



Davis + Henderson Reports Second Quarter 2008 Results

Davis + Henderson reported solid financial results for the three and six months ended June 30, 2008 that were consistent with management's expectations.

Second Quarter Highlights

- Revenue in the second quarter of 2008 was \$97.3 million, a decrease of \$4.7 million, or 4.6%, compared to \$102.0 million in the same quarter in 2007. As anticipated, this lower level of revenue reflects reduced cheque order volumes in the quarter as compared to the unusually strong order volumes a year ago. Reduced revenues in the D+H Segment were partially offset by a small revenue increase within the Filogix Segment.
- Net income decreased 4.4% to \$0.5772 per unit compared to the same period last year. Excluding the non-cash impact of unrealized gains and losses on interest-rate swaps and the charge for future income taxes, net income was 2.6% lower compared to a year ago.
- Declared distributions in the second quarter of 2008 of \$0.4496 per unit were 13.5% higher than in the second quarter of 2007.

Six-Month Highlights

- Revenue for the six-month period ending June 30, 2008 was \$186.4 million, a decrease of \$6.8 million, or 3.5%, compared to \$193.1 million in the same period in 2007. This decrease reflects lower revenues for the D+H Segment, which were partially offset by increases in the Filogix Segment, over the comparable prior period. This lower level of revenue within the D+H Segment is primarily attributed to reduced cheque order volumes, consistent with expectations, and as compared to the unusually strong order volumes in 2007.
- Net income per unit decreased by 7.9% to \$0.9376, compared to the first six months of 2007. Excluding the non-cash impact of unrealized gains and losses on interest-rate swaps and the charge for future income taxes, net income was 0.9% lower than a year ago.
- Declared distributions for the first six months of 2008 of \$0.8786 per unit were 12.1% higher than in the first six months of 2007.

Management Commentary

The Business performed well throughout the first half of 2008 despite the reduction in revenue, which we had anticipated. The positive contribution from the continued expansion of our customer programs and effective cost management allowed the Business to produce strong cash flow for our unitholders.

In the D+H Segment, we experienced positive results in many areas, as we continued to benefit from the adoption of our *IDefence*[®] and *BizAssist*[®] programs and from our annual product repositioning initiatives. As expected, these contributions were offset by lower cheque order volumes compared to 2007. We believe changes to cheque imaging standards in Canada resulted in consumers accelerating reorders into the first half of 2007. This resulted in higher order volumes and revenues than expected during that period. We believe that these orders would otherwise have been received in later periods, including the first six months of 2008, and accordingly, their absence resulted in higher order volume declines in the second quarter and the first half of 2008 than historically observed. By the end of the third quarter of 2008, we expect the trend in cheque order volumes to return to levels that are directionally more in line with those historically experienced.

Within our Filogix Segment, increased revenues in several areas contributed to modest year-over-year growth in the second quarter, despite lower origination services fees. We are pleased with the overall Filogix Segment performance, especially given the strong real estate and mortgage markets in 2007.

Davis + Henderson remains committed to its long-term financial objective of delivering stable and modestly growing distributions based on achieving 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 our strong programs.

For a more detailed discussion of second quarter results, management's outlook and caution concerning forward-looking statements in this quarterly report, please see 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 second quarter of 2008 should be read in conjunction with MD&A in Davis + Henderson Income Fund's (the "Fund" or the "Business" or "Davis + Henderson") Annual Report for the year ended December 31, 2007, dated February 26, 2008, 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

Davis + Henderson'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, 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 on behalf of account holders at the time of new account openings.

Davis + Henderson significantly advanced its third key strategy with the acquisition of Filogix in June 2006. Among other services, Filogix provides processing services related to the origination and underwriting of mortgages in Canada. Davis + Henderson also acquired Advanced Validation Systems Limited Partnership ("AVS"), which, under Davis + Henderson's brand *CollateralGuard*[™], provides lenders with, among other offerings, personal property search and registration ("PPSA") programs across Canada. The addition of these business interests has created another business platform for Davis + Henderson.

Changes made to the Income Tax Act require certain income trusts, including the Fund, to pay taxes after fiscal 2010, similar to those paid by taxable Canadian corporations. The

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

payment of such taxes will, in the future, reduce the cash flow of the Fund, thereby reducing the amount available for distributions to unitholders. Since the announcement of this change in tax legislation, management and the Trustees have monitored the changes in the income trust environment and capital markets 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 operates in two business segments, the "Davis + Henderson, or D+H, Segment" and the "Filogix Segment". The Davis + Henderson Segment includes the cheque supply program, deposit program, and *eSwitch*, among other offerings. The Filogix Segment includes services related to the origination and underwriting of mortgages in Canada, and the PPSA program, 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 business-wide costs.

