

THE DATA GROUP INCOME FUND

Building the bridge to greater success



Annual Report 2007

Corporate profile

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

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

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

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

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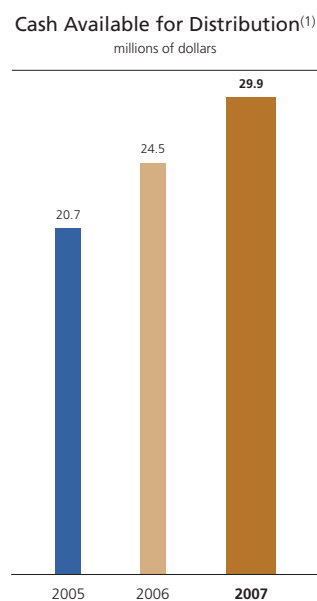
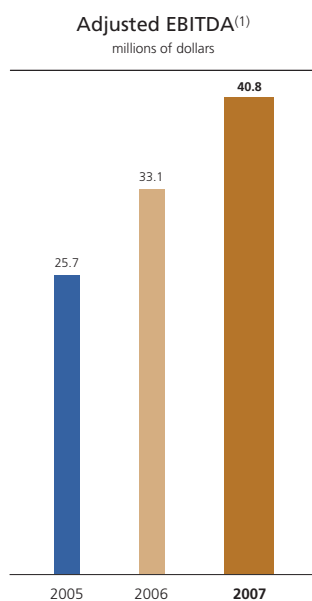
- Combination of Relizon Canada Inc. and Data Business Forms Limited operations completed
- Synergy savings greater than expected
- Distributions to unitholders maintained despite non-recurring integration costs

Financial highlights

(in millions of dollars)	For the year ended	For the year ended	For the period from
	Dec. 31, 2007	Dec. 31, 2006	Dec. 21, 2004 to Dec. 31, 2005
	\$	\$	\$
Revenue	398.7	286.6	220.7
Adjusted EBITDA ⁽¹⁾	40.8	33.1	25.7
Net Income	7.4	27.9	9.5
Cash Available for Distribution ⁽¹⁾	29.9	24.5	20.7
Cash Distributions	27.2	21.4	17.4
Non-recurring integration costs	4.3	0.2	0

Notes:

(1) The Fund relies on Adjusted EBITDA and cash available for distribution as measures in evaluating the performance of the Fund and its subsidiaries. These measures are not recognized by Canadian generally accepted accounting principles ("GAAP"). For a reconciliation of net income to Adjusted EBITDA, and a reconciliation of cash provided by operating activities to cash available for distribution, see Table 3 and Table 4, respectively, and "Non-GAAP measures" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report.



Building the bridge to greater success

Letter to unitholders

2007 was a critical milestone year in the history of our company, as we successfully completed all the principal elements of the planned restructuring and integration associated with our acquisition of Relizon Canada.

In doing so, we significantly exceeded our own high expectations with regard to the quality of the people we added to our team and the synergies we expected this acquisition to provide.

Our original model called for achieving \$7.0 million a year in ongoing synergies. In actuality, we now expect to achieve over \$10.0 million per year. As you might expect, achieving greater-than-expected synergies resulted in higher-than-expected costs. Notwithstanding those non-recurring costs, we were able to maintain our distributions to you.

With the costs of the integration now largely behind us, we have begun to harvest the benefits, as evidenced by our strong fourth quarter results and payout ratio.

People throughout our organization, both long-term and new to Data, did a great job of ensuring that the thousands of tasks associated with a successful integration not only went smoothly, but were completed ahead of schedule by the end of the third quarter.



An integration of this magnitude does result in the closure and consolidation of facilities, as well as staff reductions. I can assure you that these were carried out in a responsible, sensitive and fair manner, consistent with our values.

We are now a much stronger organization, with an expanded offering of complementary products and an unmatched roster of blue-chip customers, well positioned for even greater success in the future.

In closing, I would like to thank you, our unitholders, for your continued support in what was of necessity a turbulent and choppy year of transition. As always, we are very grateful for the continuing support of our customers, whose trust we work so hard to earn. Finally, a special thanks to our employees, who once again through this integration demonstrated why they are the best in our industry.

(Signed) David Odell

President and Chief Executive Officer

Synergies
yield
savings



Total savings achieved through the integration of the operations are expected to be over \$10.0 million a year on an ongoing basis, compared with the \$7.0 million in savings projected at the time of the acquisition.

Anatomy of a merger

The acquisition of Relizon Canada by the Data Group promised a number of major benefits:

- significant opportunities to achieve meaningful synergies
- leveraging the complementary strengths of two long-standing organizations in one larger combined business
- increasing the scale of the Data Group's operations and its financial strength, and
- further enhancing the Data Group's stable cash flow.

Initiatives to achieve those benefits began soon after the completion of the purchase in August 2006 and a detailed plan was developed for the integration of the operations.

Major elements of this plan included the closure of four plants, the elimination of 121 positions and the transfer of 99 positions. Those activities were carried out during the second and third quarters of 2007 and were completed by the end of the third quarter.

The cost of carrying out the integration activities consisted of severance payments, moving expenses and the termination of leases and other contracts. One of the four plants owned by Relizon Canada has subsequently been divested in a sale/leaseback agreement with net proceeds to the Data Group of \$4.3 million, while the remaining three plants were still listed for sale or lease at the time of publication of this report.

Total savings achieved through the integration of operations are expected to be more than \$10.0 million a year on an ongoing basis, compared with the \$7.0 million in savings projected at the time of the acquisition.

While the major activities associated with the integration of the two companies have been completed, management will continue to review operations to identify further opportunities for savings and synergies, as well as to enhance the overall competitiveness of our operations.



Customers
come
first

Our long-term relationships with some of the most sophisticated organizations in Canada are built on a simple but solid foundation of meeting and exceeding our service-level agreements – “Doing what we say we will do”.

A diversified base of long-term customers

One of the Data Group’s greatest strengths is its 11,800 customers – a blue-chip roster that was enhanced through the purchase of Relizon Canada and includes major banks, retailing giants, multinational oil companies, large health care providers and many government agencies.

Most of our largest customers have been with us for more than 10 years.

Our long-term relationships with some of the most sophisticated organizations in Canada are built on a simple but solid foundation of meeting and exceeding our service-level agreements – “Doing what we say we will do”.

We also contribute to the ongoing success of our customers by saving them significant amounts of time, effort and money by taking over the complex task of designing, producing, warehousing, updating and distributing everything from point-of-purchase materials to billing statements and the thousands of other communication items required by modern business and government.

This enables our customers to concentrate on their mission-critical activities and helps build long-lasting, mutually beneficial relationships.



Ongoing competitive advantage

Combined with a disciplined focus on the high-value segments of the Canadian printing industry, proprietary systems underpin a strong business model that provides us with ongoing competitive advantage.

A proven business model

The Data Group's growing success is based not simply on satisfying customers and saving them money.

We have also developed proprietary systems and processes that enable us to offer highly efficient and cost-effective outsourcing solutions to a wide range of business and government organizations.

These proprietary systems and processes enable the Data Group to achieve unparalleled performance on the service and savings commitments we make to customers. They also enable us to clearly differentiate our product and service offerings in the growing Canadian market for total document management solutions.

Combined with a disciplined focus on the high-value segments of the Canadian printing industry, proprietary systems underpin a strong business model that provides us with an ongoing competitive advantage.

Our competitive position is further enhanced by a very professional and highly trained sales organization that was recently bolstered by the addition of members of the experienced Relizon Canada sales team.



Value-added
products and
services

Constant change in the corporate, retail and government sectors – combined with the accelerating pace of technological development – means that new products are continually being developed and new demands created.

A company focused on high-value products and services

The Data Group continually searches for opportunities to add higher-value products and services to our roster.

In recent years, new offerings have included highly customized sales packages for the mutual fund industry, event tickets, statement processing services and gift cards.

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

These new products and services draw on the same skill and knowledge, technology and proprietary systems that we use to provide existing customers with total document management solutions. The result is added leverage for our existing capabilities and equipment.

Constant change in the corporate, retail and government sectors – combined with the accelerating pace of technological development – means that new products are continually being developed and new demands created.

Meeting those new demands offers the Data Group the potential for value-added growth.

Industry-leading environment, health and safety



The Data Group has been recycling waste products from printing operations for more than three decades. This process has now evolved to the point where virtually nothing is discarded.

A safe workplace and environmentally responsible operations

The Data Group has a long history of industry leadership in environmental, health and safety performance. The company works continuously to find ways to reduce the environmental footprint of its operations and provide a safe and healthy workplace for employees. The Data Group's successful efforts have been recognized by local governments in municipalities where we operate, as well as by national organizations.

Respecting the environment

The company is dedicated to environmental protection and works closely with customers and suppliers to find the most environmentally responsible and cost-effective approaches to meeting the specifications of a project.

The Data Group has been recycling waste products from printing operations for more than three decades. This process has now evolved to the point where virtually nothing is discarded. Most waste is captured for recycling. The small amount that cannot be reused or recycled is sent in approved containers for disposal by government licensed specialists.

The company has also found substitutes for most of the volatile chemicals that were previously used in our operations.

Recognizing that less than 10 percent of North American printing requirements can be met with recycled paper, the Data Group also supports the efforts of the Forestry Stewardship Council (FSC), an international organization that certifies sustainable development and use of forestry products. The Data Group printing and commercial plants in all parts of the country currently maintain FSC certification.

Industry-leading environment, health and safety

Keeping employees safe and healthy

The Data Group's health and safety performance consistently ranks among the best in our industry. During 2006 (the latest year when industry statistics are available), the company's lost-time incident rate (LTI) was 1.81 per 200,000 hours worked, compared with 1.90 per 200,000 hours worked for our industry group. The company's performance improved further in 2007, when our LTI rate fell to 1.66 per 200,000 hours worked.

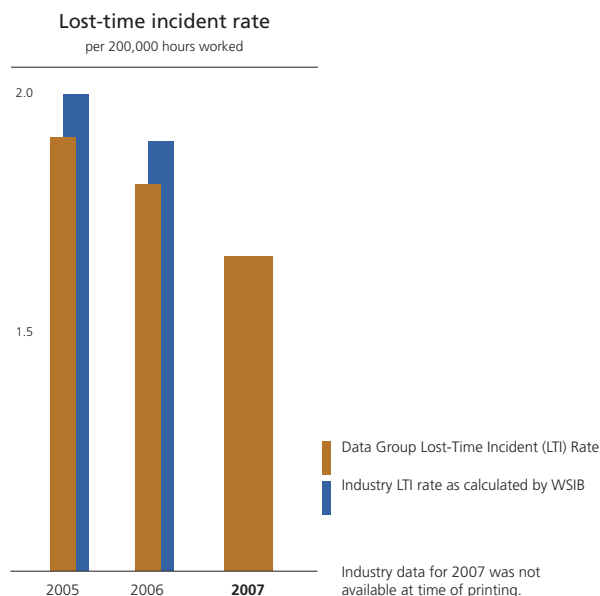
Through established policies and procedures and the commitment of an experienced and dedicated workforce, the company strives to continuously improve our industry-leading performance.

Major initiatives in 2007 included participation in the safety group program of the Workplace Safety and Insurance Board (WSIB). This program encourages participants to work with other companies in the group to share resources and best practices, and to help develop health and safety programs.

A recent WSIB study found that safety group members had lower LTI rates than non-members and that their LTI performance was improving more rapidly. As a result, the WSIB provides reduced premiums and financial rebates to safety group members.

The company also continued its comprehensive facility internal audit program during 2007. The purpose of the program is to ensure that all facilities continue to improve their health and safety performance and that deficiencies noted in previous audits have been corrected.

During 2007, all continuing operations were audited, including those added in the Relizon Canada Acquisition. The results of those audits have been used to develop site-specific plans and objectives for 2008.



Management's Discussion and Analysis of Financial Condition and Results of Operations

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Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis ("MD&A") comments on the consolidated operations, performance and financial condition of The DATA Group Income Fund (the "Fund") for the years ended December 31, 2007 and 2006. This MD&A should be read in conjunction with the Fund's consolidated financial statements and accompanying notes for the years ended December 31, 2007 and 2006.

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

All financial information in this MD&A is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"), unless specified otherwise. Pursuant to an order of Canadian securities regulatory authorities, the Fund was required to include in its consolidated results of operations for the period ended December 31, 2005 its consolidated results of operations for the period from December 21, 2004 (the date of the Fund's initial public offering) to December 31, 2004.

The date of this MD&A is March 5, 2008. Additional information relating to the Fund, including the Fund's most recently filed Annual Information Form and Management Proxy Circular, is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Fund 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 MD&A, the words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect the Fund's current views regarding future events and operating performance, are based on information currently available to the Fund, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance or achievements of the Fund and the Data Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The principal assumptions that the Fund made in the preparation of these forward-looking statements include the ability of management to achieve over \$10.0 million per annum in pre-tax operating and other synergies and cost savings, and other benefits expected to be realized, and the timing and net present value thereof, based on the achievement of operational synergies from restructuring, integration and other initiatives relating to the combination of the respective businesses previously carried on by Data Business Forms Limited and Relizon Canada Inc.; the accuracy of estimated synergies in respect of expected cash flows, cost savings and profitability from the combination of the Data Business Forms Limited and Relizon Canada Inc. businesses; the risk that any savings, growth prospects or other synergies from the combination of those businesses will not be fully realized or will take longer to realize than expected; competition from competitors supplying similar products and services; the Data Group's ability to grow its sales or even maintain historical levels of its sales of printed business documents; increases in the costs of paper and other raw materials used by the Data Group; the Data Group's ability to maintain relationships with its customers; and the application of recent changes to the income tax treatment of certain income trusts, such as the Fund, which will subject the Fund to tax commencing in 2011 (assuming the Fund complies with the "normal growth guidelines" contained in such changes), and the effect of that announcement on the trading price of the Fund's units. Additional factors are discussed under the heading "Risks and Uncertainties" in this MD&A and in the Fund's other publicly available disclosure documents, as filed by the Fund on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, the Fund does not intend and does not assume any obligation to update these forward-looking statements.

Non-GAAP Measures

This MD&A includes certain non-GAAP measures as supplementary information. When used in this MD&A, EBITDA means earnings before interest, taxes, depreciation and amortization, and Adjusted EBITDA means EBITDA adjusted for non-cash inventory fair value allocation charges, goodwill impairment charges and pension plan curtailment gains. The Fund believes that, in addition to net income, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of the Data Group and/or the Fund. Cash available for distribution means cash provided by (used in) operating activities increased by, or reduced for, non-cash interest expense, maintenance capital expenditures, changes in non-cash working capital, other non-cash items, special pension contributions, partnership conversion costs and cash income taxes. Specifically, the Fund views cash available for distribution as a measure generally used by Canadian income funds, 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 GAAP and do not have any standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as indicators of the Data Group's or the Fund's performance, and investors are cautioned that cash available for distribution is not an alternative to cash flows from operating, investing and financing activities determined in accordance with GAAP as measures of liquidity and cash flows. For a reconciliation of net income to Adjusted EBITDA, see Table 3 below. For a reconciliation of cash provided by operating activities to cash available for distribution, see Table 4 below.

Business of the Data Group

Overview

The Data Group is a leading provider of total document management solutions, including printed products, and operates as three segments. DATA East and West (which provided approximately 91% of total revenue in calendar year 2007) sells a broad range of printed products and document management services directly to end users. Sundog (which provided approximately 5% of total revenue in calendar year 2007) is a commercial printer specializing in the production of high-quality annual reports, marketing materials and event tickets. Multiple Pakfold (which provided approximately 4% of total revenue in calendar year 2007) sells forms and labels to independent brokers and resellers.

Relizon Canada Acquisition

On August 31, 2006, the Fund acquired from The Relizon Company (the "Relizon Canada Acquisition") all of the shares of Relizon Canada Inc. ("Relizon Canada") for a purchase price (the "Purchase Price") of \$141.0 million, subject to a working capital adjustment. The Purchase Price consisted of a cash payment of \$112.0 million and 2,964,326 trust units of the Fund. The Purchase Price was adjusted down by \$1.0 million based on the closing calculation of the working capital of Relizon Canada.

In connection with the Relizon Canada Acquisition, the Fund issued to the public (the "Offering") 5,650,000 subscription receipts (the "Subscription Receipts") at a price of \$9.50 per subscription receipt, each representing the right to receive one unit of the Fund (a "Unit") for no additional consideration upon completion of the Relizon Canada Acquisition, for gross proceeds of approximately \$53.7 million, and \$35.0 million aggregate principal amount of 6.75% extendible convertible unsecured subordinated debentures (the "Convertible Debentures"). Following the completion of the Relizon Canada Acquisition, the Fund issued 5,650,000 Units upon the exchange of the Subscription Receipts. The net proceeds of the Offering were approximately \$84.6 million and were used to fund \$82.0 million of the cash portion of the Purchase Price. The remainder of the cash portion of the Purchase Price was funded through existing cash balances and committed credit facilities provided by two Canadian chartered banks. For a description of the Convertible Debentures, please refer to the Fund's 2006 annual MD&A and the Fund's short form prospectus dated August 24, 2006, each of which is available on SEDAR.

At the time of the Relizon Canada Acquisition, Relizon Canada was a provider of document outsourcing solutions in Canada, helping organizations to improve the efficiency and effectiveness of their printed and electronic communications, both internally with employees, and externally with customers, vendors and prospects. At the time of the Relizon Canada Acquisition, Relizon Canada had approximately 1,000 employees and operated five manufacturing facilities, four business service centres, one warehouse and distribution centre and 27 sales offices across Canada. Immediately following the completion of the Relizon Canada Acquisition, Relizon Canada and Data Business Forms Limited (a predecessor to the Data Group) were amalgamated and continued as Data Business Forms Limited ("DBFL") until the reorganization of the Fund on September 30, 2006.

