Davis + Henderson
Income Fund

3RD Quarter Report

For the Three and Nine Months Ended September 30, 2007

Davis + Henderson Income Fund Reports Third Quarter 2007 Results; Announces Intention to Issue a Special Distribution and to Increase Monthly Distributions

Davis + Henderson Income Fund reported increases in revenue and cash flow for the three and nine months ended September 30, 2007 as the positive impact of program enhancements, strong activity in the mortgage and real estate markets and, for the first half of the year, higher than anticipated cheque order volumes, combined to produce above-target performance.

Davis + Henderson has declared a one-time special distribution of $0.20 per unit payable on November 30, 2007 to unitholders of record on November 15, 2007. The Fund also announced its intention to increase its distributions for the month of November 2007, payable on December 31, 2007, to $0.143 per unit (equivalent to $1.72 per unit annualized) subject to normal course regulatory requirements. This represents an 8.3% increase in the monthly distributions over distributions declared for the month of October 2007.

The increase in distributions recognizes the above-target year-to-date performance, the strong financial position of the Business and the need for the Fund to pay distributions sufficient to ensure the Fund itself is not taxable.

Further discussions can be found in the Management Discussion's and Analysis.

Third Quarter Highlights

- Revenue increased by $6.7 million, or 7.6%, to $94.7 million compared to the same quarter in 2006. This increase was the result of a $4.1 million, or 5.6%, increase for the Davis + Henderson segment and a $2.6 million, or 17.5%, increase for the Filogix Segment over the comparable prior year period.
- Net income per unit increased to $0.4750, or 32.3%, compared to the third quarter of 2006.
- Declared distributions in the third quarter of 2007 of $0.3960 per unit were 5.6% higher than in the third quarter of 2006.

Nine-Month Highlights

- Revenue increased by $52.0 million, or 22.1%, to $287.8 million compared to the same period in 2006. Of this increase, $30.4 million was driven by the inclusion of a full nine months of results for the Filogix Segment in 2007 compared with three and one half months in 2006 and by strong growth in origination fees in the Filogix Segment. The Davis + Henderson Segment reported above expected revenue growth of 9.9%, or $21.6 million, compared with the same period in 2006.

- Net income per unit increased to $1.4931, or 20.8%, compared to the first nine months of 2006.
- Declared distributions for the first nine months of 2007 of $1.1800 per unit were 5.5% higher than in the first nine months of 2006.

Management Commentary

The inclusion of the Filogix results for the full nine months of 2007, as compared to approximately three and a half months in 2006, had a significant impact on revenue and cash flows to date this year. As well, during the first nine months of 2007, the Business continued to benefit from solid contributions related to program initiatives, such as *iDefence*® and *BizAssist*®.

Additionally, two other significant factors contributed to above-target revenue growth for the nine-month period: (1) cheque order volumes were stronger than anticipated, including incremental reorders related to the changes in imaging standards on cheques; and (2) record real estate activity in 2007 has significantly increased mortgage origination and underwriting fees within the Filogix Segment. While both of these factors have influenced year-to-date results, they were less pronounced in the third quarter and in particular, cheque order volumes in the third quarter were directionally more in line with historical experience.

The increased reorder activity levels that lifted revenue in 2007 may contribute to reduced reorder volumes in future quarters, as consumers delay orders due to their recent cheque supply replenishments. Accordingly, while revenue growth to date in 2007 has been higher than the long-term growth objective, revenue growth in 2008 may be less than the 3% to 5% long-term objective.

Looking forward, Davis + Henderson remains committed to its long-term financial objective of growing distributions based on achieving revenue growth in the 3% to 5% range. With the addition of Filogix, Davis + Henderson has significantly strengthened its capabilities and the breadth of services it offers to the Canadian financial services marketplace. From Davis + Henderson's established platforms, management looks to increase value for customers and unitholders by building on Davis + Henderson's programs.

For a more detailed discussion of third quarter results, management's outlook and caution concerning forward-looking statements in this quarterly report, please see the Management's Discussion and Analysis.

About Davis + Henderson

Davis + Henderson and its predecessors have been serving the Canadian financial services industry since 1875. Through integrated service offerings, **Davis + Henderson** is a market leader in providing programs to customers who offer chequing account and lending services within Canada. **Davis + Henderson Income Fund** is listed on the Toronto Stock Exchange, symbol DHF.UN.

Further information can be found in the disclosure documents filed by **Davis + Henderson Income Fund** with the securities regulatory authorities, available on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") for the third quarter of 2007 should be read in conjunction with MD&A in the Davis + Henderson Income Fund's (the "Fund" or the "Business" or "Davis + Henderson") Annual Report for the year ended December 31, 2006, dated February 27, 2007 and the attached interim unaudited consolidated financial statements. External economic and industry factors remain substantially unchanged from the annual MD&A and the Fund's most recently filed Annual Information Form, unless otherwise stated.

STRATEGY

The Fund's financial goal is to deliver stable and modestly growing cash distributions to unitholders by targeting annual revenue growth in the range of 3% to 5% and maintaining margins. The Fund has three primary strategies to meet this financial goal. These are to: enhance the value of the Davis + Henderson cheque supply program; offer additional programs to serve the chequing account; and deliver programs within the lending services market. The Fund advances its strategies through internal (or organic) initiatives, as well as by partnering with third parties and by way of selective acquisitions.

In growing its cheque supply program as part of its first strategy, Davis + Henderson is focused on increasing value by continuously introducing product design alternatives, enhancing security components and combining other logical products and services into convenient and valuable packages for chequing account holders.

Other Davis + Henderson programs that serve the chequing account include a deposit program, which is directed towards small business account holders, and *eSwitch*®, a service that allows financial institutions to more easily move electronic pre-authorized payments and direct deposit authorizations between chequing accounts on behalf of account holders at the time of new account openings.

To advance its third key strategy, the Business acquired Filogix and Advanced Validation Systems Limited Partnership ("AVS" or "AVS L.P."). Among other services, Filogix provides processing services related to the origination and underwriting of mortgages in Canada. AVS, under Davis + Henderson's brand *CollateralGuard*™, provides lenders with, among other offerings, personal property search and registration programs across Canada. The addition of these business interests has created another business platform for Davis + Henderson.

Late in 2006, the Minister of Finance (Canada) released draft legislation, which would result in certain income trusts, including the Fund, paying taxes after fiscal 2010, similar to those paid by taxable Canadian corporations. These proposed amendments were enacted on

June 22, 2007. The payment of such taxes will, in the future, reduce the cash flow of the Fund, thereby reducing the amount available for distributions to unitholders. These changes have caused uncertainty in the capital markets and variability in the unit prices of many income trusts, including the Fund. This uncertainty and the related impacts may affect the Fund's ability to make future acquisitions. Since the announcement, management and the Trustees have monitored the changes in the income trust environment and continue to review potential impacts on the Fund's current strategies and the alternatives available to the Fund, consistent with protecting and enhancing unitholder value.

FINANCIAL INFORMATION PRESENTATION

The Fund's results for the quarter ended September 30, 2007 include the results of the Filogix business acquired on June 15, 2006. The inclusion of Filogix had a significant impact on the financial results and has also resulted in changes to the form of Davis + Henderson's disclosures.

With the acquisition of Filogix, the Fund now operates in two business segments, the "Davis + Henderson Segment" and the "Filogix Segment". The Davis + Henderson Segment includes the cheque supply program, deposit program, *eSwitch* and the personal property search and registration programs, among other offerings. The Filogix Segment includes services related to the origination and underwriting of mortgages in Canada, among other offerings. Corporate expenses have also been segmented and include expenditures related to public company activities, a share of executive corporate management costs and certain other corporation-wide costs.

OPERATING RESULTS FOR THE THIRD QUARTER

Consolidated Statement of Income

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

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Revenue	**$ 94,676**	$ 87,966	**$ 287,817**	$ 235,784
Cost of sales and operating expenses	**63,425**	62,754	**194,211**	166,759
Amortization of capital and other assets	**3,884**	3,752	**11,335**	10,038
	27,367	21,460	**82,271**	58,987
Interest expense	**1,982**	2,248	**6,333**	3,830
Net unrealized loss (gain) on interest rate swaps	**957**	–	**(1,563)**	–
Amortization of intangible assets	**3,347**	3,339	**9,912**	4,982
Minority interest	**205**	88	**518**	113
Income before income taxes	**20,876**	15,785	**67,071**	50,062
Future income taxes expense	**–**	–	**1,454**	–
Net income	**$ 20,876**	$ 15,785	**$ 65,617**	$ 50,062
Net income per unit, basic and diluted	**$ 0.4750**	$ 0.3592	**$ 1.4931**	$ 1.2364

The results of the nine months ended September 30, 2006 included financial results of Filogix for the period of June 15, 2006 to September 30, 2006.

