehensive income (loss).

(iii) Recognition of transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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Under IFRS, transaction costs in respect of financial liabilities at fair value through profit or loss are recognized in the statement of income immediately. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are amortized using the effective interest method and are included in finance costs in the statement of income.

Under Canadian GAAP, transaction costs in respect of financial liabilities classified as other financial liabilities were recognized in the statement of income immediately. An accounting policy election was available to recognize transaction costs in the statement of income or in the initial measurement of other financial instruments. The Fund elected to expense the full amount of transaction cost when they were incurred.

On transition to IFRS, the Fund re-established a portion of transaction costs related to other financial instruments previously expensed under Canadian GAAP. These re-established transaction costs that related to the convertible debentures and bank debt are valued by using the effective interest method of calculating the amortization of the transaction costs of those financial liabilities for the three and six months ended June 30, 2010, respectively.

(iv) Reclassification of conversion options and fair value adjustments

The Fund's trust units were reviewed to determine if they would be classified under IFRS as equity or a liability on the statement of financial position. After a detailed analysis and review of and changes to the Fund's Amended and Restated Declaration of Trust, the Fund has determined that its trust units are classified as equity under IFRS. The exceptions in IAS 32 *Financial Instruments: Presentation* which allows an entity to classify puttable instruments as equity do not extend to instruments such as warrants, options and convertible debt that entitle the holder to acquire puttable instruments for a fixed price. Such instruments must be classified as liabilities under IAS 32 have to be recognized separately under IAS 39 *Financial Instruments: Recognition and Measurement*. Under IFRS, the Fund's convertible debentures are a financial liability that is accounted for as two different financial instruments – the debt that is considered to be the host contract under IAS 32 as a financial liability, and the conversion feature, the embedded derivative, under IAS 39 as a financial liability as well. These conversion features were classified under equity under Canadian GAAP.

IAS 39 requires embedded derivatives to be separated from their host contracts, except when the entire contract is measured at fair value through profit or loss or the embedded derivative is closely related to the host contract. The Fund has reviewed the conditions set out in the IAS 39 that allows for an embedded derivative to be accounted for separately and the Fund has determined that these conditions have been met.

Under IFRS, embedded derivatives are initially and subsequently measured at fair value and all changes in fair value are recorded in the statement of income at each reporting date. On the transition date, the difference between the carrying value of the conversion options recorded under Canadian GAAP and the fair value of the conversion options was recorded through the Fund's opening deficit. In addition to being valued at its fair value, the conversion options were also reclassified as a financial liability upon transition to IFRS.

The host contract (the debt portion of the convertible debenture) is measured as the residual of the proceeds after deducting the fair value of the embedded derivative. The accounting under IFRS is consistent with the accounting elected under Canadian GAAP; therefore, the amortized cost of the host contract is unchanged on transition to IFRS and no IFRS transitional adjustment was required.

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(v) Removal of deferred gain – Sale and leaseback

In 2007, the Data Group sold and leased-back its Brockville, Ontario printing facility. IFRS requires that where the original sale was at fair value that the gain not be deferred but be recognized in income immediately. Canadian GAAP required that gains arising on sale and leaseback transactions be deferred and amortized over the term of the resulting lease. The remaining deferred gain under Canadian GAAP has been recognized at the transition date as an increase in the Fund's opening deficit. The amortization of deferred gains recorded in General and administration expenses under Canadian GAAP during the three and six months ended June 30, 2010 have been reversed to correctly record those transactions under IFRS, respectively.

(vi) Deferred income tax

IAS 12 *Income Taxes* requires that current taxes and deferred tax assets and liabilities be measured based on tax rates and laws that have been enacted or substantively enacted. This is similar to Canadian GAAP. For the Fund, deferred tax balances were previously calculated using the tax rates that were expected to apply to the reporting period(s) when the temporary differences were expected to reverse, based on tax rates enacted or substantively enacted at the end of the reporting period and on the Fund's current legal structure. The Fund is currently subject to tax imposed under the Tax Act on a SIFT trust and has applied Canadian GAAP guidance in Emerging Issues Committee ("EIC")-107 and EIC-167 when measuring its current and future income tax balances. Using this guidance, if the Fund was able to demonstrate intent and ability to distribute earnings, then a lower rate of tax was applied to temporary differences for the measurement of future income taxes and for the purpose of calculating a current tax provision. There are no corresponding guidelines with respect to a SIFT trust under IFRS and, as a result, the Fund is required to follow IAS 12.