Reorganization

On September 30, 2006, the Fund reorganized its structure to carry on in a limited partnership (being the Data Group) the business previously carried on by DBFL (including the Relizon Canada business) (the "Reorganization"). In connection with the Reorganization, Data Business Forms Limited became the general partner of The Data Group Limited Partnership. The purpose of the Reorganization was to establish a "flow-through" organizational structure which will enable the Fund to maximize cash available for distribution and provide a more flexible legal and operating structure, including future expansion opportunities. In light of the enactment of the "SIFT" rules described below under "Outlook", this "flow-through" structure will effectively end by 2011. The Reorganization was effected by way of a plan of arrangement following receipt by the Fund of an advance income tax ruling from the Canada Revenue Agency, approval by the Fund's Unitholders, and applicable court and regulatory approvals. The Reorganization did not result in a change to the number, type or ownership of the outstanding units of the Fund, and had no impact on the daily operations of the Fund. A detailed description of the Reorganization is contained in the Fund's management information circular dated August 28, 2006, which is available on SEDAR.

Sources of Revenue and Revenue Recognition Policy

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

The Data Group recognizes revenue from the sale of products upon shipment to the customer, upon the transfer of title and when risk of loss passes to the buyer, and upon completion of services provided. 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 fair value.

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 and commissions, and include related travel, corporate communications costs, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries and other personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications and professional service fees.

Restructuring Costs

Following the completion of the Relizon Canada Acquisition, the Data Group undertook a series of initiatives to integrate the former Data Business Forms Limited and Relizon Canada businesses in order to achieve operational and corporate synergies and other benefits from the combination of those businesses. On March 1, 2007, the Fund announced a restructuring plan resulting in the closure of four plants, the elimination of 121 jobs and the transfer of 99 jobs to other facilities. During the second and third quarters of 2007, the Data Group closed its plants located in Dorval, Québec; Hemmingford, Québec; Orangeville, Ontario; and Medicine Hat, Alberta. These plants had ceased operations as of September 30, 2007. As a result of these initiatives, the Data Group has recognized restructuring costs and provisions relating to the termination of certain employees of the acquired business, and for other costs to exit or terminate specific leases and contracts which the Data Group intends to modify or terminate.

General Information and Results of Operations

Table 1

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

The period from January 1, 2007 to December 31, 2007 includes the results of operations of the former Relizon Canada business. The period from January 1, 2006 to December 31, 2006 includes the results of operations of the former Relizon Canada business for the period from August 31, 2006 to December 31, 2006.

Consolidated Financial Information

For the periods ended December 31, 2007, 2006 and 2005 (in thousands of dollars, except per unit amounts, unaudited)

	Jan. 1 to Dec. 31, 2007 \$	Jan. 1 to Dec. 31, 2006 \$	Jan. 1 to Dec. 31, 2005 \$	Dec. 31, 2004 to Dec. 31, 2005 \$
Revenues	398,653	286,650	215,025	220,740
Cost of revenues	291,315	211,633	159,175	164,188
Gross profit	107,338	75,017	55,850	56,552
Selling, general and administrative expenses	70,732	51,754	39,767	40,867
Integration costs	4,309	164	-	-
Curtailement gain	(1,461)	-	-	-
Impairment of goodwill	1,900	-	-	-
Amortization of intangible assets	10,596	7,558	6,618	6,803
	86,076	59,476	46,385	47,670
Income before interest and income taxes	21,262	15,541	9,465	8,882
Interest expense on long-term debt	6,355	3,865	2,044	2,126
Income before income taxes	14,907	11,676	7,421	6,756
Future income tax expense (recovery)	7,482	(16,215)	(2,545)	(2,745)
Net income for the period	7,425	27,891	9,966	9,501
Basic income per unit	0.32	1.57	0.64	0.64
Diluted income per unit	0.32	1.54	0.64	0.64
Weighted average number of units	23,482,264	17,772,218	14,754,331	14,754,331
Consolidated Balance Sheet Information				
Current assets	109,484	111,952	58,692	58,692
Current liabilities	54,414	65,220	21,643	21,643
Total assets	373,984	397,165	212,009	212,009
Total long-term liabilities	126,909	117,288	60,767	60,767
Unitholders' equity	192,661	214,657	129,599	129,599

Table 2

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

The period from January 1, 2007 to December 31, 2007 includes the results of operations of the former Relizon Canada business. The period from January 1, 2006 to December 31, 2006 includes the results of operations of the former Relizon Canada business for the period from August 31, 2006 to December 31, 2006.

Consolidated Financial Information

For the years ended December 31, 2007, 2006 and 2005 (in thousands of dollars, except percentage amounts, unaudited)

	Jan. 1 to Dec. 31, 2007 \$	Jan. 1 to Dec. 31, 2006 \$	Jan. 1 to Dec. 31, 2005 \$
Revenues			
DATA East and West	361,428	241,791	168,272
Sundog	25,054	26,299	25,484
Multiple Pakfold	17,944	23,198	25,139
Intersegment	(5,773)	(4,638)	(3,870)
	398,653	286,650	215,025
Gross profit			
DATA East and West	97,243	61,954	43,389
Sundog	8,171	9,154	8,524
Multiple Pakfold	1,924	3,909	3,937
	107,338	75,017	55,850
Gross profit, as a percentage of revenues			
DATA East and West	26.9%	25.6%	25.8%
Sundog	32.6%	34.8%	34.4%
Multiple Pakfold	10.7%	16.9%	15.7%
	26.9%	26.2%	26.0%
Selling, general and administrative expenses	70,732	51,754	39,767
As a percentage of revenues	17.7%	18.1%	18.5%
Adjusted EBITDA	40,804	33,111	25,018
Adjusted EBITDA margin, as a percentage of revenues	10.2%	11.6%	11.6%
Net income	7,425	27,891	9,966

Table 3

The following table provides a reconciliation of Adjusted EBITDA to net income for the periods noted. See "Non-GAAP Measures".

The period from January 1, 2007 to December 31, 2007 includes the results of operations of the former Relizon Canada business. The period from January 1, 2006 to December 31, 2006 includes the results of operations for the former Relizon Canada business from August 31, 2006 to December 31, 2006.

Adjusted EBITDA Reconciliation

For the periods ended December 31, 2007, 2006 and 2005 (in thousands of dollars, unaudited)

	Jan. 1 to Dec. 31, 2007 \$	Jan. 1 to Dec. 31, 2006 \$	Dec. 31, 2004 to Dec. 31, 2005 \$
Net income for the period	7,425	27,891	9,501
Net interest expense on long-term debt	6,355	3,865	2,126
Depreciation of property, plant and equipment	8,507	5,094	3,299
Amortization of intangible assets	10,596	7,558	6,803
Impairment of goodwill	1,900	-	-
Curtailement gain	(1,461)	-	-
Non-cash inventory fair value allocation charges	-	4,918	6,668
Provision for (recovery of) income taxes	7,482	(16,215)	(2,745)
Adjusted EBITDA	40,804	33,111	25,652

Results of Operations

THE DATA GROUP INCOME FUND

Overview

On August 31, 2006, the Fund completed the Relizon Canada Acquisition. At the time of the Relizon Canada Acquisition, both Relizon Canada and Data Business Forms Limited operated primarily within the same market segments. Since the date of the Relizon Canada Acquisition, the Data Group has been engaged in the integration of the former Relizon Canada and Data Business Forms Limited businesses, with a view to achieving operational and corporate synergies through the combination of those businesses. The following discussion and analysis includes the results of operations of the former Relizon Canada business for the year ended December 31, 2007 and for the period from August 31, 2006 to December 31, 2006. Those operations now form part of the Data Group's DATA East and West segment and represent the principal reason for changes in the Fund's results of operations for 2007 compared to 2006.

Revenues

For the year ended December 31, 2007, the Fund recorded revenues of \$398.7 million, an increase of \$112.0 million or 39.1% compared with the same period in 2006. The full year increase, before intersegment revenues, was the net result of a \$119.6 million increase in the DATA East and West segment (which includes the results of the former Relizon Canada business), offset by \$1.2 million and \$5.3 million decreases in the Sundog and Multiple Pakfold segments, respectively. A more detailed discussion of the results of operations of each of the Fund's reporting segments is set out below.

Cost of Revenues and Gross Profit

For the year ended December 31, 2007, cost of revenues increased to \$291.3 million from \$211.6 million for the same period in 2006. This resulted in a gross profit for the year ended December 31, 2007 of \$107.3 million, which represented an increase of \$32.3 million or 43.1% from \$75.0 million for the same period in 2006. The increase in gross profit was attributable to a \$35.2 million increase in the DATA East and West segment resulting, substantially from the acquisition of Relizon Canada and realized cost savings from the Data Group's restructuring activities. In 2006, a charge of \$4.9 million relating to the fair value allocated to inventory acquired pursuant to the Relizon Canada Acquisition (the "Relizon Inventory Allocation") increased cost of revenues and was allocated to the DATA East and West segment. Gross profit as a percentage of revenues decreased to 26.9% for the year ended December 31, 2007 compared to 27.9%, after adjusting for the Relizon Inventory Allocation for the same period in 2006. This decrease in gross profit for 2007 resulted from the inclusion of a full year of the results of operations of the former Relizon Canada business, which historically had lower gross margins than those generated by the former Data Business Forms Limited business.

Selling, General and Administrative Expenses and Integration Costs

Selling, general and administrative ("SG&A") expenses, including administrative expenses of the Fund, for the year ended December 31, 2007 increased \$18.9 million to \$70.7 million compared to \$51.8 million in the same period of 2006. SG&A expenses for the year ended December 31, 2007 were higher due to the inclusion of a full year of costs from the former Relizon Canada business. As a percentage of revenues, these costs decreased to 17.7% of revenues for the year ended December 31, 2007 compared to 18.1% of revenues for the same period in 2006. For the year ended December 31, 2007, the Data Group incurred \$4.3 million of costs related to the integration of the former Data Business Forms Limited and Relizon Canada businesses, which primarily consisted of severance and moving expenses incurred in connection with the restructuring announced by the Fund on March 1, 2007. Those integration costs were attributable primarily to the DATA East and West segment, by virtue of the fact that the operations of the former Relizon Canada business now form part of that segment, with the balance of those integration costs attributable to the Multiple Pakfold segment. The Data Group incurred \$0.2 million of integration costs in 2006 that were attributable to severance expenses in the DATA East and West segment.

Curtailment Gain

The Data Group maintains defined benefit and defined contribution pension plans for certain of its employees, which were previously maintained by Data Business Forms Limited (the "DBFL Plan") and Relizon Canada (the "Relizon Canada Plan"), respectively. Effective January 1, 2008, the Data Group amended the DBFL Plan such that no further service credits will accrue under the defined benefit provision of the DBFL Plan after December 31, 2007, although pensionable earnings on and after January 1, 2008 will be factored into the determination of a participant's final average earnings. 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. An amendment to the Relizon Canada Plan to this effect has been adopted by the Data Group. It is expected that the wind-up of the Relizon Canada Plan will take several years to complete, including receipt of requisite approvals from applicable pension regulatory authorities. See "Critical Accounting Estimates – Pension Plans" below.

The changes to the DBFL Plan during 2007 did not result in a curtailment gain or loss. The Data Group has recorded a curtailment gain of \$1.5 million, including the recognition of unamortized actuarial losses of \$0.3 million in the year ended December 31, 2007 as result of the changes made to the Relizon Canada Plan.

Impairment of Goodwill

During the fourth quarter of 2007, the Data Group performed its annual review for impairment of goodwill by comparing the fair value of each reporting segment to its carrying value. The Data Group determines the fair value of each reporting segment by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values requires the Data Group to make a number of estimates and assumptions such as projected future revenues, costs of revenues, market conditions, and discount rates. As a result of that review, the fair value of the Multiple Pakfold segment was determined to be less than its carrying value. Accordingly, the Data Group has recognized an impairment of goodwill charge of \$1.9 million related to that segment.

Adjusted EBITDA

For the year ended December 31, 2007, Adjusted EBITDA was \$40.8 million or 10.2% of revenues. Adjusted EBITDA for the year ended December 31, 2007 increased by \$7.7 million from \$33.1 million for the same period in 2006. The Adjusted EBITDA margin for the year ended December 31, 2006, as a percentage of revenues, was 11.6% of revenues.

Interest Expense

Net interest expense on long-term debt increased from \$4.3 million for the year ended December 31, 2006 to \$6.7 million for the year ended December 31, 2007 due to the additional interest expense on the \$30.0 million drawn under the Data Group's credit facilities and the issuance of \$35.0 million aggregate principal amount of Convertible Debentures, in each case to fund the Relizon Canada Acquisition. These debt instruments were outstanding for an additional 243 days during the year ended December 31, 2007 compared to the same period in 2006.

For the year ended December 31, 2007, interest income of \$0.3 million was earned compared to \$0.4 million in the comparable period of 2006. This interest income was substantially related to the cash and cash equivalents held by the Data Group during the relevant period.

Income Taxes

The Fund reported income before income taxes of \$14.9 million and a future income tax expense of \$7.5 million for the year ended December 31, 2007. On June 22, 2007, Bill C-52, which contained the SIFT rules (described below under the heading "Outlook"), became law. As a result, under GAAP the Fund commenced accounting for tax changes in its reporting for the quarter ended June 30, 2007. A net long-term future income tax liability of \$6.7 million has been recognized for the year ended December 31, 2007, with a \$7.5 million charge to the Fund's income for the year ended December 31, 2007. The future income tax liability represents estimated temporary differences at December 31, 2007 that are expected to reverse starting in fiscal year 2011. Future income tax liabilities and assets will be assessed each quarter and any changes will be recognized in the Fund's consolidated statement of income and comprehensive income.

The Fund reported income before income taxes of \$11.7 million and a future income tax recovery of \$16.2 million for the year ended December 31, 2006. The recovery of future income taxes arose as a result of the reorganization of the legal structure of the Fund described above under the heading "Reorganization". As a result of the change in the Fund's structure, the Data Group and the Fund did not, prior to the enactment of the SIFT rules, expect to pay income taxes and, accordingly, did not recognize future income tax assets and liabilities on temporary differences or recognize unused tax losses or credits relating to the Data Group.

Net Income

For the year ended December 31, 2007, net income was \$7.4 million compared to \$27.9 million for the same period of 2006. The decrease in comparable profitability was substantially due to the provision for future income taxes in 2007 and the recovery of future income taxes in 2006, in addition to the restructuring costs associated with the integration of the Data Business Forms Limited and Relizon Canada businesses discussed above.

DATA EAST AND WEST

This segment includes the operations of the former Relizon Canada business for the year ended December 31, 2007 and for the period from August 31, 2006 to December 31, 2006. For the year ended December 31, 2007, revenues at the Data Group's DATA East and West segment increased \$119.6 million or 49.5% to \$361.4 million from \$241.8 million in 2006.

The increase in revenues for the year ended December 31, 2007 was primarily attributable to the Fund's acquisition of Relizon Canada on August 31, 2006 and the resulting inclusion of a full year of the revenues of this business for 2007. Other factors affecting revenues in 2007 were increased sales of variable imaging, laser cut sheets and fulfillment warehousing services, which were offset by declines in sales of traditional business forms. The Data Group has begun the process of reviewing products and services which generate low margins with the intent of increasing prices to levels which generate acceptable margins or discontinuing them.

For the year ended December 31, 2007, gross profit increased \$35.2 million to \$97.2 million from \$62.0 million for the same period of 2006. After adjusting for the Relizon Inventory Allocation of \$4.9 million, the gross profit for the year ended December 31, 2006 would have been \$66.9 million. The gross profit as a percentage of revenues for the year ended December 31, 2007 increased to 26.9% from 25.6% for the same period in 2006. After adjusting for the Relizon Inventory Allocation, the gross profit as a percentage of revenues for the year ended December 31, 2006 would have been 27.7%.

The decline in the gross profit as a percentage of revenues during the year ended December 31, 2007, after adjusting for the Relizon Inventory Allocation, was due to two principal factors. Primarily, margins within the acquired Relizon Canada business were lower than those realized in the former Data Business Forms Limited business. Consequently, the Data Group has begun a review of low margin business within this segment as discussed above. Secondly, necessary recruiting and relocation of employees within the Alberta marketplace resulted in increased expense of approximately \$0.3 million and hiring efforts were slower than required. This resulted in increased overtime, training costs and reduced productivity. In the fourth quarter of 2007, the Data Group focused upon improving the operation of equipment transferred as part of the restructuring and integration activities, training new employees and taking steps to improve productivity and efficiencies.

As part of the Fund's restructuring plan announced on March 1, 2007, the Data Group closed plants within the DATA East and West segment located in Hemmingford, Québec; Orangeville, Ontario; and Medicine Hat, Alberta. In addition, certain assets were realigned within continuing plant operations to consolidate and focus on improving efficiencies. The closure of these plants and the movement of equipment into and between continuing plant operations was completed at the beginning of the third quarter of 2007 and production resumed with no material adverse effects to customer relationships. These plant closures, together with related workforce reductions, reduced excess production capacity and improved operating efficiencies and profitability within the DATA East and West segment.

SUNDOG

Revenues at the Data Group's Sundog segment for the year ended December 31, 2007 decreased 4.7% to \$25.1 million from \$26.3 million in 2006. The decrease in revenues was due to a weaker local market and some increased competition in the Alberta market.