Effective January 1, 2008, the PPSA business has been operated and reported as part of the Filogix Segment. Prior to this date, this program was operated and reported as part of the Davis + Henderson Segment. The comparative segmented information for previous years has not been reclassified as the operational integration of the business in previous periods does not make a separation of these costs practical.

OPERATING RESULTS FOR THE SECOND QUARTER – CONSOLIDATED

Consolidated Statement of Income

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

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue	\$ 97,263	\$ 101,992	\$ 186,351	\$ 193,141
Cost of sales and operating expenses ¹	63,357	67,250	125,563	131,528
Amortization of capital and other assets ¹	3,455	3,368	6,842	6,709
	30,451	31,374	53,946	54,904
Interest expense	1,906	2,121	3,769	4,351
Net unrealized loss (gain) on interest-rate swaps	(1,034)	(2,196)	1,310	(2,520)
Amortization of intangible assets	3,447	3,271	6,895	6,565
Minority interest	–	204	–	313
Income before income taxes	26,132	27,974	41,972	46,195
Future income tax expense (recovery)	766	1,454	766	1,454
Net income	25,366	26,520	\$ 41,206	\$ 44,741
Net income per unit, basic and diluted	0.5772	0.6035	\$ 0.9376	\$ 1.0181

¹ Historically, the Business has reported amortization related to production assets used to manufacture finished products as part of amortization of capital and other assets. Commencing January 1, 2008, the Fund has included this amortization with cost of sales and operating expenses in order to present the total costs incurred in the manufacturing process in cost of sales. The comparative numbers for previous periods have been reclassified to conform to this new presentation format. Amortization included in cost of sales and operating expenses during the second quarter of 2008 was \$389 (Q2 2007 – \$377) and \$823 for the six months ended June 30, 2008 (six months ended June 30, 2007 – \$742).

Revenue

Revenue for the second quarter of 2008 was \$97.3 million, a decrease of \$4.7 million, or 4.6%, when compared to the second quarter of 2007. For the first six months of 2008, total revenue decreased by \$6.8 million, or 3.5%, compared to the first six months of 2007. While results for both segments are discussed in more detail in the sections that follow, during the second quarter and the first six months of 2008, expected declines in cheque order volumes related to the shift in reorder cycles and the impact on revenue of slowing mortgage funding activity in Canada offset the positive contribution from program enhancements.

Cost of Sales and Operating Expenses

On a consolidated basis, cost of sales and operating expenses for the second quarter of 2008 decreased by \$3.9 million, or 5.8%, compared to the second quarter of 2007. For the first half of 2008, consolidated cost of sales and operating expenses decreased by \$6.0 million, or 4.5%, when compared to the first half of 2007. This decline during the first half of 2008 was primarily driven by reduced costs related to the decline in cheque order volumes in the

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

D+H Segment, partially offset by increased costs in the Filogix Segment, as more fully described below.

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.

Amortization of Capital and Other Assets

Amortization of capital and other assets on a consolidated basis during the second quarter of 2008 increased by \$0.1 million, or 2.6%, to \$3.5 million compared to the same period in 2007. Increased capital asset amortization in the D+H Segment of \$0.3 million was related to capital additions. This increase was partially offset by a decline in expense in the Filogix Segment of \$0.2 million, related to certain capital and other assets having become fully amortized.

Similarly, for the first six months of 2008, amortization of capital and other assets on a consolidated basis was \$6.8 million, an increase of \$0.1 million compared to the first six months of 2007, with the D+H Segment increase of \$0.4 million partially offset by a decrease in \$0.3 million for the Filogix Segment, as described above.

Other Expenses

Interest expense decreased by \$0.2 million for the second quarter of 2008 compared to the same quarter in the prior year, reflecting \$10.0 million of debt repayments made over the past twelve months. Similarly, for the first six months of 2008, interest expense was \$0.6 million lower than the comparable 2007 period.