In certain circumstances, IAS 12 requires the application of a higher rate of tax (an "undistributed tax rate") in the calculation of current and deferred taxes. IAS 12 requires that current and deferred tax assets and liabilities be measured at the tax rate applicable to undistributed profits until such time that the distribution becomes payable. A SIFT trust is subject to tax on income distributed to unitholders at a rate similar to the combined federal and provincial corporate tax rate applicable to corporations, whereas undistributed income is taxed at the top marginal individual income tax rates. On transition to IFRS, the Fund used an undistributed tax rate, as such, the net deferred tax liability of the flow through entities was recorded under IFRS at the top marginal tax rate for individuals in jurisdictions where the entity has permanent establishments which is approximately 44.7% as opposed to the combined federal and provincial corporate tax rate which was scheduled to be less than 30%.

If and when the Fund converts to a corporation, the Fund will re-measure its deferred tax assets and liabilities in accordance with SIC-25 *Changes in Tax Structure of an Entity* using the tax rates applicable to a corporation, which do not vary depending on whether income is distributed or not.

The remaining decrease in unitholders' equity related to deferred taxes reflects the change in temporary differences resulting from the effect of the IFRS adjustments described above upon transition to IFRS, for the three and six months ended June 30, 2010, respectively.

Notes to The Condensed Interim Consolidated Financial Statements

The Periods Ended June 30, 2011 & 2010

*(in thousands of Canadian dollars, except per unit amounts, unaudited)***(b) Reconciliation of net income and comprehensive income as reported under Canadian GAAP to IFRS**

The following is a reconciliation of the Fund's net income and comprehensive income reported in accordance with Canadian GAAP to its net income and comprehensive income in accordance with IFRS for the three and six months ended June 30, 2010, respectively.

	Note	For the three months ended June 30, 2010 \$	For the six months ended June 30, 2010 \$
Net income (loss) and comprehensive income (loss) as reported under Canadian GAAP		(83)	3,296
Differences increasing (decreasing) reported net income (loss):			
Employee benefits	(i)	(11)	(22)
Re-establishment of transaction costs, net of amortization	(ii)	1,967	1,835
Change in fair value of conversion options	(iii)	2,553	1,439
Removal of deferred gain – Sale and leaseback	(iv)	(49)	(98)
Deferred income tax	(v)	(2,091)	(812)
		2,369	2,342
Net income as reported under IFRS		2,286	5,638
Comprehensive income as reported under IFRS		2,286	5,638

(i) Employee benefits

As a result of the transition to IFRS, the Fund has adjusted its other long-term employee benefit expense to remove the Canadian GAAP amortization of actuarial gains and losses related to its other long-term non-pension post retirement benefit plans for the three and six months ended June 30, 2010, respectively, as actuarial gains and losses are recognized in other comprehensive income in accordance with IFRS.

(ii) Re-establishment of transaction costs, net of amortization

On transition to IFRS, the Fund re-established a portion of transaction costs related to other financial instruments previously expensed under Canadian GAAP. These re-established transaction costs that related to the convertible debentures and bank debt are valued by using the effective interest method of calculating the amortization of the transaction costs of those financial liabilities for the three and six months ended June 30, 2010, respectively.

(iii) Change in fair value of conversion options

Under IFRS, the Fund's conversion options are measured at their fair value and all changes in fair value are recorded in the statement of income at each reporting date.

(iv) Removal of deferred gain – Sale and leaseback

Amortization of deferred gains recorded in General and administration expenses under Canadian GAAP during the three and six months ended June 30, 2010 have been reversed to correctly record those transactions under IFRS, respectively.

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(in thousands of Canadian dollars, except number of units and per unit amounts, unaudited)

(v) Deferred income taxes

Deferred income taxes were impacted by the change in temporary differences resulting from the effect of the IFRS reconciling items described above and by the requirement to use the undistributed tax rates as discussed in note 3 (a)(vi) above for the three and six month periods ended June 30, 2010, respectively.