Operating Results by Business Segment

(in thousands of Canadian dollars, unaudited)

Three months ended

	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006
Revenue	**$ 77,164**	$ 73,061	**$ 17,512**	$ 14,905	**$ –**	$ –	**$ 94,676**	$ 87,966
Percentage change	*5.6%*		*17.5%*		*–*		*7.6%*	
Cost of sales and operating expenses	**54,138**	51,381	**8,721**	10,898	**566**	475	**63,425**	62,754
Amortization of capital and other assets	**2,495**	2,656	**1,389**	1,096	**–**	–	**3,884**	3,752
	20,531	19,024	**7,402**	2,911	**(566)**	(475)	**27,367**	21,460
Percentage change	*7.9%*		*154.3%*		*19.2%*		*27.5%*	
Interest expense	**–**	–	**–**	–	**1,982**	2,248	**1,982**	2,248
Net unrealized loss (gain) on interest rate swaps	**–**	–	**–**	–	**957**	–	**957**	–
Amortization of intangible assets	**864**	855	**2,483**	2,484	**–**	–	**3,347**	3,339
Minority interest	**205**	88	**–**	–	**–**	–	**205**	88
Income before income taxes	**19,462**	18,081	**4,919**	427	**(3,505)**	(2,723)	**20,876**	15,785
Future income taxes expense	**–**	–	**–**	–	**–**	–	**–**	–
Net income	**$ 19,462**	$ 18,081	**$ 4,919**	$ 427	**$ (3,505)**	$ (2,723)	**$ 20,876**	$ 15,785

								Nine months ended
	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006
Revenue	**$239,845**	$218,251	**$ 47,972**	$ 17,533	**$ –**	$ –	**$287,817**	$235,784
Percentage change	*9.9%*		*Note 1*		–		*22.1%*	
Cost of sales and operating expenses	**166,007**	152,718	**26,289**	12,572	**1,915**	1,469	**194,211**	166,759
Amortization of capital and other assets	**7,161**	8,747	**4,174**	1,291	**–**	–	**11,335**	10,038
	66,677	56,786	**17,509**	3,670	**(1,915)**	(1,469)	**82,271**	58,987
Percentage change	*17.4%*		*Note 1*		*30.4%*		*39.5%*	
Interest expense	**–**	–	**–**	–	**6,333**	3,830	**6,333**	3,830
Net unrealized loss (gain) on interest rate swaps	**–**	–	**–**	–	**(1,563)**	–	**(1,563)**	–
Amortization of intangible assets	**2,463**	2,113	**7,449**	2,869	**–**	–	**9,912**	4,982
Minority interest	**518**	113	**–**	–	**–**	–	**518**	113
Income before income taxes	**63,696**	54,560	**10,060**	801	**(6,685)**	(5,299)	**67,071**	50,062
Future income taxes expense	**–**	–	**–**	–	**1,454**	–	**1,454**	–
Net Income	**$ 63,696**	$ 54,560	**$ 10,060**	$ 801	**$ (8,139)**	$ (5,299)	**$ 65,617**	$ 50,062

Note 1: The results of the nine months ended September 30, 2006 included financial results of Filogix for the period of June 15, 2006 to September 30, 2006 and accordingly, the year-over-year growth percentages are not provided as they do not compare equivalent time periods.

Revenue

Total revenue for the third quarter of 2007 increased by $6.7 million, or 7.6%, to $94.7 million when compared to the third quarter of 2006. This increase reflects a $4.1 million, or 5.6%, increase for the Davis + Henderson Segment and a $2.6 million, or 17.5%, increase for the Filogix Segment over the comparable 2006 period.

For the nine-month period ended September 30, 2007, total revenue increased by $52.0 million, or 22.1%, when compared to the first nine months of 2006. The Davis + Henderson Segment contributed $21.6 million to this increase with the remaining balance of $30.4 million attributable to the Filogix Segment. The significant growth in the Filogix Segment was due to the inclusion of a full nine months of results for the Filogix Segment in 2007 versus only a partial period in 2006 (commencing on the date of acquisition on June 15, 2006) and from strong activity in the mortgage and real estate market.

The revenue growth rates achieved by the Business for both the three-month and the nine-month periods were higher than the long-term objective of 3% to 5%, even after considering the impact of the short reporting period for the Filogix Segment in 2006.

Within the Davis + Henderson Segment, during the three and nine month periods, growth was provided by contributions related to program initiatives, such as *iDefence®* and *BizAssist®* and to a lesser extent, from increased ownership of the AVS business, the expansion of personal property search and registration programs and growth in *eSwitch* volumes related to customer promotional programs. In addition, stronger than expected cheque order volumes including incremental reorders related to the changes in imaging standards on cheques contributed to growth rates exceeding the Fund's overall long-term objectives.

Historically, cheque order volumes have, on average, declined annually by low single digit percentages as a result of declining cheque usage. In the first nine months of 2007, the Davis + Henderson Segment did not experience this decline and, for the first six months of 2007, overall cheque order volume was higher than in the prior year. These stronger than anticipated order volumes are believed to be the result of increased customer promotional activities, the continuing movement of consumers to orders with fewer cheques and changes in the imaging standards required for cheques produced in Canada, which generated incremental and accelerated reorders. In the first quarter of 2007, these incremental reorders related primarily to one financial institution, but during the second quarter, orders were increasing from many of our financial institution customers. In the third quarter, order activity was directionally more in line with historical experience and management believes there were fewer accelerated reorders. Management further believes that many of these accelerated reorders would otherwise have been received in future periods pursuant to normal reorder cycles.

As well, management believes that declining cheque usage will continue to contribute to declining cheque orders as it has in the past. Additionally, it is believed that the acceleration of reorders, as described above, may contribute to higher than historically observed average declines in future quarters, reducing revenues in such periods.

During the three and nine-month periods, the Filogix Segment's revenue was stronger than expected as the Business benefited from the strong real estate market, although the impact was less pronounced in the third quarter of 2007. Including 2006 revenue earned by Filogix prior to its acquisition by the Fund, origination services revenue, which represent a substantial share of overall revenues, was up 27.8% year-over-year for the three-month period ended September 30, 2007, and 34.6% year-over-year for the nine-month period. Total revenue for the third quarter of 2007 for the Filogix Segment was up 17.5% compared with the same quarter in 2006, reflecting growth in the origination and other transaction based revenues and reduced revenues from project implementation and customization services, which were significantly lower in 2007 as compared to 2006.

Cost of Sales and Operating Expenses

On a consolidated basis, cost of sales and operating expenses for the third quarter of 2007 increased by $0.7 million, or 1.1%, compared to the third quarter of 2006. Direct and operating expenses for the Davis + Henderson Segment and corporate expenses increased by $2.9 million, or 5.5%, partially offset by a $2.2 million, or 20.0%, decrease in expenses for the Filogix Segment.

Most of the Davis + Henderson Segment and corporate year-over-year expense increase of 5.5% was related to increased revenues and to project implementation costs in 2007.

Filogix operating costs, in general, are not directly correlated with increases or decreases in revenues. The year-over-year decrease in operating costs during the third quarter of 2007 compared to the third of quarter 2006 is primarily attributed to large project costs incurred in 2006. Certain of these costs were billable to customers as described above.

For the first nine months of 2007, consolidated cost of sales and operating expenses increased by $27.5 million, or 16.5%, when compared to the first nine months of 2006. The Filogix Segment accounted for $13.7 million of the increase and the Davis + Henderson Segment, along with corporate expenses, accounted for the remaining $13.8 million.

While most of the expense increase in the Davis + Henderson Segment related directly to revenue growth, the segment also had increased spending on information technology related to infrastructure upgrade initiatives, enhancing the overall internal computing environment and project implementations.

The expense increase in the Filogix Segment for the nine-month period was largely a result of its inclusion for nine months in 2007 versus three and half months in 2006. Within the Filogix Segment, margins were stronger in 2007 compared to 2006 and stronger than expectations. During 2007, Filogix benefited from strong growth in origination revenues with relatively unchanged expenses from quarter to quarter in 2007. The Business expects to increase expenses within the Filogix Segment in support of further product enhancements and strengthening the general delivery capabilities of the Business. The increased expenses will commence in the fourth quarter of 2007 and will continue to grow in 2008. Accordingly, margins are expected to be reduced from the level recorded in 2007.

While Davis + Henderson operates primarily in Canada, the Business also services a U.S. subsidiary of one of its Canadian customers. All revenue and substantially all expenses relating to the 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 a meaningful impact on the results of the Business.

Other Expenses and Net Income

Amortization of capital and other assets on a consolidated level increased by $0.1 million, or 3.5%, to $3.9 million compared to the third quarter of 2006. Increased capital asset amortization in the Filogix Segment of $0.3 million was related to capital additions. This increase was partially offset by a decline in expense in the Davis + Henderson Segment of $0.2 million, related to certain capital and other assets having become fully amortized. Similarly, for the first nine months of 2007, amortization of capital and other assets on a consolidated basis was $11.3 million, an increase of $1.3 million compared to the first nine months of 2006, with the Filogix Segment increase of $2.9 million partially offset by a decrease in amortization for the Davis + Henderson Segment of $1.6 million, as described above.

Interest expense decreased by $0.3 million for the third quarter of 2007 compared to the same quarter in the prior year reflecting $20.0 million of debt repayments made over the past twelve months. For the first nine months of 2007, interest expense was $2.5 million higher than the comparable 2006 period. This increase reflected the draw down of additional debt for the acquisition of the Filogix business late in the second quarter of 2006. Included in these increases were $0.2 million and $0.5 million, respectively for the third quarter and first nine months of 2007, of amortization of net losses in fair market value of interest-rate swaps that were deferred prior to January 1, 2007. Commencing January 1, 2007, the Business no longer designates its interest-rate swaps as hedges for accounting purposes.

