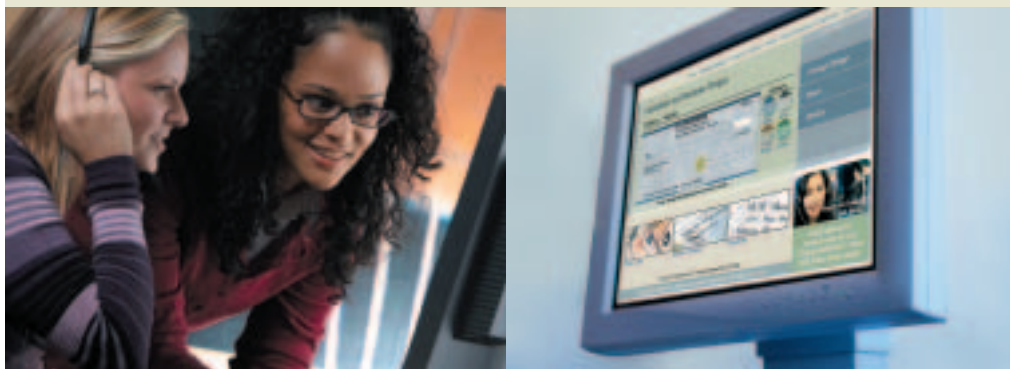


Evolving Our Programs



Building Our Future

QUARTERLY REPORT

Quarter Ended September 30, 2005

Q3



Davis + Henderson
Income Fund

DAVIS + HENDERSON INCOME FUND

Davis + Henderson Income Fund owns 100% of the Davis + Henderson business.

Davis + Henderson has been serving Canadian financial institutions and their account holders since 1875. Through an integrated service offering, Davis + Henderson is the market leading company in Canada assisting financial institutions with the operation of their cheque supply and related programs.

The Fund intends to provide unitholders with monthly distributions based upon the distributable cash flow of Davis + Henderson. The Fund's units are listed on the Toronto Stock Exchange under the symbol "DHF.UN."

REPORT TO UNITHOLDERS

We are pleased to report that Davis + Henderson generated a 4.6% year-over-year increase in distributable cash¹ in the third quarter of 2005, despite nominal growth in revenue. The increase in distributable cash provides additional support for our decision, announced July 21, 2005, to increase the Fund's monthly distribution to \$0.122 per unit or \$1.464 on an annualized basis.

Management's Discussion and Analysis ("MD&A") contains a detailed discussion of the changes in year-over-year results and balances, but the financial highlights of the three-month and nine-month periods ended September 30, 2005 are as follows:

- Sales were \$69.8 million for the third quarter and \$207.3 million for the nine-month period, a 1.1% increase over the third quarter of 2004 and a 0.4% increase over the same nine-month period of 2004.
- Net income was \$15.3 million for the quarter and \$45.8 million for the nine-month period, representing growth of 11.6% and 16.8% compared to the third quarter and first nine months of 2004. Both periods benefited from a change in accounting for income taxes as a result of the Fund's conversion in July 2004 to a trust-on-trust structure.
- Distributable cash for the third quarter and first nine months of 2005 were \$0.4475 per unit and \$1.3184 per unit, increases of 4.6% and 4.8% from the same periods in the prior year.
- Declared distributions per unit for the third quarter and first nine months were \$0.3640 per unit and \$1.0840 per unit, increases of 3.9% and 3.5% over last year.

Operational Highlights

As expected, the Business has benefited from many program enhancements and, while modest, sales growth to date in both the third quarter and nine months of 2005 was achieved despite a decline in cheque volumes compared to last year. Some of the decline is attributed to reductions in customer promotional programs and some to general declines attributed to reduced consumer cheque usage. We remain focused on achieving growth in our various programs and to the ongoing evolution of our business as a means to more than offset these declines.

Traditionally, few new initiatives are introduced in the third quarter as we focus on developing new programs to benefit customers and our business in the new year and beyond. The third quarter of 2005 was no exception. In addition to identifying and working on new programs to benefit 2006, we focused on continuing to improve operational processes, on delivering growth in volume relative to our *eSwitch*TM program and in positioning Advanced Validation Systems Limited Partnership in the marketplace.

¹ Distributable cash is not a defined term under Canadian generally accepted accounting principles. A full definition is included in the Supplementary Financial Information section of this report.

REPORT TO UNITHOLDERS *(continued)*

Looking Forward

Davis + Henderson's overall long-term objective is to deliver stable and modestly growing distributions through growing sales in the 3% to 5% range and maintaining margins. In 2004, we exceeded our sales growth target as a result of the implementation of the U.S. cheque supply program, two additional business days and the benefit of customer promotional campaigns. Based on the sales level for the first nine months of 2005, the Fund expects sales growth for the year as a whole to be nominal and below the 3% to 5% range. For 2006, management expects to achieve its sales growth objective and to continue to deliver stable and modestly growing distributions.

Yours sincerely,



C. Sanford McFarlane

*Co-Chief Executive Officer
Davis + Henderson G.P. Inc.*



Robert Cronin

*Co-Chief Executive Officer
Davis + Henderson G.P. Inc.*

October 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") for the third quarter of 2005 should be read in conjunction with MD&A in the Fund's Annual Report for the year ended December 31, 2004, dated February 28, 2005, and the attached interim unaudited consolidated financial statements. External, economic and industry factors remain substantially unchanged from the annual MD&A, unless otherwise stated.

STRATEGY

Davis + Henderson Income Fund (the "Fund" or the "Business" or "Davis + Henderson") has three key strategies to meet its financial goal of delivering stable and modestly growing cash distributions to unitholders. These are to enhance the value of the cheque supply program, to expand into new programs to serve the chequing account and to pursue additional opportunities to supply program support for other key transaction accounts offered by the Business' financial institution customers.

In growing the cheque supply program, Davis + Henderson is focused on increasing the value of its program through continuously introducing product design alternatives, enhancing security components and combining other logical products into convenient and valuable packages for consumers.

The expansion into other programs that serve the chequing account include the deposit program, that is directed towards our customers' small business clients, and *eSwitch*[™], a white label service offering which allows our customers to more easily redirect their customers' electronic pre-authorized payments and direct deposits upon the opening of new chequing accounts.

As previously announced, on April 28, 2005, the Business acquired a partnership interest in Advanced Validation Systems Limited Partnership ("AVS"), a business that provides lenders with search and registration services across Canada. The initial investment is part of an agreement that will result in Davis + Henderson owning 50% of AVS by January of 2007 with options to increase its ownership position to 100% thereafter. This initiative allows Davis + Henderson to expand its service offering to the lending side of its financial services customers.