(c) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows generated by the Fund for the three and six month periods ended June 30, 2010 and the year ended December 31, 2010, respectively. The changes made to the consolidated statement of financial position and the consolidated statements of income and comprehensive income for 2010 have resulted in reclassifications of various amounts and additional non-cash items on the statements of cash flows, with no material change to the Fund's net cash flows.

4. TRADE RECEIVABLES

	June 30, 2011	December 31, 2010
	\$	\$
Trade receivables	39,947	37,119
Provision for doubtful accounts	(686)	(668)
	<u>39,261</u>	<u>36,451</u>

Trade receivables are non-interest bearing with settlement terms of generally 0 to 60 days.

5. INVENTORIES

	June 30, 2011	December 31, 2010
	\$	\$
Raw materials	6,293	5,834
Work-in-progress	3,110	2,722
Finished goods	31,595	31,552
	<u>40,998</u>	<u>40,108</u>

The cost of inventories recognized as an expense within cost of revenues for the three months ended June 30, 2011 was \$56,022 (2010 – \$57,762) and for the six months ended June 30, 2011 was \$115,101 (2010 - \$122,576).

6. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2011	December 31, 2010
Net book value	\$	\$
Leasehold improvements	6,351	6,662
Office furniture and equipment	622	667
Presses and printing equipment	16,623	18,185
Computer hardware and software	428	506
	<u>24,024</u>	<u>26,020</u>

Notes to The Condensed Interim Consolidated Financial Statements

The Periods Ended June 30, 2011 & 2010

*(in thousands of Canadian dollars, except per unit amounts, unaudited)***7. IDENTIFIABLE INTANGIBLE ASSETS**

	June 30,	December 31,
	2011	2010
Net book value	\$	\$
Customer relationships	26,126	30,115
Software and technology	672	1,386
Trademarks and trade names	2,113	2,541
	28,911	34,042

8. GOODWILL

	June 30,	December 31,
	2011	2010
	\$	\$
Balance - Beginning of period	136,947	141,206
Impairment of goodwill	-	(4,259)
Balance - End of period	136,947	136,947

During the fourth quarter of 2010, the Data Group performed its annual review for impairment of goodwill by comparing the fair value of each of its cash generating units' to the cash generating units carrying value. As a result of that review, the Data Group concluded that due to a highly competitive printing market in Alberta and to the continued uncertain economic conditions in that province, the fair value of its Sundog cash generating unit ("CGU") was less than its carrying value. Accordingly, the Fund recognized an impairment of goodwill charge of \$4,259 related to the Sundog CGU. The remaining goodwill is attributed to the DATA East and West CGU.

9. PROVISIONS***Restructuring and Severance Provisions***

During the three months ended June 30, 2011, the Data Group continued its restructuring and on-going productivity improvement initiatives to reduce its cost of operations. These initiatives resulted in a \$258 (2010 - \$173) charge during the three months ended June 30, 2010 and a \$455 (2010 - \$330) charge during the six months ended June 30, 2011 to restructuring and severance expenses in the consolidated statement of income and comprehensive income, respectively.

For the three months ended June 30, 2011, cash payments of \$244 (2010 - \$732) and for the six months ended June 30, 2010 cash payments of \$582 (2010 - \$966) were made to former employees for severances, respectively, and a significant portion of the remaining severance and restructuring accruals of \$310 at June 30, 2011 is expected to be paid during 2011.

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(in thousands of Canadian dollars, except number of units and per unit amounts, unaudited)

The following is a summary of the amounts accrued and paid relating to restructuring and severance expenses:

	For the three months ended June 30, 2011	For the six months ended June 30, 2011	For the year ended December 31, 2010
	\$	\$	\$
Balance - Beginning of period	296	437	1,556
Restructuring and severances costs charged to expense	258	455	545
Cash payments	(244)	(582)	(1,664)
Balance - End of period	310	310	437

10. REVOLVING BANK FACILITY

	June 30, 2011	December 31, 2010
	\$	\$
3.95% banker's acceptances, maturing January 24, 2011	-	10,000
4.03% banker's acceptances, maturing January 27, 2011	-	8,400
4.05% banker's acceptances, maturing February 28, 2011	-	8,300
4.05% banker's acceptances, maturing March 24, 2011	-	10,000
4.05% banker's acceptances, maturing March 29, 2011	-	8,300
4.20% banker's acceptances, maturing June 24, 2011	-	10,000
4.56% banker's acceptances, maturing July 25, 2011	10,000	-
4.56% banker's acceptances, maturing July 27, 2011	8,400	-
4.45% banker's acceptances, maturing July 29, 2011	36,600	-
Revolving bank facility	55,000	55,000
Unamortized transaction costs	(486)	(589)
	54,514	54,411
Less: Current portion of revolving bank facility	-	(54,411)
	54,514	-

The Data Group's amended and restated credit agreement (the "Amended Credit Agreement") with two Canadian chartered banks, provides for the establishment of 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, 2013.