An unrealized loss on interest-rate swaps of $1.0 million was recognized for the third quarter of 2007 reflecting mark-to-market adjustments related to generally lower interest rates at September 30, 2007 compared to June 30, 2007. An unrealized gain on interest-rate swaps of $1.6 million was recognized for the nine months ended September 30, 2007 reflecting the change in fair value of the interest-rate swaps during such period. These unrealized gains and losses were recognized in income, as these swaps are no longer designated as hedges for accounting purposes. For further discussion on the amortization of net losses in fair market value and the net gain or loss from change in fair value of interest-rate swaps, see the Changes in Accounting Policy section.

Amortization of intangibles in the third quarter of 2007 is comparable with the same quarter last year but increased by $4.9 million during the first nine months of 2007 when compared to the first nine months of 2006. This increase for the nine-month period primarily related to incremental intangible assets arising on the purchase of the Filogix business. These intangible assets consist of rights related to customer relationships, brand names and proprietary software and are amortized on a straight-line basis over periods ranging from 10 to 15 years.

During the second quarter of 2006, the Fund increased its ownership in AVS to 75%. The acceleration of the ownership interest in AVS was initiated by the Business so as to better serve customers on an integrated basis. With the increased ownership, the Business now fully consolidates the results of AVS. The minority interest recorded in the consolidated statement of income represents the 25% interest in the earnings of AVS that do not accrue to the Business.

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 until 2011, as long as all taxable income generated by the Fund is paid to unitholders in the form of distributions. In 2011 and subsequent years, the Fund will pay a tax on its distributions at a rate of 31.5%. As the new tax rules were enacted late in June 2007, the Fund is required under Canadian GAAP to recognize future income tax assets and liabilities, with a corresponding impact on future income tax expense or recovery based on the temporary differences expected to reverse after the date the tax is effective. Accordingly, the Fund recognized a future income tax liability and a corresponding non-cash future income tax expense of $1.5 million during the second quarter of 2007.

With respect to delivery of products and services under its U.S. cheque supply contract, the Business does not have a permanent 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 $20.9 million for the third quarter of 2007 represents an increase of $5.1 million compared to the third quarter of 2006. Net income of $0.4750 per unit increased by $0.1158 per unit. For the nine-month period ended September 30, 2007, net income was $65.6 million, or $1.4931 per unit. This represents an increase of $15.6 million, or $0.2567 per unit.

Eight Quarter Consolidated Statement of Income – Summary

(in thousands, except per unit amounts, unaudited)

			2007				2006	2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**$94,676**	$101,992	$91,149	$87,932	$87,966	$75,900	$71,918	$69,232
Net income	**$20,876**	$ 26,520	$18,221	$16,467	$15,785	$17,717	$16,560	$14,982
Net income per unit	**$0.4750**	$ 0.6035	$0.4146	$0.3747	$0.3592	$0.4477	$0.4367	$0.3951
Weighted average units outstanding	**43,947**	43,947	43,947	43,947	43,947	39,576	37,921	37,921

The Fund has generally reported quarterly revenues that are stable and growing. The significant increase in revenue from the second to third quarter of 2006 is primarily a result of the inclusion of the Filogix Segment revenue beginning in mid-June 2006. For most of 2007, reported revenues benefited from higher than expected order volume and mortgage origination fees as described previously. The impact of the higher than expected order volume was most pronounced in the second quarter of 2007.

Net income and net income per unit has generally been trending consistently with changing revenue with one exception. Commencing in the third quarter of 2006 and continuing thereafter, as a result of the acquisition of Filogix, the Business incurred increased amortization of intangible assets expense and both net income and net income per unit were impacted accordingly.

Management believes that consolidated Davis + Henderson results will be subject to seasonality with the inclusion of revenue from the Filogix Segment. Historically, Filogix has recorded stronger results in the second and third quarters. Additionally, the accelerated and incremental orders received within the Davis + Henderson Segment related to the changes in imaging standards, as previously described, may cause increased variability in revenue and cash flows.

CASH FLOW AND LIQUIDITY

Non- GAAP Measures

The following table is derived from, and should be read in conjunction with, the consolidated statement of cash flows. Management believes this supplementary disclosure provides useful additional information related to the cash flows of the Fund, repayment of debt and other investing activities. Certain subtotals presented within the cash flows table below, such as "Adjusted cash flows from operating activities", and "Adjusted cash flows after capital assets and contract expenditures" are not defined terms under Canadian generally accepted accounting principles ("GAAP"). Management uses these subtotals as measures of internal performance and as a supplement to the consolidated statement of cash flows. Investors are cautioned that these measures should not be construed as an alternative to using net income as a measure of profitability or as an alternative to the GAAP consolidated statement of cash flows. Further, the Fund's method of calculating each balance may not be comparable to calculations used by other income trusts bearing the same description.

Summary of Cash Flows

(in thousands of Canadian dollars, unaudited)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Cash flows from operating activities	**$ 28,802**	$ 22,786	**$ 85,260**	$ 67,643
Add (deduct):				
Changes in non-cash working capital and other items (note 1)	**425**	90	**2,010**	(2,561)
Adjusted cash flows from operating activities	**29,227**	22,876	**87,270**	65,082
Less:				
Expenditures on capital assets – maintenance (note 2)	**2,705**	997	**7,549**	3,919
Expenditures on capital assets – growth (note 2)	**68**	884	**251**	1,295
Contract payments (note 3)	**1,825**	800	**3,342**	2,676
Adjusted cash flows after capital assets and contract payments (note 2)	**24,629**	20,195	**76,128**	57,192
Distributions paid to unitholders	**17,403**	16,479	**51,681**	44,579
Adjusted cash flows after capital, contract payments and distributions paid	**7,226**	3,716	**24,447**	12,613
Changes in non-cash working capital and other items (note 1)	**(425)**	(90)	**(2,010)**	2,561
Distributions paid to minority interest	**(255)**	–	**(255)**	–
Cash flows provided by (used in) other financing activities	**(5,000)**	–	**(15,000)**	207,749
Cash flows used in acquisition of businesses and customer service contracts	**(837)**	660	**(746)**	(222,334)
Increase in cash and cash equivalents for the period	**$ 709**	$ 4,286	**$ 6,436**	$ 589

Note 1: Changes in non-cash working capital and certain other balance sheet items have been excluded from adjusted cash flows from operating activities so as to remove the effects of timing differences in cash receipts and cash disbursements, which generally reverse themselves but can vary significantly across quarters. Minority interest and changes to other long-term liabilities are deducted to arrive at adjusted cash flows. For details, see the Changes in Non-Cash Working Capital and Other Items section.

Note 2: Maintenance capital expenditures are defined by the Fund as capital expenditures necessary to maintain and sustain the current productive capacity of the Business or generally improve the efficiency of the Business. Growth capital expenditures are defined by the Fund as capital expenditures that increase the productive capacity of the Business with a reasonable expectation of an increase in cash flow.

Note 3: The Business has various payment obligations under customer contracts, which include fixed contract or program initiation payments and annual payments payable over the life of the contract. The aggregate of all contract payments, both fixed and variable, reflects, 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.

Summary of Cash Flows Per Unit

(in Canadian dollars, unaudited)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Adjusted cash flows from operating activities	$ **0.6651**	$ 0.5205	$ **1.9858**	$ 1.6073
Adjusted cash flows after capital expenditures and contract payments	$ **0.5604**	$ 0.4595	$ **1.7323**	$ 1.4125
Distributions paid to unitholders	$ **0.3960**	$ 0.3750	$ **1.1760**	$ 1.1160
Distributions declared during period	$ **0.3960**	$ 0.3750	$ **1.1800**	$ 1.1190

	Per unit % change	
	Three months ended September 2007 vs. September 2006	Nine months ended September 2007 vs. September 2006
Adjusted cash flows from operating activities	**27.8%**	23.5%
Adjusted cash flows after capital expenditures and contract payments	**22.0%**	22.6%
Distributions paid to unitholders	**5.6%**	5.4%
Distributions declared during period	**5.6%**	5.5%

Cash Flows, Net Income and Distributions Paid

The following table compares cash flows from operating activities and net income to distributions paid for the three and nine-month periods ended September 30, 2007 and for the years ended December 31, 2006 and 2005.

(in thousands of Canadian dollars, unaudited)	Three months ended September 30, 2007	Nine months ended September 30, 2007	Year ended December 31, 2006	Year ended December 31, 2005
Cash flows from operating activities	$ **28,802**	$ 85,260	$ 89,753	$ 76,844
Net income	$ **20,876**	$ 65,617	$ 66,529	$ 60,751
Distributions paid to unitholders	$ **17,403**	$ 51,681	$ 61,191	$ 54,910
Excess of cash flows from operating activities over cash distributions paid	$ **11,399**	$ 33,579	$ 28,562	$ 21,934
Excess of net income over cash distributions paid	$ **3,473**	$ 13,936	$ 5,338	$ 5,841

Excess cash flows from operating activities over cash distributions paid have been used to fund capital expenditures, pay down debt and to fund acquisitions.

Capital Asset Expenditures

Total capital asset expenditures for the third quarter of 2007 were $2.8 million, an increase of $0.9 million, compared to the third quarter of 2006. The Filogix Segment accounted for $0.1 million of the increase, with the balance of the increase, $0.8 million, attributable to the Davis + Henderson Segment.