For the year ended December 31, 2007, gross profit decreased \$1.0 million or 10.7% to \$8.2 million from \$9.2 million for the same period in 2006. The overall decrease in gross profit was due to the Alberta labour market conditions noted above, which resulted in higher labour costs as a percentage of revenues. A strengthening of sales management, the addition of new sales representatives and tighter cost controls are expected to help mitigate the impact of current market conditions, including gross profit declines on United States-based ticket and specialty client sales as a result of the strengthening Canadian dollar.

MULTIPLE PAKFOLD

Revenues at the Data Group's Multiple Pakfold segment for the year ended December 31, 2007 declined 22.6% to \$17.9 million from \$23.2 million in 2006.

While a decline in revenues for 2007 was expected as a result of closing the Data Group's Dorval, Québec facility as part of the restructuring and integration, the decline was greater than expected. The set up of the equipment transferred from the Dorval facility and the related recruiting and training of staff at Multiple Pakfold's Mississauga, Ontario facility took significantly longer than planned. These factors caused disruptions which adversely affected the Multiple Pakfold segment's ability to meet customer delivery requirements and caused a loss of business in the Québec and Ontario markets. As a result, management changes were made in the fourth quarter of 2007 and additional changes were made in the first quarter of 2008.

For the year ended December 31, 2007, gross profit decreased \$2.0 million to \$1.9 million in 2007 from \$3.9 million for the same period in 2006. The gross profit as a percentage of revenues for the year ended December 31, 2007 was 10.7% compared to 16.9% for the same period in 2006. The decline was due to the revenue losses noted above.

Table 4

The following table provides a reconciliation of cash provided by operating activities to cash available for distribution for the periods noted. See "Non-GAAP Measures".

The period from January 1, 2007 to December 31, 2007 includes the results of operations of the former Relizon Canada business. The period from January 1, 2006 to December 31, 2006 includes the results of operations of the former Relizon Canada business for the period from August 31, 2006 to December 31, 2006.

Cash Available for Distribution Reconciliation

For the periods ended December 31, 2007, 2006 and 2005 (in thousands of dollars, except percentages and per unit amounts, unaudited)

	Jan. 1 to Dec. 31, 2007 \$	Jan. 1 to Dec. 31, 2006 \$	Dec. 21, 2004 to Dec. 31, 2005 \$
Cash provided by operating activities	26,430	20,484	19,376
<i>Capital adjustments</i>			
Maintenance capital expenditures ⁽¹⁾	(5,268)	(3,585)	(2,372)
<i>Other adjustments including discretionary items:</i>			
Trust reorganization costs ⁽²⁾	–	651	–
Changes in non-cash working capital and other ⁽³⁾	8,739	(2,002)	(7,948)
Non-cash inventory fair value allocation charges	–	4,918	6,668
Pension contributions in excess of expense ⁽⁴⁾	–	4,000	5,000
Cash available for distribution	29,901	24,466	20,724
Distributions to Unitholders ⁽⁵⁾	27,211	21,380	17,421
Excess of cash available for distribution over actual distributions	2,690	3,086	3,303
Per unit ⁽⁶⁾			
Cash available for distribution per unit ⁽⁶⁾	1.273	1.326	1.395
Distributions to Unitholders per unit ^{(6) (7)}	1.159	1.159	1.172
Excess of cash available for distribution per unit over actual distributions per unit ⁽⁶⁾	0.115	0.167	0.223
Payout ratio	91.0%	87.4%	84.0%

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) Costs directly incurred to reorganize the organizational structure of the Fund into a "flow-through" entity have been added back as they represent a non-recurring cost with expected future benefit to the Fund's Unitholders.
- (3) Cash provided by operating activities has been adjusted for changes in non-cash working capital so as to remove the impact of timing differences in cash receipts and cash disbursements, which generally reverse themselves but can vary significantly across years. In 2007, a significant portion of the change in non-cash working capital was due to the impact of cash payments related to the integration costs expensed and restructuring liabilities assumed as part of the Relizon Canada Acquisition.
- (4) Represents special contributions to the defined benefit pension plans of the Data Group (as successor to Relizon Canada Inc. and Data Business Forms Limited) of \$4.0 million in 2006 and \$5.0 million in 2004. If the calculation of cash available for distribution for the period from January 1, 2006 to December 31, 2006 had included special pension contributions of \$4.0 million to the Relizon Canada Plan funded from the net proceeds raised to fund the Relizon Canada Acquisition, the Fund's cash available for distribution for that period would have decreased by \$4.0 million or \$0.170 per unit. If the calculation of cash available for distribution for the period from December 21, 2004 to December 31, 2005 had included special pension contributions of \$5.0 million to the DBFL Plan, funded from the Fund's initial public offering in December 2004, the Fund's cash available for distribution for that period would have decreased by approximately \$5.0 million or \$0.336 per unit.
- (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 period consistent with the number of units upon which distributions are declared and paid and not the weighted average number of units outstanding. As at December 31, 2007, 23,490,592 units were outstanding, 23,475,659 units were outstanding as at December 31, 2006, and 14,861,333 units were outstanding as at December 31, 2005.
- (7) The Fund declared \$0.8 million of distributions on the 8.6 million units issued on August 31, 2006, upon the exchange of Subscription Receipts for units of the Fund, for the month of August while no corresponding Adjusted EBITDA was earned by the Fund from the operations of the former Relizon Canada business other than the one business day of August 31, 2006.

Cash Available for Distribution

For the year ended December 31, 2007, the Fund generated \$29.9 million or \$1.273 per unit of cash available for distribution compared to \$24.5 million or \$1.326 per unit for the same period in 2006. Cash available for distribution for the year ended December 31, 2007 was calculated by adding back the changes in non-cash working capital and other non-cash items of \$8.8 million and deducting maintenance capital expenditures of \$5.3 million from cash provided by operating activities of \$26.4 million. Cash available for distribution for the year ended December 31, 2006 was calculated by deducting the changes in non-cash working capital and other non-cash items of \$2.1 million, deducting maintenance capital expenditures of \$3.6 million, adding back a special contribution of \$4.0 million to the Relizon Canada Plan, adding back the Relizon Inventory Allocation of \$4.9 million and adding back the \$0.7 million of costs incurred to reorganize the structure of the Fund from cash provided by operating activities of \$20.5 million. See Table 4 above for a breakdown of these figures for the periods from January 1, 2007 to December 31, 2007, from January 1, 2006 to December 31, 2006 and from December 21, 2004 to December 31, 2005, respectively.

For the year ended December 31, 2007, the Fund declared distributions of \$27.2 million or \$1.159 per unit. Cash available for distribution exceeded actual distributions by \$2.7 million or \$0.115 per unit for the year ended December 31, 2007. Cash available for distributions for the year ended December 31, 2007 increased despite the payment of severance costs, moving expenses and capital expenditures associated with the restructuring and integration of the former Data Business Forms Limited and Relizon Canada businesses.

During the year ended December 31, 2007, the Data Group incurred integration costs of \$4.3 million and maintenance capital expenditures of \$2.0 million related to the restructuring and integration of the former Data Business Forms Limited and Relizon Canada businesses. The integration costs consisted primarily of severance payments to former employees of the Data Group and moving expenses in connection with the restructuring announced on March 1, 2007, which were funded from cash flows from operations and existing cash resources. The Fund believes that the integration costs and restructuring-related capital expenditures incurred during 2007 are non-recurring as they are restricted to the restructuring and the integration of the former Data Business Forms Limited and Relizon Canada businesses, and by the fourth quarter of 2007 the Data Group had completed the principal elements of the planned restructuring and integration activities. During the year ended December 31, 2007, the Data Group made cash payments of \$9.2 million for the restructuring costs accrued as part of the purchase price accounting for the Relizon Canada Acquisition and for the integration costs, consisting of primarily severance payments and moving costs. These cash payments were funded by cash generated from operations and the net proceeds from asset dispositions. The restructuring and integration costs have been deducted in determining cash available for distribution.

Given the non-recurring nature of those integration costs and restructuring-related capital expenditures, the Fund believes that presenting the cash available for distribution excluding those items will assist the reader in understanding the sustainable level of cash available for distribution. If the \$3.7 million cash payments related to the integration costs of \$4.3 million and the restructuring-related capital expenditures of \$2.0 million incurred for the year ended December 31, 2007 were excluded, cash available for distribution in 2007 would have exceeded actual distributions by \$8.4 million or \$0.358 per unit.

For the year ended December 31, 2006, the Fund declared distributions of \$21.4 million or \$1.159 per unit. The Fund declared in respect of the month of August 2006, a \$0.8 million distribution on the 8.6 million Units of the Fund issued on August 31, 2006 upon the exchange of Subscription Receipts, while no corresponding Adjusted EBITDA was earned by the Fund from the operations of Relizon Canada during that month, other than the one business day of August 31, 2006. The calculation of cash available for distribution exceeded actual distributions by \$3.1 million or \$0.159 per unit for the year ended December 31, 2006. See Table 4 above for a breakdown of these figures for the periods from January 1, 2007 to December 31, 2007, from January 1, 2006 to December 31, 2006 and from December 21, 2004 to December 31, 2005, respectively.

Table 5

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

The period from January 1, 2007 to December 31, 2007 includes the results of operations of the former Relizon Canada business. The period from January 1, 2006 to December 31, 2006 includes the results of operations for the former Relizon Canada business from August 31, 2006 to December 31, 2006.

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

For the years ended December 31, 2007 and 2006 (in thousands of dollars, unaudited)

	Jan. 1 to Dec. 31, 2007 \$	Jan. 1 to Dec. 31, 2006 \$
Cash provided by operating activities	26,430	20,484
Net income	7,425	27,891
Actual cash distributions paid or declared relating to the year	27,211	20,548
Shortfall of cash provided by operating activities over cash distributions paid or declared	(781)	(64)
Excess (shortfall) of net income over cash distributions paid or declared	(19,786)	7,343

Shortfall of Cash Provided by Operating Activities over Cash Distributions Paid or Declared

See Table 5 above for a reconciliation of cash provided by operating activities to cash available for distribution for the years ended December 31, 2007 and 2006. Cash provided by operating activities includes changes in working capital, including liabilities assumed on the acquisition of the Relizon Canada business and accrued restructuring and integration provisions recorded as part of the purchase price accounting for the Relizon Canada Acquisition. The payments against the accrued restructuring and integration provisions will reduce cash from operating activities but are not considered in the Fund's calculation of cash available for distribution.

Distributions paid by the Fund on its outstanding units during the year ended December 31, 2007 were funded entirely from cash generated by the Data Group's operations, net proceeds from the sale and leaseback of the Data Group's Brockville, Ontario facility, and existing cash resources. The shortfall of cash provided by operating activities for the year ended December 31, 2007 was principally due to severance payments made during the year to former employees of the Data Group in connection with the March 1, 2007 restructuring, and payments of other restructuring liabilities of \$4.9 million incurred in connection with the combination of the former Data Business Forms Limited and Relizon Canada businesses. The Fund does not expect that cash distributions will exceed cash flow from operations as a result of the restructuring and integration of those businesses, as the costs associated with those activities are considered by the Fund to be non-recurring.

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

In calculating cash available for distribution and determining 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 in 2007 and 2006 that are not included in determining cash distributions included depreciation of property, plant and equipment, amortization of intangible assets, pension plan curtailment gains, an impairment of goodwill charge, non-cash inventory purchase allocation charge, and the provision for or recovery of future income taxes.

For the year ended December 31, 2007, the Fund's cash distributions paid or declared to Unitholders exceeded net income by \$19.8 million. Net income for the year ended December 31, 2007 included \$10.6 million in non-cash amortization of intangible assets, \$8.5 million in non-cash amortization of depreciation of property, plant and equipment, and \$7.5 million of non-cash expenses for future income taxes as discussed above under the heading "Results of Operations – THE DATA GROUP INCOME FUND – Income Taxes". During the fourth quarter of 2007, the Data Group decided to wind-up the Relizon Canada Plan and, as a result, the Data Group recorded a related non-cash pension curtailment gain of \$1.5 million. During the fourth quarter of 2007, the Data Group performed its annual review for impairment of goodwill which resulted in the Data Group recognizing an impairment of goodwill charge of \$1.9 million related to the Multiple Pakfold segment.

For the year ended December 31, 2006, the Fund's net income exceeded cash distributions paid or declared by \$7.3 million because the Fund's net income included a \$16.2 million non-cash recovery of future income taxes as a result of the reorganization of the Fund in 2006, offset by \$7.6 million in non-cash amortization of intangible assets, and by \$5.1 million in non-cash depreciation of property, plant and equipment.

The Fund's Board of Trustees does not consider non-cash items when setting the Fund's level of distributions to Unitholders. See "Distributions" below.

Eight Quarter Consolidated Statement of Cash Available for Distribution – Summary

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

	2007				2006			
	Q4 ⁽²⁾⁽⁴⁾ \$	Q3 ⁽²⁾⁽⁴⁾ \$	Q2 ⁽²⁾⁽⁴⁾ \$	Q1 ⁽²⁾⁽⁴⁾ \$	Q4 ⁽²⁾⁽⁴⁾ \$	Q3 ⁽¹⁾⁽³⁾ \$	Q2 \$	Q1 \$
Adjusted EBITDA	15,330	8,106	7,396	9,972	13,213	6,611	6,424	6,863
Cash available for distribution	12,788	5,386	4,360	7,367	8,300	5,320	5,090	5,760
Distributions to Unitholders	6,805	6,804	6,801	6,801	6,801	5,969	4,305	4,305
Excess (shortfall) of cash for distribution over actual distributions	5,983	(1,418)	(2,441)	566	1,499	(649)	785	1,455
Per unit								
Cash available for distribution per unit	0.544	0.229	0.186	0.314	0.354	0.258	0.343	0.388
Distributions per unit	0.290	0.290	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	0.254	(0.061)	(0.104)	0.024	0.064	(0.032)	0.053	0.098

Notes:

- (1) Includes the results of operations of the former Relizon Canada business for the period from August 31, 2006 to September 30, 2006.
- (2) Includes the results of operations of the former Relizon Canada business for the three months ended.
- (3) Includes a \$0.8 million distribution on the 8.6 million units issued on August 31, 2006, while no corresponding Adjusted EBITDA was earned by the Fund from the operations of the former Relizon Canada business save the one business day of August 31, 2006.
- (4) Includes integration expenses related to the combination of the former Data Business Forms Limited and Relizon Canada businesses of \$0.2 million in the fourth quarter of 2006, \$1.1 million, \$2.4 million, \$0.6 million and \$0.3 million for the first, second, third and fourth quarters of 2007, respectively, and integration related capital expenditures of \$1.0 million for both the second and third quarters of 2007, respectively.

Liquidity and Capital Resources

Liquidity

The Data Group maintains an amended credit facility with two Canadian chartered banks in the maximum amount of up to \$90.0 million maturing on August 31, 2009. As at December 31, 2007, the Data Group had outstanding borrowings of \$70.0 million against this credit facility and was in compliance with its amended credit facility covenants.

At December 31, 2007, the Fund had outstanding \$34.8 million aggregate principal amount of Convertible Debentures. The Convertible Debentures mature on December 31, 2011 and bear interest at 6.75% per annum and are convertible into units of the Fund at any time at the option of the holder at a conversion price of \$11.25 per unit.

At December 31, 2007, the Data Group had cash and cash equivalents of \$5.3 million compared to \$4.8 million at December 31, 2006. In addition, under the terms of the Data Group's amended credit facility, the Data Group has access to \$20.0 million of available credit at December 31, 2007.

At December 31, 2007, the Fund had accrued \$5.2 million for the restructuring and integration costs incurred in 2007, approximately \$1.1 million of which is payable in the first quarter of 2008, and a significant portion of the balance which is expected to be paid over the remaining three fiscal quarters of 2008. The Data Group expects to fund cash payments for these costs from currently projected cash generated from operations and net proceeds from asset dispositions. By the fourth quarter of 2007, the Data Group had completed the principal elements of the planned restructuring and integration activities undertaken in connection with the acquisition of Relizon Canada.

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, together with its ongoing cash needs for its existing operations, remaining expenditures associated with the March 1, 2007 restructuring, and cash required to finance currently planned expenditures. The Fund believes that the currently projected cash flow from the operations of the Data Group, net proceeds from asset dispositions and borrowings under available credit facilities, if necessary, will be sufficient to fund the Data Group's currently projected operating requirements, additional costs associated with the restructuring and integration of the former Data Business Forms Limited and Relizon Canada businesses, contributions to the Data Group's pension plans, maintenance capital expenditures and distributions to Unitholders.

Cash Flow from Operations

Changes in non-cash working capital decreased cash by \$8.5 million during the year ended December 31, 2007. Accounts receivable balance increased by \$3.2 million as a result of the timing of payments by customers of the DATA East and West segment. Income tax recoverable balance decreased by \$1.2 million as a result of receiving refunds from various tax authorities. Inventory levels decreased by \$3.8 million as a result of inventory reduction efforts in the DATA East and West segment. The accounts payable and accrued liabilities decreased by \$4.9 million as a result of the timing of payments to suppliers for purchases during the fourth quarter of 2007. Accrued restructuring and integration provisions decreased by \$4.9 million, which was the net result of \$9.2 million of payments made to former employees in the form of severances and \$4.3 million of integration related expenses incurred in 2007.

Investing Activities

The Data Group takes a disciplined approach to monitoring its investments, whereby material capital expenditures are subjected to rigorous analysis and ongoing measurement and comparison against budgets to ensure a return on the investment. The Data Group's maintenance capital expenditures consist of replacement of existing capital assets to sustain cash flows, and typically include furniture, fixtures, computer equipment, printing equipment, and leasehold improvements. The Data Group's growth capital expenditures consist of purchases of capital assets to generate new cash flows, and typically include the purchase of new furniture, fixtures, computer equipment and printing equipment to support new business and organic business growth. In addition to maintenance and growth capital expenditures, the Data Group incurs recurring repair and maintenance expense that are expensed as they are incurred and not included in capital expenditures.