OPERATING RESULTS FOR THE THIRD QUARTER

Consolidated Statement of Income

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

	Three months ended		Nine months ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
Sales	\$ 69,845	\$ 69,065	\$ 207,305	\$ 206,518
Cost of sales	40,865	41,274	121,788	123,265
Gross profit	28,980	27,791	85,517	83,253
	41.5%	40.2%	41.3%	40.3%
Operating expenses	8,926	8,177	25,582	24,400
	12.8%	11.8%	12.3%	11.8%
Operating income	20,054	19,614	59,935	58,853
	28.7%	28.4%	28.9%	28.5%
Interest expense	813	1,105	2,541	3,235
Amortization expense	3,949	3,847	11,625	11,954
Income taxes	–	955	–	4,494
Net income	\$ 15,292	\$ 13,707	\$ 45,769	\$ 39,170
Net income per unit, basic and diluted	\$ 0.4033	\$ 0.3615	\$ 1.2070	\$ 1.0329

Sales for the third quarter of 2005 increased by \$0.8 million, or 1.1%, to \$69.8 million when compared to the same quarter in 2004. The increase is primarily attributable to program enhancements introduced in late 2004 and continued increases in direct consumer ordering, both of which had the impact of increasing the value of orders. As well, the Business benefited from increased volume from the *eSwitch*TM program. The impact of these positive initiatives was partially offset by the impact of lower cheque order volumes related to reduced promotional activities by certain customers on line of credit and account acquisition activities and declines in volume attributed to continued reduced cheque usage over the same period in the prior year.

For the nine-month period ended September 30, 2005, total sales increased by \$0.8 million, or 0.4%, to \$207.3 million compared with the same period in 2004. Increased sales resulting from program enhancements and direct orders, which increase the value of orders, and increased *eSwitch*TM volumes were offset by one less business day and reduced order volumes as discussed above.

Management does not believe that there have been material long-term changes in the primary factors affecting cheque orders beyond those historically experienced. Management continues to believe that declining cheque usage has historically contributed

to and will continue to contribute to declining cheque orders. Management further believes that other factors, including a significant number of orders received when consumers open new accounts and the migration by consumers toward orders with fewer cheques, will somewhat mitigate the impact related to reduced cheque usage.

Gross profit for the quarter ended September 30, 2005 increased by \$1.2 million, or 4.3%, to \$29.0 million as a result of increased sales and improved margins compared with the same period last year. The improved gross margin, increasing from 40.2% to 41.5%, was a result of sales mix and material cost reductions, as well as higher production efficiencies resulting from continual investments in technology and processes, partially offset by increasing call centre costs. For the nine-month period ended September 30, 2005, gross profit was \$85.5 million compared to \$83.3 million for the same period in 2004, with gross margin improving from 40.3% to 41.3% primarily for the same reasons as the change in the year-over-year third quarter results.

Operating expenses of \$8.9 million for the third quarter of 2005 represent an increase of \$0.7 million, or 9.2%, over the comparable period in the prior year. The increase was mainly related to technology expenses required to support and upgrade the Business' technology infrastructure offset by reductions in marketing costs and professional fees. For the nine-month period ended September 30, 2005, operating expenses were \$25.6 million, up 4.8%, compared to \$24.4 million for the nine-month period ended September 30, 2004. Again, increases in technology expenses were the main reason for the year-over-year change. Along with reductions in marketing costs and professional fees, this increase was partially offset by the elimination of capital taxes with the change in the internal corporate structure in July 2004.

Operating income of \$20.1 million during the third quarter of 2005, increased by \$0.4 million, or 2.2%, over the same quarter in 2004. The changes were a result of the combination of factors referred to above. Third quarter operating income as a percentage of sales increased to 28.7% from 28.4% for the same quarter last year. For the nine-month period, operating income was \$59.9 million, which was \$1.1 million, or 1.8%, greater than the same 2004 nine-month period.

Net interest expense decreased from \$1.1 million for the three months ended September 30, 2004 to \$0.8 million for the three months ended September 30, 2005. For the nine-month period ended September 30, 2005, net interest expense was \$2.5 million, down from \$3.2 million in the same period in 2004. Lower net interest expenses reflect the lower loan balances outstanding during the periods and reduced average interest rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Amortization expense during the third quarter increased \$0.1 million, or 2.7%, from the same quarter in the prior year. For the nine-month period ended September 30, 2005, amortization expense was \$11.6 million, a \$0.3 million, or 2.8%, decrease over the prior year comparable period. These small fluctuations relate to the timing of when older assets are fully amortized and when new capital is acquired.

After the internal reorganization on July 26, 2004, which converted the Davis + Henderson corporate structure to a trust-on-trust-on-partnership structure, the Fund and its subsidiaries are no longer subject to any taxes as long as all taxable income generated by the structure is paid to unitholders in the form of distributions. Accordingly, there were no provisions for income taxes recorded for the third quarter and the first nine-month period of 2005 compared to \$1.0 million and \$4.5 million for the third quarter and the first nine-month period of 2004, respectively.

Net income of \$15.3 million for the third quarter of 2005 represents an increase of \$1.6 million, or 11.6%, over the same quarter in the previous year. For the nine-month period ended September 30, 2005, net income was \$45.8 million, which was \$6.6 million, or 16.8%, over the comparable period in the prior year. A substantial portion of this increase is attributed to the change in corporate structure referred to above.

Consolidated Statement of Distributable Cash

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

	Three months ended		Nine months ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
Net income	\$ 15,292	\$ 13,707	\$ 45,769	\$ 39,170
Add:				
Amortization expense	3,949	3,847	11,625	11,954
Future income taxes	–	745	–	3,545
Cash flow from operations	19,241	18,299	57,394	54,669
Less:				
Maintenance capital expenditures				
Capital and other assets	1,645	1,451	4,901	4,464
Contract payments	625	625	2,500	2,500
Distributable cash	\$ 16,971	\$ 16,223	\$ 49,993	\$ 47,705
Distributions declared	\$ 13,803	\$ 13,287	\$ 41,105	\$ 39,725
Net income per unit	\$ 0.4033	\$ 0.3615	\$ 1.2070	\$ 1.0329
Distributable cash per unit	\$ 0.4475	\$ 0.4278	\$ 1.3184	\$ 1.2580
Distributions per unit	\$ 0.3640	\$ 0.3504	\$ 1.0840	\$ 1.0476

Distributable cash is not a defined term under Canadian generally accepted accounting principles but is determined by the Business as net income for the period adjusted to remove specific non-cash items, including amortization and future income taxes, and reduced by maintenance capital expenditures. Non-maintenance capital expenditures are not recorded as a reduction from distributable cash since these expenditures are considered non-recurring and are intended to generate future growth in distributable cash and distributions.

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. Further, the Fund's method of calculating distributable cash may not be comparable to similarly titled amounts reported by other issuers.

Distributable cash increased by \$0.7 million, or 4.6%, to \$17.0 million for the third quarter of 2005 relative to \$16.2 million recorded in the third quarter of 2004. For the nine-month period ended September 30, 2005, distributable cash increased by \$2.3 million, or 4.8%, to \$50.0 million compared to the same period in 2004. In both

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

cases, the increases were attributable to the higher cash flow from operations, as calculated above, partially offset by an increase in maintenance capital expenditures in both periods.