For the first nine months of 2007, total capital expenditures increased by $2.6 million compared to the first nine months of 2006. The Filogix Segment accounted for $1.9 million of the increase and the Davis + Henderson Segment accounted for $0.7 million of the increase.

The Business' 2007 capital program is expected to be in the range of $14.0 million to $16.0 million. Most of the increase in 2007 over 2006 arises as a result of including a full-year capital program for the Filogix Segment and also reflects continued investment in both the Davis + Henderson and the Filogix Segments' technology infrastructure. The level of investment in 2008 required to maintain, sustain and grow the productive capacity of the Business is expected to be comparable to the 2007 expenditures. The Business' capital program provides for continued expenditures to be funded by cash flows from operations.

Distributions

The Fund paid distributions of $17.4 million ($0.3960 per unit) during the third quarter of 2007 and $51.7 million ($1.1760 per unit) in the first nine months of 2007 compared to $16.5 million ($0.3750 per unit) and $44.6 million ($1.1160 per unit), respectively, for the same periods in 2006. In June 2006, the Fund issued 6,026,000 additional units to finance the Filogix acquisition. On a per unit basis for the three and nine months ended September 30, 2007, distributions paid increased by 5.6% and 5.4%, respectively, when compared to the same periods in 2006.

Distributions paid can be different than distributions declared during a period. 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. On a declared basis, the year-over-year increase in distributions per unit was 5.6% and 5.5% for the three and nine-month periods ended September 30, 2007 respectively.

On an annualized basis, the monthly distribution rate for September 2007 was $1.58 per unit as compared to $1.50 per unit annualized in September 2006, representing an increase of 5.6%.

In general, mutual fund trusts, like the Fund, must distribute all their taxable income to their unitholders in order not to pay income taxes in the trust. Historically, Davis + Henderson has paid distributions below the level of adjusted cash flows after capital asset and contract expenditures generated and has not paid taxes as the Business had excess tax deductions available to eliminate taxable income.

As previously referred to above, Davis + Henderson has recorded higher than expected revenues, cash flow and net income in 2007 due to a number of factors including incremental cheque orders and a stronger than anticipated mortgage and real estate market. As a result, and in recognition of the Fund's intention to pay distributions sufficient to ensure no taxable income remains within the Fund, the Fund has declared a one-time special distribution in the amount of $0.20 per unit payable on November 30, 2007 to unit holders of record on November 15, 2007. In addition, the Fund has announced its intent to increase its regular monthly distribution for November, payable on December 31, 2007 to $0.143 per unit (equivalent to $1.72 per unit annualized) subject to normal course regulatory requirements. This represents an 8.3% increase in distributions declared over the month of October 2007.

If the Business continues to generate growing cash flow and net income, and in combination with expected diminishing deductions for tax purposes, the Fund may pay out a higher proportion of the cash flows it generates to unitholders in order not to pay taxes in the trust.

The estimated tax allocation of distributions declared for 2007 is 100% "other income", as was the case for all of 2006.

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, 2007 and October 30, 2007, 43,946,792 trust units were outstanding. This reflects the issuance of an additional 6,026,000 trust units on June 15, 2006 in exchange for subscription receipts issued on June 6, 2006, which was the first new issuance of units by the Fund since April 2, 2002.

Changes in Non-Cash Working Capital and Other Items

(in thousands of Canadian dollars, unaudited)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Minority interest	$ **205**	$ 88	$ **518**	$ 113
Decrease (increase) in non-cash working capital items	**(701)**	(268)	**(2,707)**	2,281
Changes in other operating assets and liabilities	**71**	90	**179**	167
Changes in non-cash working capital and other items	$ **(425)**	$ (90)	$ **(2,010)**	$ 2,561

The increase in non-cash working capital items for the three months ended September 30, 2007 was primarily related to decreases in trade payables reflecting normal course timing differences of when payments are made.

The increase for the nine-month period ended September 30, 2007 was primarily related to an increase in trade receivables in the Filogix Segment reflecting the increase in revenue between the fourth quarter of 2006 and the third quarter of 2007, consistent with expected seasonal fluctuations, and is expected to reverse in the upcoming periods.

Cash Balances and Long-term Indebtedness

At September 30, 2007, cash and cash equivalents totalled $12.2 million, compared to $5.8 million at December 31, 2006. The Business has continued to generate operating cash flow in excess of distributions, capital expenditures and contractual obligations.

The balance of long-term indebtedness as at September 30, 2007 was $130.0 million. During the third quarter and year-to-date in 2007, the Business made voluntary debt payments totalling $5.0 million and $15.0 million, respectively. Management expects to continue to use a portion of any future excess cash flow to pay down debt. The long-term indebtedness is recorded on the Balance Sheet net of $1.0 million of unamortized deferred financing fees.

Total debt facilities available at September 30, 2007 and December 31, 2006 were $170.0 million and include a $120.0 million non-revolving term loan and a $50.0 million revolving term credit facility. As of September 30, 2007, the Business had drawn $120.0 million under its non-revolving term loan and $10.0 million under the revolving term credit facility. 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. The credit facilities mature on June 15, 2011.

The Credit Agreement for the Business contains a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a leverage test, a fixed charge coverage ratio test, a minimum net worth test and a limit on the maximum amount of distributions that may be made by Davis + Henderson, Limited Partnership to the Fund during each rolling, four-quarter period. Davis + Henderson was in compliance with all of its financial covenants and financial condition tests as of the end of its latest quarterly period. A copy of the Credit Agreement is available on SEDAR at www.sedar.com.

As of September 30, 2007, the Fund had interest-rate swap hedge contracts in place with certain of its lenders, such that the borrowing rates on 92.3% of outstanding indebtedness are effectively fixed at the interest rates and for the time periods ending as follows:

(in thousands of Canadian dollars, unaudited)		Fair value – Interest rate swaps		
Maturity Date	Notional Amount	Asset	Liability	Interest Rate[1]
June 30, 2008	$ 12,000	$ 40	$ –	5.035%
January 4, 2009	10,000	129	–	4.505%
July 15, 2009	20,000	–	110	5.688%
July 15, 2010	33,000	–	209	5.690%
June 15, 2011	20,000	–	53	5.560%
June 15, 2011	25,000	–	42	5.560%
	$ 120,000	$ 169	$ 414	

[1] The listed interest rates are inclusive of banker's acceptance fees currently in effect. Such fees could increase or decrease depending on the Fund's financial leverage as compared to certain levels specified in the Credit Agreement.

Pursuant to new accounting pronouncements implemented with effect from January 1, 2007, the fair value of the interest-rate swaps is now recorded on the Balance Sheet. For a further description of this accounting treatment, see the Changes in Accounting Policy section.

At September 30, 2007, the Fund would pay the fair value of $0.2 million if it were to close out all of its swap contracts. It is not the present intention of the Fund to close out these contracts.

The Fund expects to continue to enter into interest-rate swaps for the purpose of hedging interest rates.

The Fund's remaining indebtedness is subject to floating interest rates that may be funded either by way of prime-rate loans or through the issuance of banker's acceptance 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 5.51% as at September 30, 2007.

The Fund intends to make monthly cash distributions of its adjusted cash flows after capital asset and contract expenditures, as defined in the Fund's Declaration of Trust, subject to working capital requirements, debt repayments and other reserves.

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, capital expenditures, contractual obligations and anticipated distributions.

CHANGES IN ACCOUNTING POLICY

The Fund reviews all revisions to the Canadian Institute of Chartered Accountants ("CICA") Handbook when issued. All revisions are considered and applied by the effective date or earlier if practical.

On January 1, 2007, the Business adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 3855 "Financial Instruments – Recognition and Measurement", 1530 "Comprehensive Income" and 3251 "Equity".

These standards require that all financial assets be classified as "trading", "designated at fair value", "available for sale", "held to maturity", or "loans and receivables". In addition, the standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale equities that do not have quoted market values in an active market. As required, these standards have been applied on a prospective basis and accordingly, the recording of an adjustment to opening Deficit and the recognition of Accumulated Other Comprehensive Income (Loss) ("AOCI") have been made. As a result, the Deficit balance decreased by $0.1 million and AOCI increased by $2.2 million. Prior period balances have not been restated.

On June 12, 2007, with the third reading of Bill C-52, which contained the new tax rules regarding the taxation of income trusts, including the Fund, the new tax rules were considered to be substantively enacted under Canadian GAAP. As a result, the Fund commenced accounting for tax changes in its June 30, 2007 interim reporting. A future income tax liability of $1.5 million was recognized with a corresponding amount flowing through the Fund's income for the quarter ended June 30, 2007. The liability represents estimated temporary differences at June 30, 2007 that are expected to reverse starting in the fiscal year 2011.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Fund and its subsidiaries have designed and maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms.