For the second quarter of 2008, an unrealized gain on interest-rate swaps of \$1.0 million (Q2 2007 – \$2.2 million) was recorded reflecting mark-to-market adjustments related to generally higher interest rates at June 30, 2008 compared to March 31, 2008. For the six months ended June 30, 2008, an unrealized loss on interest-rate swaps of \$1.3 million was recorded (six months ended June 30, 2007 – unrealized gain of \$2.5 million). These unrealized gains and losses were recognized in income as, effective January 1, 2007, the Business no longer designated its interest-rate swaps as hedges for accounting purposes.

Amortization of intangibles increased by \$0.2 million and \$0.3 million compared with the second quarter and first half of 2007 respectively. These increases were primarily related to the incremental intangible assets arising on the acquisition of the remaining 25% interest in the AVS business discussed below and the purchase of a customer service contract.

Effective January 2, 2008, the Fund increased its ownership in AVS to 100%. The acceleration of the ownership interest in AVS was initiated by the Business so as to better serve customers on an integrated basis. As AVS is now a wholly-owned subsidiary, the Business no longer recognizes minority interest as all earnings 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 do not anticipate being 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 income that is distributed to its unitholders at a rate similar to that paid by taxable corporations. As the new tax rules were enacted in June 2007, the Fund was 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 the related expense of \$1.5 million during the second quarter of 2007. A non-cash future income tax charge of \$0.8 million was recorded in the second quarter and first six months of 2008.

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

Net income of \$25.4 million for the second quarter of 2008 decreased by \$1.2 million compared to the second quarter of 2007. On a per unit basis, net income of \$0.5772 per unit decreased by \$0.0263 per unit. For the six-month period ended June 30, 2008, net income was \$41.2 million, or \$0.9376 per unit. This represents a decrease of \$3.5 million, or \$0.0804 per unit. Excluding the non-cash impact of the mark-to-market losses on interest-rate swaps and the non-cash charge for future income taxes, net income per unit decreased year-over-year by 2.6% in the second quarter of 2008 and 0.9% for the first six months of 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Operating Results by Business Segment¹

(in thousands of Canadian dollars, unaudited)

	Three months ended June 30,							
	Davis + Henderson Segment		Filigix Segment		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	\$ 77,946	\$ 84,184	\$ 19,317	\$ 17,808	\$ –	\$ –	\$ 97,263	\$ 101,992
<i>Percentage change</i>	-7.4%		8.5%		–		-4.6%	
Cost of sales and operating expenses ²	52,305	57,760	10,229	8,820	823	670	63,357	67,250
Amortization of capital and other assets ²	2,179	1,912	1,276	1,456	–	–	3,455	3,368
	23,462	24,512	7,812	7,532	(823)	(670)	30,451	31,374
<i>Percentage change</i>	-4.3%		3.7%		22.8%		-2.9%	
Interest expense	–	–	–	–	1,906	2,121	1,906	2,121
Net unrealized loss (gain) on interest-rate swaps	–	–	–	–	(1,034)	(2,196)	(1,034)	(2,196)
Amortization of intangible assets	723	788	2,724	2,483	–	–	3,447	3,271
Minority interest	–	–	–	–	–	204	–	204
Income (loss) before income taxes	22,739	23,724	5,088	5,049	(1,695)	(799)	26,132	27,974
Future income tax expense (recovery)	–	–	–	–	766	1,454	766	1,454
Net income (loss)	\$ 22,739	\$ 23,724	\$ 5,088	\$ 5,049	\$ (2,461)	\$ (2,253)	\$ 25,366	\$ 26,520

¹ Effective January 1, 2008, the results of the PPSA program are included in the Filigix Segment. Prior to this date, the results were included in the Davis + Henderson Segment.

² Historically, the Business has reported amortization related to production assets used to manufacture finished products as part of amortization of capital and other assets. Commencing January 1, 2008, the Fund has included this amortization with cost of sales and operating expenses in order to present the total costs incurred in the manufacturing process in cost of sales. The comparative numbers for previous periods have been reclassified to conform to this new presentation format. Amortization included in cost of sales and operating expenses during the second quarter of 2008 was \$389 (Q2 2007 – \$377) for the Davis + Henderson Segment.