Maintenance capital expenditures will fluctuate based on the timing differences in implementing the Business' capital plan. The Business is continuing its program of investment in the technology area to enable the replacement and enhancement of certain components of the Business' technology infrastructure.

Declared distributions of \$13.8 million for the third quarter of 2005 and \$41.1 million for the nine-month ended September 30, 2005 represent increases of \$0.5 million, or 3.9%, and \$1.4 million, or 3.5%, over the prior year periods, respectively. The current monthly distribution rate is \$0.122 per unit, or \$1.464 per unit annualized.

SUMMARY OF QUARTERLY RESULTS

Eight Quarter Consolidated Statement of Income – Summary

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

	Q3	Q2	2005 Q1	Q4	Q3	Q2	2004 Q1	2003 Q4
Sales	\$69,845	\$71,226	\$66,234	\$69,068	\$69,065	\$68,864	\$68,589	\$63,636
Operating income	20,054	20,641	19,240	19,944	19,614	19,436	19,803	18,777
Net income	15,292	15,922	14,555	15,098	13,707	12,545	12,918	12,305
Net income per unit	\$0.4033	\$0.4199	\$0.3838	\$0.3981	\$0.3615	\$0.3308	\$0.3407	\$0.3245

In general, the Fund has reported quarterly sales that are stable and growing. In the first quarter of 2005, sales were down \$2.8 million compared with the previous quarter. The primary factors that impacted first quarter 2005 sales were lower than expected personal order volumes and reduced sales from a customer promotional campaign in the fourth quarter of 2004. In the second quarter of 2005, sales increased over the first quarter primarily as a result of two extra business days and the receipt and fulfillment of orders delayed from the first quarter of 2005.

Operating income has generally been trending consistently with modestly growing sales. Net income, commencing in the third quarter of 2004, increased as a result of reduced income taxes attributed to the change in corporate structure as previously discussed.

Eight Quarter Consolidated Statement of Distributable Cash – Summary

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

	Q3	Q2	2005		Q3	Q2	2004	2003
			Q1	Q4			Q1	Q4
Distributable cash	\$16,971	\$17,438	\$15,582	\$15,626	\$16,223	\$16,013	\$15,469	\$15,247
Distributions declared	\$13,803	\$13,651	\$13,651	\$13,530	\$13,287	\$13,287	\$13,151	\$13,083
Distributable cash per unit	\$0.4475	\$0.4599	\$0.4109	\$0.4121	\$0.4278	\$0.4223	\$0.4079	\$0.4021
Distributions declared per unit	\$0.3640	\$0.3600	\$0.3600	\$0.3568	\$0.3504	\$0.3504	\$0.3468	\$0.3450

Distributable cash has generally grown consistently with the growth in operating income as described above.

CASH FLOW AND LIQUIDITY

Consolidated Summary of Cash Flow Activities

(in thousands of Canadian dollars, unaudited)

	Three months ended		Nine months ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
Cash flows from operating activities	\$ 19,634	\$ 19,786	\$ 57,213	\$ 57,844
Cash flows used for distributions	(13,728)	(13,287)	(41,030)	(39,657)
Cash flows from (used in) other financing activities	(3,000)	–	(6,000)	(4,000)
Cash flows used for investing in capital and other assets	(2,270)	(2,209)	(8,001)	(7,521)
Cash flows used in acquisition of business	(622)	–	(2,766)	–
Net change in cash	\$ 14	\$ 4,290	\$ (584)	\$ 6,666

Cash Flows from Operating Activities

During the quarter ended September 30, 2005, the Business generated \$19.6 million in cash flows from operating activities, including an increase in cash flows of \$0.3 million as a result of a decrease in non-cash working capital balances. Included in the third quarter of 2004 was cash generated from changes in non-cash working capital balances of \$1.5 million which subsequently reversed.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

During the nine-month period ended September 30, 2005, total cash flows from operating activities were \$57.2 million compared with \$57.8 million in 2004. Growth in net income before amortization and future income taxes, period over period, was offset by differences in non-cash working capital from a source of funds of \$3.2 million in 2004 to a use of funds of \$0.5 million in 2005. As described above, a substantial portion of the cash generated from non-cash working capital reversed in subsequent quarters.

Cash Flows Used for Distributions

Monthly distributions are declared by the Fund for unitholders of record on the last business day of each month and are paid within 31 days following each month end. Distributions paid during the third quarter include distributions declared for the month of June prior to the start of the quarter, but do not include amounts declared for the last month of the quarter.

During the quarter ended September 30, 2005, the Fund paid distributions of \$13.7 million, compared to \$13.3 million for the same period in the prior year. This increase is consistent with the Fund's financial goal of delivering stable and modestly growing cash distributions to unitholders.

The tax allocation of distributions declared for 2005 is currently estimated to be 91.6% interest income and 8.4% return of capital. The 2004 tax allocation was 15.0% dividend income, 75.2% interest income and 9.8% return of capital.

The Fund may issue an unlimited number of trust units. Each trust unit is transferable and represents an equal, undivided beneficial interest in any distribution from the Fund and the net assets of the Fund. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders.

As at September 30, 2005 and October 24, 2005, 37,920,792 trust units were outstanding. This total number of outstanding units has remained unchanged since April 2, 2002.

Cash Flows Used in Other Financing Activities

Cash flows used in other financing activities relate to reductions of the Business' long-term indebtedness.

Cash Flows Used in Investing Activities

Expenditures on Capital and Other Assets

(in thousands of Canadian dollars, unaudited)

	Three months ended		Nine months ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
Maintenance capital				
Machinery and equipment	\$ 75	\$ 15	\$ 249	\$ 122
Computer and software	1,358	887	4,371	3,556
Furniture, fixtures and leasehold improvements	212	549	281	786
Total maintenance capital	1,645	1,451	4,901	4,464
Contract payments, maintenance	625	625	2,500	2,500
Total maintenance expenditures	2,270	2,076	7,401	6,964
Non-maintenance capital				
Other new services	–	83	–	307
Total non-maintenance capital	–	83	–	307
Contract payments, non-maintenance	–	50	600	250
Total non-maintenance expenditures	–	133	600	557
Total capital investments	\$ 2,270	\$ 2,209	\$ 8,001	\$ 7,521

The table above sets out maintenance and non-maintenance expenditures, which include both capital assets and payments under customer contracts. The Fund has various payment obligations under customer contracts. Certain long-term customer contracts provide for fixed contract or program initiation payments to be made and these are treated as non-maintenance capital in that they are not regularly recurring disbursements. Other fixed customer contract payments are made annually over the life of the contract and, therefore, are treated as recurring maintenance capital. The aggregate of all contract payments, both fixed and variable, recognizes, among other things, the high degree of integration and sharing between Davis + Henderson and the financial institutions of the many activities related to ordering, data handling, customer service and other activities undertaken by financial institutions as part of the operation of the cheque supply and other programs.