The Fund and its subsidiaries have also designed and maintain a set of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Fund's internal controls over financial reporting during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

OUTLOOK

Davis + Henderson's overall long-term objective is to deliver stable and modestly growing distributions through growing revenue in the 3% to 5% range and maintaining margins. In 2007, revenues are expected to grow in excess of the targeted range, in part, as a result of the consolidation of the Filogix business. Also, as previously described, two additional factors have contributed in 2007 to organic growth exceeding the targeted range: the incremental revenue in the first half of 2007 from accelerated cheque reorders related to the changes in imaging standards; and, the record real estate and mortgage activity in 2007 which has, to date, contributed to strong growth in fee revenue in the Filogix Segment. The increased reorder activity levels experienced earlier in 2007 may, in future quarters, contribute to higher than historically observed average volume declines as consumers delay orders due to recent cheque supply replenishments. Additionally, the increased activity within the real estate and mortgage markets may not be sustained due to the historical cyclical nature of those markets. The combined impact of these factors may result in revenue growth in 2008 being below the targeted long-term range of 3% to 5%.

In addition, while the Fund's long-term objective is to modestly grow distributions supported by growing revenue, distribution levels can be influenced by the level of taxable income generated in the Fund as the Fund is subject to income taxes on taxable income that is not distributed to its unitholders. Deductions for tax purposes that were previously available to the Fund have been diminishing and as a result, the Fund may pay out a greater proportion of its cash flows to unitholders than in previous periods.

As set out in the Fund's statement of strategy, the objective is to grow profits and cash flow by enhancing the value of our cheque supply program, offering additional programs to serve the chequing account and delivering programs within the lending services market.

Management's operational plans include many initiatives which, when combined, are intended to allow the Fund to meet its objective. Examples include further implementations and enhancements of *iDefence*, *BizAssist* and *eSwitch* programs relating to the chequing account. Relating to lending markets, the Business looks to grow its volumes related to mortgage origination and underwriting services.

The Business' current U.S. cheque supply contract will expire at the end of 2008 and it is not expected to be renewed. Contributions from this business are relatively modest and its expiration will not have a significant impact on overall operations and, more specifically, cash flows.

The Business' capital program provides for continued expenditures to be funded by cash flows from operations. The 2007 capital program is expected to be in the range of $14.0 million to $16.0 million, as is the 2008 expenditure program.

Late in 2006, the Minister of Finance (Canada) released draft legislation, which would result in certain income trusts, including the Fund, paying taxes after fiscal 2010, similar to those paid by taxable Canadian corporations. These proposed amendments were enacted on June 22, 2007. The payment of such taxes will, in the future, reduce the cash flow of the Fund, thereby reducing the amount available for distributions to unitholders. These changes have caused uncertainty in the capital markets and variability in the unit prices of many income trusts, including the Fund. This uncertainty and the related impacts may affect the Fund's ability to make future acquisitions. Since the announcement, management and the Trustees have monitored the changes in the income trust environment and continue to review potential impacts on the Fund's current strategies and the alternatives available to the Fund, consistent with protecting and enhancing unitholder value.

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 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.

October 30, 2007

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars, unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ **12,224**	$ 5,788
Accounts receivable	**21,731**	18,299
Inventory	**4,765**	5,238
Prepaid expenses	**3,148**	3,920
	41,868	33,245
Capital assets (note 3)	**31,097**	32,567
Other assets (note 4)	**6,783**	6,147
Interest rate swaps (note 8)	**169**	–
Intangible assets (note 5)	**121,471**	130,546
Goodwill (note 6)	**438,502**	438,546
	$ **639,890**	$ 641,051
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ **36,402**	$ 36,600
Distributions payable to unitholders	**5,801**	5,625
Current portion of disbursement obligations on customer contracts (note 7)	**2,962**	2,195
	45,165	44,420
Disbursement obligations on customer contracts (note 7)	**787**	2,195
Long-term indebtedness (note 8)	**128,985**	143,778
Other long-term liabilities (note 9)	**2,492**	2,520
Interest rate swaps (note 8)	**414**	–
Future income taxes (note 2)	**1,454**	–
Minority interest	**526**	263
	179,823	193,176
Unitholders' Equity:		
Trust units (note 10)	**474,585**	474,585
Deficit	**(12,834)**	(26,710)
Accumulated other comprehensive income (loss)	**(1,684)**	–
	460,067	447,875
Commitments (note 11)		
	$ **639,890**	$ 641,051

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

Paul Damp
Trustee and Chair of the Board of Trustees

Brad Nullmeyer
Trustee and Chair of the Audit Committee

CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Revenue	**$ 94,676**	$ 87,966	**$ 287,817**	$ 235,784
Cost of sales and operating expenses	**63,425**	62,754	**194,211**	166,759
Amortization of capital and other assets	**3,884**	3,752	**11,335**	10,038
	27,367	21,460	**82,271**	58,987
Interest expense	**1,982**	2,248	**6,333**	3,830
Net unrealized loss (gain) on interest rate swaps	**957**	–	**(1,563)**	–
Amortization of intangible assets	**3,347**	3,339	**9,912**	4,982
Minority interest	**205**	88	**518**	113
Income before income taxes	**20,876**	15,785	**67,071**	50,062
Future income taxes expense	**–**	–	**1,454**	–
Net income	**$ 20,876**	$ 15,785	**$ 65,617**	$ 50,062
Net income per unit, basic and diluted	**$ 0.4750**	$ 0.3592	**$ 1.4931**	$ 1.2364

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars, unaudited)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net income	**$ 20,876**	$ 15,785	**$ 65,617**	$ 50,062
Other comprehensive income:				
Amortization of transitional adjustment to net income	**163**	–	**515**	–
Total comprehensive income	**$ 21,039**	$ 15,785	**$ 66,132**	$ 50,062

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

CONSOLIDATED STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars, unaudited)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Deficit:				
Deficit, beginning of period	**$ (16,307)**	$ (25,739)	**$ (26,710)**	$ (31,049)
Transitional adjustment on adoption of financial instruments standards	**–**	–	**116**	–
Net income	**20,876**	15,785	**65,617**	50,062
Distributions	**(17,403)**	(16,479)	**(51,857)**	(45,446)
Deficit, end of period	**(12,834)**	(26,433)	**(12,834)**	(26,433)
Accumulated Other Comprehensive Income (Loss):				
Accumulated other comprehensive income (loss), beginning of period	**(1,847)**	–	**–**	–
Transitional adjustment on adoption of financial instruments standards	**–**	–	**(2,199)**	–
Other comprehensive income:				
Amortization of transitional adjustment to net income	**163**	–	**515**	–
Accumulated other comprehensive income (loss), end of period	**(1,684)**	–	**(1,684)**	–
Deficit and accumulated other comprehensive income (loss), end of period	**$ (14,518)**	$ (26,433)	**$ (14,518)**	$ (26,433)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Cash and cash equivalents provided by (used in):				
OPERATING ACTIVITIES				
Net income	**$ 20,876**	$ 15,785	**$ 65,617**	$ 50,062
Add:				
Amortization of capital assets	**3,096**	3,083	**9,270**	7,196
Amortization of other assets	**788**	669	**2,065**	2,842
Amortization of intangible assets	**3,347**	3,339	**9,912**	4,982
Amortization of transitional adjustment in interest expense	**163**	–	**515**	–
Net unrealized loss (gain) on interest rate swaps	**957**	–	**(1,563)**	–
Future income taxes expense	**–**	–	**1,454**	–
Minority interest	**205**	88	**518**	113
	29,432	22,964	**87,788**	65,195
Decrease (increase) in non-cash working capital items	**(701)**	(268)	**(2,707)**	2,281
Changes in other operating assets and liabilities	**71**	90	**179**	167
	28,802	22,786	**85,260**	67,643
FINANCING ACTIVITIES				
Gross proceeds from issuance of trust units	**–**	–	**–**	116,000
Issuance costs	**–**	–	**–**	(6,800)
Proceeds from (repayment of) long-term indebtedness	**(5,000)**	–	**(15,000)**	100,000
Financing fees	**–**	–	**–**	(1,451)
Distributions paid to minority interest	**(255)**	–	**(255)**	–
Distributions paid to unitholders	**(17,403)**	(16,479)	**(51,681)**	(44,579)
	(22,658)	(16,479)	**(66,936)**	163,170
INVESTING ACTIVITIES				
Expenditures on capital assets	**(2,773)**	(1,881)	**(7,800)**	(5,214)
Payments pursuant to long-term supply contracts	**(1,825)**	(800)	**(3,342)**	(2,676)
Acquisition of businesses	**–**	660	**91**	(222,334)
Acquisition of customer service contracts	**(837)**	–	**(837)**	–
	(5,435)	(2,021)	**(11,888)**	(230,224)
Increase in cash and cash equivalents for the period	**709**	4,286	**6,436**	589
Cash and cash equivalents, beginning of period	**11,515**	4,607	**5,788**	8,304
Cash and cash equivalents, end of period	**$ 12,224**	$ 8,893	**$ 12,224**	$ 8,893
Supplementary information:				
Cash interest paid	**$ 1,836**	$ 2,336	**$ 5,924**	$ 4,468

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007 and 2006

(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.") and its subsidiaries Filogix Limited Partnership ("Filogix L.P.") and Advanced Validation System Limited Partnership ("AVS L.P.") of which it has a 75% interest.

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, 2006, which are included in the 2006 Annual Report along with changes in accounting policies that became effective January 1, 2007 and as described below. 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, 2006.

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., Davis + Henderson L.P., Filogix Inc., Filogix L.P. and its interest in AVS L.P and AVS G.P. All inter-company transactions and accounts have been eliminated upon consolidation.