The Amended Credit agreement contains financial covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The Data Group is required to at all times maintain a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA") as defined in the Amended Credit Agreement. The maximum ratio allowed for a 12-month trailing period is 2.50. As at June 30, 2011, this ratio was calculated at 1.73. The Data Group is also required to at all times maintain a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges (the "Fixed Charge Ratio").

Effective January 1, 2011, the Data Group amended the terms of the Amended Credit Agreement such that, in respect of the first nine months of 2011, the Fixed Charge Ratio will be calculated on a cumulative quarterly basis

Notes to The Condensed Interim Consolidated Financial Statements

The Periods Ended June 30, 2011 & 2010

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

commencing with the quarter ended March 31, 2011 and not on the basis of the Data Group's four most recently completed fiscal quarters. This amendment will enable the Data Group to calculate the Fixed Charge Ratio on a basis which takes into account the reduction in the Fund's monthly cash distributions on its units which took effect in January 2011 and the redemption of the Fund's 6.75% Extendible Convertible Unsecured Subordinated Debentures on December 31, 2010. Following September 30, 2011, the Fixed Charge Ratio will be calculated on the basis of the Data Group's four most recently completed fiscal quarters. The minimum ratio allowed under the amended terms of the Amended Credit Agreement is 1.00. As at June 30, 2011, this ratio was calculated at 2.54.

At December 31, 2010, the Data Group did not maintain the Fixed Charge Ratio but was in compliance with its other covenants in the Amended Credit Agreement. The Data Group obtained a waiver from its lenders with respect to the non-compliance with the Fixed Charge Ratio as at December 31, 2010. Under Canadian GAAP, the waiver of the non-compliance with the Fixed Charge Ratio subsequent to year end resulted in the Revolving Bank Facility being classified as a non-current liability. Under IFRS, a waiver received after the reporting date is not considered in classifying debt as current or non-current with a covenant violation at the reporting date. Accordingly, the Revolving Bank Facility was classified as a current liability under IFRS at December 31, 2010.

11. CONVERTIBLE DEBENTURES

	June 30,	December 31,
	2011	2010
	\$	\$
6.00% convertible debentures, maturing June 30, 2017, interest payable in June and December, convertible at 81.967 units per \$1,000 of debenture	43,211	43,063
Conversion options at fair value	259	1,254
Unamortized transaction costs	(1,798)	(1,948)
	41,672	42,369

On April 27, 2010, the Fund issued \$45,000 aggregate principal amount of 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"). The 6.00% Convertible Debentures bear interest at a rate of 6.00% payable semi-annually, in arrears, on June 30 and December 31 in each year commencing on December 31, 2010. The first interest payment on the 6.00% Convertible Debentures will include accrued and unpaid interest for the period from April 27, 2010 to, but excluding, December 31, 2010. The 6.00% Convertible Debentures mature on June 30, 2017 and are convertible into trust units of the Fund ("Units"), at the option of the holder prior to maturity or redemption at a conversion price of \$12.20 per Unit, subject to adjustment in certain events. The 6.00% Convertible Debentures may not be redeemed before June 30, 2013.

On or after June 30, 2013 and prior to June 30, 2015, the 6.00% Convertible Debentures may be redeemed by the Fund in whole or in part, from time to time, at the option of the Fund at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the Units (being the volume-weighted average trading price of the Units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date) of at least 125% of the conversion price of the 6.00% Convertible Debentures. On or after June 30, 2015, the 6.00% Convertible Debentures may be redeemed by the Fund in whole or in part, from time to time, at the option of the Fund at a price equal to the principal amount thereof plus accrued and unpaid interest.

