



Davis + Henderson Income Fund Reports First Quarter Results

Davis + Henderson Income Fund met its objective of delivering stable and modestly growing distributions in the first quarter or three months ended March 31, 2006.

First Quarter Highlights

- Declared distributions increased 2.5% to \$14.0 million (\$0.3690 per unit) from \$13.7 million (\$0.3600 per unit) a year ago.
- Sales were 8.6% higher at \$71.9 million compared to \$66.2 million a year ago as a result of two additional business days, the impact of program initiatives introduced late in 2005 and higher order volume.
- Net income increased 13.8% to \$16.6 million compared to \$14.6 million in the first quarter a year ago.
- Distributable cash grew 11.7% to \$17.4 million (\$0.4591 per unit) from \$15.6 million (\$0.4109 per unit) a year ago.

See Management's Discussion and Analysis below for further discussions regarding "distributable cash".

Management Commentary

Our financial performance for the first quarter of 2006 was in line with our expectations. We achieved good results from our core programs and maintained margins through effective cost management.

In assessing sales performance particularly, it's important to note that the growth rate of 8.6% is beyond our target objective of 3% to 5%. During the quarter, we exceeded the target primarily due to two additional business days in 2006 compared to the same period in 2005 and due to the delay of certain orders in the comparative quarter in 2005. The delayed orders were largely processed by the end of the second quarter of 2005 and both 2005 and 2006 have the same number of business days for the full year. Consequently, we continue to expect sales growth for 2006, as a whole, to be consistent with our 3% to 5% growth target.

For a more detailed discussion of first quarter results and management's outlook for 2006, please see the Management's Discussion and Analysis section of this report.

ABOUT THE FUND

Davis + Henderson Income Fund is listed on the Toronto Stock Exchange under the symbol DHE.UN. The Fund went public in December 2001 with the goal of delivering stable and modestly growing cash distributions to unitholders. It owns 100% of Davis + Henderson™.

ABOUT THE BUSINESS

Davis + Henderson has served Canadian financial institutions and their account holders since 1875. Through an integrated service offering, Davis + Henderson is a market leader in providing product and service programs to financial institutions related to their chequing and lending accounts. Through these programs, we assist our customers in delivering services to their twenty million individual account holders and two million small business enterprises. We are evolving our business to add value for our customers and to meet our ongoing financial objective for unitholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") for the first quarter of 2006 should be read in conjunction with MD&A in the Fund's Annual Report for the year ended December 31, 2005, dated February 28, 2006, 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

The Fund's financial goal is to deliver stable and modestly growing cash distributions to unitholders by targeting annual sales growth in the range of 3% to 5% while maintaining operating margins at traditional levels. The Fund has three primary strategies to meet this financial goal. These are to enhance the value of the Business' cheque supply program, to offer additional programs to serve the chequing account and to deliver new programs to the lending accounts offered by the Business' financial institution customers. The Fund will advance its strategies through a combination of internal (or organic) initiatives, partnering with third parties and by way of acquisitions.

In growing its 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 and services into convenient and valuable packages for consumers.

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

During 2005, to advance its third key strategy, the Business acquired a partnership interest in Advanced Validation Systems Limited Partnership ("AVS"). AVS provides lenders with, among other offerings, 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 FIRST QUARTER

Consolidated Statement of Income

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

	Three months ended	
	March 31, 2006	March 31, 2005
Sales	\$ 71,918	\$ 66,234
Cost of sales	42,310	39,300
Gross profit	29,608	26,934
Gross margin	41.2%	40.7%
Operating expenses	8,706	7,694
% of sales	12.1%	11.6%
Operating income	20,902	19,240
% of sales	29.1%	29.0%
Interest expense	695	889
Amortization expense	3,647	3,796
Net income	\$ 16,560	\$ 14,555
Net income per unit, basic and diluted	\$ 0.4367	\$ 0.3838

For the first quarter of 2006, sales increased by \$5.7 million, or 8.6%, when compared to the same quarter in the prior year. Two additional business days, program initiatives introduced in late 2005, including *iDefence*[™], and higher cheque orders in 2006 compared to a lower 2005 base were the main factors contributing to the significant increase. Specifically, in the first quarter of 2005, order volumes were negatively impacted by a delay in the submission of orders to Davis + Henderson by one of its larger customers. These delayed orders were subsequently received in the second quarter of 2005. Adjusting for the extra business days and delayed orders, the first quarter sales increase was in the range of 3% to 5% compared to the same quarter last year.