The Fund's capital program provides for continued annual maintenance capital expenditures to be funded by the cash flows from operations. These expenditures are generally directed toward direct ordering technology, the implementation of new programs within the cheque supply business and the maintenance and upgrading of the Business'

technology infrastructure. Maintenance capital for the quarter ended and the nine-month period ended September 30, 2005 was consistent with this capital program. Total maintenance capital expenditures for the full 2005 fiscal year are anticipated to be slightly less than \$7.0 million compared to \$7.2 million spent in 2004.

Non-maintenance expenditures support the development of new programs and services, major production efficiency initiatives and certain contract payments.

Acquisition

On April 28, 2005, the Fund entered into an agreement to acquire a 50% interest in AVS through a step-by-step acquisition over the next 20 months. Future purchases will be at a price based on a formula that references the earnings of the AVS business. As at September 30, 2005, the Fund owns 15% of the partnership units of AVS.

Cash Balances and Long-term Indebtedness

At September 30, 2005, cash and cash equivalents totalled \$9.7 million, compared to \$10.3 million at December 31, 2004. Net cash disbursements relating to two voluntary debt payments totaling \$6.0 million and the acquisitions of an interest in AVS were each funded by positive cash flows from operating activities net of distributions.

The total debt facilities available remain at \$90.0 million and include a \$50.0 million non-revolving term loan and a \$40.0 million revolving term credit facility. As of September 30, 2005, the Business had drawn \$50.0 million under the non-revolving term loan and \$4.0 million under the revolving credit facility. The Business is permitted to draw on the revolving facility's available balance of \$36.0 million to fund capital expenditures or for other general corporate purposes.

As of September 30, 2005, the Fund has entered into interest-rate swap hedge contracts with certain of its lenders, such that the borrowing rates on \$50.0 million, or 92.6%, of its outstanding indebtedness are effectively fixed at the interest rates and for the time periods ending as follows:

Maturity Date	Notional Amount	Interest Rate ¹
March 27, 2006	\$16 million	6.83%
June 30, 2007	\$12 million	5.39%
June 30, 2008	\$12 million	5.66%
January 4, 2009	\$10 million	5.13%

¹ The listed interest rates are inclusive of banker's acceptance fees currently in effect. Such fees would increase in the event that the Fund's financial leverage increased beyond certain levels specified in the credit agreement.

The Fund's remaining indebtedness is subject to floating interest rates and banker's acceptance fees that may be funded either by way of prime-rate loans or through the issuance of banker's acceptances with maturities, and thus interest rates, resetting typically in the one-month to three-month range. The average effective interest rate applicable to the Fund's total indebtedness was 5.762% as at September 30, 2005.

Cash flows from operations together with cash balances on hand and unutilized term credit facilities are expected to be sufficient to fund the Business' operating requirements, the AVS acquisition obligations, capital expenditures and anticipated distributions.

OUTLOOK

Davis + Henderson's overall long-term objective is to deliver stable and modestly growing distributions through growing sales in the 3% to 5% range and maintaining margins. In 2004, with the implementation of the U.S. cheque supply program, extra business days, and the benefit of strong customer promotional campaigns, the Business exceeded this growth target. Based upon the sales level in the first nine months of 2005, the Fund expects sales growth for the year as a whole to be nominal and below the 3% to 5% range. For 2006, management expects to achieve its sales growth objective and to continue to deliver stable and modestly growing distributions.

As set out in the Fund's statement of strategy, the objective is to grow profits by enhancing the value of our cheque supply program, by expanding into new programs to serve the chequing account and by pursuing additional opportunities related to other key transactional accounts of our financial institution customers.

The Business' operational plans include many initiatives which, when combined, are intended to allow us to meet our objectives. Meeting our growth objective is not dependent on any one of the initiatives as most of the new programs and services are individually not large. Examples of such programs include extending our *eSwitch*TM program and introducing complementary products and services as part of our chequing account programs.

In April, the Fund announced an additional initiative with the purchase of a partnership interest in a business that provides lenders with search and registration services across Canada. This initiative allows Davis + Henderson to expand its service offerings to the lending side of its financial services customers.

In aggregate, the above program enhancements and additions are expected to support the revenue growth targets.

Operating expenses in 2005 are expected to be modestly higher than 2004 levels and, for 2005, maintenance capital expenditures are expected to show modest declines, as previously described.

In September 2005, the Department of Finance issued a consultation paper on income trusts and limited partnerships. Subsequently, a moratorium on advanced tax rulings with respect to income funds was announced. It is not possible to predict an outcome to the Department of Finance's review of taxation policy at this time or the impact, if any, on Davis + Henderson's unit value and future distributions.

Certain information included in this report is forward-looking and based upon assumptions and anticipated results that are subject to risks and uncertainties associated with Davis + Henderson's business and the economic environment in which the Business operates. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. Risks and uncertainties are discussed above, as well as in greater detail in the Fund's most recently filed Annual Report and Annual Information Form, each of which are available on SEDAR at www.sedar.com.

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.

October 24, 2005

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars, unaudited)

September 30, 2005 December 31, 2004

ASSETS

Current Assets:

Cash and cash equivalents	\$ 9,674	\$ 10,258
Accounts receivable	11,396	8,936
Inventory	5,001	5,404
Prepaid expenses	1,848	1,012
	<hr/>	<hr/>
	27,919	25,610
Capital assets (note 3)	22,723	24,333
Other assets (note 4)	8,678	12,012
Intangible assets (note 5)	8,260	9,255
Goodwill (note 6)	361,278	359,385
	<hr/>	<hr/>
	\$ 428,858	\$ 430,595

LIABILITIES AND UNITHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued liabilities	\$ 28,432	\$ 26,126
Distributions payable to unitholders	4,626	4,551
Current portion of disbursement obligations on customer contracts (note 7)	2,645	3,745
	<hr/>	<hr/>
	35,703	34,422
Disbursement obligations on customer contracts (note 7)	3,435	5,435
Long-term indebtedness (note 8)	54,000	60,000
Other long-term liabilities (note 9)	2,486	2,168
	<hr/>	<hr/>
	95,624	102,025
Unitholders' Equity:		
Trust units (note 10)	365,385	365,385
Deficit	(32,151)	(36,815)
	<hr/>	<hr/>
	333,234	328,570
Commitments (note 11)		
	<hr/>	<hr/>
	\$ 428,858	\$ 430,595