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On redemption or at maturity, the Fund may, at its option, subject to regulatory approval and certain other conditions, elect to satisfy its obligation to pay the applicable redemption price for the principal amount of the 6.00% Convertible Debentures by issuing and delivering that number of Units obtained by dividing the aggregate redemption price of the debentures to be redeemed, or the principal amount of outstanding debentures which have matured, by 95% of the current market price of the Units on the date fixed for redemption or the maturity date.

12. OTHER NON-CURRENT LIABILITIES

	June 30, 2011	December 31, 2010
	\$	\$
Unfavourable lease obligation	836	900
Deferred lease inducement	674	735
Lease exit accrual	563	642
	2,073	2,277

During the year ended December 31, 2006, the Data Group assumed a lease agreement for its Drummondville, Québec facility with rent payments that exceed the market value for rent and as a result the Data Group recorded an unfavourable lease obligation. The monthly rent payments for this lease are allocated between the unfavourable lease obligation and a reduction in rent expense over the lease term.

During the year ended December 31, 2006, the Data Group entered into a lease agreement for its Edmonton, Alberta facility and that included lease inducements which were deferred and are recognized over the life of the lease.

During the year ended December 31, 2009, the Data Group sublet its Dorval, Québec facility for the remainder of the lease term expiring in 2021. A lease exit charge of \$866, representing the liability, at present value for remaining lease costs under the lease agreement net of sublease income, was recorded in 2009.

13. CHANGES IN WORKING CAPITAL

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
	\$	\$
Trade receivables	484	(1,938)
Inventories	203	2,633
Prepaid expenses and other current assets	(167)	311
Income taxes payable	440	(3)
Trade payables	906	(708)
Provisions	14	(266)
Deferred revenue	(1,903)	560
	(23)	589

Notes to The Condensed Interim Consolidated Financial Statements

The Periods Ended June 30, 2011 & 2010

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

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
	\$	\$
Trade receivables	(2,810)	6,866
Inventories	(890)	4,233
Prepaid expenses and other current assets	(399)	(654)
Income taxes payable	1,027	(950)
Trade payables	661	(1,425)
Provisions	(127)	(825)
Deferred revenue	(255)	833
Distributions payable	(995)	-
	(3,788)	8,078

14. UNITS

An unlimited number of units may be issued pursuant to the Fund's Amended and Restated 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 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 following summarizes the changes in units during the period:

	June 30, 2011	
	Number of units	Amount \$
Balance – Beginning and end of period	23,490,592	215,336

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(in thousands of Canadian dollars, except number of units and per unit amounts, unaudited)

15. BASIC AND DILUTED INCOME PER UNIT

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Basic income per unit		
Net income	\$ 1,406	\$ 2,286
Weighted average units	23,490,592	23,490,592
Basic income per unit	\$ 0.06	\$ 0.10
Diluted income per unit		
	\$ 0.06	\$ 0.10

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Basic and income per unit		
Net income	\$ 3,160	\$ 5,638
Weighted average units	23,490,592	23,490,592
Basic income per unit	\$ 0.13	\$ 0.24
Diluted income per unit		
	\$ 0.13	\$ 0.24

Convertible debentures in the aggregate principal amount of \$45,000 were excluded from the computation of diluted earnings per unit as their effect would have been antidilutive. If converted at the beginning of the period, the weighted average number of units outstanding used in computing diluted earnings per unit would have been 3,688,515 units higher.

16. 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 Fund's distributions are subject to the discretion of the Board of Trustees. The Fund's Board of Trustees actively monitors the Fund's cash available for distribution and its payout ratio.

Effective January 1, 2011, the Board of Trustees reduced distributions on the Fund's units to a monthly rate of \$0.0542 per unit (\$0.65 per unit annually).

Notes to The Condensed Interim Consolidated Financial Statements

The Periods Ended June 30, 2011 & 2010

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

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 six months ended June 30, 2011 are as follows:

Period	Record date	Payment date	Per unit \$	Amount \$
January 2011	January 31, 2011	February 15, 2011	0.05420	1,273
February 2011	February 28, 2011	March 15, 2011	0.05420	1,273
March 2011	March 31, 2011	April 15, 2011	0.05420	1,274
April 2011	April 29, 2011	May 13, 2011	0.05420	1,273
May 2011	May 31, 2011	June 15, 2011	0.05420	1,273
June 2011	June 30, 2011	July 15, 2011	0.05420	1,274
				7,640