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 with fewer cheques, will somewhat mitigate the impact related to reduced cheque usage.

Sales include the impact of the proportionate consolidation of AVS financial results, which was nominal. The Business' average ownership of AVS for the first quarter of 2006 was 25.9%.

Gross profit for the first quarter of 2006 was \$29.6 million, an increase of \$2.7 million, or 9.9%, when compared to the first quarter of 2005. Gross margin increased to 41.2%

compared to the 40.7% margin experienced during the first quarter of 2005 and is in line with overall 2005 margins.

All sales and substantially all expenses relating to Davis + Henderson's U.S. cheque supply program are contracted for in U.S. dollars. As the net U.S. dollar contribution from this activity is relatively modest, the change in relative dollar valuations has not had an impact on gross profit.

Operating expenses in the first quarter of 2006 were \$8.7 million, an increase of \$1.0 million, or 13.2%, over the comparable period in the prior year. The increase relates to numerous factors including increased spending on technology related to technology infrastructure upgrade initiatives and overall corporate expenses. This level of spending is comparable to the level experienced in the last three quarters of 2005.

Commencing in late 2004, the Business increased its technology expenditures related to upgrading its information technology infrastructure. In 2004 and the early part of 2005, capital assets were purchased in support of this project. Later in 2005 and in 2006, expenditures on this project have continued but are primarily payments related to personnel activities in the technology area. These expenditures were recorded as operating expenses and were a contributing factor to the growth in operating expenses.

Operating income of \$20.9 million increased \$1.7 million, or 8.6%, compared with the same period last year. The change was a result of the combination of factors discussed above.

Net interest expense of \$0.7 million for the first quarter of 2006 was \$0.2 million less than that reported for the same quarter in the prior year. Lower net interest expenses reflect the lower net loan balances outstanding during the period.

Amortization decreased by \$0.1 million, or 3.9%, to \$3.6 million. The reduction in amortization relates to certain capital and other assets becoming fully amortized.

Income earned by the Business and distributed annually to unitholders is not subject to taxation in the Business, but is taxed at the individual unitholder level. The Fund and its subsidiaries are not anticipated to be subject to taxes as long as all taxable income generated by the Fund is paid to unitholders in the form of distributions. Accordingly, there are no provisions for income taxes recorded and no future income tax asset or liability is presented on the Fund's balance sheet. With respect to delivery of products and services under its U.S. cheque supply contract, the Business does not have a permanent

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

establishment in the U.S. for the purposes of determining tax liability and therefore does not have U.S. income tax liability.

Net income of \$16.6 million for the first quarter of 2006 increased \$2.0 million, or 13.8%, as compared with the same quarter in the previous year, primarily as a result of the sales increases referred to above.

Distributable Cash

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

	March 31, 2006	Three months ended March 31, 2005
Net income	\$ 16,560	\$ 14,555
Add:		
Amortization expense	3,647	3,796
	20,207	18,351
Less:		
Maintenance capital expenditures:		
Capital and other assets	1,548	1,519
Contract payments	1,250	1,250
Distributable cash	\$ 17,409	\$ 15,582
Distributions declared	\$ 13,993	\$ 13,651
Net income per unit	\$ 0.4367	\$ 0.3838
Distributable cash per unit	\$ 0.4591	\$ 0.4109
Distributions per unit	\$ 0.3690	\$ 0.3600

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. In the case of 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 as 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. For more information on customer contract obligations, see the "Cash Flows Used in Investing Activities" section.

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 income 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 calculations used by other income trusts.

Distributable cash of \$17.4 million for the first quarter, or \$0.4591 per unit, increased 11.7% over the same period last year. The increase was attributable to growth in net income before amortization. More detail concerning maintenance capital expenditures is provided under the "Cash Flow and Liquidity" section.

Declared distributions of \$14.0 million for the quarter ended March 31, 2006 represent an increase of \$0.3 million, or 2.5%, compared with the same period in 2005. The monthly distribution rate for March 2006 was \$0.1250 per unit, or \$1.50 annualized, as compared to \$0.1200 per unit, or \$1.44 per unit annualized, in March 2005.