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



Paul Damp
Trustee



Gordon J. Feeney
Trustee



Allan Gotlieb
Trustee



Brad Nullmeyer
Trustee



Helen K. Sinclair
Trustee

CONSOLIDATED STATEMENTS OF INCOME

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

	September 30, 2005	Three months ended September 30, 2004	September 30, 2005	Nine months ended September 30, 2004
Sales	\$ 69,845	\$ 69,065	\$ 207,305	\$ 206,518
Cost of sales	40,865	41,274	121,788	123,265
	28,980	27,791	85,517	83,253
Operating expenses	8,926	8,177	25,582	24,400
	20,054	19,614	59,935	58,853
Interest expense	813	1,105	2,541	3,235
Amortization expense	3,949	3,847	11,625	11,954
Income before income taxes	15,292	14,662	45,769	43,664
Income taxes (note 12):				
Current	–	210	–	949
Future	–	745	–	3,545
	–	955	–	4,494
Net income	\$ 15,292	\$ 13,707	\$ 45,769	\$ 39,170
Net income per unit, basic and diluted	\$ 0.4033	\$ 0.3615	\$ 1.2070	\$ 1.0329

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

CONSOLIDATED STATEMENTS OF DEFICIT

(in thousands of Canadian dollars, unaudited)

	September 30, 2005	Three months ended September 30, 2004	September 30, 2005	Nine months ended September 30, 2004
Deficit, beginning of period	\$ (33,640)	\$ (10,632)	\$ (36,815)	\$ (9,657)
Net income for the period	15,292	13,707	45,769	39,170
Distributions	(13,803)	(13,287)	(41,105)	(39,725)
Deficit, end of period	\$ (32,151)	\$ (10,212)	\$ (32,151)	\$ (10,212)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	September 30, 2005	Three months ended September 30, 2004	September 30, 2005	Nine months ended September 30, 2004
Cash and cash equivalents provided by (used in):				
OPERATING ACTIVITIES				
Net income	\$ 15,292	\$ 13,707	\$ 45,769	\$ 39,170
Add:				
Amortization expense	3,949	3,847	11,625	11,954
Future income taxes	–	745	–	3,545
	19,241	18,299	57,394	54,669
(Increase) decrease in non-cash working capital items	293	1,482	(499)	3,160
Changes in other long-term liabilities	100	5	318	15
	19,634	19,786	57,213	57,844
FINANCING ACTIVITIES				
Repayment of revolving credit facility (3,000)		–	(6,000)	(4,000)
Distributions paid to public unitholders	(13,728)	(13,287)	(41,030)	(39,657)
	(16,728)	(13,287)	(47,030)	(43,657)
INVESTING ACTIVITIES				
Expenditures on capital assets	(1,645)	(1,534)	(4,901)	(4,771)
Expenditures on other assets	(625)	(675)	(3,100)	(2,750)
Acquisition of business (note 2)	(622)	–	(2,766)	–
	(2,892)	(2,209)	(10,767)	(7,521)
Increase (decrease) in cash and cash equivalents for the period	14	4,290	(584)	6,666
Cash and cash equivalents, beginning of period	9,660	7,357	10,258	4,981
Cash and cash equivalents, end of period	\$ 9,674	\$ 11,647	\$ 9,674	\$ 11,647
Supplementary information:				
Cash interest paid	\$ 1,265	\$ 648	\$ 3,290	\$ 2,738
Cash income taxes paid	\$ –	\$ 165	\$ –	\$ 918

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended September 30, 2005 and 2004

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

NATURE OF BUSINESS

Davis + Henderson Income Fund (the “Fund”) is a limited-purpose trust, formed under the laws of the Province of Ontario pursuant to a declaration of trust dated November 6, 2001, as amended and restated on July 23, 2004. The Fund was formed to indirectly acquire the partnership units of Davis + Henderson, Limited Partnership (“Davis + Henderson L.P.”).

Davis + Henderson L.P. is engaged primarily in the business of providing cheque supply program services to Canadian financial institutions. Davis + Henderson L.P. commenced operations on December 20, 2001, when it acquired the Davis + Henderson business. Simultaneously, on December 20, 2001, the Fund completed an initial public offering and acquired a 45.4% interest in Davis + Henderson L.P. On January 10, 2002, pursuant to an over-allotment option, the Fund acquired an additional 4.5% interest in Davis + Henderson L.P. On April 2, 2002, the Fund acquired the remaining balance of Davis + Henderson L.P. and now holds 100%.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared using the following accounting policies generally accepted in Canada and follow the same accounting policies and their method of application as the Fund’s consolidated financial statements for the year ended December 31, 2004, which are included in the 2004 Annual Report. They do not conform in all respects with disclosures required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Fund for the year ended December 31, 2004.

The preparation of financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and sales and expenses during the reporting period. Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund, its wholly owned subsidiaries, consisting of D + H Holdings Trust, D + H Holdings Corp. (prior to July 26, 2004), Davis + Henderson G.P. Inc., and Davis + Henderson L.P., and its interest in Advanced Validation Systems Limited Partnership (“AVS”). The Fund’s interest in AVS is accounted for by the proportionate consolidation method. Under this method, the Fund includes in its accounts its proportionate share of assets, liabilities, revenues and

expenses. All inter-company transactions and accounts have been eliminated upon consolidation.

Financial Instruments

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, disbursement obligations on customer contracts, distributions payable to unitholders, interest-rate swaps and long-term indebtedness. The Fund does not enter into financial instruments for trading or speculative purposes.

Credit Risk The Fund's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable and interest-rate swaps. The Fund, in its normal course of business, is exposed to credit risk from its customers. The Fund is exposed to credit loss in the event of non-performance by counterparties to the interest-rate swaps. Risks associated with concentrations of credit risk with respect to accounts receivable and interest-rate swaps are limited due to the credit ratings of customers and of swap counterparties used by the Fund and the generally short payment terms and frequent settlement of swap differences.

Fair Value The fair value of indebtedness that bears interest at fixed rates is based on discounted future cash flows using rates currently available for debt of similar terms and maturities. The carrying value of other financial instruments, being cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and the current portion of the disbursement obligations on customer contracts, approximates fair value due to their short-term maturities.

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

Interest-rate swap agreements are used as part of the Fund's program to manage the fixed and floating interest rate mix of the Fund's total debt outstanding and related overall cost of borrowing. The interest-rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the

payments are based and are recorded as an adjustment of interest expenses on the hedged debt instrument. The related amounts payable to or receivable from swap counterparties are included as adjustments to accrued interest.

In the event of a termination of an interest-rate swap agreement, gains and losses would be deferred under other current, or non-current, assets or liabilities on the balance sheet and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement. In the event of early extinguishments of the debt obligation, any realized or unrealized gain or loss from the swap is recognized in the consolidated statement of income at the time of extinguishment.

Cash and Cash Equivalents

All temporary investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

The Fund and its subsidiaries maintain cash balances in bank deposit accounts or investments in amounts that exceed federally insured limits. The Fund has not experienced any losses in such accounts.