Changes in Accounting Policies

Effective January 1, 2007, the Fund adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections: Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; Section 3251, Equity and Section 3861, Financial Instruments – Disclosure and Presentation. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges as well as the recognition of certain transitional adjustments that have been recorded in opening accumulated other comprehensive income and opening deficit. Accumulated other comprehensive income (loss) ("AOCI") consists of cumulative net gains and losses that were deferred prior to January 1, 2007 when hedge accounting was used by the Fund. The comparative quarterly consolidated financial statements have not been restated. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are as follows:

Financial Instruments

Recognition and Measurement 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. Financial assets are classified as available for sale, held to maturity, trading, or loans and receivables. Financial liabilities are recorded at amortized cost. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and financial liability. Unrealized gains and losses on financial assets that are held as available for sale are recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of income. All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated balance sheet. Transaction costs related to financial instruments are generally capitalized and then amortized over the expected life of the financial instrument using the effective yield method.

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 by the Fund and the generally short payment terms and frequent settlement of swap differences.

Hedge Accounting Where derivatives are held for risk management purposes or when transactions meet the criteria specified in the CICA HB Section 3865, hedge accounting is applied to the risks being hedged. When hedge accounting is not applied, the change in the fair value of the derivative is recognized in income including instruments used for economic hedging purposes that do not meet the requirements for hedge accounting.

Effective January 1, 2007, the Fund ceased applying hedge accounting on the interest rate swaps outstanding at December 31, 2006.

Derivative Financial Instruments Derivatives are carried at fair value and are reported as assets where they have a positive fair value and liabilities where they have a negative fair value. Derivatives may be embedded in other financial instruments or contracts. Derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract unless such contracts relate to normal course operations and qualify for the normal purchase and sale exemption in accordance with the standards.

Accumulated Other Comprehensive Income (Loss) Changes in the fair value of cash flow hedging instruments are recorded in accumulated other comprehensive income (loss) until recognized in the consolidated statement of income. Accumulated other comprehensive income (loss) forms part of unitholder's equity.

Transitional adjustment The impact of the adoption of the new standards on January 1, 2007 was as follows:

	As at December 31, 2006	Adjustment upon adoption of new standards	As at January 1, 2007
ASSETS			
Current assets	$ 275	$ (275)	$ –
Interest rate swaps	–	152	152
Impact on total assets	$ 275	$ (123)	$ 152
LIABILITIES AND UNITHOLDERS' EQUITY			
Interest rate swaps	$ –	$ 1,960	$ 1,960
Impact on total liabilities	–	1,960	1,960
Unitholder's equity:			
Deficit	(26,710)	116	(26,594)
Accumulated other comprehensive income (loss)	–	(2,199)	(2,199)
Impact on total unitholder's equity	(26,710)	(2,083)	(28,793)
Impact on total liabilities and unitholder's equity	$ (26,710)	$ (123)	$ (26,833)

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 equipment, furniture and fixtures	10% to 30% declining balance
Computer software	straight-line over 2 to 10 years
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.

Direct costs relating to certain professional fee revenues that are determined to be a component of a contractual arrangement are capitalized by the Fund until completion of the professional services and are amortized on a straight-line basis over the remaining term of the contract.

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

Deferred finance costs are costs related to the restructuring of the term credit facilities and are amortized on a straight-line basis over the term of the facilities. Amortization is recognized as interest expense.

Goodwill

Goodwill reflects the price paid for the Davis + Henderson, AVS and Filogix businesses in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. Goodwill is not amortized but is assessed for impairment annually and is further assessed when an event or change in circumstances indicates that the asset might be impaired.

Goodwill is assessed for impairment by determining whether the fair value of the reporting unit to which the goodwill is associated is less than its carrying value. If the fair value of goodwill is less than its carrying value, goodwill is considered to be impaired and a charge for impairment is recognized immediately.

Intangible Assets

Intangible assets are recorded at fair market value and consist of rights related to cheque supply outsourcing contracts, proprietary software, customer service contracts, customer relationships and brand names. Intangible assets with finite useful lives are amortized over their useful lives as follows:

Rights related to cheque supply outsourcing contracts	lesser of seven years or the remaining term
Customer service contracts	lesser of seven years or the remaining term
Proprietary software	straight-line over 10 years
Brand names	straight-line over 15 years
Customer relationships	straight-line over 15 years

The carrying value of the intangible assets is tested for impairment whenever events or changes in circumstances cause its carrying value to exceed the total undiscounted future cash flows. The impairment is calculated by deducting the fair value of the intangible asset from its carrying value.

Impairment of Long-lived Assets

The carrying value of long-lived assets is tested for impairment when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment is calculated by deducting the fair value of the asset from its carrying value.

Revenue Recognition

The Fund is the principal on all revenue transactions related to the cheque supply and other transaction account program services and has presented revenue 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.

Technology fees consist primarily of arrangements whereby the Fund earns a fee on each transaction processed by the customers. The Fund recognizes revenue on fee arrangements as transactions are reported by customers, provided collectibility is reasonably assured.

Certain professional fees, if determined to be a component of a contractual arrangement, are deferred by the Fund until completion and are recognized as revenue evenly over the remaining term of the contract.

Net Income per Unit

Net income per unit, basic and diluted, 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 subject to current income taxes on any amount not allocated to unitholders. As all current taxable income will be allocated to the unitholders, no provision for current income taxes has been made in these consolidated financial statements. Current income tax liabilities relating to distributions of the Fund are taxed in the hands of the unitholders.

The Fund uses the asset and liability method to account for income taxes. Future income taxes are recognized for temporary differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates and laws that are expected to apply to taxable income in the years in which temporary differences are expected to be reversed or settled. The effect on future income tax assets and liabilities of a change in the tax rate is included in the period during which the change is considered substantively enacted. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

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.

For the Fund's defined contribution pension plans, annual pension expense is based on when amounts are earned by eligible employees.

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.

2. INCOME TAXES

Income that is currently earned by the Fund that is distributed annually to unitholders is not subject to taxation in the Fund, but is taxed at the individual unitholder level.

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

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

The Fund is a SIFT as defined in the legislation. Accordingly, the Fund will be subject to taxes on distributions of certain income earned from investments in its subsidiaries made after 2010. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amount and tax bases of its assets and liabilities and those of its subsidiaries that are expected to reverse in or after

2011. The Fund expects that its distributions will not be subject to tax prior to 2011 and accordingly has not provided for future income taxes on the temporary differences expected to reverse prior to then.

Significant components of the Fund's future tax liabilities and assets with respect to its investments in certain partnership and trust subsidiaries as of September 30, 2007 are as follows:

	September 30, 2007
Future income tax assets:	
Intangible assets less than tax values	$ **12,001**
Valuation allowance	**(12,001)**
Total future tax assets	**–**
Future income tax liabilities:	
Capital assets greater than tax values	**1,454**
Total future tax liabilities	**1,454**
Net future income tax liabilities	$ **1,454**

The Fund does not expect the temporary difference between the carrying amount and tax base of intangible assets to reverse in the foreseeable future and accordingly has reduced the asset by a valuation allowance for the full amount. No future tax liability has been provided for the temporary difference related to goodwill since this amount is not deductible for tax and is therefore specifically exempt from the recognition requirements.

3. CAPITAL ASSETS

September 30, 2007	Cost	Accumulated amortization	Net
Machinery and equipment	$ **15,138**	$ **7,477**	$ **7,661**
Computer equipment and software	**43,409**	**22,446**	**20,963**
Furniture, fixtures and leasehold improvements	**8,031**	**5,558**	**2,473**
	$ **66,578**	$ **35,481**	$ **31,097**

December 31, 2006	Cost	Accumulated amortization	Net
Machinery and equipment	$ 15,014	$ 6,689	$ 8,325
Computer equipment and software	36,211	14,827	21,384
Furniture, fixtures and leasehold improvements	7,774	4,916	2,858
	$ 58,999	$ 26,432	$ 32,567

Amortization during the quarter ended September 30, 2007 was $3,096 (Q3 2006 – $3,083) and during the nine months ended September 30, 2007 was $9,270 (nine months ended September 30, 2006 – $7,196). Fully amortized capital assets removed from the accounts during the quarter ended September 30, 2007 was $127 and the nine months ended September 30, 2007 was $221 (Q3 2006 and the nine months ended September 30, 2006 – nil).

4. OTHER ASSETS

	September 30, 2007	December 31, 2006
Cost:		
Long-term supply contracts	**$ 12,451**	$ 9,750
Other	**370**	370
	12,821	10,120
Accumulated amortization	**(6,038)**	(3,973)
	$ 6,783	$ 6,147

Amortization during the quarter ended September 30, 2007 on long-term supply contracts was $788 (Q3 2006 – $669) and during the nine months ended September 30, 2007 was $2,065 (nine months ended September 30, 2006 – $2,842).

5. INTANGIBLE ASSETS

	September 30, 2007	December 31, 2006
Cost:		
Cheque supply outsourcing contracts	**$ 16,329**	$ 16,329
Customer service contracts	**4,506**	3,669
Proprietary software	**41,993**	41,993
Brand names	**8,400**	8,400
Customer relationships	**77,887**	77,887
	149,115	148,278
Accumulated amortization	**(27,644)**	(17,732)
	$ 121,471	$ 130,546

Amortization during the quarter ended September 30, 2007 was $3,347 (Q3 2006 – $3,339) and during the nine months ended September 30, 2007 was $9,912 (nine months ended September 30, 2006 – $4,982).