	Six months ended June 30,							
	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	\$152,670	\$162,681	\$ 33,681	\$ 30,460	\$ -	\$ -	\$186,351	\$193,141
<i>Percentage change</i>	-6.2%		10.6%		-		-3.5%	
Cost of sales and operating expenses ²	102,848	112,611	21,300	17,568	1,415	1,349	125,563	131,528
Amortization of capital and other assets ²	4,329	3,924	2,513	2,785	-	-	6,842	6,709
	45,493	46,146	9,868	10,107	(1,415)	(1,349)	53,946	54,904
<i>Percentage change</i>	-1.4%		-2.4%		4.9%		-1.7%	
Interest expense	-	-	-	-	3,769	4,351	3,769	4,351
Net unrealized loss (gain) on interest-rate swaps	-	-	-	-	1,310	(2,520)	1,310	(2,520)
Amortization of intangible assets	1,447	1,599	5,448	4,966	-	-	6,895	6,565
Minority interest	-	-	-	-	-	313	-	313
Income (loss) before income taxes	44,046	44,547	4,420	5,141	(6,494)	(3,493)	41,972	46,195
Future income tax expense (recovery)	-	-	-	-	766	1,454	766	1,454
Net income (loss)	\$ 44,046	\$ 44,547	\$ 4,420	\$ 5,141	\$ (7,260)	\$ (4,947)	\$ 41,206	\$ 44,741

¹ Effective January 1, 2008, the results of the PPSA program are included in the Filogix Segment. Prior to this date, the results were included in the Davis + Henderson Segment.

² Historically, the Business has reported amortization related to production assets used to manufacture finished products as part of amortization of capital and other assets. Commencing January 1, 2008, the Fund has included this amortization with cost of sales and operating expenses in order to present the total costs incurred in the manufacturing process in cost of sales. The comparative numbers for previous periods have been reclassified to conform to this new presentation format. Amortization included in cost of sales and operating expenses during the first six months of 2008 was \$823 (six months ended June 30, 2007 - \$742) for the Davis + Henderson Segment.

OPERATING RESULTS – D+H SEGMENT

Revenue

Revenue within the Davis + Henderson Segment decreased by \$6.2 million, or 7.4%, year-over-year. Of this decrease, \$1.2 million relates to the reclassification of the PPSA business to the Filogix Segment. The PPSA programs, which were formerly operated and reported within the Davis + Henderson Segment, are now operated and reported as part of the results of the Filogix Segment. Excluding the impact of this reclassification, there was a \$5.0 million, or 6.0%, decrease in revenues in the second quarter of 2008, compared to the same period in 2007.

For the six-month period ended June 30, 2008, revenue within the Davis + Henderson Segment decreased by \$10.0 million, or 6.2%, compared to the same period in 2007. Excluding the impact of the PPSA business reclassification, there was a \$7.9 million, or 4.8%, decrease in revenues.

The decrease in revenue in both the second quarter and first six months of 2008 was primarily a result of a decline in cheque order volume partially offset by successful program initiatives, including products and service enhancements such as *IDefence* and *BizAssist*. Management believes this decline in cheque order volume was higher than usual due to the change in reorder patterns that affected 2007, and which also impacted reorder volume in the first half of 2008.

Historically, cheque order volumes have, on average, declined annually by low single digit percentages as a result of declining cheque usage. In the first half of 2008, this decline was in excess of historical declines due to changes in the imaging standards required for cheques produced in Canada, which generated incremental and accelerated reorders in the first half of 2007. Management believes that many of these accelerated reorders would otherwise have been received in later periods pursuant to normal reorder cycles. Management also believes that, for this reason, cheque order volumes were lower in the second quarter of 2008 and in the first six months of 2008 than would otherwise be expected given historical declines. Management expects order volume trends to return to levels that are directionally more in line with historical experience by the end of the third quarter.

Cost of Sales and Operating Expenses

Expenses within the Davis + Henderson Segment decreased by \$5.5 million, or 9.4%. A large part of the year-over-year expense decrease was related to the decrease in cheque volumes and other revenue-related reductions including, the transfer of the PPSA business to

the Filogix Segment, and an overall reduction in project costs and other costs generally related to the PPSA business.

Similarly, during the six months ended June 30, 2008, expenses within the Davis + Henderson Segment decreased by \$9.8 million, or 8.7%.

OPERATING RESULTS – FILOGIX SEGMENT

Revenue

Total revenue for the second quarter of 2008 for the Filogix Segment increased by \$1.5 million, or 8.5%, over the same period in 2007. Excluding the PPSA program, revenue increased \$0.3 million, or 1.7%, compared with the same quarter in 2007 with lower origination services revenue offset by higher revenues in other areas. The lower origination services revenues is consistent with reduced activities in the real estate and mortgage markets. Origination services revenue was down 6.0% compared to the same quarter last year, which was a particularly strong quarter due to the strong market conditions in 2007. During the second quarter of 2008, Filogix recorded revenue related to the licensing of the Business' underwriting technology in the Australia and New Zealand marketplaces.