Inventory

Inventory of raw materials is stated at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write off the assets over their estimated useful lives as follows:

Computer, furniture and fixtures	10% to 30% declining balance
Machinery and equipment	10% to 20% declining balance
Leasehold improvements	straight-line over term of the lease

Deferred Charges

The Fund capitalizes direct costs related to the development of new products and services until the commencement of commercial operation, at which time all related costs are amortized on a straight-line basis over their estimated useful life.

Payments associated with certain major customer contracts are amortized over the term of the related long-term supply contracts.

Goodwill

Goodwill reflects the price paid for the Davis + Henderson and AVS businesses in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. Goodwill is not amortized but is tested for impairment annually.

Intangible Assets

Intangible assets represent the fair market value of rights related to the cheque supply outsourcing contracts obtained by the Fund upon the acquisition of the Davis + Henderson business and the proportionate share of the proprietary software and service contracts obtained with the acquisition of the AVS business. Intangible assets are amortized over the lesser of seven years and the remaining term of the related service contracts. The carrying value of the intangible assets is tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Revenue Recognition

The Fund is the principal on all sales transactions and has presented sales based on the gross amount billed to customers. Revenue for services and product sales is recognized when the services are completed and the products are shipped.

Net Income per Unit

Net income per unit is calculated by dividing net income by the weighted average number of units outstanding during the period.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in income.

Future Income Taxes

Future income taxes of the Fund's subsidiary, D + H Holdings Corp., prior to July 26, 2004, are determined using the asset and liability method. Under this method of tax allocation, future tax assets and liabilities are determined on the basis of differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Subsequent to July 26, 2004, the Fund and its subsidiaries are not subject to any income taxes provided all taxable income generated is distributed to unitholders in the form of distributions. Accordingly, subsequent to that date, the Fund no longer records a provision for income taxes.

Employee Future Benefits

The Fund provides certain post-retirement benefits for eligible employees, which are not funded. These benefits include health care, life insurance and dental benefits.

Obligations under the post-retirement benefit plan are actuarially determined and are accrued by the Fund.

For the Fund’s defined contribution pension plan, annual pension expense is based on the Fund’s actual contributions to the plan

2. ACQUISITION

On April 28, 2005, the Fund entered into an agreement to acquire a 50% interest in AVS through a step-by-step acquisition over the next 20 months. Future purchases will be based on a formula that references the earnings of AVS. The acquisition of partnership units was accounted for by the purchase method of accounting, and the results of the partnership were proportionately consolidated from the date of the initial acquisition. The Fund has entered into a unanimous shareholders’ agreement, which provides for joint control over the business. As at September 30, 2005, the Fund owned 15.0% of the partnership units of AVS. The assets acquired and consideration given were as follows:

Assets acquired, at fair value:

Assets	\$	107
Intangibles		781
Liabilities		(15)
Net assets acquired, at fair value		873
Goodwill		1,893
Total	\$	2,766

Consideration for 15.0% ownership:

Cash	\$	2,766
Total	\$	2,766

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CAPITAL ASSETS

	September 30, 2005		
	Cost	Accumulated amortization	Net
Machinery and equipment	\$ 14,196	\$ 5,165	\$ 9,031
Computer equipment and software	27,088	15,477	11,611
Furniture, fixtures and leasehold improvements	6,190	4,109	2,081
	\$ 47,474	\$ 24,751	\$ 22,723

	December 31, 2004		
	Cost	Accumulated amortization	Net
Machinery and equipment	\$ 13,954	\$ 4,172	\$ 9,782
Computer equipment and software	22,715	10,923	11,792
Furniture, fixtures and leasehold improvements	5,905	3,146	2,759
	\$ 42,574	\$ 18,241	\$ 24,333

Amortization during the quarter ended September 30, 2005 was \$2,211 (Q3 2004 - \$2,136) and during the nine months ended September 30, 2005 was \$6,515 (nine months ended September 30, 2004 - \$6,404).

4. OTHER ASSETS

	September 30, 2005	December 31, 2004
Cost:		
Long-term supply contracts	\$ 17,788	\$ 17,788
Deferred charges and other	370	370
	18,158	18,158
Accumulated amortization	(9,480)	(6,146)
	\$ 8,678	\$ 12,012

Amortization during the quarter ended September 30, 2005 was \$1,128 (Q3 2004 - \$1,128) and during the nine months ended September 30, 2005 was \$3,334 (nine months ended September 30, 2004 - \$3,800).

5. INTANGIBLE ASSETS

	September 30, 2005	December 31, 2004
Cost	\$ 17,109	\$ 16,328
Accumulated amortization	(8,849)	(7,073)
	\$ 8,260	\$ 9,255

Amortization during the quarter ended September 30, 2005 was \$610 (Q3 2004 - \$583) and during the nine months ended September 30, 2005 was \$1,776 (nine months ended September 30, 2004 - \$1,750).

6. GOODWILL

Balance as of January 1, 2005	\$ 359,385
Goodwill acquired during the period	1,893
Balance as of September 30, 2005	\$ 361,278

7. DISBURSEMENT OBLIGATIONS ON CUSTOMER CONTRACTS

	September 30, 2005	December 31, 2004
Current portion	\$ 2,645	\$ 3,745
Long-term portion	3,435	5,435
Total disbursement obligations on customer contracts	\$ 6,080	\$ 9,180

The Fund has customer fixed contract disbursement obligations payable as of September 30, 2005 as follows:

2005	\$ 645
2006	2,645
2007	1,395
2008	1,395
	\$ 6,080

8. LONG-TERM INDEBTEDNESS

	September 30, 2005	December 31, 2004
Non-revolving term loan	\$ 50,000	\$ 60,000
Revolving credit facility	4,000	-
	\$ 54,000	\$ 60,000

The Fund has \$90.0 million of term credit facilities due January 24, 2009 (December 31, 2004 - \$98.0 million), consisting of a \$50.0 million non-revolving term loan and a \$40.0 million revolving credit facility. The facilities bear interest at rates that depend on certain

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

financial ratios of the Fund and vary in accordance with borrowing rates in Canada and the United States. The credit facilities, including any hedge contracts with the lenders, are secured in first priority by a pledge of substantially all of the Fund's assets and by a pledge of the Fund's indirect ownership interests in Davis + Henderson L.P. The fair value of long-term indebtedness approximates its carrying value.

As of September 30, 2005, the Fund has entered into interest-rate swap hedge contracts with its lenders, such that the borrowing rates on \$50.0 million or 92.6% of its outstanding term indebtedness are effectively fixed at interest rates of between 5.13% and 6.83% per annum for terms ending between March 27, 2006 and January 4, 2009. As of September 30, 2005, the fair value of outstanding interest-rate swaps was approximately \$0.5 million (December 31, 2004 – \$0.9 million), which the Fund would be required to pay if it were to close out the contracts.