6. GOODWILL

	September 30, 2007	December 31, 2006
Balance, beginning of period	**$ 438,546**	$ 361,288
Goodwill acquired during the period:		
AVS acquisition	**(44)**	5,318
Filogix acquisition	**–**	71,940
Balance, end of period	**$ 438,502**	$ 438,546

7. DISBURSEMENT OBLIGATIONS ON CUSTOMER CONTRACTS

	September 30, 2007	December 31, 2006
Current portion	**$ 2,962**	$ 2,195
Long-term portion	**787**	2,195
Total disbursement obligations on customer contracts	**$ 3,749**	$ 4,390

The Fund has fixed customer contract disbursement obligations payable as of September 30, 2007 as follows:

2007	$ 20
2008	2,962
2009	767
	$ 3,749

8. LONG-TERM INDEBTEDNESS

	September 30, 2007	December 31, 2006
Non-revolving term loan	**$ 120,000**	$ 120,000
Revolving credit facility	**10,000**	25,000
	130,000	145,000
Deferred finance costs	**(1,015)**	(1,222)
	$ 128,985	$ 143,778

The Fund has $170.0 million of available term credit facilities due June 15, 2011 (December 31, 2006 – $170.0 million), consisting of a $120.0 million non-revolving term loan and a $50.0 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 carrying value of long-term indebtedness approximates its fair value as it bears interest at floating rates that reset in most cases within three months and in all cases within one year.

The Credit Agreement for the Fund contains a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. As at September 30, 2007, the Fund was in compliance with all of its financial covenants and financial condition tests.

As of September 30, 2007, the Fund has entered into interest-rate swap hedge contracts with its lenders, such that the borrowing rates on $120.0 million, or 92.3%, of its outstanding term indebtedness are effectively fixed at interest rates and for periods shown in the following table:

		Fair value – Interest rate swaps		
Maturity Date	Notional Amount	Asset	Liability	Interest Rate[1]
June 30, 2008	$ 12,000	$ 40	$ –	5.035%
January 4, 2009	10,000	129	–	4.505%
July 15, 2009	20,000	–	110	5.688%
July 15, 2010	33,000	–	209	5.690%
June 15, 2011	20,000	–	53	5.560%
June 15, 2011	25,000	–	42	5.560%
	$ 120,000	$ 169	$ 414	

[1] The listed interest rates are inclusive of banker's acceptance fees currently in effect. Such fees could increase or decrease depending on the Fund's financial leverage as compared to certain levels specified in the Credit Agreement.

Deferred finance costs relate to the renewal and amendment of long-term indebtedness on June 15, 2006. Amortization of deferred finance costs during the quarter ended September 30, 2007 was $69 (Q3 2006 – $73) and during the nine months ended September 30, 2007 was $207 (nine months ended September 30, 2006 – $97). Amortization of deferred finance costs is recognized as interest expense using the effective interest method.

9. OTHER LONG-TERM LIABILITIES

	September 30, 2007	December 31, 2006
Deferred compensation program	$ **1,855**	$ 1,659
Employee future benefits	**637**	861
	$ **2,492**	$ 2,520

The deferred compensation program is a five-year long-term incentive plan for management, subject to certain performance criteria and vesting terms, payable after December 31, 2008.

Employee future benefits consist of defined contribution pension plans 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 plans are defined contribution pension plans that provide pensions to substantially all eligible employees. Total expense for the Fund's defined contribution pension plan for the quarter ended September 30, 2007 was $0.4 million (Q3 2006 – $0.2 million) and $1.3 million for the nine months ended September 30, 2007 (nine months ended September 30, 2006 – $1.0 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. Reductions 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.

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 and a pro rata share of distributions declared by the Fund. The Fund intends to make monthly cash distributions of its distributable cash, as defined in the Fund's Declaration of Trust, subject to working capital requirements and other reserves. The net proceeds from the issuance of trust units and the number of units outstanding are as follows:

	September 30, 2007	December 31, 2006
Balance, beginning of period	$ **474,585**	$ 365,385
Units issued	**–**	109,200
Balance, end of period	$ **474,585**	$ 474,585
Units outstanding, end of period	**43,946,792**	43,946,792

The weighted average number of units outstanding during the quarter ended and the nine months ended September 30, 2007 was 43,946,792 (Q3 2006 – 43,946,792 and for the nine months ended September 30, 2006 – 40,490,704).

11. COMMITMENTS

As of September 30, 2007, the Fund has annual lease obligations with respect to real estate, vehicles and equipment as follows for the years ending:

2007	$ 1,061
2008	3,916
2009	3,144
2010	3,040
2011	1,523
Thereafter	803
	$ 13,487

12. SIGNIFICANT CUSTOMERS

For both the quarter and the nine months ended September 30, 2007, the Fund earned 78% (Q3 2006 – 76% and for the nine months ended September 30, 2006 – 80%) of its revenue from its seven largest customers. For the quarter ended September 30, 2007, four of these customers individually accounted for greater than 10% but not more than 17% of the Fund's total revenue. For the nine months ended September 30, 2007, five of these customers individually accounted for greater than 10%, but not more than 17% of the Fund's total revenue.

13. SEGMENTED INFORMATION

The Fund operates its business in two segments, organized on the basis of products, services and markets served. The Davis + Henderson Segment includes the cheque supply program, deposit bags program, eSwitch® and the personal property search and registration programs, among other offerings. The Filogix Segment includes services related to the origination and underwriting of mortgages in Canada, among other offerings.

Segment assets include goodwill and intangible assets recognized with the acquisition of businesses included with each respective Segment.

Corporate costs include costs incurred by the Fund for the operation of a public entity. Corporate assets consist primarily of cash and cash equivalents.

The business of Filogix is seasonal and varies according to the funding of residential mortgages and real estate activity in general. This may result in an increase in the quarter-to-quarter seasonality of the Fund's consolidated revenues and cash flows.

Summarized financial information for the three and nine months ended September 30, 2007 are as follows:

	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
							Three months ended	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
Revenue	$ 77,164	$ 73,061	$ 17,512	$ 14,905	$ –	$ –	$ 94,676	$ 87,966
Cost of sales and operating expenses	54,138	51,381	8,721	10,898	566	475	63,425	62,754
Amortization of capital and other assets	2,495	2,656	1,389	1,096	–	–	3,884	3,752
	20,531	19,024	7,402	2,911	(566)	(475)	27,367	21,460
Interest expense	–	–	–	–	1,982	2,248	1,982	2,248
Net unrealized loss (gain) on interest rate swaps	–	–	–	–	957	–	957	–
Amortization of intangible assets	864	855	2,483	2,484	–	–	3,347	3,339
Minority interest	205	88	–	–	–	–	205	88
Income before income taxes	19,462	18,081	4,919	427	(3,505)	(2,723)	20,876	15,785
Future income taxes expense	–	–	–	–	–	–	–	–
Net income	$ 19,462	$ 18,081	$ 4,919	$ 427	$ (3,505)	$ (2,723)	$ 20,876	$ 15,785
Capital and other asset expenditures	$ 2,869	$ 1,487	$ 1,729	$ 1,194	$ –	$ –	$ 4,598	$ 2,681
Intangible assets	$ 6,184	$ 8,217	$115,287	$125,219	$ –	$ –	$121,471	$133,436
Goodwill	$366,562	$365,555	$ 71,940	$ 73,224	$ –	$ –	$438,502	$438,779
Total assets	$447,240	$419,275	$180,426	$220,878	$ 12,224	$ 8,893	$639,890	$649,046

For the quarter ended September 30, 2007, the Davis + Henderson Segment had five customers that individually accounted for greater than 10% but not more than 20% of the Davis + Henderson Segment revenue and the Filogix Segment had three customers that individually accounted for greater than 10% but not more than 18% of the Filogix Segment revenue.

	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
							Nine months ended	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
Revenue	**$239,845**	$218,251	**$ 47,972**	$ 17,533	**$ –**	$ –	**$287,817**	$235,784
Cost of sales and operating expenses	**166,007**	152,718	**26,289**	12,572	**1,915**	1,469	**194,211**	166,759
Amortization of capital and other assets	**7,161**	8,747	**4,174**	1,291	**–**	–	**11,335**	10,038
	66,677	56,786	**17,509**	3,670	**(1,915)**	(1,469)	**82,271**	58,987
Interest expense	**–**	–	**–**	–	**6,333**	3,830	**6,333**	3,830
Net unrealized loss (gain) on interest rate swaps	**–**	–	**–**	–	**(1,563)**	–	**(1,563)**	–
Amortization of intangible assets	**2,463**	2,113	**7,449**	2,869	**–**	–	**9,912**	4,982
Minority interest	**518**	113	**–**	–	**–**	–	**518**	113
Income before income taxes	**63,696**	54,560	**10,060**	801	**(6,685)**	(5,299)	**67,071**	50,062
Future income taxes expense	**–**	–	**–**	–	**1,454**	–	**1,454**	–
Net income	**$ 63,696**	$ 54,560	**$ 10,060**	$ 801	**$ (8,139)**	$ (5,299)	**$ 65,617**	$ 50,062
Capital and other asset expenditures	**$ 7,106**	$ 6,169	**$ 4,036**	$ 1,721	**$ –**	$ –	**$ 11,142**	$ 7,890
Intangible assets	**$ 6,184**	$ 8,217	**$115,287**	$125,219	**$ –**	$ –	**$121,471**	$133,436
Goodwill	**$366,562**	$365,555	**$ 71,940**	$ 73,224	**$ –**	$ –	**$438,502**	$438,779
Total assets	**$447,240**	$419,275	**$180,426**	$220,878	**$ 12,224**	$ 8,893	**$639,890**	$649,046

For the nine months ended September 30, 2007, the Davis + Henderson Segment had five customers that individually accounted for greater than 10% but not more than 20% of the Davis + Henderson Segment revenue and the Filogix Segment had three customers that individually accounted for greater than 10% but not more than 16% of the Filogix Segment revenue.