Revenue for the first six months of 2008 increased by \$3.2 million, or 10.6%, over the same period in 2007. Excluding the PPSA program, revenue increased by \$1.1 million, or 3.6%, compared with the same first six months of 2007. Also, for the six-month period in 2008, a 6.5% decline in origination service fees was offset by higher revenues in other areas, including professional services and the licensing fee referred to above.

Cost of Sales and Operating Expenses

Consistent with expense levels in the previous two quarters and with management's expectations, direct and operating expenses for the Filogix Segment increased by \$1.4 million, or 16.0%, during the second quarter of 2008 and by \$3.7 million, or 21.2% for the six months ended June 30, 2008, compared to the same periods in 2007. The year-over-year increases in operating costs during the second quarter of 2008 and the first six months of 2008 include the expenses related to PPSA services recorded within the Filogix Segment and a planned increase in expenditures in support of product enhancements and strengthening the general delivery capabilities of the Business. These expenditures are expected to continue through 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Eight Quarter Consolidated Statement of Income – Summary

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

	2008				2007			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 97,263	\$ 89,088	\$ 90,934	\$ 94,676	\$101,992	\$ 91,149	\$ 87,932	\$ 87,966
Cost of sales and operating expenses	63,357	62,206	64,582	63,813	67,250	64,278	62,461	63,161
Amortization of capital and other assets	3,455	3,387	3,647	3,496	3,368	3,341	3,475	3,345
	30,451	23,495	22,705	27,367	31,374	23,530	21,996	21,460
Interest expense	1,906	1,863	1,876	1,982	2,121	2,230	2,186	2,248
Net unrealized loss (gain) on interest-rate swaps	(1,034)	2,344	823	957	(2,196)	(324)	–	–
Amortization of intangible assets	3,447	3,448	3,386	3,347	3,271	3,294	3,254	3,339
Minority interest	–	–	(139)	205	204	109	89	88
Income before income taxes	26,132	15,840	16,759	20,876	27,974	18,221	16,467	15,785
Future income tax expense (recovery)	766	–	137	–	1,454	–	–	–
Net income	\$ 25,366	\$ 15,840	\$ 16,622	\$ 20,876	\$ 26,520	\$ 18,221	\$ 16,467	\$ 15,785
Net income per unit	\$ 0.5772	\$ 0.3604	\$ 0.3782	\$ 0.4750	\$ 0.6035	\$ 0.4146	\$ 0.3747	\$ 0.3592
Weighted average units outstanding	43,947	43,947	43,947	43,947	43,947	43,947	43,947	43,947

The Fund has generally reported quarterly revenues that are stable and growing. For the first three quarters of 2007, reported revenues benefited from higher than expected cheque order volume and mortgage origination fees as described previously. The impact of the higher than expected cheque order volume was most pronounced in the second quarter of 2007. As a result of this change in reorder patterns in 2007, management believes that the Business received fewer cheque orders in the first two quarters of 2008 than would normally be expected.

Net income and net income per unit has generally been trending consistently with changing revenue excluding the variability caused by unrealized gains and losses on interest-rate swaps and future income taxes.

Management believes that the consolidated Davis + Henderson results are 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, real estate market activity affects volumes processed by Filogix and can result in fluctuation in revenue levels, as was the experience in the first half of 2008 with origination revenues falling below historically high 2007 levels.

CASH FLOW AND LIQUIDITY

Non-GAAP Measures

The following tables are 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 tables below, such as “Adjusted cash flows from operating activities”, “Adjusted cash flows after capital assets and contract payments”, and “Adjusted net income” 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Summary of Cash Flows

(in thousands of Canadian dollars, unaudited)