Capital expenditures for the year ended December 31, 2007 of \$5.3 million related primarily to maintenance capital expenditures and included \$2.0 million of maintenance capital expenditures for leasehold improvements required for the installation and upgrading of equipment transferred in connection with the closure of four plants. These capital expenditures were incurred in connection with the integration of the former Relizon Canada business and are not expected to recur. The Fund expects the Data Group's level of maintenance capital expenditures to be approximately \$4.8 million in 2008.

During the year ended December 31, 2007, the Data Group completed the sale of its Brockville, Ontario printing facility to Capital Wapiti Inc. ("Capital Wapiti") for a purchase price of approximately \$4.3 million, including closing costs. Concurrently with the closing of the sale of the facility, the Data Group and Capital Wapiti entered into a lease pursuant to which Capital Wapiti has leased back to the Data Group the Brockville, Ontario facility. The term of the lease is 10 years and the Data Group has the option to renew the lease for an additional term of five years upon not less than 12 months' prior notice to Capital Wapiti. The net rent payable by the Data Group under the lease is \$0.4 million per year, and \$0.5 million per year during the five-year renewal period, if applicable.

Financing Activities

For the year ended December 31, 2007, the Fund paid or declared aggregate cash distributions of \$27.2 million to its Unitholders.

Outstanding Unit Data

At December 31, 2007, there were 23,490,592 units outstanding and \$34.8 million aggregate principal amount of Convertible Debentures outstanding. At December 31, 2006, there were 23,475,659 units outstanding and \$35.0 million aggregate principal amount of Convertible Debentures outstanding. The Convertible Debentures are convertible into units of the Fund at the option of the holder at any time prior to December 31, 2011 (or, if called for redemption prior to that date, on the business day immediately preceding the date specified by the Fund for redemption of the Convertible Debentures) at a conversion price of \$11.25 per unit, being a conversion rate of approximately 88.889 units per \$1,000 principal amount of Convertible Debentures, subject to adjustment in certain events.

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 Data Group has adopted a policy that the Data Group will distribute all of its available cash, subject to applicable law, by way of monthly distributions on its partnership interests (all of which are held directly or indirectly by the Fund), after satisfaction of its debt service obligations and other expense obligations (including pension liabilities and expenses associated with the March 2007 restructuring), retaining amounts for capital expenditures, reasonable and appropriate working capital, and satisfaction of its obligations under the Data Group's long-term incentive plan. It is expected that the approximately \$5.2 million of restructuring and integration costs that were payable as at December 31, 2007 will be financed by operations and net proceeds from asset dispositions in order that these non-recurring costs do not impact distributions to Unitholders.

The Fund's Board of Trustees does not currently anticipate changing the Fund's current level of distributions to Unitholders but will continue to monitor the Fund's cash available for distributions and its payout ratio.

The following is a summary of the declared distributions, record dates and payment dates in respect of the units in 2007:

Record Date	Payment Date	Per Unit	Amount
January 31, 2007	February 15, 2007	\$0.09656	\$2.267 million
February 28, 2007	March 15, 2007	\$0.09656	\$2.267 million
March 30, 2007	April 13, 2007	\$0.09656	\$2.267 million
April 30, 2007	May 15, 2007	\$0.09656	\$2.267 million
May 31, 2007	June 15, 2007	\$0.09656	\$2.267 million
June 29, 2007	July 13, 2007	\$0.09656	\$2.267 million
July 31, 2007	August 15, 2007	\$0.09656	\$2.268 million
August 31, 2007	September 14, 2007	\$0.09656	\$2.268 million
September 28, 2007	October 15, 2007	\$0.09656	\$2.268 million
October 31, 2007	November 15, 2007	\$0.09656	\$2.268 million
November 30, 2007	December 14, 2007	\$0.09656	\$2.268 million
December 31, 2007	January 15, 2008	\$0.09656	\$2.269 million

For the year ended December 31, 2007, the Fund paid or declared aggregate cash distributions of \$27.2 million.

Financial Instruments and Risk Management

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued restructuring and integration provisions, distributions payable, interest rate swaps and long-term debt, the amounts of which are included in the Fund's consolidated balance sheet as at December 31, 2007 and December 31, 2006, respectively.

Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the revolving bank facility approximates its carrying value as it bears interest at a floating interest rate. Based on the quoted market price, the Fund's Convertible Debentures had a fair value of \$34.1 million at December 31, 2007. As of December 31, 2007, the fair value of the outstanding interest rate swaps was unfavourable and approximately \$0.1 million, which the Data Group would pay if it were to close out the contracts.

Credit risk

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

Interest rate risk

In the normal course of business, the Data Group is exposed to interest rate risks arising from fluctuations in interest rates related to its revolving bank facility. The Data Group manages this risk through derivative financial instruments. The Data Group's policy is to formally designate financial instruments as a hedge of a specifically identified debt instrument. The Data Group believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity, the (notional) principal amount, and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

The Data Group has entered into interest rate swap contracts maturing on August 28, 2009 to manage its exposure to interest rate fluctuations and to manage the fixed and floating interest rate mix of the Fund's total debt portfolio.

Foreign exchange risk

Foreign currency risk is the risk that future cash flows arising from amounts receivable and/or payable in a foreign currency will fluctuate because of changes in foreign exchange rates. In the normal course of business, the Data Group does not have significant foreign exchange transactions and, accordingly, the amounts and foreign exchange risk are not expected to have adverse material impact on the operations of the Data Group.

Note 16 to the audited consolidated financial statements of the Fund for the year ended December 31, 2007 contains additional information on derivative financial instruments.

Contractual Obligations

The Fund believes that the Data Group will have sufficient resources from its operating cash flow to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2007. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and equipment. During 2007, the Data Group's operating lease commitments increased due to the sale and lease back of its Brockville, Ontario facility and the acquisition of new equipment for expansion in 2008.

Contractual Obligations

As at December 31, 2007 (in thousands of dollars)

	Total	2008	2009	2010	2011	2012	2013 and thereafter
Long-term debt	70,000	–	70,000	–	–	–	–
Convertible debentures	34,832	–	–	–	34,832	–	–
Operating leases	95,761	18,058	16,335	13,245	10,392	7,669	30,062
Total	200,593	18,058	86,335	13,245	45,224	7,669	30,062

The Data Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to its defined benefit pension plans, the DBFL Plan and/or Relizon Canada Plan, to fund current or future funding deficiencies which may emerge. See "Critical Accounting Estimates – Pension Plans" below.

During the year ended December 31, 2007, the Data Group contributed \$2.8 million to its defined benefit pension plans. The Fund expects that contributions to its defined benefit pension plans will be approximately \$0.8 million in 2008 and contributions to the defined contribution plan to be \$2.7 million in 2008.

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

Off-Balance Sheet Arrangements

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

See "Critical Accounting Estimates – Pension Plans" below for a description of the pension plans maintained by the Data Group. In 2007, the discount rate applied to the accrued pension benefit obligation for the DBFL Plan was increased to 5.60% from 5.25% reflecting long-term interest rates at December 31, 2007. The impact of this change was an actuarial gain of \$2.8 million that will be amortized over the average remaining service life of plan employees. The discount rate applied to the accrued pension benefit obligation for the Relizon Canada Plan was decreased to 4.65% from 5.25%, as a result of the Data Group's decision to terminate the plan effective December 31, 2008. During the year ended December 31, 2007, the Data Group also undertook steps to immunize the Relizon Canada Plan by changing the investment strategy to consist primarily of fixed income investments. Under this immunization strategy, the value of the asset portfolio is expected to move in tandem with the accrued benefit obligations of the Relizon Canada Plan, thereby minimizing actuarial gains or losses.

Transactions with Related Parties

There are regular intercompany activities between the Fund and its subsidiaries during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of the Fund. Related parties are defined as individuals who can influence the direction or management of the Fund or any of its subsidiaries and are, therefore, the trustees of the Fund and the directors and officers of the Fund's subsidiaries. Neither the Fund nor any of its subsidiaries entered into any transactions with related parties as defined above during the year ended December 31, 2007.

Operating Results for the Fourth Quarter of 2007

(in thousands of dollars, unaudited)

	Oct. 1 to Dec. 31, 2007 \$	Oct. 1 to Dec. 31, 2006 \$
Revenues	107,235	108,846
Cost of revenues	76,430	81,530
Gross profit	30,805	27,316
Selling, general and administrative expenses	17,227	18,588
Integration costs	312	164
Curtailement gain	(1,461)	–
Impairment of goodwill	1,900	–
Amortization of intangible assets	3,363	2,411
Income before interest and income taxes	9,464	6,153
Interest expense		
Long-term debt	1,622	1,817
Income before income taxes	7,842	4,336
Recovery of future income taxes	(2,830)	–
Net income for the period	10,672	4,336
Adjusted EBITDA ⁽¹⁾	15,330	13,213

Note:

(1) The following table provides a reconciliation of Adjusted EBITDA to net income for the periods noted. See "Non-GAAP Measures".
(in thousands of dollars, unaudited)

	Oct. 1 to Dec. 31, 2007 \$	Oct. 1 to Dec. 31, 2006 \$
Net income for the period	10,672	4,336
Net interest expense on long-term debt	1,622	1,817
Depreciation of property, plant and equipment	2,064	2,228
Amortization of intangible assets	3,363	2,411
Impairment of goodwill	1,900	–
Curtailement gain	(1,461)	–
Non-cash inventory fair value allocation charges	–	2,421
Recovery of future income taxes	(2,830)	–
Adjusted EBITDA	15,330	13,213

Revenues

For the quarter ended December 31, 2007, the Fund recorded revenues of \$107.2 million, a decrease of 1.5% or \$1.6 million compared with the same period in 2007. The decrease in revenues, before intersegment revenues, was substantially the result of a \$1.6 million decrease in the Multiple Pakfold segment resulting from the closure of the Data Group's Dorval, Québec facility. The set up of the equipment transferred from the Dorval facility and the related recruiting and training of staff at Multiple Pakfold's Mississauga, Ontario facility took significantly longer than planned. These factors caused disruptions which adversely affected the Multiple Pakfold segment's ability to meet customer delivery requirements and caused a loss of business in the Québec and Ontario markets. As a result, management changes were made in the fourth quarter of 2007 and additional changes were made in the first quarter of 2008.

Cost of Revenues and Gross Profit

For the quarter ended December 31, 2007, cost of revenues decreased to \$76.4 million from \$81.5 million for the same period in 2006. This resulted in a gross profit in the fourth quarter of 2007 of \$30.8 million, which represented an increase of \$3.5 million or 12.8% from \$27.3 million in the fourth quarter of 2006. The increase in gross profit was the result of realized cost savings from the Data Group's restructuring activities and a \$4.5 million increase in the DATA East and West segment resulting substantially from the 2006 Relizon Inventory Allocation of \$2.4 million offset by declines of \$0.3 million and \$0.7 million in the Sundog and Multiple Pakfold segments, respectively. In the fourth quarter of 2006, the Relizon Inventory Allocation increased cost of revenues by \$2.4 million and was allocated to the DATA East and West segment. After adjusting for the Relizon Inventory Allocation, the gross profit for the fourth quarter of 2006 would have been \$29.7 million. Gross profit as a percentage of revenues for the fourth quarter of 2007 increased to 28.7% from 25.1% for the same period in 2006. After adjusting for the Relizon Inventory Allocation, the gross profit as a percentage of revenues for the fourth quarter of 2006 would have been 27.3%.

Selling, General and Administrative Expenses and Integration Expenses

Selling, general and administrative ("SG&A") expenses, including administrative expenses of the Fund, for the quarter ended December 31, 2007 were \$17.2 million as compared to \$18.6 million in the same period of 2006. SG&A expenses for the fourth quarter of 2007 were lower due to a reduction in administrative costs from the Data Group's restructuring activities. As a percentage of revenues, these costs decreased to 16.1% of revenues for the fourth quarter of 2007 from 17.1% of revenues for the same period in 2006. In the fourth quarter of 2007, the Data Group incurred \$0.3 million of costs related to the integration of the former Data Business Forms Limited and Relizon Canada businesses, which primarily consisted of severance expenses.

Curtailement Gain

During the fourth quarter of 2007, the Data Group decided to wind-up the Relizon Canada Plan and as a result, the Data Group recorded a curtailment gain of \$1.5 million. See "Critical Accounting Estimates – Pension Plans" below.

Impairment of Goodwill

During the fourth quarter of 2007, the Data Group performed its annual review for impairment of goodwill, which resulted in the Data Group recognizing an impairment of goodwill charge of \$1.9 million related to the Multiple Pakfold segment.

Adjusted EBITDA

For the quarter ended December 31, 2007, Adjusted EBITDA was \$15.3 million or 14.3% of revenues. Adjusted EBITDA for the quarter ended December 31, 2007 increased \$2.1 million or 16.0% from \$13.2 million for the same period in 2006. The increase was substantially attributable to the cost savings realized from the Data Group's restructuring activities. The Adjusted EBITDA margin as a percentage of revenues increased to 14.3% of revenues for the quarter ended December 31, 2007 from 12.1% of revenues for the same period in 2006.

Interest Expense

Net interest expense on long-term debt relating to the Data Group's credit facilities and the Fund's outstanding Convertible Debentures was \$1.7 million for the quarter ended December 31, 2007 compared to \$1.9 million for the same period in 2006.

Interest income of \$0.1 million was earned during the quarter ended December 31, 2007, consistent with the prior year. This interest income was substantially related to the cash and cash equivalents held by the Data Group.

Income Taxes

As a result of the SIFT rules, under GAAP the Fund commenced accounting for tax changes in its reporting for the quarter ended June 30, 2007. The Fund reported income before income taxes of \$9.5 million and a \$2.8 million future income tax recovery for the quarter ended December 31, 2007. The future income tax recovery was due to a change in estimates of future reversals of temporary differences, the impact of the deferred gain on the sale and leaseback of the Data Group's Brockville, Ontario printing facility, and changes to substantially enacted income tax rates. The Fund reported income before income taxes of \$6.2 million and no tax expense for the quarter ended December 31, 2006. As a result of the change in the Fund's structure, the Data Group and the Fund did not, prior to the enactment of SIFT rules, expect to pay income taxes and, accordingly, did not recognize future income tax assets and liabilities on temporary differences or recognize unused tax losses or credits relating to the Data Group.

Net Income

Net income for the quarter ended December 31, 2007 was \$10.7 million compared to net income of \$4.3 million for the quarter ended December 31, 2006. The increase in comparable profitability was due to the factors discussed above.

Eight Quarter Results of Operations – Summary

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

	2007				2006			
	Q4 ⁽²⁾⁽⁴⁾⁽⁵⁾	Q3 ⁽²⁾⁽⁴⁾	Q2 ⁽²⁾⁽⁴⁾	Q1 ⁽²⁾	Q4 ⁽²⁾	Q3 ⁽¹⁾⁽³⁾	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	107,235	90,221	97,201	103,996	108,846	67,838	53,802	56,164
Net income (loss)	10,672	1,438	(8,495)	3,810	4,336	15,239	4,312	4,003
Basic income (loss) per unit	0.45	0.06	(0.36)	0.16	0.19	0.86	0.29	0.27
Diluted income (loss) per unit	0.45	0.06	(0.36)	0.16	0.18	0.82	0.29	0.27

Notes:

- (1) Includes results of operations of the former Relizon Canada business for the period from August 31, 2006 to September 30, 2006.
- (2) Includes results of operations of the former Relizon Canada business for the three months ended.
- (3) Net income includes a \$14.9 million recovery of future taxes as a result of the Fund's reorganization on September 30, 2006.
- (4) Net income includes a \$9.7 million and a \$0.6 million future income tax expense for the second and third quarters of 2007, respectively, and a \$2.8 million future income tax recovery for the fourth quarter of 2007 as a result of Bill C-52 becoming law, which contained the SIFT rules regarding the taxation of income trusts.
- (5) Net income includes a curtailment gain of \$1.5 million related to the Data Group's decision to terminate the Relizon Canada Plan on December 31, 2008, and an impairment of goodwill charge of \$1.9 million related to the Multiple Pakfold segment.

The Data Group issued a notice to wind-up the Relizon Canada Plan effective December 31, 2008, such that no benefits will accrue under that plan after December 31, 2008. As a result, the Data Group recorded a curtailment gain of \$1.5 million, including the recognition of unamortized actuarial gains of \$0.3 million in the fourth quarter of 2007. See "Critical Accounting Estimates – Pension Plans" below.

During the fourth quarter of 2007, the Data Group performed its annual review for impairment of goodwill which resulted in the Data Group recognizing an impairment of goodwill charge of \$1.9 million related to the Multiple Pakfold segment.

The variations in the Fund's quarterly revenue and net (loss) income over the eight quarters ended December 31, 2007 can be attributed to three principal factors: the acquisition of the Relizon Canada business on August 31, 2006, the expenses incurred in integrating the former Data Business Forms Limited and Relizon Canada businesses, and the changes to the federal income tax laws which came into effect on June 22, 2007.

Prior to August 31, 2006, the Fund's revenues consisted of the former Data Business Forms Limited operations, which operated in locations across Canada (other than the Maritimes). Beginning August 31, 2006, the Fund's revenues included revenues generated by the operations of the combined businesses consisting of the former Data Business Forms Limited and Relizon Canada. Commencing in the fourth quarter of 2006, the Fund began incurring integration expenses related to the acquisition of the Relizon Canada business. Integration related expenses of \$0.2 million were incurred in the fourth quarter of 2006 and \$1.1 million, \$2.4 million, \$0.6 million and \$0.3 million were incurred in the first, second, third and fourth quarters of 2007, respectively.