14. COMPARATIVE FIGURES

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

SUPPLEMENTARY FINANCIAL INFORMATION

Consolidated Operating Results by Period

(in thousands of Canadian dollars, except per unit amounts, unaudited)	Three months ended September 30, 2007	Three months ended June 30, 2007	Three months ended March 31, 2007	Three months ended December 31, 2006	Three months ended September 30, 2006
Revenue	**$ 94,676**	$101,992	$ 91,149	$ 87,932	$ 87,966
Cost of sales and operating expenses	**63,425**	66,873	63,913	62,034	62,754
Amortization of capital and other assets	**3,884**	3,745	3,706	3,902	3,752
	27,367	31,374	23,530	21,996	21,460
Interest expense	**1,982**	2,121	2,230	2,186	2,248
Net unrealized loss (gain) on interest rate swaps	**957**	(2,196)	(324)	–	–
Amortization of intangible assets	**3,347**	3,271	3,294	3,254	3,339
Future income taxes expense	**–**	1,454	–	–	–
Minority interest	**205**	204	109	89	88
Net income	**$ 20,876**	$ 26,520	$ 18,221	$ 16,467	$ 15,785
Cash flows from operating activities	**$ 28,802**	34,784	$ 21,674	$ 22,111	$ 22,786
Changes in non-cash working capital and other items[1]	**425**	(1,814)	3,399	1,512	90
Adjusted cash flows from operating activities	**29,227**	32,970	25,073	23,623	22,876
Less:					
Capital asset expenditures and contract payments	**4,598**	2,955	3,589	1,966	2,681
Adjusted cash flows after capital assets and contract payments	**24,629**	30,015	21,484	21,657	20,195
Distributions paid to unitholders	**17,403**	17,403	16,875	16,732	16,479
Adjusted cash flows after capital, contract payments and distributions paid	**7,226**	12,612	4,609	4,925	3,716
Changes in non-cash working capital and other items[1]	**(425)**	1,814	(3,399)	(1,512)	(90)
Distributions paid to minority interest	**(255)**	–	–	–	–
Cash flows provided by (used in) other financing activities	**(5,000)**	(10,000)	–	(5,000)	–
Cash flows used in acquisition of businesses	**(837)**	–	91	(1,518)	660
Increase (decrease) in cash and cash equivalents for the period	**$ 709**	4,426	$ 1,301	$ (3,105)	$ 4,286

[1] Changes in non-cash working capital and certain other balance sheet items have been excluded from adjusted cash flows from operating activities so as to remove the effects of timing differences in cash receipts and cash disbursements, which generally reverse themselves but can vary significantly across quarters. Minority interest and changes to other long-term liabilities are deducted to arrive at adjusted cash flows.

Summary of Cash Flows Per Unit

(in Canadian dollars, unaudited)	Three months ended September 30, 2007	Three months ended June 30, 2007	Three months ended March 31, 2007	Three months ended December 31, 2006	Three months ended September 30, 2006
Adjusted cash flows from operating activities	**$ 0.6651**	$ 0.7502	$ 0.5705	$ 0.5375	$ 0.5205
Adjusted cash flows after capital asset expenditures and contract payments	**$ 0.5604**	$ 0.6830	$ 0.4889	$ 0.4928	$ 0.4595
Distributions paid to unitholders	**$ 0.3960**	$ 0.3960	$ 0.3840	$ 0.3780	$ 0.3750
Distributions declared during period	$ 0.3960	$ 0.3960	$ 0.3880	$ 0.3810	$ 0.3750

Condensed Consolidated Balance Sheet

(in thousands of Canadian dollars, unaudited)	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Cash and cash equivalents	**$ 12,224**	$ 11,515	$ 7,089	$ 5,788	$ 8,893
Other current assets	**29,644**	29,772	26,332	27,457	27,384
Capital and other assets	**38,049**	39,303	39,532	38,714	40,554
Goodwill and other intangible assets	**559,973**	562,483	565,754	569,092	572,215
	$ 639,890	$ 643,073	$638,707	$641,051	$ 649,046
Payables and other current liabilities	**$ 45,165**	$ 45,994	$ 41,034	$ 44,420	$ 47,100
Other long-term liabilities	**5,673**	6,732	6,688	4,978	5,148
Long-term indebtedness	**128,985**	133,916	143,847	143,778	148,646
Unitholders' equity	**460,067**	456,431	447,138	447,875	448,152
	$ 639,890	$ 643,073	$638,707	$641,051	$ 649,046

Distribution History

						Distributions per unit[1]	
Month	2007	2006	2005	2004	2003	2002	2001
January	**$ 0.1280**	$ 0.1220	$ 0.1200	$ 0.1150	$ 0.1117	$ 0.1083	$ –
February	**0.1280**	0.1220	0.1200	0.1150	0.1117	0.1083	–
March	**0.1320**	0.1250	0.1200	0.1168	0.1117	0.1083	–
April	**0.1320**	0.1250	0.1200	0.1168	0.1133	0.1083	–
May	**0.1320**	0.1250	0.1200	0.1168	0.1133	0.1083	–
June	**0.1320**	0.1250	0.1200	0.1168	0.1133	0.1083	–
July	**0.1320**	0.1250	0.1200	0.1168	0.1133	0.1117	–
August	**0.1320**	0.1250	0.1220	0.1168	0.1133	0.1117	–
September	**0.1320**	0.1250	0.1220	0.1168	0.1133	0.1117	–
October	–	0.1250	0.1220	0.1168	0.1150	0.1117	–
November	–	0.1280	0.1220	0.1200	0.1150	0.1117	–
December[2]	–	0.1280	0.1220	0.1200	0.1150	0.1117	0.0427
	$ 1.1800	$ 1.5000	$ 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 are in respect of the 12 calendar days from December 20, 2001 to December 31, 2001.

Tax Allocation of Distributions

	2007	2006	2005	2004	2003	2002
Dividend income	**0.0%**	0.0%	0.0%	15.0%	19.5%	16.9%
Other income	**100.0%**	100.0%	91.6%	75.2%	69.5%	71.5%
Return of capital	**0.0%**	0.0%	8.4%	9.8%	11.0%	11.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The above tax allocation of distributions for 2007 represents an estimate based on the total expected distributions for the year ended December 31, 2007.

Other Statistics

(in thousands, except per unit amounts)

	Trading price range of units (TSX: "DHF.UN")			Average daily	Number of units outstanding	Market capitalization
Quarter ended	High	Low	Close	volume	at quarter end	at quarter end
2007 Q3	**$ 20.10**	**$ 17.14**	**$ 19.80**	**78**	**43,947**	**$ 870,146**
Q2	19.79	16.30	19.31	90	43,947	848,613
Q1	17.19	15.00	16.60	87	43,947	729,517
2006 Q4	19.80	13.80	15.46	143	43,947	679,417
Q3	19.49	17.21	19.19	96	43,947	843,339
Q2	21.99	16.99	17.70	100	43,947	777,858
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

DIRECTORS, TRUSTEES AND OFFICERS

Paul Damp[1, 2]
Chairman, Director and Trustee
Managing Partner,
Kestrel Capital

Allan Gotlieb[2]
Director and Trustee
Chairman, Sotheby's Canada

Bradley Nullmeyer[1]
Director and Trustee
President and CEO,
A&A Capital

Helen K. Sinclair[2]
Director and Trustee
CEO, BankWorks Trading Inc.

Gordon J. Feeney[1]
Director and Trustee
Corporate Director

Michael A. Foulkes[2]
Director and Trustee
Corporate Director

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

Catherine Martin
Officer
Chief Financial Officer,
Davis + Henderson,
Limited Partnership

EXECUTIVE TEAM

Robert Cronin
Chief Executive Officer

Gerrard Schmid
President and CEO, Filogix

Catherine Martin
Chief Financial Officer

Chad Alderson
Vice President and
Chief Information Officer

Yves Denommé
Vice President,
Operations

Suzanne Mandrozos
Vice President,
Human Resources

Larry Mullins
Vice President,
Lending Solutions

Serge Rivest
Executive Vice President,
Sales and Marketing

Steve Rotz
Vice President,
Corporate Development

Joanne Sisco
Vice President,
Privacy, Security and Compliance

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@dhltd.com

Corporate Office:
Suite 201,
939 Eglinton Avenue East,
Toronto, Ontario M4G 4H7

Telephone: 416-696-7700
Facsimile: 416-696-9720
Website: www.dhltd.com

Toronto Stock Exchange Symbol:
DHF.UN

Submissions of Concerns

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)

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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

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Toronto, Ontario
M4G 4H7

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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

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