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Cash flows from operating activities	\$ 32,623	\$ 34,784	\$ 49,146	\$ 56,458
Add:				
Changes in non-cash working capital and other items ¹	(82)	(1,814)	8,955	1,585
Adjusted cash flows from operating activities	32,541	32,970	58,101	58,043
Less:				
Maintenance capital expenditures – D+H ²	1,098	2,142	2,046	2,720
Maintenance capital expenditures – Filogix ²	1,198	813	1,267	2,124
Growth capital expenditures ²	666	–	666	183
Contract payments ³	–	–	1,517	1,517
Adjusted cash flows after capital expenditures and contract payments ²	29,579	30,015	52,605	51,499
Less:				
Distributions paid to unitholders	19,305	17,403	38,158	34,278
	10,274	12,612	14,447	17,221
Cash flows provided by (used in) other financing activities	(5,000)	(10,000)	(5,000)	(10,000)
Cash flows used in acquisition of businesses and customer service contracts	–	–	(4,250)	91
Changes in non-cash working capital and other items ¹	82	1,814	(8,955)	(1,585)
Increase (decrease) in cash and cash equivalents for the period	\$ 5,356	\$ 4,426	\$ (3,758)	\$ 5,727

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.

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.

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			Six months ended		
	June 30, 2008	June 30, 2007	% change	June 30, 2008	June 30, 2007	% change
Adjusted cash flows from operating activities	\$ 0.7405	\$ 0.7502	-1.3%	\$ 1.3221	\$ 1.3208	0.1%
Adjusted cash flows after capital expenditures and contract payments	\$ 0.6731	\$ 0.6830	-1.4%	\$ 1.1970	\$ 1.1718	2.2%
Distributions paid to unitholders	\$ 0.4393	\$ 0.3960	10.9%	\$ 0.8683	\$ 0.7800	11.3%
Distributions declared during period	\$ 0.4496	\$ 0.3960	13.5%	\$ 0.8786	\$ 0.7840	12.1%

Cash Flows, Net Income and Distributions Paid

The following table compares cash flows from operating activities and net income to distributions paid for the quarter and six months ended June 30, 2008 and for the years ended December 31, 2007 and 2006.

(in thousands of Canadian dollars, unaudited)	Three months ended	Six months ended	Year ended December 31,	
	June 30, 2008	June 30, 2008	2007	2006
Cash flows from operating activities	\$ 32,623	\$ 49,146	\$ 117,401	\$ 89,753
Net income	\$ 25,366	\$ 41,206	\$ 82,239	\$ 66,529
Adjusted net income ¹	\$ 28,697	\$ 50,436	\$ 97,066	\$ 74,765
Distributions paid during period	\$ 19,305	\$ 38,158	\$ 78,357	\$ 61,191
Excess (shortfall) of cash flows from operating activities over cash distributions paid	\$ 13,318	\$ 10,988	\$ 39,044	\$ 28,562
Excess (shortfall) of net income over cash distributions paid	\$ 6,061	\$ 3,048	\$ 3,882	\$ 5,338
Excess (shortfall) of adjusted net income over cash distributions paid	\$ 9,392	\$ 12,278	\$ 18,709	\$ 13,574

¹ Adjusted net income is a non-GAAP term and is defined as net income (Q2 2008 – \$25,366) adjusted to remove amortization of intangible assets (Q2 2008 – \$3,447), unrealized gains on interest-rate swaps (Q2 2008 – \$1,034), future income tax expense (Q2 2008 – \$766), and amortization of net losses in fair market value of interest-rate swaps (Q2 2008 – \$152) that were deferred prior to January 1, 2007 and which are included in interest expense. In each case, these adjustments are non-cash items.

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

Expenditures on Capital Assets and Contract Payments

Total capital asset expenditures for the second quarter of 2008 were \$3.0 million, consistent with the level of expenditures in 2007. A decrease in the Davis + Henderson Segment expenditures of \$1.0 million offset the increase in Filogix Segment expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

For the first six months of 2008, total capital expenditures decreased by \$1.0 million compared to the first six months of 2007. The Filogix Segment accounted for \$0.4 million of the decrease and the Davis + Henderson Segment accounted for \$0.7 million of the decrease. The fluctuations in both segments in the three and six month periods ended June 30, 2008 reflects the timing of capital project expenditures, and does not reflect a change in the overall capital expenditures program for the year.

The level of investment in 2008 for both capital assets and contract payments that is required to maintain, sustain and grow the productive capacity of the Business is expected to be in the range of \$14.0 million to \$16.0 million similar to the level of expenditures made in fiscal 2007. While the timing of capital projects may vary, the Business expects capital expenditures in 2008 will be at the upper end of the range. The Business' capital program provides for continued expenditures to be funded by cash flows from operations.