Eight Quarter Consolidated Statement of Income – Summary

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

	2006				2005			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	\$71,918	\$69,232	\$69,845	\$71,226	\$66,234	\$69,068	\$69,065	\$68,864
Operating income	20,902	19,646	20,054	20,641	19,240	19,944	19,614	19,436
Net income	\$16,560	\$14,982	\$15,292	\$15,922	\$14,555	\$15,098	\$13,707	\$12,545
Net income per unit	\$0.4367	\$0.3951	\$0.4033	\$0.4199	\$0.3838	\$0.3981	\$0.3615	\$0.3308

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. The third quarter did not have the benefit of order volumes from a prior quarter and had one less business day than the second quarter and, as a result, sales were lower in the third quarter of 2005 than in the second quarter. The fourth quarter had two fewer business days than the third quarter, but the introduction of enhanced and repositioned products during the quarter increased the value of orders and

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

partially offset the impact of reduced order volume. The increase from the fourth quarter of 2005 to the first quarter of 2006 is primarily a result of three additional working days and the full effect of enhanced and repositioned products introduced during the fourth quarter of 2005.

Operating income has generally been trending consistently with modestly growing sales. Interest expense has been consistently falling as average loan balances decreased and contracted interest rates were reduced. Net income increased in the third quarter of 2004, as a result of reduced income taxes attributed to the change in corporate structure during July 2004.

Quarterly Distributable Cash¹

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

	2006				2005			2004
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Distributable cash	\$17,409	\$16,413	\$16,971	\$17,440	\$15,582	\$15,626	\$16,223	\$16,013
Distributions declared	\$13,993	\$13,879	\$13,803	\$13,651	\$13,651	\$13,530	\$13,287	\$13,287
Distributable cash								
per unit	\$0.4591	\$0.4328	\$0.4475	\$0.4599	\$0.4109	\$0.4121	\$0.4278	\$0.4223
Distributions declared								
per unit	\$0.3690	\$0.3660	\$0.3640	\$0.3600	\$0.3600	\$0.3568	\$0.3504	\$0.3504

¹ Distributable cash is a non-GAAP measure and is defined in the "Distributable Cash" section above.

In general, distributable cash from the Business showed growth through the quarters consistent with changing sales and operating income as previously described. Total distributable cash and distributable cash per unit increased through the quarters with some variation from quarter to quarter as a result of the timing of maintenance capital expenditures.

Cash generated from the Business has consistently funded all distributions and distributable cash has exceeded distributions each quarter.

CASH FLOW AND LIQUIDITY

Consolidated Statement of Cash Flows – Summary

(in thousands of Canadian dollars, unaudited)

	Three months ended	
	March 31, 2006	March 31, 2005
Cash flows from operating activities	\$ 18,358	\$ 13,406
Cash flows used for distributions	(13,879)	(13,652)
Cash flows used in other financing activities	–	(3,000)
Cash flows used for investing in capital and fixed payments pursuant to long-term supply contracts	(2,795)	(2,769)
Cash flows used in acquisition of business	(547)	–
Net change in cash	\$ 1,137	\$ (6,015)

The Business has continued to generate cash flow in excess of distributions. For the first quarter of 2006, this excess cash was more than sufficient to fund AVS acquisition obligations and other investing activities.

Cash Flows from Operating Activities

During the first quarter of 2006, the Business generated \$18.4 million in cash flow from operating activities, an increase of \$5.0 million compared to the same quarter in 2005. Approximately \$1.9 million of the increase was from increasing net income before amortization and \$3.1 million was from the difference in non-cash working capital items. The differences in non-cash working capital were mostly related to changes in payable balances within the two periods. In the first quarter of 2005, payables were reduced by \$3.5 million compared to a reduction of \$1.8 million during the first quarter of 2006. This difference is related to the timing of certain large payments and does not reflect a long-term change in working capital requirements.

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 first quarter of 2006 included distributions declared for the month of December 2005, but does not include amounts declared for March 2006 as this amount will not be paid until April 28, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The Fund paid distributions of \$13.9 million during the first quarter of 2006 compared to \$13.7 million for the same period in 2005. On a per unit basis, distributions paid during the first quarter of 2006 were \$0.3660, an increase of 1.7% over 2005.

During the first quarter of 2006, the Fund announced an increase in distributions to unitholders of record on March 31, 2006. Distributions were increased from \$0.1220 per unit (equivalent to \$1.46 per annum) to \$0.1250 per unit (equivalent to \$1.50 per annum).