9. OTHER LONG-TERM LIABILITIES

	September 30, 2005	December 31, 2004
Deferred compensation program	\$ 1,280	\$ 766
Employee future benefits	1,206	1,402
	\$ 2,486	\$ 2,168

The deferred compensation program is a long-term incentive plan for management, subject to certain performance criteria and vesting terms, payable shortly after December 31, 2006. This incentive plan was implemented on January 1, 2004.

Employee future benefits consist of a defined contribution pension plan and a non-pension post-retirement benefit plan. Obligations relating to employee future benefits relate to the non-pension post-retirement benefit plan.

The Fund's principal pension plan is the "Defined Contribution Pension Plan for the Employees of Davis + Henderson," a defined contribution pension plan that provides pensions to substantially all employees with greater than two years of service. Total expense for the Fund's defined contribution pension plan for the quarter ended September 30, 2005 was \$0.3 million (Q3 2004 - \$0.2 million) and \$0.8 million for the nine months ended September 30, 2005 (nine months ended September 30, 2004 - \$0.7 million).

The Fund's non-pension post-retirement benefit plan provides certain health care, life insurance and dental benefits to eligible employees. Terms of the plan were amended effective January 1, 2005 resulting in a reduction in obligations of \$1.8 million and

actuarial losses of \$1.6 million. Reduction in obligations from the plan amendment will be amortized over three-and-one-half years and the actuarial losses will be amortized over the next six years starting in 2005. The components of post-retirement benefits costs recognized for the quarter ended September 30, 2005 are as follows:

	September 30, 2005	September 30, 2004
Service cost – benefits earned	\$ 3	\$ 13
Interest cost	16	21
Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation for the quarter	67	–
Difference between amortization of past service costs and actual plan amendments for the quarter	(128)	–
Net non-pension post-retirement plan (recovery) expense	\$ (42)	\$ 34

10. TRUST UNITS

An unlimited number of trust units may be issued by the Fund pursuant to the Fund’s declaration of trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders. The weighted number of units outstanding during the quarter ended September 30, 2005 was 37,920,792 (Q3 2004 – 37,920,792).

11. COMMITMENTS

As of September 30, 2005, the Fund has annual lease obligations with respect to real estate, vehicles and equipment as follows:

2005	\$ 788
2006	3,206
2007	3,128
2008	2,411
2009	1,961
Thereafter	2,935
	\$ 14,429

12. INCOME TAXES

Income earned by the Fund that is distributed to unitholders in the form of distributions is not subject to taxation in the Fund, but is taxed at the individual unitholder level. A provision for income taxes is recognized for the Fund's former subsidiary, D + H Holdings Corp., as this subsidiary was subject to tax, including large corporations tax and corporate minimum tax.

In July 2004, unitholders approved an internal reorganization which resulted in the replacement of D + H Holdings Corp. with a trust entity, D + H Holdings Trust. Income of D + H Holdings Trust will not be subject to income taxes as long as all taxable income generated is distributed to the Fund and ultimately to the unitholders in the form of distributions. Accordingly, no provision has been made for income taxes subsequent to July 2004.

13. RELATED PARTY TRANSACTIONS

A Trustee of the Fund serves as Chairman of the Board of Canada Post Corporation, one of the Business' major suppliers. Total purchases from this supplier during the quarter ended September 30, 2005 were \$6,175 (Q3 2004 - \$6,141) and during the nine months ended September 30, 2005 were \$18,678 (nine months ended September 30, 2004 - \$18,250).

14. SIGNIFICANT CUSTOMERS

The Fund operates in one segment, an integrated service offering to Canadian financial institutions and their account holders. For the quarter ended September 30, 2005, the Fund earned 74% (Q3 2004 - 74%) of its revenue from its six largest customers.

15. COMPARATIVE FIGURES

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

SUPPLEMENTARY FINANCIAL INFORMATION

Operating Results by Period¹

(in thousands of Canadian dollars, except per unit amounts, unaudited)	Three months ended September 30, 2005	Three months ended June 30, 2005	Three months ended March 31, 2005	Three months ended December 31, 2004	Three months ended September 30, 2004
Sales	\$ 69,845	\$ 71,226	\$ 66,234	\$ 69,068	\$ 69,065
Cost of sales	40,865	41,623	39,300	40,758	41,274
Operating expenses	8,926	8,962	7,694	8,366	8,177
Operating income	20,054	20,641	19,240	19,944	19,614
Interest expense	813	839	889	958	1,105
Amortization and income taxes	3,949	3,880	3,796	3,888	4,802
Net income	15,292	15,922	14,555	15,098	13,707
Add:					
Amortization expense	3,949	3,880	3,796	3,888	3,847
Future income taxes	-	-	-	-	745
Cash flow from operations	19,241	19,802	18,351	18,986	18,299
Less: Maintenance capital expenditures:					
Capital and other assets	1,645	1,737	1,519	2,715	1,451
Contract payments	625	625	1,250	645	625
Distributable cash¹	\$ 16,971	\$ 17,440	\$ 15,582	\$ 15,626	\$ 16,223
Distributions declared	\$ 13,803	\$ 13,651	\$ 13,651	\$ 13,530	\$ 13,287
Net income per unit	\$ 0.4033	\$ 0.4199	\$ 0.3838	\$ 0.3981	\$ 0.3615
Cash flow from operations per unit	\$ 0.5074	\$ 0.5222	\$ 0.4839	\$ 0.5007	\$ 0.4826
Distributable cash per unit	\$ 0.4475	\$ 0.4599	\$ 0.4109	\$ 0.4121	\$ 0.4278
Distributions declared per unit	\$ 0.3640	\$ 0.3600	\$ 0.3600	\$ 0.3568	\$ 0.3504

¹ Distributable cash is not a defined term under Canadian generally accepted accounting principles but is determined by the Fund as net income for the period adjusted to remove non-cash expenses, including amortization and future income taxes, and reduced by maintenance capital expenditures. Non-maintenance capital expenditures are not recorded as a reduction from distributable cash as these expenditures are considered non-recurring expenditures which are intended to generate future growth in distributable cash and distributions. Management believes that this earnings measure is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or as an alternative to the statement of cash flows. Further, the Fund's method of calculating distributable cash may not be comparable to similarly titled amounts reported by other issuers.

SUPPLEMENTARY FINANCIAL INFORMATION *(continued)*

Condensed Balance Sheet¹

(in thousands of Canadian dollars, unaudited)	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004
Cash and cash equivalents	\$ 9,674	\$ 9,660	\$ 4,243	\$ 10,258	\$ 11,647
Other current assets	18,245	17,009	16,826	15,352	15,744
Future income taxes	–	–	–	–	28,170
Capital and other assets	31,401	33,093	34,652	36,345	36,888
Goodwill and other intangible assets	369,538	369,610	368,056	368,640	369,223
	\$428,858	\$ 429,372	\$423,777	\$430,595	\$ 461,672
Payables and other current liabilities ¹	\$ 35,703	\$ 34,181	\$ 30,373	\$ 34,422	\$ 35,632
Other long-term liabilities ¹	5,921	6,446	6,930	7,603	7,867
Long-term indebtedness	54,000	57,000	57,000	60,000	63,000
Unitholders' equity	333,234	331,745	329,474	328,570	355,173
	\$428,858	\$ 429,372	\$423,777	\$430,595	\$ 461,672

¹ Certain comparative figures have been reclassified to conform to the current period's presentation.