In the third quarter of 2006, the Fund completed a reorganization which resulted in the recovery of future income taxes of \$14.9 million. However, in the second quarter of 2007, the SIFT rules effecting the taxation of income trusts were enacted, which resulted in the Fund recording future income tax expenses of \$9.7 million and \$0.6 million for the second and third quarters of 2007, respectively, and a future income tax recovery of \$2.8 million in the fourth quarter of 2007.

Critical Accounting Estimates

A summary of significant accounting policies are included under Notes 2 and 3 of the Notes to the Consolidated Financial Statements of the Fund for the year ended December 31, 2007. Critical accounting estimates require management to make certain judgments and estimates, some of which may be uncertain. Changes in these accounting estimates may have an impact on the financial results of the Fund. Details of the critical accounting estimates are discussed below.

Allowance for Doubtful Accounts

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

Inventory Reserves

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

Goodwill

Goodwill represents the excess of cost over the fair value of tangible and identifiable intangible assets acquired in business combinations accounted for by the purchase method. Under GAAP, goodwill is not amortized but is tested for impairment, at least annually, or more frequently if conditions exist that indicate there may be impairment. The Data Group determines the fair value of each reporting segment by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values requires the Data Group to make a number of estimates and assumptions, such as projected future revenues, costs of revenues, market conditions, and discount rates. When the carrying value of goodwill of a reporting segment exceeds the determined fair value, an impairment of goodwill is charged to the consolidated statement of income and comprehensive income.

Intangible Assets

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

Pension Plans

The Data Group maintains defined benefit and defined contribution pension plans for certain of its employees, which were previously maintained by DBFL (the "DBFL Plan") and Relizon Canada (the "Relizon Canada Plan"), respectively. The Data Group also contributes to the Graphics and Communications International Union pension plan for certain employees at the Granby, Québec plant.

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

Effective January 1, 2008, the Data Group amended the DBFL Plan such that no further service credits will accrue under the defined benefit provision of the DBFL Plan after December 31, 2007, although pensionable earnings on and after January 1, 2008 will be factored into the determination of a participant's final average earnings. 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. It is expected that the wind-up of the Relizon Canada Plan will take several years to complete, including receipt of requisite approvals from applicable pension regulatory authorities.

Notwithstanding these amendments to the DBFL Plan and the Relizon Canada Plan, the Data Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DBFL Plan and/or Relizon Canada 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 pension plans be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination). Where an actuarial valuation reveals a solvency deficit, current regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. The level of these contributions may be substantial, depending on future pension fund investment performance, changes in the long-term interest rates used to value the plan liabilities, the price of the annuities to be purchased to settle a portion of the wind-up liabilities of the Relizon Canada Plan, and other elements of pension plan experience such as demographic changes and administrative expenses.

During the year ended December 31, 2007, the Data Group also undertook steps to immunize the Relizon Canada Plan by changing the investment strategy to consist primarily of fixed income investments. Under this immunization strategy, the value of the asset portfolio is expected to move in tandem with the accrued benefit obligations of the Relizon Canada Plan, thereby minimizing actuarial gains or losses. In addition, the expected rate of return on plan assets in the Relizon Canada Plan was changed from 7.00% for the first half of 2007 to 5.00% for the second half of 2007.

As a result of evaluating the information referred to above, the Data Group decreased the discount rate that was used to calculate its pension benefit obligations as at December 31, 2007 to better reflect current Canadian economic conditions and the changes to the pension plans described above. Salary increase assumptions were the same at December 31, 2007 and December 31, 2006. The expected long-term rate of return takes into account recent market performance and the Data Group's expectations about future long-term market returns and changes in the investment strategy described above. The following table summarizes the rates used in fiscal 2007 and 2006 to calculate the Data Group's pension benefit obligations.

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

	December 31, 2007	December 31, 2006
Curtailed pension plan		
Discount rate	4.65%	5.25%
Expected rate of return on plan assets	6.00%	7.50%
Rate of compensation increase	3.50%	3.50%
<hr/>		
	December 31, 2007	December 31, 2006
Continuing pension plans		
Discount rate	5.60%	5.25%
Expected rate of return on plan assets	6.60%	6.60%
Rate of compensation increase	3.50%	3.50%

Under the Data Group's defined contribution pension plan, annual pension expense is based on when amounts are earned by eligible employees. Members of the DBFL Plan are eligible beginning January 1, 2008 and members of the Relizon Canada Plan are eligible beginning January 1, 2009.

Income Taxes

Management uses judgment to estimate current and future income tax expenses and recoveries. This involves determining taxable income, temporary differences between tax and accounting carrying values and income tax loss carry-forwards. On June 22, 2007, Bill C-52, which contained the SIFT rules, became law. As a result of the SIFT rules, under GAAP the Fund commenced accounting for tax changes in its reporting for the quarter ended June 30, 2007. The future income tax liability represents estimated temporary differences at December 31, 2007 that are expected to reverse starting in fiscal year 2011. Future income tax liabilities and assets will be assessed each quarter and any changes will be recognized on the Fund's consolidated statement of income and comprehensive income.

Prior to the Reorganization on September 30, 2006, the Data Group had a structure similar to other structures that involved significant amounts of intercompany or similar debt that generated substantial interest expense, to reduce earnings and therefore, income taxes payable. There can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense deducted. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable. In the ordinary course of business, the Fund's subsidiary enters into transactions where the ultimate tax determination may be uncertain. These uncertainties require that the Data Group make estimates of its ultimate tax liabilities and, accordingly, the provision for income taxes. While the Data Group believes these estimates are reasonable and appropriate, additional liabilities may result when uncertain tax positions are resolved or settled at amounts that differ from those estimates. The Fund, its subsidiaries and predecessors may also be reassessed for taxes from time to time. Such reassessments, the impact of which is not expected to be material, together with the associated interest and penalties could adversely affect the subsidiaries and the Fund.

Purchase Price Allocation

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

New Accounting Policies

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income, Section 3861 Financial Instruments – Disclosure and Presentation; and Section 3251, Equity. The adoption of these new standards resulted in changes in accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments which have been recorded in opening accumulated other comprehensive income. These changes were applied retroactively without the restatement of comparative consolidated financial statements. The Fund has adopted a policy to expense financing costs and therefore, upon adoption of these sections, deferred financing costs of \$2,601, net of related future income taxes of \$289, were charged to opening deficit.

Financial assets and liabilities

Under Section 3855, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to the initial recognition, financial instruments are measured at fair value, amortized cost or cost depending on the financial instrument classification.

Held for trading

Financial assets that are purchased and incurred with the intention of generating income in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net income for the period. The Fund has classified cash and cash equivalents as held for trading. This classification had no impact on the consolidated financial statements.

Receivables and payables

Receivables and payables are accounted for at amortized cost. This category includes all trade receivables and payables and had no impact on the consolidated financial statements.

Revolving bank facility and convertible debentures

The Data Group's revolving bank facility and Convertible Debentures are accounted for at amortized cost using the effective interest rate method. This classification had no impact on the consolidated financial statements.

Embedded derivatives

Derivatives may be embedded in other financial and non-financial instruments. Prior to the adoption of the new standards, embedded derivatives were not accounted for separately from the host contract instrument except in certain circumstances. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a standalone-derivative and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in the statement of operations as an element of general and administrative expenses. The Fund selected December 21, 2004 as a transition date to recognize as separate assets and liabilities the derivatives embedded in the contracts issued, acquired or substantively modified by the Fund on or after the transition date. The impact of the change in accounting policy related to embedded derivatives had no impact on the consolidated financial statements.

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed between parties. The fair value of a financial instrument on initial recognition is the transaction amount given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, the fair values are determined using valuation techniques using observable market data of similar instruments, discounted cash flow analysis and other valuation techniques commonly used by market participants. A number of factors such as bid-offer spread and credit profile are taken into account, as appropriate, when values are calculated using valuation techniques.

Hedge accounting

The Data Group has entered into interest rate swap contracts with its lenders. The interest rate swap contracts meet the criteria for cash flow hedges which under Section 3865 and 3855 are measured at fair value with the unrealized gains and losses on effective hedges recorded in other comprehensive income and the ineffective portion in the net income of the period. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of operations and comprehensive income in the period in which the hedged item affects net income. Upon adoption of the standard, the Data Group recorded an unrealized gain on revaluation of the interest rate swap of \$58. For the year ended December 31, 2007, a loss of \$124 was recognized. The related liability of \$66 is included in accounts payable and accrued liabilities for the year ended December 31, 2007. The amount that is expected to be reclassified and reduce interest expense over the next 12 months is \$40.

Comprehensive income (loss)

Section 1530 establishes standards for reporting and presenting comprehensive income (loss). Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss).

Other comprehensive income (loss) includes changes in the fair market value of derivative instruments designated as cash flow hedges.

Accounting Standards Issued But Not Yet Effective

The following are the new accounting standards the Fund will adopt in the first quarter of 2008. Management is evaluating the standards and their impact on the Fund's consolidated financial statements.

The CICA Handbook Section 3031 – Inventories prescribes the accounting treatment for inventories. Specifically, the section provides guidance on the determination of cost and its subsequent recognition as an expense. Section 3031 applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008.

The CICA Handbook Section 1535 – Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The CICA Handbook Section 3862 – Financial Instruments Disclosures deals with additional required disclosures related to financial instruments. The section provides guidance on what disclosure should be included in the financial statements related to items such as significance of financial instruments to the financial position and performance of the Fund and the nature and extent of risks associated with financial instruments. Section 3862 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007.

The CICA Handbook Section 3863 – Financial Instruments Presentation establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments between liabilities, equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Section 3863 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007.

Additional Information

Additional information relating to the Fund, including the Fund's most recently filed Annual Information Form, is available on SEDAR at www.sedar.com.

Disclosure Controls and Internal Controls

With the supervision and participation of the Data Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of the Data Group have evaluated the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of the Fund and the Data Group, as of December 31, 2007. Based on that evaluation, those officers have concluded that such disclosure controls and procedures are sufficiently effective to provide reasonable assurance that material information relating to the Fund and the Data Group is made known to management and disclosed in accordance with the applicable securities laws.

With the supervision and participation of the Data Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of the Data Group have evaluated the design of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of the Fund and the Data Group, as of December 31, 2007. Based on that evaluation, those officers have concluded that such internal controls over financial reporting are sufficiently effective to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The Fund acquired the Relizon Canada business on August 31, 2006. After the completion of restructuring and integration initiatives, the documentation and assessment of design of internal controls over financial reporting for that business were completed. The Data Group's senior management team has concluded that the internal controls of the Fund and Data Group over financial reporting are sufficiently effective to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

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

Outlook

Management believes that the Fund will continue to meet its objectives, continuing to meet its monthly per unit distributions to Unitholders of \$0.09656 for the foreseeable future. The Fund's Board of Trustees will continue to monitor the Fund's cash available for distributions and its payout ratio.

The Fund currently believes that the Data Group's restructuring, integration and other initiatives relating to the combination of the former Data Business Forms Limited and Relizon Canada businesses will achieve pre-tax operating and other synergies and cost savings of over \$10.0 million per annum. The Fund believes substantially all of the restructuring charges related to the integration of the former Data Business Forms Limited and Relizon Canada businesses were incurred in the twelve months ended December 31, 2007.

In addition to the restructuring plan announced on March 1, 2007, the Data Group has completed other initiatives to reduce management, sales and administration expenses. The restructuring and related liabilities are based on contractual obligations and management's best estimates and have been recognized as assumed liabilities in the purchase price allocation as they were contemplated at the time of the Relizon Canada Acquisition, and were therefore included in the underlying net identifiable assets acquired. The Data Group will continue to review its operations and undertake restructuring initiatives to maintain a competitive cost structure. These initiatives may result in the 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.

On June 22, 2007, Bill C-52 received Royal Assent. As a result, publicly traded Canadian resident trusts (a "SIFT"), including the Fund, will be subject to tax on the "non-portfolio earnings" distributed to its Unitholders at a rate similar to the combined federal and provincial corporate rates. "Non-portfolio earnings" of a SIFT are generally income of the SIFT attributable to a business carried on by the SIFT in Canada or income from, or capital gains from the disposition of "non-portfolio properties". "Non-portfolio properties" of a SIFT include securities of a "subject entity" if the SIFT holds securities of the subject entity that have a fair market value greater than 10% of the subject entity's equity value, or if the SIFT holds securities of the subject entity that, together with securities held by the SIFT and entities affiliated with the subject entity, have a total fair market value greater than 50% of the equity value of the SIFT. A subject entity is a corporation resident in Canada, a trust resident in Canada, a Canadian resident partnership, or a non-resident person or partnership if the principal source of income is from one or more sources in Canada. If a SIFT has "non-portfolio earnings" that are considered to have become payable to its beneficiaries in the year, this amount will be deemed to be a taxable dividend paid by a taxable Canadian corporation to the beneficiaries, which will be eligible for the enhanced tax credit if paid to an individual resident in Canada. Generally, there will be a four year transition period for a SIFT, such as the Fund, the units of which were publicly listed on October 31, 2006, and such SIFT will not be subject to the tax imposed under these rules until 2011, provided the Fund does not exceed its "normal growth", as determined by reference to the "normal growth" guidelines issued by the Department of Finance on December 15, 2006, as amended from time to time (the "Guidelines").

The Fund expects that the tax changes will, all other things being equal, likely result in a reduction of cash available for distribution from the Fund commencing in 2011. With respect to the limitations on equity unit issuances under the Guidelines, the Fund believes that it should be able to fund its currently identified growth plan without exceeding its "normal growth". However, with the current uncertainty in the capital markets resulting from the tax changes, there can be no assurance that sufficient capital to fund further acquisitions or expansion projects will be available on terms acceptable to the Fund, or at all. The Fund, with input from external legal and financial advisors, is closely monitoring the SIFT rules and carefully assessing their impact on the business and financial outlook of the Fund and the Data Group and its broader effect on the income trust sector as a whole, all with a view to adopting a strategy that will maximize value to Unitholders going forward.

Sales of some of the Data Group's products are subject to seasonal fluctuations in demand. Certain elements of the gift card and direct mail businesses and the buying pattern of certain major customers of the Data Group generate higher revenues and profit in the fourth quarter than the other three quarters.

The Data Group will continue to fund necessary maintenance capital expenditures by utilizing cash flow from operations. It is anticipated that maintenance capital expenditures in 2008 will be approximately \$4.8 million.

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

Risks and Uncertainties

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

Risks Related to the Business

Inability to Sustain and Manage Organic Growth

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

Competition from Competitors Supplying Similar Products and Services

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

Limited Growth in the Printing of Traditional Business Forms

The overall printing industry is highly competitive and has not grown over the last several years and, accordingly, it may be difficult for the Data Group to grow its sales or even maintain historical levels of its sales of printed business documents. The Data Group has depended heavily on sales of printed business forms, which accounted for approximately 24% of the Data Group's revenues in fiscal 2007. However, the overall printed forms industry has not grown in the last few years due to technological advancements resulting in the decline in the use of traditional paper-based forms. In addition, the printed document industry historically has been affected by general economic and industry cycles that have materially and adversely affected print distributors and print manufacturers. Accordingly, for the Data Group to continue to experience growth in printed document sales, the Data Group must increase its market share and individual customer share and respond to changes in demand in this segment of the industry. The Data Group also faces competition from alternative sources of communication and information transfer, such as facsimile machines, electronic mail, and the Internet. These sources of communication and advertising may adversely impact printed product sales in the future.

Increases in the Cost of Paper or Other Raw Materials

In fiscal 2007, the cost of paper, carbon and other raw materials represented approximately 28% of the Data Group's related revenues. Increases in paper costs could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations. The Data Group cannot be certain that it will be able to pass on future increases in the cost of paper to its customers consistent with industry practice. Moreover, rising paper costs and their consequent impact on the Data Group's pricing could lead to a decrease in the volume of products sold. The overall paper market is beyond the Data Group's control, and as a result, the Data Group cannot be certain that future paper price increases will not result in decreased volumes and decreased cash flow and profitability.

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

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

Customer Relationships

The Data Group typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with the Data Group at any time. In addition, even if customers should decide to continue their relationship with the Data Group, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. A loss of several customers, a substantial decrease in order volumes from several customers, a loss of a significant customer or a change in the terms of the relationship with a significant customer could have an adverse impact on the Data Group's business, financial condition, liquidity and results of operations.

Seasonality

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 patterns of certain major customers of the Data Group generate higher revenues and profit than the other three quarters. While certain variable costs can be managed to match seasonal patterns, a significant portion of costs, including rent, are fixed and cannot be adjusted for seasonality.

Failure to Develop Product and Service Options

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

Integration of Relizon Canada into the Data Group

The operations of Data Business Forms Limited and Relizon Canada were conducted as separate and distinct businesses prior to the Relizon Canada Acquisition, each with its own management team, sales force and operations. In fiscal 2007, the Fund completed a restructuring in connection with the integration of the former Data Business Forms Limited and Relizon Canada businesses. Under the restructuring, The Data Group Limited Partnership reduced its workforce, relocated certain employees to other Data Group facilities and closed plants in Québec, Ontario and Alberta. There can be no assurance that problems will not arise in the future in connection with the integration. There can be no assurance that unforeseen costs and expenses, including those related to compensation costs and information technology systems integration, or other factors will not offset, in whole or in part, the expected cost savings or other components of the respective operating plans of the combined business. Failure to successfully complete the integration of the operations of the former Data Business Forms Limited and Relizon Canada could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

Expansion through Acquisitions

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

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

In the event of any future acquisitions, the Fund could issue additional units (and/or securities convertible into or exchangeable for units), which would dilute its existing Unitholders' interests, or incur debt or assume liabilities. The Fund cannot assure investors that this will not have a material adverse effect on the Data Group's business, financial condition, liquidity and operating results. Additional indebtedness would make the Data Group more vulnerable to economic downturns and may limit its ability to withstand competitive pressures. The terms of any additional indebtedness may include restrictive financial and operating covenants, which would limit the Data Group's ability to compete and expand. The issuance of additional units could cause the Fund to exceed the permitted "normal growth guidelines" pursuant to the Tax Act, with the result that the Fund would generally be subject to tax on the non-portfolio earnings distributed to its Unitholders at a rate similar to the combined federal and provincial corporate rates. Such amounts are treated as dividends paid by a taxable Canadian corporation to the Unitholders.