The estimated tax allocation of distributions declared during the first quarter of 2006 was 91.8% other income and 8.2% return of capital. The 2005 tax allocation was 91.6% other income, and 8.4% 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 March 31, 2006 and April 24, 2006, 37,920,792 trust units were outstanding. This total amount has remained unchanged since April 2, 2002.

Cash Flows used in Other Financing Activities

Cash flows used in other financing activities for the first quarter of 2005 relate to the reduction of the Business' long-term indebtedness.

Cash Flows used in Investing Activities

Expenditures on Capital and Fixed Payments Pursuant to Long-Term Supply Contracts

(in thousands of Canadian dollars, unaudited)

	Three months ended	
	March 31, 2006	March 31, 2005
Maintenance capital:		
Machinery and equipment	\$ 107	\$ 88
Computer and software	1,299	1,386
Furniture, fixtures and leasehold improvements	142	45
	<u>1,548</u>	<u>1,519</u>
Contract payments, maintenance	1,250	1,250
Total maintenance expenditures	<u>2,798</u>	<u>2,769</u>
Non-maintenance capital	-	-
Contract payments, non-maintenance	-	-
Total non-maintenance expenditures	<u>-</u>	<u>-</u>
Total capital investments	<u>\$ 2,798</u>	<u>\$ 2,769</u>

The table above sets out capital expenditures, which include both capital assets and payments under customer contracts. The Business 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 as 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 related to the operation of the cheque supply and other programs.

The Fund's capital program provides for continued annual maintenance expenditures to be funded by cash flows from operations. Maintenance capital expenditures during the first quarter of 2006 of \$1.5 million were consistent with expenditures made during the first quarter of 2005. These expenditures have been generally applied toward direct ordering and other call centre technology, the implementation of new programs within the cheque supply business and the maintenance and upgrading of the Business' technology infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Non-maintenance expenditures support the development of new programs and services, major production efficiency initiatives and also include certain customer contract payments. There were no expenditures qualifying as non-maintenance in the first quarter of 2005 or 2006.

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 20 months ending January 2007. The step purchases are made at a price based on a formula that references the earnings of the AVS business. Effective April 28, 2005, the Fund entered into a unanimous shareholders' agreement, which provides for joint control over the business. As at March 31, 2006, the Fund owned 29.2% of the partnership units of AVS for which it paid \$3.8 million, including transaction costs.

Cash Balances and Long-term Indebtedness

The Business has continued to generate cash flow in excess of distributions. For the first quarter of 2006, this excess cash was more than sufficient to fund AVS acquisition obligations and all other investing activities.

At March 31, 2006, cash and cash equivalents totalled \$9.4 million, compared to \$8.3 million at December 31, 2005.

The total debt facilities available at March 31, 2006 remained 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 March 31, 2006, the Business had drawn \$50.0 million under the non-revolving term loan. The Business is permitted to draw on the revolving facility's available balance of \$40.0 million to fund capital expenditures or for other general corporate purposes.

As of March 31, 2006, the Fund had interest-rate swap hedge contracts in place with certain of its lenders, such that the borrowing rates on 68% of outstanding indebtedness are effectively fixed at the interest rates and for the time periods ending as follows:

Maturity Date	Notional Amount	Interest Rate ¹
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.

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, contractual obligations 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. The sales growth in the first quarter of 2006 in excess of the long-term target level primarily resulted from additional working days and the timing of receipt of customer cheque orders in the first quarter of 2005. As both 2005 and 2006 have the same number of business days for the full year and as all orders delayed in the first quarter of 2005 were subsequently processed in 2005, management expects 2006 growth will be consistent with the long-term objective of growing sales by 3% to 5%.

As set out in the Fund's statement of strategy, the objective is to grow profits by enhancing the value of the Business' cheque supply program, offering additional programs to serve the chequing account and delivering new programs to the lending accounts offered by the Business' 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 our *iDefence*[™] and *BizAssist*[™] programs relating to the chequing account and our personal property search and registration program related to the personal lending accounts of our customers.

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

The Business is expecting the gross margin level experienced in the first quarter of 2006 to be maintained for the balance of 2006 and operating expenses to increase modestly over 2005 levels.

The Business' capital program provides for continued annual maintenance expenditures to be funded by cash flows from operations. Currently, 2006 maintenance capital payments, including customer contract payments, are expected to be similar to the 2005 capital program.