17. CONTINGENCIES

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

18. PENSION EXPENSE

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

	For the three months ended June 30, 2011 \$	For the three months ended June 30, 2010 \$	For the six months ended June 30, 2011 \$	For the six months ended June 30, 2010 \$
Defined benefit plans	124	367	247	734
Defined contribution plan	471	473	963	966
Defined benefit multi-employer plan	172	173	353	355

19. INCOME TAXES

The Fund's consolidated annualized effective tax rates (before discrete items) for the three months ended June 30, 2011 was 28.61% (2010 - 31.59%) and for the six months ended June 30, 2011 was 28.45% (2010 - 30.47%), respectively. The change in the annualized effective tax rates was primarily due to the changes in statutory income tax rates.

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20. SEGMENTED INFORMATION

The Data Group has two reportable segments organized on the basis of geography, channels and specialties as follows: DATA East and West and Multiple Pakfold. The DATA East and West segment includes two operating segments: DATA East and DATA West. The reportable 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 reportable segment based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reportable segments. All significant external sales are to customers located in Canada.

For the three months ended June 30, 2011

	DATA East and West	Multiple Pakfold	Intersegment	Total
	\$	\$	\$	\$
Revenues	77,078	3,782	(868)	79,992
Gross profit	19,400	786	-	20,186
Income before under noted items	6,487	277	-	6,764
Corporate conversion costs				253
Unallocated corporate and Fund expenses				3,841
Income before finance costs and income taxes				2,670
Finance costs				653
Current income tax expense				440
Deferred income tax expense				171
Net income for the period				1,406

For the three months ended June 30, 2010

	DATA East and West	Multiple Pakfold	Intersegment	Total
	\$	\$	\$	\$
Revenues	78,118	3,740	(863)	80,995
Gross profit	18,820	659	-	19,479
Income before under noted items	6,941	118	-	7,059
Unallocated corporate and Fund expenses				3,888
Income before finance costs and income taxes				3,171
Finance costs				(605)
Deferred income tax expense				1,490
Net income for the period				2,286

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

For the six months ended June 30, 2011

	DATA East and West \$	Multiple Pakfold \$	Intersegment \$	Total \$
Revenues	158,710	7,285	(1,715)	164,280
Gross profit	40,160	1,441	-	41,601
Income before under noted items	14,320	432	-	14,752
Corporate conversion costs				414
Unallocated corporate and Fund expenses				7,847
Income before finance costs and income taxes				6,491
Finance costs				1,966
Current income tax expense				1,027
Deferred income tax expense				338
Net income for the period				3,160

For the six months ended June 30, 2010

	DATA East and West \$	Multiple Pakfold \$	Intersegment \$	Total \$
Revenues	161,029	7,484	(1,954)	166,559
Gross profit	39,074	1,315	-	40,389
Income before under noted items	14,963	265	-	15,228
Unallocated corporate and Fund expenses				8,083
Income before finance costs and income taxes				7,145
Finance costs				1,935
Current income tax recovery				(324)
Deferred income tax recovery				(104)
Net income for the period				5,638

Warehousing revenues were approximately 8% of total consolidated revenues for the three and six months ended June 30, 2011 and 2010, respectively.

corporate information

Directors, Trustees and Officers

Derek Ridout ^{2, 3}
Chairman, Director and Trustee

Ronald A. Fotheringham ^{1, 2, 3}
Director and Trustee

John H. Greenhough ¹
Director and Trustee

Thomas R. Spencer ^{1, 2, 3}
Director and Trustee

Michael Suksi
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 Ronald A. Fotheringham)

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

Executive Team

Michael Suksi
President and Chief Executive Officer

Paul O'Shea
Chief Financial Officer

Elaine Deramo
Vice-President, Human Resources

Steve Galarneau
President, DATA West

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

Diane Schwind
Vice-President, Operations, DATA East

Steve Wittal
Vice-President, Sales and Marketing, DATA East

Ross Van Patter
Vice-President and General Manager
Calgary Operations

Corporate information

Auditors

PricewaterhouseCoopers LLP

Transfer Agent

Computershare Investor Services Inc.

Corporate Counsel

McCarthy Tétrault LLP

Corporate Office

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www.datagroupincomefund.com

Toronto Stock Exchange Symbol

DGI.UN, DGI.DB.A

www.datagroupincomefund.com



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