Operating Hazards

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

Negotiation of Collective Agreements

Current union agreements are typically three years in duration and are subject to expiration at various times in the future. The collective agreements with respect to the unionized employees at the Data Group's facilities in Brockville, Drummondville, Granby and Anjou, expire on July 2, 2009, March 13, 2009, April 30, 2009 and April 30, 2010, respectively. If the Data Group is unable to renew union agreements as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances that could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

An Adverse Change in Labour Relations

As of December 31, 2007, the Data Group employed approximately 2,061 employees, of whom approximately 18% are members of various local labour unions. If unionized employees were to engage in a concerted strike or other work stoppage, or if other employees were to become unionized, the Data Group could experience a disruption of operations, higher labour costs, or both. A lengthy strike could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

Pension Liabilities and Unfunded Benefit Plans

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

Where an actuarial valuation reveals a solvency deficit, current regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. The solvency liability is influenced primarily by long-term interest rates and by the investment return on plan assets and also by certain statutory benefit enhancements that may apply on a plan termination. The interest rate used to calculate benefit obligations for solvency purposes is a prescribed rate derived from the interest rates on long-term Government of Canada bonds. In the current low interest rate environment, the calculation results in a higher present value of the pension obligations leading to a larger unfunded solvency position.

The Data Group may have to make monthly, annual and/or one-time cash contributions to its pension plans, including in connection with any reduction of support services or integration of facilities, and the level of those contributions may be substantial, depending on future pension fund investment performance, changes in the long-term interest rates used to value the plan liabilities, the price of the annuities to be purchased to settle a portion of the wind-up liabilities of the Relizon Canada Plan, and other elements of pension plan experience such as demographic changes and administration expenses. Certain senior executives of Relizon Canada participated in a Supplementary Executive Retirement Plan ("SERP"), which provides for pension benefits payable as a single life annuity with a five year guarantee. Upon completion of the Relizon Canada Acquisition and related transactions, the SERP became an obligation of the Data Group. The SERP is unfunded and will be paid out of the general revenues of the Data Group.

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

Proprietary Rights may not be Adequately Protected

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

Uninsured and Underinsured Losses and Insurance Costs

The Data Group will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. A substantial loss without adequate insurance coverage could have a material adverse effect on the Data Group's business, financial condition, liquidity and results of operations.

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

Environment, Health and Safety Requirements

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

In addition, changes to existing Environment, Health and Safety Requirements or the adoption of new Environment, Health and Safety Requirements in the future, changes to the enforcement of Environment, Health and Safety Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the Data Group, could require expenditures which might materially affect the business, financial condition, liquidity and/or results of operations.

Dependence on Key Personnel

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

Credit Facilities is Subject to Floating Interest Rates

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

Potential Undisclosed Liabilities Associated with the Relizon Canada Acquisition

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

Risk of Legal Proceedings

The Data Group is threatened from time to time with, or is named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damage claims in the ordinary course of conducting its business.

The Fund, The Data Group Limited Partnership, Data Business Forms Limited, Workflow Management, Inc. and The Relizon Company have been named as defendants in a legal proceeding commenced in January 2008 by a former executive of Relizon Canada asserting certain entitlements arising from the termination of the former executive's employment following the completion of the Relizon Canada Acquisition. In addition, the Fund has made a claim for indemnification and commenced related legal proceedings against The Relizon Company with respect to amounts claimed by the former executive and certain other unrelated matters, alleging misrepresentation and breach of covenant by The Relizon Company under the Share Purchase Agreement. The result of these proceedings cannot be predicted with certainty. There can be no assurance that any of these various legal proceedings will not have a material adverse effect on the Data Group's results of operations in any future period, and a substantial judgment against the Data Group, Data Business Forms Limited or the Fund could have a material adverse impact on the business, financial condition, liquidity and results of operations of the Fund and/or the Data Group.

Limited Recourse against the Relizon Company

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

Risks Related to the Structure of the Fund

Income Tax Matters

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

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

The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be payable each year to Unitholders in order to reduce the Fund's taxable income to zero. Where in a particular year, the Fund does not have sufficient cash available for distribution to distribute such an amount to Unitholders, the Declaration of Trust provides that additional units must be distributed to Unitholders in lieu of cash payments. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, notwithstanding that they do not directly receive a cash payment.

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

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

On June 22, 2007 the Tax Act was amended to create a new tax regime for publicly traded income trusts including the Fund. As a result the Fund will be subject to tax on its "non-portfolio earnings" distributed to Unitholders at a rate similar to the combined federal and provincial corporate rates. "Non-portfolio earnings" of the Fund are generally income of the Fund, attributable to business carried on by it in Canada or income from, or capital gains from the disposition of "non-portfolio properties". "Non-portfolio properties" would include shares of Data Business Forms Limited, the partnership interest in The Data Group Limited Partnership owned by the Fund.

"Non-portfolio earnings" that are considered to have become payable to a Unitholder are treated as taxable dividends paid by a taxable Canadian corporation, which will be eligible for the enhanced tax credit if paid to an individual resident in Canada.

Generally there will be a four year transition period for the Fund, with the result that the Fund and Unitholders will not be subject to these rules until 2011, provided the Fund does not exceed the "normal growth" guidelines issued by the Department of Finance on December 15, 2006, as amended from time to time.

The Fund expects that these tax changes will, all other things being equal, likely result in a reduction of cash available for distribution from the Fund commencing in 2011. With respect to the proposed limitations on equity unit issuances, the Fund believes that it should be able to fund its currently identified growth plan. However, with the current uncertainty in the capital markets resulting from the tax changes, there can be no assurance that sufficient capital will be available to fund further acquisitions or expansion projects.

Dependence of the Fund on the Data Group

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

Credit Facilities and Restrictive Covenants

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

The Data Group's credit facilities contain numerous restrictive covenants that limit the Data Group with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Data Group to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with the obligations in the agreements in respect of those credit facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the Data Group's assets would be sufficient to repay in full that indebtedness.

The Data Group's credit facilities have a three year term, maturing on August 31, 2009. The Data Group may need to refinance its credit facilities at the conclusion of their term, and there can be no assurance that the Data Group will be able to do so or able to do so on terms as favourable as the existing credit facilities. If the Data Group is unable to refinance the existing credit facilities or is only able to refinance the existing credit facilities on less favourable and/or more restrictive terms, this may have a material adverse effect on the Data Group's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facilities may be less favourable or more restrictive than the terms of the existing credit facilities, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions to Unitholders.

Cash Distributions are Not Guaranteed and Will Fluctuate with the Data Group's Performance

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

Nature of Units

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

Possible Unitholder Liability

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of units. However, in jurisdictions outside the Provinces of Ontario, Québec and Alberta, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund will be conducted to seek to minimize such risk.

Restrictions on Potential Growth

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

Structural Subordination of the Units

In the event of a bankruptcy, liquidation or reorganization of the Data Group, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Data Group before any assets are made available for distribution to the Fund. The units will be effectively subordinated to most of the indebtedness and other liabilities of the Data Group. Except for restrictions under the Data Group's credit facility, the Data Group is not limited in its ability to incur secured or unsecured indebtedness.

Distribution of Securities on Redemption or Termination of the Fund

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

The Fund May Issue Additional Units diluting Existing Unitholders' Interests

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

Effect of Market Interest Rates on Price of Units

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

Investment Eligibility

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

Financial Reporting Responsibility of Management

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

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

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

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

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

(Signed) David M. Odell

President and Chief Executive Officer
The Data Group Limited Partnership

(Signed) Paul O’Shea

Chief Financial Officer
The Data Group Limited Partnership

Auditors' Report

To the Unitholders of The DATA Group Income Fund

We have audited the consolidated balance sheets of The DATA Group Income Fund (the "Fund") as at December 31, 2007 and 2006 and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
March 5, 2008

Consolidated Balance Sheets

(in thousands of dollars)

	December 31, 2007	December 31, 2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,315	4,767
Accounts receivable	57,417	55,010
Inventories (note 5)	42,266	46,331
Prepaid expenses and other current assets	3,649	3,788
Income taxes recoverable	837	2,056
	109,484	111,952
Property, plant and equipment (note 7)	47,528	53,497
Goodwill (notes 4 and 8)	151,206	152,570
Intangible assets (note 9)	65,766	76,362
Future income taxes (note 10)	–	183
Deferred finance fees	–	2,601
	373,984	397,165
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	40,014	44,895
Accrued restructuring and integration provisions (notes 4 and 13)	5,245	10,473
Deferred revenue	6,886	7,585
Distributions payable	2,269	2,267
	54,414	65,220
Revolving bank facility (note 11)	70,000	70,000
Convertible debentures (note 12)	34,159	34,155
Future income taxes (note 10)	6,655	–
Deferred gain (note 7)	1,920	–
Unfavourable lease obligation	1,251	1,355
Deferred lease inducement	1,103	459
Pension obligations (note 14)	9,668	10,619
Post-employment and post-retirement benefits (note 15)	2,153	700
	181,323	182,508
Unitholders' Equity		
Units (note 17)	215,336	215,164
Conversion option (note 12)	898	902
Accumulated other comprehensive loss	(66)	–
Deficit	(23,507)	(1,409)
	192,661	214,657
	373,984	397,165

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

Approved by Board of Trustees

(Signed) David M. Odell

(Signed) Derek Ridout

Trustee

Trustee

Consolidated Statements of Income and Comprehensive Income

(in thousands of dollars, except per unit amounts)

	For the year ended December 31, 2007 \$	For the year ended December 31, 2006 \$
Revenues	398,653	286,650
Cost of revenues (including depreciation of \$7,812 and \$4,640, respectively) (note 6)	291,315	211,633
Gross profit	107,338	75,017
Expenses (income)		
Selling, commissions and expenses	41,465	30,525
General and administration expenses (including depreciation of \$695 and \$455, respectively)	29,267	21,229
Integration costs (note 13)	4,309	164
Amortization of intangible assets	10,596	7,558
Curtailment gain (note 14)	(1,461)	-
Impairment of goodwill (note 8)	1,900	-
	86,076	59,476
Income before interest and income taxes	21,262	15,541
Interest expense on long-term debt (net of interest income of \$328 and \$415, respectively)	6,355	3,865
Income before income taxes	14,907	11,676
Future income tax expense (recovery) (note 10)	7,482	(16,215)
Net income for the year	7,425	27,891
Loss on cash flow hedges	124	
Comprehensive income for the year	7,301	
Basic income per unit (note 18)	0.32	1.57
Diluted income per unit (note 18)	0.32	1.54

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

Consolidated Statements of Unitholders' Equity

(in thousands of dollars)

	Units \$	Conversion option \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total Unitholders' Equity \$
Balance as at December 31, 2005	137,519	–	–	(7,920)	129,599
Distributions declared	–	–	–	(21,380)	(21,380)
Issued in connection with acquisition	27,243	–	–	–	27,243
Issued for cash upon conversion of subscription receipts	50,402	902	–	–	51,304
Net income for the year	–	–	–	27,891	27,891
Balance as at December 31, 2006	215,164	902	–	(1,409)	214,657
Balance as at December 31, 2006	215,164	902	–	(1,409)	214,657
Accounting policy change (note 3)	–	–	58	(2,312)	(2,254)
Balance as at January 1, 2007	215,164	902	58	(3,721)	212,403
Distributions declared	–	–	–	(27,211)	(27,211)
Loss on cash flow hedges	–	–	(124)	–	(124)
Conversion of convertible debentures	172	(4)	–	–	168
Net income for the year	–	–	–	7,425	7,425
Balance as at December 31, 2007	215,336	898	(66)	(23,507)	192,661

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

Consolidated Statements of Cash Flows

(in thousands of dollars)

	For the year ended December 31, 2007	For the year ended December 31, 2006
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income for the year	7,425	27,891
Items not involving cash		
Depreciation of property, plant and equipment	8,507	5,095
Amortization of intangible assets	10,596	7,558
Pension expense (note 14)	3,336	1,663
Contributions made to pension plans (note 14)	(2,826)	(8,046)
Curtailment gain (note 14)	(1,461)	–
Amortization of deferred financing fees	–	452
Gain on disposal of property, plant and equipment	(148)	(3)
Impairment of goodwill (note 8)	1,900	–
Amortization of deferred gain	(33)	–
Accretion of convertible debentures	172	57
Unfavourable lease obligation	(104)	(55)
Amortization of lease inducement	(122)	–
Post-employment and post-retirement benefits	186	(36)
Future income taxes	7,482	(16,215)
	34,910	18,361
Changes in non-cash items relating to operating activities (note 20)	(8,480)	2,123
	26,430	20,484
Investing activities		
Purchase of property, plant and equipment	(5,268)	(3,585)
Proceeds on disposal of property, plant and equipment	5,597	34
Acquisition of Data Business Forms Limited – net of cash acquired of \$323	–	(374)
Acquisition of Relizon Canada Inc. – net of cash acquired of \$1,888 (note 4)	1,000	(113,097)
	1,329	(117,022)
Financing activities		
Proceeds from issuance of trust units – net of expenses (note 4)	–	50,402
Proceeds from issuance of convertible debentures (notes 4 and 12)	–	33,600
Proceeds from revolving bank facility (note 11)	–	30,000
Financing costs	–	(1,052)
Distributions to Unitholders (note 19)	(27,211)	(20,548)
	(27,211)	92,402
Increase (decrease) in cash and cash equivalents during the year	548	(4,136)
Cash and cash equivalents – beginning of year	4,767	8,903
Cash and cash equivalents – end of year	5,315	4,767
Supplemental cash flow information		
Interest paid	7,432	3,052
Non-cash investing and financing activities		
Non-cash lease inducement	766	–
Units issued in connection with business acquisition (note 4)	–	27,243

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

1 THE FUND

The DATA Group Income Fund (the "Fund") is a trust established under the Laws of the Province of Ontario pursuant to a Declaration of Trust dated November 15, 2004. The Fund commenced operations on December 21, 2004 and was created to invest in common shares and unsecured subordinated notes of Data Business Forms Limited ("Data Business Forms"). On August 31, 2006, the Fund acquired the business of Relizon Canada Inc. ("Relizon Canada").

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial information contained in the accompanying consolidated financial statements has been prepared in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

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

Revenue recognition

Revenue from the sale of product is recognized upon shipment to the customer when the transfer of title occurs, and when 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. When customer payments exceed the revenue recognized, the excess is recorded as deferred revenue. Pre-production services have no standalone value, no reliable evidence of fair value and therefore are included with the final printed products as one unit of accounting. The majority of products are customized and product returns are not significant. Warehousing service fees are recognized as the service is provided. If warehousing service fees are included in one overall selling price of a custom print product, the consideration is allocated to each component based on relative fair values.

Inventories

Raw materials inventories are stated at the lower of cost and replacement cost. Printed finished goods and work-in-progress are recorded at the lower of cost and net realizable value. Cost of finished goods and work-in-process is determined using the first-in, first-out method. Inventory manufactured includes the cost of materials and labour and the applicable share of variable production overhead.

Cash and cash equivalents

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

Property, plant and equipment

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

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

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

Intangible assets

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

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

Goodwill

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

Goodwill is not amortized but is subject to an annual impairment review or more frequently if circumstances indicate goodwill may be impaired. The Data Group determines the fair value of each reporting segment by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values requires the Data Group to make a number of estimates and assumptions such as projected future revenues, costs of revenues, market conditions, and discount rates. When the carrying value of goodwill of a reporting segment exceeds the determined fair value, an impairment of goodwill is charged to the consolidated statement of income and comprehensive income.

Employee Future Benefits

The Data Group maintains defined benefit and defined contribution pension plans for certain of its employees, which were previously maintained by DBFL (the "DBFL Plan") and Relizon Canada (the "Relizon Canada Plan"), respectively. Pension benefits are primarily based on years of service, compensation and accrued contributions with interest. The Data Group's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements. The Data Group also provided in the post-retirement and post-employment benefits plans to a limited number of employees covering health care, dental care and life insurance coverage.

Pension benefits for the defined benefit formula are generally calculated based on the number of years of service and the maximum average eligible earnings of each employee during any period of five consecutive years. The Data Group accrues its obligations for the defined benefit components of its pension plans and other post-retirement and post-employment benefits and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees covered by these plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and estimated health care costs. The Fund performs actuarial valuations every three years.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates. For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

Improvements to the pension plans are recognized as implicit obligations and recorded as adjustments arising from past services. Current service costs are expensed in the period. Actuarial gains or losses arise from the difference between actual rate of return on plans' assets for a period and the expected long-term rate of return on the plan assets for that period, from changes in actuarial assumptions used to determine the accrued benefit obligation and from changes to accrued benefit obligation resulting from actual experience differing from long-term assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees of the pension plan.

Pension benefits for defined contribution formula are based on the accrued contributions with interest. Under the Data Group's defined contribution pension plan, annual pension expense is based on when amounts are earned by eligible employees. Members of the DBFL Plan are eligible beginning January 1, 2008 and members of the Relizon Canada Plan are eligible beginning January 1, 2009.