Caution Concerning Forward-Looking Statements

This MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements") including those set out in the "Outlook" section above. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the

actual results, performance or achievements of the Business, or developments in Davis + Henderson's industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Davis + Henderson cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made.

Risks related to forward-looking statements include, among other things, challenges presented by declines in the use of cheques by consumers; the Fund's dependence on a limited number of large financial institutions and dependence on their acceptance of new programs; strategic initiatives being undertaken to meet the Fund's financial objective as well as general market conditions, including economic and interest rate dynamics and investor interest in, and government regulations relating to income trusts. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and Davis + Henderson does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

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.

April 24, 2006

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars, unaudited)

March 31, 2006 December 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 9,441	\$ 8,304
Accounts receivable	10,467	10,232
Inventory	5,357	5,158
Prepaid expenses	1,312	1,686
	<hr/>	<hr/>
	26,577	25,380
Capital assets (note 3)	22,009	22,376
Other assets (note 4)	7,211	8,297
Intangible assets (note 5)	7,630	7,962
Goodwill (note 6)	361,501	361,288
	<hr/>	<hr/>
	\$ 424,928	\$ 425,303

LIABILITIES AND UNITHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued liabilities	\$ 26,062	\$ 27,894
Distributions payable to unitholders	4,740	4,626
Current portion of disbursement obligations on customer contracts (note 7)	2,645	3,145
	<hr/>	<hr/>
	33,447	35,665
Disbursement obligations on customer contracts (note 7)	2,040	2,790
Long-term indebtedness (note 8)	50,000	50,000
Other long-term liabilities (note 9)	2,538	2,512
	<hr/>	<hr/>
	88,025	90,967

Unitholders' Equity:

Trust units (note 10)	365,385	365,385
Deficit	(28,482)	(31,049)
	<hr/>	<hr/>
	336,903	334,336

Commitments (note 11)

	<hr/>	<hr/>
	\$ 424,928	\$ 425,303

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



Paul Damp
Trustee



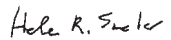
Gordon J. Feeney
Trustee



Allan Gotlieb
Trustee



Brad Nullmeyer
Trustee



Helen K. Sinclair
Trustee

CONSOLIDATED STATEMENTS OF INCOME

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

	March 31, 2006	Three months ended March 31, 2005
Sales	\$ 71,918	\$ 66,234
Cost of sales	42,310	39,300
	29,608	26,934
Operating expenses	8,706	7,694
	20,902	19,240
Interest expense	695	889
Amortization expense	3,647	3,796
Net income	\$ 16,560	\$ 14,555
Net income per unit, basic and diluted	\$ 0.4367	\$ 0.3838

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

CONSOLIDATED STATEMENTS OF DEFICIT

(in thousands of Canadian dollars, unaudited)

	March 31, 2006	Three months ended March 31, 2005
Deficit, beginning of period	\$ (31,049)	\$ (36,815)
Net income	16,560	14,555
Distributions	(13,993)	(13,651)
Deficit, end of period	\$ (28,482)	\$ (35,911)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	March 31, 2006	Three months ended March 31, 2005
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Net income	\$ 16,560	\$ 14,555
Add:		
Capital asset amortization expense	1,914	2,106
Other asset amortization expense	1,086	1,107
Intangible asset amortization expense	647	583
	20,207	18,351
Decrease in non-cash working capital items	(1,875)	(5,022)
Changes in other long-term liabilities	26	77
	18,358	13,406
FINANCING ACTIVITIES		
Repayment of long-term indebtedness	-	(3,000)
Distributions paid to unitholders	(13,879)	(13,652)
	(13,879)	(16,652)
INVESTING ACTIVITIES		
Expenditures on capital assets	(1,545)	(1,519)
Payments pursuant to long-term supply contracts	(1,250)	(1,250)
Acquisition of business (note 2)	(547)	-
	(3,342)	(2,769)
Increase (decrease) in cash and cash equivalents for the period	1,137	(6,015)
Cash and cash equivalents, beginning of period	8,304	10,258
Cash and cash equivalents, end of period	\$ 9,441	\$ 4,243
Supplementary information:		
Cash interest paid	\$ 845	\$ 1,624

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2006 and 2005

(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 by a declaration of trust dated November 6, 2001 and as amended and restated on July 23, 2004. The Fund holds indirectly all of 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 and other transaction account 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, under 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, 2005, which are included in the 2005 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, 2005.