Distribution History

Month	2005	2004	2003	Distributions ¹ per unit	
				2002	2001
January	\$ 0.1200	\$ 0.1150	\$ 0.1117	\$ 0.1083	\$ –
February	0.1200	0.1150	0.1117	0.1083	–
March	0.1200	0.1168	0.1117	0.1083	–
April	0.1200	0.1168	0.1133	0.1083	–
May	0.1200	0.1168	0.1133	0.1083	–
June	0.1200	0.1168	0.1133	0.1083	–
July	0.1200	0.1168	0.1133	0.1117	–
August	0.1220	0.1168	0.1133	0.1117	–
September	0.1220	0.1168	0.1133	0.1117	–
October		0.1168	0.1150	0.1117	–
November		0.1200	0.1150	0.1117	–
December ²		0.1200	0.1150	0.1117	0.0427
	\$ 1.0840	\$ 1.4044	\$ 1.3599	\$ 1.3200	\$ 0.0427

¹ Monthly distributions are made to unitholders of record on the last business day of each month and are paid within 31 days following each month end.

² Distribution paid in 2001 is in respect of the 12 calendar days from December 20, 2001 to December 31, 2001.

Tax Allocation of Distributions

	2005	2004
Dividend income	0.0%	15.0%
Interest income	91.6%	75.2%
Return of capital	8.4%	9.8%
Total distributions for the period	100.0%	100.0%

The above tax allocation of distributions for 2005 represents an estimate based on the total expected distributions for the year ending December 31, 2005. As a result of the July 2004 reorganization to a trust-on-trust-on-partnership structure, the 2005 distributions do not have a dividend component.

Other Statistics

Quarter ended (in thousands, except per unit amounts)	Trading price range of units (TSX: "DHF.UN")			Average daily volume	Number of units outstanding at period end	Market capitalization at quarter end
	High	Low	Close			
2005 Q3	\$ 24.07	\$ 19.50	\$ 21.19	88	37,921	\$ 803,542
Q2	22.85	19.58	20.92	61	37,921	793,303
Q1	23.25	19.65	22.00	67	37,921	834,257
2004 Q4	23.25	18.80	22.70	81	37,921	860,802
Q3	19.62	16.75	19.45	58	37,921	737,559
Q2	19.34	15.05	18.00	93	37,921	682,574
Q1	19.40	16.71	19.40	92	37,921	735,663
2003 Q4	17.50	15.10	17.45	67	37,921	661,718
Q3	15.65	14.52	15.30	99	37,921	580,188
Q2	15.20	12.91	15.00	82	37,921	568,812
Q1	13.69	12.48	12.94	92	37,921	490,695
2002 Q4	13.25	11.22	12.86	139	37,921	487,661
Q3	12.13	10.45	12.10	165	37,921	458,842
Q2	11.25	10.00	10.95	176	37,921	415,233
Q1	11.20	10.11	10.51	149	18,955	199,217

DAVIS + HENDERSON INCOME FUND

DIRECTORS, TRUSTEES AND OFFICERS

Paul Damp^{1,2}

Chairman, Director and Trustee
Managing Partner,
Kestrel Capital

Allan Gotlieb²

Director and Trustee
Chairman, Sotheby's Canada

Brad Nullmeyer¹

Director and Trustee
President and CEO,
A&A Capital

Helen K. Sinclair²

Director and Trustee
CEO, BankWorks Trading Inc.

Gordon J. Feeney¹

Director and Trustee
Corporate Director

C. Sanford McFarlane

Director and Officer
Co-Chief Executive Officer,
Davis + Henderson,
Limited Partnership

Robert Cronin

Director and Officer
Co-Chief Executive Officer,
Davis + Henderson,
Limited Partnership

Catherine Martin

Officer
Chief Financial Officer,
Davis + Henderson,
Limited Partnership

EXECUTIVE TEAM

C. Sanford McFarlane

Co-Chief Executive Officer

Robert Cronin

Co-Chief Executive Officer

Chad Alderson

Vice President and
Chief Technology Officer

Yves Denommé

Vice President,
Operations

Suzanne Mandroz

Vice President,
Human Resources

Catherine Martin

Chief Financial Officer

Serge Rivest

Vice President,
Sales and Marketing

Steve Rotz

Vice President,
Corporate Development

Joanne Sisco

Vice President,
Corporate Data Services

CORPORATE INFORMATION

Auditors

KPMG LLP

Transfer Agent

CIBC Mellon Trust Company

Corporate Counsel

Torys LLP

Investor Relations

Catherine Martin

416-696-7700

Email:

catherine.martin@dhlttd.com

Corporate Office

Suite 201

939 Eglinton Avenue East

Toronto, Ontario M4G 4H7

Telephone: 416-696-7700

Facsimile: 416-696-9720

Website: www.dhlttd.com

Toronto Stock Exchange

Symbol

DHF.UN

Submissions of concerns regarding conduct, ethics, accounting, internal controls or auditing matters may be made in writing to the Chair of the Audit Committee on a confidential basis:

Chair of the Audit Committee
Davis + Henderson Income Fund
P.O. Box 47377
939 Lawrence Avenue East
Don Mills, ON M3C 3S7

¹ Member, Audit Committee (Committee Chair is Brad Nullmeyer)

² Member, Human Resources and Corporate Governance Committee (Committee Chair is Helen K. Sinclair)

DAVIS + HENDERSON INCOME FUND

TRADEMARKS

“Davis + Henderson”, “Cheque*Essentials*”, “Custom Cheques of Canada”, “Intercheques” and “*eSwitch*” are registered trademarks in Canada, and “Cheque*Central*” and “Cheque*Advisor*” are unregistered trademarks of Davis + Henderson, Limited Partnership. All other marks are trademarks of their respective holders.

Copies of this quarterly report may be obtained from: The Secretary, Davis + Henderson Income Fund, Suite 201, 939 Eglinton Avenue East, Toronto, Ontario M4G 4H7.

La version française : Sur simple demande, nous nous ferons un plaisir de vous faire parvenir la version française du présent rapport. Veuillez composer le 416-696-7700 ou nous faire parvenir un courriel investorrelations@dhltd.com.

DAVIS + HENDERSON INCOME FUND
Suite 201, 939 Eglinton Avenue East,
Toronto, Ontario M4G 4H7

Toronto Stock Exchange: "DHF.UN"
Website: www.dhltd.com



Davis + Henderson
Income Fund