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

Leases

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

Income taxes

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

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to the taxation of publicly traded income trusts. The changes were enacted in 2007 and will result in the taxation, at the rate of 29.5% of distributions made by the Fund beginning in the year 2011.

Income taxes for the Fund and the Fund's corporate subsidiary are calculated using the liability method of accounting for income taxes. Future income tax assets or liabilities are recognized for temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. Future income taxes are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse in or after 2011. The effect on future income tax assets and liabilities of a change in tax rates and tax legislation are recognized in income in the period that includes the enactment date. Future income tax assets would be recorded in the consolidated financial statements to the extent that realization of such benefits is more likely than not.

No current and future income taxes are recognized for the Fund's partnership subsidiary because it is not a taxable entity.

Convertible debentures

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

Foreign currency translation

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

Financial instruments and risk management**Recognition and measurement**

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued restructuring and integration provisions, distributions payable, interest rate swaps, convertible debentures and the revolving bank facility, the amounts of which are included in the Fund's consolidated balance sheet as at December 31, 2007. The Fund does not enter into financial instruments for trading or speculative purposes.

Fair value

The Fund determines the fair value of its financial instruments based on the following valuation methods and assumptions as set out below.

The fair value of a financial instrument is defined as the amount of consideration for a financial instrument that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Quoted market prices are available for a significant portion of the Data Group's financial instruments. The fair value of the revolving term facility approximates the carrying value as it bears interest at variable interest rates and the remaining financial instruments are short-term and therefore their fair value approximates their carrying values.

Credit risk

In the normal course of business, the Data Group is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Data Group's large, industry, and geographically diverse client base, and by control and follow-up of customers' accounts. The Data Group maintains an allowance for bad debts and credit losses, which to date have been within expectations. An allowance for doubtful accounts is maintained to cover estimated credit losses.

The Data Group is also exposed to credit risk with its holdings of cash and cash equivalents and derivative contracts. The Data Group minimizes this credit risk by placing these financial assets and derivative contracts with governments and well-capitalized financial institutions.

Interest rate risk

In the normal course of business, the Data Group is exposed to interest rate risks arising from fluctuations in interest rates related to its revolving bank facility. The Data Group manages this risk through derivative financial instruments.

Derivative financial instruments such as interest rate swap contracts are utilized to reduce interest rate risk on the Data Group's debt. These swap contracts designated as hedging instruments are used by the Data Group primarily for purposes of balance sheet matching and minimizing volatility in net interest income. The value of such swap contracts may vary significantly. Accordingly, changes in fair value of the swap contracts designated as cash flow hedging instruments could result in significant changes in accumulated other comprehensive income (loss) in Unitholders' equity. The Data Group's policy is to formally designate financial instruments as a hedge of a specifically identified debt instrument. The Data Group believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity, the (notional) principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

Income per unit

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

Use of estimates

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
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3 CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income, Section 3861 Financial Instruments – Disclosure and Presentation; and Section 3251, Equity. The adoption of these new standards resulted in changes in accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments which have been recorded in opening accumulated other comprehensive income. These changes were applied retroactively without the restatement of comparative financial statements. The Fund adopted a policy to expense financing costs and therefore, upon adoption of these sections, deferred financing costs of \$2,601, net of related future income taxes of \$289, were charged to opening deficit.

FINANCIAL ASSETS AND LIABILITIES

Under Section 3855, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to the initial recognition, financial instruments are measured at fair value, amortized cost or cost depending on the financial instrument classification.

Held for trading

Financial assets that are purchased and incurred with the intention of generating income in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net income for the period. The Fund has classified cash and cash equivalents as held for trading. This classification had no impact on the financial statements.

Receivables and payables

Receivables and payables are accounted for at amortized cost. This category includes all trade receivables and payables and had no impact on the financial statements.

Revolving bank facility and convertible debentures

The revolving bank facility and convertible debentures are accounted for at amortized cost using the effective interest rate method. This classification had no impact on the financial statements.

EMBEDDED DERIVATIVES

Derivatives may be embedded in other financial and non-financial instruments. Prior to the adoption of the new standards, embedded derivatives were not accounted for separately from the host contract instrument except in certain circumstances. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a standalone-derivative and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in the statement of operations as an element of general and administrative expenses. The Fund selected December 21, 2004 as a transition date to recognize as separate assets and liabilities the derivatives embedded in the contracts issued, acquired or substantively modified by the Fund on or after the transition date. The impact of the change in accounting policy related to embedded derivatives had no impact on the financial statements.

DETERMINATION OF FAIR VALUE

The fair value of a financial instrument is the amount of consideration that would be agreed between parties. The fair value of a financial instrument on initial recognition is the transaction amount given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, the fair values are determined using valuation techniques using observable market data of similar instruments, discounted cash flow analysis and other valuation techniques commonly used by market participants. A number of factors such as bid-offer spread and credit profile are taken into account, as appropriate, when values are calculated using valuation techniques.

Notes to Consolidated Financial Statements

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HEDGE ACCOUNTING

The Data Group has entered into interest rate swap contracts with its lenders. The interest rate swap contracts meet the criteria for cash flow hedges which under Section 3865 and 3855 are measured at fair value with the unrealized gains and losses on effective hedges recorded in other comprehensive income and the ineffective portion in the net income of the period. There is no ineffective portion of these hedges. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of income in the period in which the hedged item affects net income. Upon adoption of the standard, the Data Group recorded an unrealized gain on revaluation of the interest rate swap of \$58. For the year ended December 31, 2007, a loss of \$124 was recognized. The related liability of \$66 is included in accounts payable and accrued liabilities for the year ended December 31, 2007. The amount that is expected to be reclassified and reduce interest expense over the next 12 months is \$40.

COMPREHENSIVE INCOME (LOSS)

Section 1530 establishes standards for reporting and presenting comprehensive income (loss). Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss).

Other comprehensive income (loss) includes changes in the fair market value of derivative instruments designated as cash flow hedges.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are the new accounting standards the Fund will adopt in the first quarter of 2008. Management is evaluating the standards and their impact on the Fund's consolidated financial statements.

The CICA Handbook Section 3031 – Inventories prescribes the accounting treatment for inventories. Specifically, the section provides guidance on the determination of cost and its subsequent recognition as an expense. Section 3031 applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008.

The CICA Handbook Section 1535 – Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The CICA Handbook Section 3862 – Financial Instruments Disclosures deals with additional required disclosures related to financial instruments. The section provides guidance on what disclosure should be included in the financial statements related to items such as significance of financial instruments to the financial position and performance of the Fund and the nature and extent of risks associated with financial instruments. Section 3862 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007.

The CICA Handbook Section 3863 – Financial Instruments Presentation establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments between liabilities, equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Section 3863 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007.

4 ACQUISITION OF BUSINESS

ACQUISITION OF RELIZON CANADA INC.

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
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The cash payment of \$112,000 was funded with a combination of funds raised pursuant to a public offering of securities of the Fund, additional borrowings under Data Business Form's credit facilities of \$30,000, and cash on hand. In connection with the Relizon Canada Acquisition, the Fund issued to the public (the "Offering") 5,650,000 subscription receipts at a cost of \$9.50 per subscription receipt (the "Subscription Receipts"), each representing the right to receive one unit of the Fund (a "Unit") for no additional consideration upon completion of the Relizon Canada Acquisition, for gross proceeds of approximately \$53,700, and \$35,000 aggregate principal amount of 6.75% extendible convertible unsecured subordinated debentures (the "Convertible Debentures"). Following the closing of the Relizon Canada Acquisition, the Fund issued 5,650,000 units upon the exchange of the Subscription Receipts. The total net proceeds of the Offering were approximately \$84,000 and were used to fund \$82,000 of the cash portion of the acquisition cost. The remainder of the cash portion of the acquisition cost was funded by the Fund through existing cash balances and committed credit facilities provided by two Canadian chartered banks.

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

	\$
Cash and cash equivalents	1,888
Accounts receivable	21,476
Inventories (including fair value allocation of \$4,918)	27,315
Prepaid expenses and other assets	3,514
Income taxes recoverable	2,365
Property, plant and equipment	40,092
Goodwill	64,221
Intangible assets	34,123
Accounts payable and accrued liabilities	(23,778)
Deferred revenue	(5,519)
Restructuring provisions	(10,057)
Unfavourable lease obligation	(1,410)
Pension obligation	(12,266)
Post-employment benefits	(736)
	141,228
	\$
Consideration	
Cash	112,000
2,964,326 Units	27,243
Acquisition costs	2,985
Working capital adjustment	(1,000)
	141,228

The fair value of the 2,964,326 trust units issued was based on the average of the closing market price of the Fund's units on the two days before, the day of, and the two days after the acquisition was agreed to and announced after recognizing the effect of issue costs.

The intangible assets acquired are amortized over their expected useful lives of three to twelve years. The goodwill and the intangible assets acquired are not deductible for tax purposes.

Estimated liabilities of \$10,057 have been included in the purchase price allocation relating to estimated costs associated with severance and exit costs related to acquired facilities. The Fund may also incur costs relating to facilities leased by the Data Group. Any costs relating to the Data Group incurred in connection with the integration of the acquired business have been expensed as incurred as integration costs.

As a result of finalizing adjustments to the purchase price allocation during 2007, the fair value of accounts receivable acquired was increased by \$256, inventory was reduced by \$235, restructuring provision was reduced by \$355 (see note 13) and accordingly, goodwill was reduced by \$376 (see note 8).

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
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5 INVENTORIES

	December 31, 2007	December 31, 2006
	\$	\$
Paper, carbon and ink	7,937	8,279
Work-in-progress	3,506	3,275
Forms, computer paper and labels	30,823	34,777
	42,266	46,331

6 COST OF REVENUES

For the periods from August 31, 2006 to December 31, 2006 the Fund incurred a charge of \$4,918 as a result of increasing the value of inventory to estimated fair market value at the date of acquisition.

7 PROPERTY, PLANT AND EQUIPMENT

	December 31, 2007		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Land	870	–	870
Buildings and leasehold improvements	14,837	1,789	13,048
Office furniture and equipment	1,511	421	1,090
Presses and printing equipment	42,306	11,128	31,178
Computer hardware and software	4,101	2,759	1,342
	63,625	16,097	47,528

	December 31, 2006		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Land	1,020	–	1,020
Buildings and leasehold improvements	12,495	915	11,580
Office furniture and equipment	1,495	241	1,254
Presses and printing equipment	43,250	5,653	37,597
Computer hardware and software	3,631	1,585	2,046
	61,891	8,394	53,497

Depreciation for the year ended December 31, 2007 was \$8,507 and depreciation for the year ended December 31, 2006 was \$5,095.

On October 24, 2007, the Data Group signed and completed a sale-leaseback transaction. The Data Group sold its Brockville, Ontario printing facility in the DATA East and West segment for a purchase price of \$4,334, including closing costs. Concurrently with the closing of the sale of the facility, the Data Group leased back the Brockville, Ontario facility. The term of the lease is 10 years and the Data Group will have the option to renew the lease for an additional term of five years. The gain on the sale of \$1,953, based on the carrying value at the time of closing, has been deferred and is being amortized into the consolidated statement of income and comprehensive income over the term of the lease.

Notes to Consolidated Financial Statements

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8 GOODWILL

	December 31, 2007	December 31, 2006
	\$	\$
Opening balance	152,570	87,973
Acquisition of Relizon Canada (note 4)	–	64,597
Purchase price allocation adjustment (note 4)	(376)	–
Adjustments to recognize employee benefit plans on prior acquisitions (note 15)	912	–
Impairment of goodwill	(1,900)	–
	151,206	152,570

During the fourth quarter of 2007, the Data Group performed its annual review for impairment of goodwill by comparing the fair value of each reporting segment to its carrying value. As a result of that review, the fair value of the Multiple Pakfold segment was determined to be less than its carrying value. Accordingly, the Data Group has recognized an impairment of goodwill charge of \$1,900 related to that segment.

9 INTANGIBLE ASSETS

	December 31, 2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Software and technology	10,000	4,328	5,672
Customer relationships	73,023	18,037	54,986
Trademarks and trade names	7,700	2,592	5,108
	90,723	24,957	65,766

	December 31, 2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Software and technology	10,000	2,899	7,101
Customer relationships	73,023	9,725	63,298
Trademarks and trade names	7,700	1,737	5,963
	90,723	14,361	76,362

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
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10 FUTURE INCOME TAXES

The difference between the future income tax recovery and the expected provision obtained by applying the statutory rate of 34.40% is as follows:

	For the year ended December 31, 2007	For the year ended December 31, 2006
	\$	\$
Expected income tax provision at 34.40%	5,128	3,979
Trust income not taxable	(5,268)	(6,039)
Impact of change in legislation	9,746	–
Impact of change in substantively enacted future tax rates	(2,264)	(688)
Impact of reorganization of corporate structure	–	(13,388)
Non-taxable permanent differences	54	–
Non-deductible expenses and other items	86	(79)
Income tax expense (recovery)	7,482	(16,215)

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

As a result of the reorganization and changes in tax legislation, income that is currently earned by the Fund that is distributed annually to Unitholders is not subject to taxation in the Fund, but is taxed at the individual Unitholder level.

On June 22, 2007, legislation (the "SIFT rules") relating to the federal income taxation of publicly-listed or traded trusts (such as income trusts and real estate investment trusts) and partnerships received Royal Assent. The SIFT rules apply to a publicly-traded trust that is a specified investment flow-through entity (a "SIFT") which existed before November 1, 2006 ("Existing Trust") commencing with taxation years ending in 2011.

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

The Fund is a SIFT as defined in the legislation. Accordingly, the Fund will be subject to taxes on distributions of certain income earned from investments in its subsidiaries made after 2010. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amount and the tax bases of its assets and liabilities and those of its subsidiaries that are expected to reverse in or after 2011. The Fund expects that its distributions will not be subject to tax prior to 2011 and accordingly, has not provided for future income taxes on temporary differences expected to reverse prior to then.

On October 30, 2007, the Canadian Federal budget announced several general corporate income tax rate reductions, which will gradually be reduced from 22.12% to 15.00% in 2012 which was enacted on December 13, 2007. As a result, at the end of the fourth quarter of 2007, the Fund has reassessed its future income tax assets and liabilities in light of the new enacted tax rates.

The impact of the change in legislation and substantively enacted future tax rates is a future income tax expense of \$7,482 for the year ended December 31, 2007.

Notes to Consolidated Financial Statements

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Significant components of the Fund's future tax liabilities and assets with respect to its investments in its partnership and corporate subsidiaries as of December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
	\$	\$
Future income tax assets:		
Pension obligations, post-employment and post-retirement benefits	3,845	–
Deferred finance fees	459	529
Unfavourable lease obligations	208	–
Lease escalation	102	–
Benefit of income tax loss carry-forwards	315	–
Deferred gain on sale leaseback	188	–
Other	319	–
Total future tax assets	5,436	529
Future income tax liabilities:		
Property, plant and equipment greater than tax values	1,966	–
Intangible assets greater than tax values	9,639	–
Other	486	346
Total future tax liabilities	12,091	346
Net future income tax liabilities (assets)	6,655	(183)

As result of the Fund adopting the accounting policy to expense financing costs (see note 3), the deferred financing costs of \$2,601, net of related future income taxes of \$289, were charged to opening deficit.

As at December 31, 2007, the Data Group's corporate subsidiary has non-capital loss carry-forwards of \$1,138 due to tax deductions related to the closing costs incurred in connection with the public offering. The non-capital loss carry-forwards expire in varying amounts from 2026 to 2027.

In the ordinary course of business, the Data Group and its subsidiaries and predecessors have entered into transactions where the ultimate tax determination may be uncertain. These uncertainties require management to make estimates of the ultimate tax liabilities and accordingly, the provision for income taxes. Since there are inherent uncertainties, additional tax liabilities may result if tax matters are ultimately resolved or settled at amounts different from those estimates.

11 REVOLVING BANK FACILITY

	December 31, 2007	December 31, 2006
	\$	\$
5.84% banker's acceptances, maturing March 21, 2007	–	50,000
5.83% banker's acceptances, maturing January 10, 2007	–	10,000
5.83% banker's acceptances, maturing January 4, 2007	–	7,500
5.83% banker's acceptances, maturing January 16, 2007	–	2,500
6.31% banker's acceptances, maturing March 24, 2008	50,000	–
6.10% banker's acceptances, maturing January 28, 2008	10,000	–
6.06% banker's acceptances, maturing January 9, 2008	7,500	–
6.11% banker's acceptances, maturing January 22, 2008	2,500	–
Revolving bank facility	70,000	70,000

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

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

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

12 CONVERTIBLE DEBENTURES

	December 31, 2007	December 31, 2006
	\$	\$
6.75% convertible debentures, maturing December 31, 2011, interest payable in June and December, convertible at 88.889 Units per \$1,000 of debenture, net of a conversion option of \$898 (2006 – \$902)	34,159	34,155

On August 31, 2006, the Fund issued 6.75% extendible, convertible, unsecured, subordinated debentures (the "Convertible Debentures"). The Convertible Debentures are convertible at the holder's option into units at any time prior to the maturity of the Convertible Debentures (including any redemption of the Convertible Debentures) at a conversion price of \$11.25 per unit, subject to adjustment in certain events. The Convertible Debentures may not be redeemed by the Fund prior to December 31, 2009. Between December 31, 2009 and December 31, 2010, the Convertible Debentures may be redeemed by the Fund at its option, in whole or in part, at a price equal to the principal amount of the Convertible Debentures so redeemed plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after December 31, 2010 and prior to the maturity date of the Convertible Debentures, the Convertible Debentures may be redeemed by the Fund at its option, in whole or in part, at a price equal to the principal amount of the Convertible Debentures so redeemed plus accrued and unpaid interest. Subject to any required regulatory approval and provided no event of default has occurred and is continuing, the Fund may, at its option, elect to satisfy its obligations to repay, in whole or in part, the principal amount of, and any premium on, the Convertible Debentures which are to be redeemed or which have matured by delivering units to holders of Convertible Debentures. Any accrued and unpaid interest will be paid in cash. In such event, payment will be satisfied by delivering for each one hundred dollars due, that number of units obtained by dividing one hundred dollars by 95% of the volume weighted average trading price of the units on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or maturity. In certain circumstances, the Fund may also elect

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to satisfy all or part of its interest payment obligations by delivering units to a trustee for sale, in which event holders of Convertible Debentures will be entitled to receive a cash payment equal to the interest owed from the proceeds of the sale of those units. Upon the acquisition of voting control or direction over 66²/₃% or more of the units (on a fully-diluted basis), each holder of Convertible Debentures may require the Fund to purchase the whole or any part of such holder's Convertible Debentures at a price equal to 101% of the principal amount of the Convertible Debentures plus accrued and unpaid interest.