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund, its wholly owned subsidiaries, consisting of D + H Holdings Trust, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 rating of customers and swap counterparties serviced or 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 and accrued liabilities, distributions payable to unitholders and 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 amount payable to or receivable from swap counterparties is included as an adjustment 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.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

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:

Machinery and equipment	10% to 20% declining balance
Computer, furniture and fixtures	10% to 30% 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 value of net tangible assets and identifiable intangible assets acquired.

Goodwill is not amortized but is tested for impairment annually.

Intangible Assets

Intangible assets are recorded at fair value and consist of rights related to cheque supply outsourcing contracts, proprietary software and service contracts. Intangible assets are amortized over the lesser of seven years or 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 the 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.

Income Taxes

The Fund is a mutual fund trust for income tax purposes. As such, the Fund is only taxable on any amount not allocated to unitholders. As all taxable income will be allocated to the unitholders, no provision for income taxes has been made in these consolidated financial statements. Income tax liabilities relating to distributions of the Fund are taxed in the hands of the unitholders.

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. The latest actuarial valuation of the post-retirement benefit plan was performed on January 1, 2005. The next valuation will be performed on January 1, 2008.

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

Related Parties

For the purposes of the financial statements, parties are considered related to the Fund if the Fund has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 20 months ending January 2007. The monthly purchases are 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. Effective April 28, 2005, the Fund entered into a unanimous shareholders' agreement, which provides for joint control over the business. As at March 31, 2006, the Fund owned 29.2% of the partnership units of AVS. The assets acquired and consideration given were as follows:

Assets acquired, at fair value:

Assets	\$ 230
Intangibles	1,444
Liabilities	(29)
Net assets acquired, at fair value	1,645
Goodwill	2,116
Total	\$ 3,761

Consideration for 29.2% ownership:

Cash	\$ 3,761
Total	\$ 3,761

3. CAPITAL ASSETS

	March 31, 2006		
	Cost	Accumulated amortization	Net
Machinery and equipment	\$ 14,395	\$ 5,793	\$ 8,602
Computer equipment and software	24,216	12,852	11,364
Furniture, fixtures and leasehold improvements	6,344	4,301	2,043
	\$ 44,955	\$ 22,946	\$ 22,009

	December 31, 2005		
	Cost	Accumulated amortization	Net
Machinery and equipment	\$ 14,289	\$ 5,502	\$ 8,787
Computer equipment and software	22,917	11,353	11,564
Furniture, fixtures and leasehold improvements	6,199	4,174	2,025
	\$ 43,405	\$ 21,029	\$ 22,376

Amortization during the three months ended March 31, 2006 was \$1,914 (Q1 2005 - \$2,105).

4. OTHER ASSETS

	March 31, 2006	December 31, 2005
Cost:		
Long-term supply contracts	\$ 12,903	\$ 12,903
Deferred charges and other	370	370
	13,273	13,273
Accumulated amortization	(6,062)	(4,976)
	\$ 7,211	\$ 8,297

Amortization during the three months ended March 31, 2006 was \$1,086 (Q1 2005 - \$1,107).

5. INTANGIBLE ASSETS

Intangible assets represent the fair 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 at March 31, 2006 are as follows:

	March 31, 2006	December 31, 2005
Cost	\$ 17,772	\$ 17,458
Accumulated amortization	(10,142)	(9,496)
	\$ 7,630	\$ 7,962

Amortization during the three months ended March 31, 2006 was \$ 647 (Q1 2005 - \$584).

6. GOODWILL

	March 31, 2006	December 31, 2005
Balance at beginning of period	\$ 361,288	\$ 359,385
Goodwill acquired during the period	213	1,903
Balance at end of period	\$ 361,501	\$ 361,288

7. DISBURSEMENT OBLIGATIONS ON CUSTOMER CONTRACTS

	March 31, 2006	December 31, 2005
Current portion	\$ 2,645	\$ 3,145
Long-term portion	2,040	2,790
Total disbursement obligations on customer contracts	\$ 4,685	\$ 5,935

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The Fund has fixed customer contract disbursement obligations payable as of March 31, 2006 as follows:

2006	\$	1,895
2007		1,395
2008		1,395
	\$	4,685

8. LONG-TERM INDEBTEDNESS

	March 31, 2006	December 31, 2005
Non-revolving term loan	\$ 50,000	\$ 50,000
Revolving credit facility	-	-
	\$ 50,000	\$ 50,000

The Fund has \$90.0 million of term credit facilities due January 24, 2009 (December 31, 2005 - \$90.0 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 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 March 31, 2006, the Fund has entered into interest-rate swap hedge contracts with its lenders, such that the borrowing rates on \$34.0 million, or 68%, of its outstanding term indebtedness are effectively fixed at interest rates of between 5.13% and 5.66% per annum for terms ending between June 30, 2007 and January 4, 2009. As of March 31, 2006, the fair value of outstanding interest-rate swaps was approximately \$0.3 million, which the Fund would receive if it were to close out the contracts (December 31, 2005 – the fair value of the outstanding interest-rate swaps was approximately \$0.1 million, which the Fund would be required pay if it were to close out the contracts).

9. OTHER LONG-TERM LIABILITIES

	March 31, 2006	December 31, 2005
Deferred compensation program	\$ 1,465	\$ 1,373
Employee future benefits	1,073	1,139
	\$ 2,538	\$ 2,512

The deferred compensation program is a long-term incentive plan for management, subject

to certain performance criteria and vesting terms, payable after December 31, 2008. This incentive plan was originally implemented on January 1, 2004 and was amended on November 28, 2005 to add incremental performance criteria and to extend the payment date by two years to December 31, 2008. 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 March 31, 2006 was \$0.4 million (Q1 2005 - \$0.3 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 are being amortized over three-and-one-half years and the actuarial losses are being amortized over six years. The components of post-retirement benefit costs recognized for the quarter ended March 31, 2006 are as follows:

	March 31, 2006	Three months ended March 31, 2005
Service cost - benefits earned	\$ 3	\$ 3
Interest cost	16	16
Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation for the year	68	67
Difference between amortization of past service costs and actual plan amendments for the year	(129)	(128)
Net non-pension post-retirement plan recovery	\$ (42)	\$ (42)

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 average number of units outstanding during quarter ended March 31, 2006 was 37,920,792 (Q1 2005 - 37,920,792).

11. COMMITMENTS

As of March 31, 2006, the Fund has annual lease obligations with respect to real estate, vehicles and equipment as follows for the years ending:

2006	\$ 2,551
2007	2,987
2008	2,576
2009	2,095
2010	2,096
Thereafter	977
	\$ 13,282

12. 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 March 31, 2006 were \$5,922 (Q1 2005 - \$5,893).

13. SIGNIFICANT CUSTOMERS

The Fund operates in one segment, an integrated service offering to Canadian financial institutions and their account holders. For the quarter ended March 31, 2006, the Fund earned 79% (Q1 2005 – 79%) of its sales from its six largest customers.

14. COMPARATIVE FIGURES

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

SUPPLEMENTARY FINANCIAL INFORMATION

Operating Results by Period¹

(in thousands of Canadian dollars, except per unit amounts, unaudited)	Three months ended March 31, 2006	Three months ended December 31, 2005	Three months ended September 30, 2005	Three months ended June 30, 2005	Three months ended March 31, 2005
Sales	\$ 71,918	\$ 69,232	\$ 69,845	\$ 71,226	\$ 66,234
Cost of sales	42,310	40,887	40,865	41,623	39,300
Operating expenses	8,706	8,699	8,926	8,962	7,694
Operating income	20,902	19,646	20,054	20,641	19,240
Interest expense	695	760	813	839	889
Amortization and income taxes	3,647	3,904	3,949	3,880	3,796
Net income	16,560	14,982	15,292	15,922	14,555
Add:					
Amortization expense	3,647	3,904	3,949	3,880	3,796
Cash flow from operations	20,207	18,886	19,241	19,802	18,351
Less: Maintenance capital expenditures:					
Capital and other assets	1,548	1,828	1,645	1,737	1,519
Contract payments	1,250	645	625	625	1,250
Distributable cash¹	\$ 17,409	\$ 16,413	\$ 16,971	\$ 17,440	\$ 15,582
Distributions declared	\$ 13,993	\$ 13,880	\$ 13,803	\$ 13,651	\$ 13,651
Net income per unit	\$ 0.4367	\$ 0.3951	\$ 0.4033	\$ 0.4199	\$ 0.3838
Cash flow from operations per unit	\$ 0.5329	\$ 0.4980	\$ 0.5074	\$ 0.5222	\$ 0.4839
Distributable cash per unit	\$ 0.4591	\$ 0.4328	\$ 0.4475	\$ 0.4599	\$ 0.4109
Distributions declared per unit	\$ 0.3690	\$ 0.3660	\$ 0.3640	\$ 0.3600	\$ 0.3600