Distributions

The Fund paid distributions of \$19.3 million (\$0.4393 per unit) during the second quarter of 2008 and \$38.2 million (\$0.8683 per unit) in the first six months of 2008 compared to \$17.4 million (\$0.3960 per unit) and \$34.3 million (\$0.7800 per unit), respectively, for the same periods in 2007. On a per unit basis for the three and six months ended June 30, 2008, distributions paid increased by 10.9% and 11.3%, respectively, when compared to the same periods in 2007.

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 13.5% and 12.1% for the three and six-month periods ended June 30, 2008, respectively.

On an annualized basis, the monthly distribution rate for June 2008 was \$1.84 per unit as compared to \$1.58 per unit annualized in June 2007, representing an increase of 16.4%. This increase in distributions recognizes the performance of the Business, expectations of future performance and the need for the Fund to pay distributions sufficient to ensure the Fund itself is not taxable.

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.

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 expected to be declared for 2008 is 100% “other income”, as was the case for all of 2007.

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 June 30, 2008 and the date of this report, 43,946,792 trust units were outstanding.

Changes in Non-Cash Working Capital and Other Items

(in thousands of Canadian dollars, unaudited)

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Minority interest	\$ –	\$ 204	\$ –	\$ 313
Decrease (increase) in non-cash working capital items	2,018	1,520	(7,074)	(2,006)
Decrease (increase) in other operating assets and liabilities	(1,936)	90	(1,881)	108
Decrease (increase) in non-cash working capital and other items	\$ 82	\$ 1,814	\$ (8,955)	\$ (1,585)

The decrease in non-cash working capital items for the second quarter was related primarily to the reclassification of a \$1.9 million obligation under a deferred compensation program from a long-term liability to a current liability, as the plan has become fully vested and is payable after December 31, 2008. The increase in non-cash working capital items for the first six months of 2008 was primarily related to decreases in trade payables reflecting normal course timing differences of when payments are made, including payments made for capital asset purchases in the latter part of 2007. This change was partially offset by the impact of the reclassification referred to above. In particular, in the fourth quarter of 2007, the Business had \$7.0 million of incremental cash flow generated from changes in working capital balances. These timing differences largely reversed in the first quarter of 2008.

Cash Balances and Long-term Indebtedness

At June 30, 2008, cash and cash equivalents totalled \$9.4 million, compared to \$13.1 million at December 31, 2007.

The balance of long-term indebtedness as at June 30, 2008 was \$125.0 million compared with \$130.0 million at December 31, 2007. During the second quarter of 2008, the Business made a voluntary debt payment of \$5.0 million. The long-term indebtedness is recorded on the Balance Sheet net of \$0.8 million of unamortized deferred financing fees as at June 30, 2008.

Management expects to continue to use a portion of any future excess cash flow to pay down debt and fund acquisitions.

Total debt facilities available at June 30, 2008 and December 31, 2007 were \$170.0 million, comprised of a \$120.0 million non-revolving term loan and a \$50.0 million revolving term credit facility. As of June 30, 2008, the Business had drawn \$120.0 million under its non-revolving term loan and \$5.0 million under the revolving term credit facility. The Business is permitted to draw on the revolving facility's available balance of \$45.0 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 June 30, 2008, the Fund had interest-rate swap hedge contracts in place with certain of its lenders, such that the borrowing rates on 86.4% of outstanding indebtedness are effectively fixed at the interest rates and for the time periods ending as follows:

(in thousands of Canadian dollars, unaudited)

Maturity Date	Notional Amount	Fair value of interest-rate swaps		Interest Rate ¹
		Asset	Liability	
January 4, 2009	\$ 10,000	\$ –	\$ 18	4.505%
July 15, 2009	20,000	–	335	5.688%
July 15, 2010	33,000	–	822	5.690%
June 15, 2011	20,000	–	668	5.560%
June 15, 2011	25,000	–	535	5.560%
	\$ 108,000	\$ –	\$ 2,378	

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.

At June 30, 2008, the Fund would have had to pay the fair value of \$2.4 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 its exposure to 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 5.33% as at June 30, 2008.

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. Effective January 1, 2008, the Fund adopted the following CICA Handbook sections: Section 3031, Inventories and Amendments to Section 1400, General Standards of Financial Statement Presentation.

Section 3031, which replaces Section 3030 with the same title, establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. The impact of adoption of this new standard on the January 1, 2008 Fund's consolidated financial statements was a nominal amount and therefore was charged to the income statement.