During the year ended December 31, 2007, \$168 of the outstanding Convertible Debentures were converted into 14,933 units.

13 ACCRUED RESTRUCTURING AND INTEGRATION PROVISIONS

In connection with the acquisition of Relizon Canada as described in note 4, the Fund adopted a plan to integrate and restructure the acquired business. As a result, the Fund recognized provisions of \$10,057 for severance and relocation and exit costs relating to certain employees and facilities of the acquired business. The Fund completed the relocation activities during 2007 and expects the remaining severance cost to be paid during 2008. The liabilities relating to these costs have been included in the allocation of the purchase price of Relizon Canada.

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

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

During the year ended December 31, 2007, \$7,167 of the cash payments were made to former employees for severances. In addition, \$2,015 of the cash payments were made relating to moving and integration related expenses in connection with the restructuring announced on March 1, 2007.

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

	December 31, 2007	December 31, 2006
	\$	\$
Balance – Beginning of year	10,473	–
Accrued restructuring included in the purchase price allocation (note 4)	–	10,412
Adjustment to reduce goodwill (note 4)	(355)	–
Integration costs charged to expense	4,309	164
Cash payments	(9,182)	(103)
Balance – End of year	5,245	10,473

14 PENSION OBLIGATIONS

The Data Group maintains defined benefit and defined contribution pension plans for certain of its employees, which were previously maintained by DBFL (the "DBFL Plan") and Relizon Canada (the "Relizon Canada Plan"), respectively. Pension benefits are primarily based on years of service, compensation and accrued contributions with interest. The Data Group's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements.

Effective January 1, 2008, the Data Group amended the DBFL Plan such that no further service credits will accrue under the defined benefit provision of the DBFL Plan after December 31, 2007, although pensionable earnings on and after January 1, 2008 will be factored into the determination of a participant's final average earnings. 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. It is expected that the wind-up of the Relizon Canada Plan will take several years to complete, including receipt of requisite approvals from applicable pension regulatory authorities.

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During the year ended December 31, 2007, the Data Group also undertook steps to immunize the Relizon Canada Plan by changing the investment strategy to consist primarily of fixed income investments. Under this immunization strategy, the value of the asset portfolio is expected to move in tandem with the accrued benefit obligations of the Relizon Canada Plan, thereby minimizing actuarial gains or losses. In addition, the expected rate of return on plan assets in the Relizon Canada Plan was changed from 7.00% for the first half of 2007 to 5.00% for the second half of 2007.

The changes to the DBFL Plan during 2007 did not result in a curtailment gain or loss. The Data Group has recorded a curtailment gain of \$1,461, including the recognition of unamortized actuarial losses of \$326 in the year ended December 31, 2007 as result of the changes made to the Relizon Canada Plan.

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

	December 31, 2007	December 31, 2006
	\$	\$
Accrued benefit obligations	108,851	108,910
Fair value of plan assets	97,537	97,912
Funded status – plan deficit	(11,314)	(10,998)
Unamortized net actuarial loss	1,646	379
Pension obligations	(9,668)	(10,619)

Defined benefit plan obligations

	December 31, 2007	December 31, 2006
	\$	\$
Accrued benefit obligation		
Balance – Beginning of year	108,910	44,342
Balance – Acquired from acquisition of Relizon Canada Inc.	–	59,789
Current service cost	3,528	2,343
Curtailment impact	(1,787)	–
Interest cost	5,769	3,304
Employee contributions	883	895
Benefits paid	(7,685)	(2,615)
Actuarial (gain) loss	(767)	852
Balance – End of year	108,851	108,910

The comparative figures have been restated to re-measure a component of the accrued benefit obligation at December 31, 2006 using the discount rate of 5.25%. This adjustment resulted in a reduction of the accrued benefit obligation by \$2,213 and decreased the unamortized net actuarial loss to \$379. This had no impact on the recorded amount of the pension obligations.

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

Defined benefit plan assets

	December 31, 2007	December 31, 2006
	\$	\$
Fair value of plan assets		
Balance – Beginning of year	97,912	35,721
Balance – Acquired from acquisition of Relizon Canada Inc.	–	47,523
Actual return on plan assets	3,601	8,342
Employer contributions	2,826	8,046
Employee contributions	883	895
Benefits paid	(7,685)	(2,615)
Balance – End of year	97,537	97,912

Plan asset composition

	December 31, 2007	December 31, 2006
	\$	\$
Curtailed pension plan		
Percentage of plan assets		
Equity – Canadian	–	23%
Equity – US	–	17%
Equity – International	–	28%
Bonds	100%	28%
Cash	–	4%
Total	100%	100%

	December 31, 2007	December 31, 2006
	\$	\$
Continuing pension plans		
Percentage of plan assets		
Equity – Canadian	34%	33%
Equity – US	13%	14%
Equity – International	16%	15%
Bonds	32%	32%
Cash	5%	6%
Total	100%	100%

Elements of defined benefit costs recognized

	For the year ended December 31, 2007	For the year ended December 31, 2006
	\$	\$
Current service cost (including a \$100 provision for plan expenses)	3,628	2,443
Interest cost on obligation	5,769	3,304
Curtailement impact	(1,461)	–
Expected return on plan assets	(6,061)	(4,084)
Defined benefit costs recognized	1,875	1,663

Notes to Consolidated Financial StatementsFor the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

Components of defined benefit pension expense are as follows:

	For the year ended December 31, 2007	For the year ended December 31, 2006
	\$	\$
Current service cost (including a \$100 provision for plan expenses)	3,628	2,443
Curtailement impact	(1,461)	–
Interest cost on obligation	5,769	3,304
Actual return on plan assets	(3,601)	(8,343)
Actuarial (gain) loss	(767)	852
Pension expense before adjustments to recognize the long-term nature of employee future benefit costs	3,568	(1,744)
Difference between expected return and actual return on plan assets	(2,460)	4,259
Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation	767	(852)
	1,875	1,663

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

	December 31, 2007	December 31, 2006
Discount rate	4.65%	5.25%
Expected rate of return on plan assets	6.00%	7.50%
Rate of compensation increase	3.50%	3.50%

Continuing pension plans

	December 31, 2007	December 31, 2006
Discount rate	5.60%	5.25%
Expected rate of return on plan assets	6.60%	6.60%
Rate of compensation increase	3.50%	3.50%

The annual pension expense for the Data Group's defined contribution pension plan is based on the amounts earned by eligible employees. Members of the DBFL Plan are eligible beginning January 1, 2008 and members of the Relizon Canada Plan are eligible beginning January 1, 2009.

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

	For the year ended December 31, 2007	For the year ended December 31, 2006
	\$	\$
Defined contribution plan	419	435

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
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15 POST-EMPLOYMENT AND POST-RETIREMENT BENEFITS

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

During the year ended December 31, 2007, the Fund determined that the cost of certain employee benefit plans were being recognized as an expense when benefits were paid and not accounted for using the accrued benefit actuarial method as required by generally accepted accounting principles. An adjustment to increase goodwill by \$912, future income tax assets by \$355 and post-employment and post-retirement benefit obligations by \$1,267 has been made in 2007 to correct the accounting of these employee benefit plans assumed on acquisitions completed in prior years. An expense of \$154 relating to prior periods has also been recognized in the 2007 consolidated statement of income and comprehensive income to correct the prior accounting of these plans. The Fund has concluded that these adjustments are not material to either the current or prior year consolidated financial statements.

The following summarizes the change in the post-employment and post-retirement benefit obligations:

	December 31, 2007	December 31, 2006
	\$	\$
Balance – Beginning of year (2006 – assumed on acquisition of Relizon Canada Inc.)	700	736
Adjustment to recognize employee benefit plans assumed on prior acquisitions	1,267	–
Current service cost	287	–
Interest cost	31	12
Benefits paid	(132)	(48)
Actuarial (loss) gain	(10)	61
Unrecognized actuarial gain (loss)	10	(61)
Balance – End of year	2,153	700

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

Former Relizon Canada post-employment obligation

	December 31, 2007	December 31, 2006
Discount rate	5.60%	5.25%
Drug expenses – Initial health care cost trend rate	9.50%	10.50%
Drug expenses – Cost trend rate declines by 2011 (2006-2009) to	5.50%	6.50%
Hospital expenses – Health care cost trend rate	3.50%	3.50%
Other medical expenses – Health care cost trend rate	3.50%	4.50%

Data Group post-employment obligation

	December 31, 2007
Discount rate	5.60%
Drug expenses – Initial health care cost trend rate	7.50%
Drug expenses – Cost trend rate declines by 2016 to	5.00%
Other medical expenses – Health care cost trend rate	5.00%

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006

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

Data Group post-retirement obligation

	December 31, 2007
Discount rate	5.60%
Drug expenses – Initial health care cost trend rate	9.00%
Drug expenses – Cost trend rate declines by 2016 to	5.00%
Hospital expenses – Health care cost trend rate	4.75%
Other medical expenses – Health care cost trend rate	4.75%

Sensitivity analysis on post-employment and post-retirement benefits

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

December 31, 2007	One-percentage-point	
	Increase	Decrease
	\$	\$
Effect on total of service and interest cost components	24	(21)
Effect on post-employment and post-retirement benefit obligations as at December 31, 2007	141	(124)

December 31, 2006	One-percentage-point	
	Increase	Decrease
	\$	\$
Effect on total of service and interest cost components	1	(1)
Effect on post-employment benefit obligation as at December 31, 2006	21	(22)

16 FINANCIAL INSTRUMENTS

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities, restructuring and integration provisions, and distributions payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of credit facilities is equivalent to their carrying value since their interest rates are comparable to market rates. The fair value of the Fund's convertible debentures as at December 31, 2007 was \$34,124 based on quoted market prices.

The fair value of the derivative financial instruments generally reflects the estimates of the amounts the Fund would receive by way of settlement of favourable contracts or that it would pay to terminate unfavourable contracts at the balance sheet date. The fair value of the interest rate swaps are calculated using the quotes obtained from major financial institutions. Interest rate swaps designated as cash flow hedges are unfavourable and have a fair value and carrying value of \$66 based on quotes from financial institutions.

Interest rate risk

The Data Group has entered into interest rate swap contracts in order to protect itself against the risk of fluctuations in interest rates. Interest rate swaps involve the exchange of fixed and floating interest payment obligations based on a predetermined notional amount for a specified period of time. See note 11 for the detail of the interest rate swaps including interest rates and expiry dates as of December 31, 2007.

Credit risk

In the normal course of business, the Data Group is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Data Group's large, industry, and geographically diverse client base, and by control and follow-up of customers' accounts. For the year ended December 31, 2007, the five largest customers represent 16.6% of total accounts receivable. The Data Group maintains an allowance for bad debts and credit losses, which to date have been within expectations. An allowance for doubtful accounts is maintained to cover estimated credit losses.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

17 UNITS

An unlimited number of units may be issued pursuant to the declaration of trust. Units are redeemable by the holder at a price equal to the lesser of 90% of the market price of a unit during the ten consecutive trading day period ending on the trading day immediately prior to the date on which the units were surrendered for redemption and an amount based on the closing price on the redemption date, subject to certain restrictions. Each 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 change in units:

	Number of Units	Amount \$
Balance – December 31, 2005	14,861,333	137,519
Issued in connection with the acquisition of Relizon Canada (note 4)	2,964,326	27,243
Issued for cash upon conversion of subscription receipts (note 4)	5,650,000	50,402
Balance – December 31, 2006	23,475,659	215,164
Issued upon conversion of convertible debentures (note 12)	14,933	172
Balance – December 31, 2007	23,490,592	215,336

18 INCOME PER UNIT

	For the year ended December 31, 2007 \$	For the year ended December 31, 2006 \$
Basic income per unit		
Net income	7,425	27,891
Weighted average units outstanding	23,482,264	17,772,218
Basic income per unit	0.32	1.57
Diluted income per unit		
Net income	7,425	27,891
Adjustment related to convertible debentures	–	984
Adjusted net income	7,425	28,875
Weighted average units	23,482,264	17,772,218
Effect of dilutive convertible debentures	–	1,037,037
	23,482,264	18,809,255
Diluted income per unit	0.32	1.54

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
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20 CHANGES IN NON-CASH ITEMS RELATING TO OPERATING ACTIVITIES

	For the year ended December 31, 2007	For the year ended December 31, 2006
	\$	\$
Accounts receivable	(3,151)	(6,427)
Inventories	3,830	2,109
Prepaid expenses and other current assets	73	2,196
Income taxes recoverable	1,219	375
Accounts payable and accrued liabilities	(4,881)	4,062
Accrued restructuring and integration provisions	(4,873)	61
Deferred revenue	(699)	(1,085)
Distributions payable	2	832
	(8,480)	2,123

21 COMMITMENTS AND CONTINGENCIES

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

	December 31, 2007
	\$
2008	18,058
2009	16,335
2010	13,245
2011	10,392
2012	7,669
2013 and thereafter	30,062
	95,761

The Fund, The Data Group Limited Partnership, Data Business Forms Limited, Workflow Management, Inc. and The Relizon Company have been named as defendants in a legal proceeding commenced in January 2008 by a former executive of Relizon Canada asserting certain entitlements arising from the termination of the former executive's employment following the completion of the Relizon Canada Acquisition. In addition, the Fund has made a claim for indemnification and commenced related legal proceedings against The Relizon Company with respect to amounts claimed by the former executive and certain other unrelated matters, alleging misrepresentation and breach of covenant by The Relizon Company under the Share Purchase Agreement. The ultimate resolution of these matters is not determinable.

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006

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

22 SEGMENTED INFORMATION

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

	DATA East and West	Sundog	Multiple Pakfold	Intersegment	Total
For the year ended December 31, 2007	\$	\$	\$	\$	\$
Revenue	361,428	25,054	17,944	(5,773)	398,653
Gross profit	97,243	8,171	1,924	–	107,338
Impairment of goodwill	–	–	(1,900)	–	(1,900)
Income before under noted items	41,228	4,215	(2,259)	–	43,184
Integration costs					4,309
Curtailment gain					(1,461)
Unallocated corporate and Fund expenses					19,074
Income before interest and income taxes					21,262
Interest expense on long-term debt – net					6,355
Future income tax expense					7,482
Net income for the year					7,425
Supplemental Information					
Depreciation	7,712	449	346	–	8,507
Purchase of property, plant and equipment	4,433	631	204	–	5,268

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006
(in thousands of dollars, except number of units and per unit amounts)

	DATA East and West \$	Sundog \$	Multiple Pakfold \$	Intersegment \$	Total \$
For the year ended December 31, 2006					
Revenue	241,791	26,299	23,198	(4,638)	286,650
Gross profit	61,954	9,154	3,909	–	75,017
Income before under noted items	21,748	4,307	760	–	26,815
Unallocated corporate and Fund expenses					11,274
Income before interest and income taxes					15,541
Interest expense on long-term debt – net					3,865
Future income tax recovery					(16,215)
Net income for the year					27,891

Supplemental Information

Depreciation	4,392	314	389	–	5,095
Purchase of property, plant and equipment	2,500	1,083	2	–	3,585

Segmented Assets

	DATA East and West \$	Sundog \$	Multiple Pakfold \$	Corporate \$	Total \$
December 31, 2007					
Assets (other than goodwill)	197,181	9,190	4,350	12,057	222,778
Goodwill	137,447	10,117	3,642	–	151,206
					373,984

	DATA East and West \$	Sundog \$	Multiple Pakfold \$	Corporate \$	Total \$
December 31, 2006					
Assets (other than goodwill)	211,053	10,645	5,656	17,241	244,595
Goodwill	136,911	10,117	5,542	–	152,570
					397,165

Warehousing revenues are approximately 7% of total consolidated revenues for the year ended December 31, 2007.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2007 and December 31, 2006

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

23 COMPARATIVE FIGURES

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

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

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

Paul O'Shea
Officer
Chief Financial Officer and
Corporate Secretary

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

(2) Member, Compensation Committee
(Chairperson is Ronald A. Fotheringham)

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

Executive Team

David M. Odell
President and Chief Executive Officer

Paul O'Shea
Chief Financial Officer

Elaine Deramo
Vice-President, Human Resources

Steve Galarneau
President, DATA West

Michael Suksi
President, DATA East

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

Diane Schwind
Vice-President, Operations,
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

9195 Torbram Road
Brampton, Ontario
L6S 6H2
Telephone: 905-791-3151
Facsimile: 905-791-1713

Website

www.datagroupincomefund.com

Toronto Stock Exchange Symbols

DGI.UN
DGI.DB

Committed to our values

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

We are committed to customer service and quality.

We do what we say we will do.

We conduct our business ethically and legally.

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

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

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

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

The DATA Group Income Fund
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