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 income 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 Sheet

(in thousands of Canadian dollars, unaudited)	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Cash and cash equivalents	\$ 9,441	\$ 8,304	\$ 9,674	\$ 9,660	\$ 4,243
Other current assets	17,136	17,076	18,245	17,009	16,826
Capital and other assets	29,220	30,673	31,401	33,093	34,652
Goodwill and other intangible assets	369,131	369,250	369,538	369,610	368,056
	\$424,928	\$425,303	\$428,858	\$429,372	\$423,777
Payables and other current liabilities	\$ 32,697	\$ 35,665	\$ 35,703	\$ 34,181	\$ 30,373
Other long-term liabilities	5,328	5,302	5,921	6,446	6,930
Long-term indebtedness	50,000	50,000	54,000	57,000	57,000
Unitholders' equity	336,903	334,336	333,234	331,745	329,474
	\$424,928	\$425,303	\$428,858	\$429,372	\$423,777

Distribution History

Month	2006	2005	2004	2003	Distributions per unit ¹	
					2002	2001
January	\$ 0.1220	\$ 0.1200	\$ 0.1150	\$ 0.1117	\$ 0.1083	\$ -
February	0.1220	0.1200	0.1150	0.1117	0.1083	-
March	0.1250	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		0.1220	0.1168	0.1150	0.1117	-
November		0.1220	0.1200	0.1150	0.1117	-
December ²		0.1220	0.1200	0.1150	0.1117	0.0427
	\$ 0.3690	\$ 1.4500	\$ 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 Distributions paid in 2001 is in respect of the 12 calendar days from December 20, 2001 to December 31, 2001.

Tax Allocation of Distributions

	2006	2005	2004	2003	2002
Dividend income	0.0%	0.0%	15.0%	19.5%	16.9%
Other income	91.8%	91.6%	75.2%	69.5%	71.5%
Return of capital	8.2%	8.4%	9.8%	11.0%	11.6%
Total distributions for the period	100.0%	100.0%	100.0%	100.0%	100.0%

The above tax allocation of distributions for 2006 represents an estimate based on the total expected distributions for the year ended December 31, 2006. As a result of the July 2004 reorganization to a trust-on-trust-on-partnership structure, the 2005 and 2006 distributions do not have a dividend component.

Other Statistics

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

Quarter ended	Trading price range of units (TSX: "DHF.UN")			Average daily volume	Number of units outstanding at quarter end	Market capitalization at quarter end
	High	Low	Close			
2006 Q1	\$ 23.18	\$ 19.50	\$ 21.50	61	37,921	\$ 815,297
2005 Q4	24.00	16.32	23.19	92	37,921	879,383
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

Robert Cronin

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

C. Sanford McFarlane

Director and Officer
Vice Chairman
Davis + Henderson,
Limited Partnership

Catherine Martin

Officer
Chief Financial Officer,
Davis + Henderson,
Limited Partnership

EXECUTIVE TEAM

Robert Cronin

Chief Executive Officer

C. Sanford McFarlane

Vice Chairman

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@dhld.com

Corporate Office

Suite 201

939 Eglinton Avenue East

Toronto, Ontario M4G 4H7

Telephone: 416-696-7700

Facsimile: 416-696-9720

Website: www.dhld.com

Toronto Stock Exchange

Symbol

DHF.UN

Submissions of Concern

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 47577
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

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“Advanced Validation Systems” and “AVS” are trademarks of Advanced Validation Systems Limited Partnership.

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Code of Business Conduct and Ethics

Copies of the Fund’s Code of Business Conduct and Ethics can be found on the Fund’s website at www.dhltd.com or can be obtained by writing to:

The Secretary,
Davis + Henderson
Income Fund,
Suite 201,
939 Eglinton Avenue East,
Toronto, Ontario
M4G 4H7.

Copies of this Quarterly Report

Copies of this Quarterly Report can be found on the Fund’s website at www.dhltd.com or can be obtained by writing to:

The Secretary,
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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