Section 1400, General Standards of Financial Statement Presentation, was amended to require management, when preparing financial statements, to make an assessment of an entity's ability to continue as a going concern. Any material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern must be disclosed. Management does not believe that there are any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern.

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 June 30, 2008 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, revenue grew in excess of the targeted range. Management believes increased reorder activity levels experienced in 2007 contributed to higher than historically observed average volume declines in 2008 as consumers delay orders due to recent cheque supply replenishments. Additionally, record activity levels in 2007 within the real estate and mortgage markets have not been sustained in the first six months of 2008. The combined impact of these factors may result in revenue growth in 2008 being below the targeted long-term range of 3% to 5%.

The Business' current U.S. cheque supply contract will expire at the end of 2008 and will not be renewed. Income and cash flow contributions from this business are relatively modest and expiration of this contract will not have a significant impact on overall operations. The absence of this contract will, however, reduce the revenues of the Business beginning in 2009.

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 lending markets, the Business looks to grow its volumes related to mortgage origination and underwriting services and PPSA services.

The Business' capital program provides for continued expenditures to be funded by cash flows from operations. The 2008 capital program is expected to be in the range of \$14.0 million to \$16.0 million and, while the timing of capital projects can vary, we expect capital expenditures to be at the upper end of the range.

Recent changes made to the Income Tax Act require certain income trusts, including the Fund, to pay taxes after fiscal 2010, similar to those paid by taxable Canadian corporations. 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. Since the announcement of this change in tax legislation, management and the Trustees have monitored the changes in the income trust environment and capital markets 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

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

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.

July 24, 2008

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars, unaudited)

June 30, 2008 December 31, 2007

ASSETS

Current Assets:

Cash and cash equivalents	\$ 9,390	\$ 13,148
Accounts receivable	19,164	17,860
Inventory (note 3)	4,488	5,316
Prepaid expenses	3,195	2,973
	<u>36,237</u>	<u>39,297</u>
Capital assets (note 4)	30,355	32,199
Other assets (note 5)	3,992	5,964
Interest-rate swaps (note 10)	–	105
Intangible assets (note 6)	112,533	118,085
Goodwill (note 7)	441,193	438,502
	<u>\$ 624,310</u>	<u>\$ 634,152</u>

LIABILITIES AND UNITHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$ 33,478	\$ 39,870
Distributions payable to unitholders	6,737	6,284
Current portion of disbursement obligations on customer contracts (note 8)	2,212	2,962
	<u>42,427</u>	<u>49,116</u>
Disbursement obligations on customer contracts (note 8)	–	767
Long-term indebtedness (note 9)	124,193	129,054
Interest-rate swaps (note 10)	2,378	1,173
Other long-term liabilities (note 11)	408	2,558
Future income tax liability (note 12)	2,357	1,591
Minority interest	–	200
	<u>171,763</u>	<u>184,459</u>
Unitholders' equity:		
Trust units (note 13)	474,585	474,585
Deficit	(20,776)	(23,371)
Accumulated other comprehensive income (loss)	(1,262)	(1,521)
	<u>452,547</u>	<u>449,693</u>
Commitments (note 14)		
	<u>\$ 624,310</u>	<u>\$ 634,152</u>

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		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue	\$ 97,263	\$ 101,992	\$ 186,351	\$ 193,141
Cost of sales and operating expenses (note 3)	63,357	67,250	125,563	131,528
Amortization of capital and other assets	3,455	3,368	6,842	6,709
	30,451	31,374	53,946	54,904
Interest expense	1,906	2,121	3,769	4,351
Net unrealized loss (gain) on interest-rate swaps	(1,034)	(2,196)	1,310	(2,520)
Amortization of intangible assets	3,447	3,271	6,895	6,565
Minority interest	-	204	-	313
Income before income taxes	26,132	27,974	41,972	46,195
Future income taxes expense (recovery)	766	1,454	766	1,454
Net income	\$ 25,366	\$ 26,520	\$ 41,206	\$ 44,741
Net income per unit, basic and diluted	\$ 0.5772	\$ 0.6035	\$ 0.9376	\$ 1.0181

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		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Net income	\$ 25,366	\$ 26,520	\$ 41,206	\$ 44,741
Other comprehensive income:				
Amortization of mark-to-market adjustment of interest-rate swaps	152	176	259	352
Total comprehensive income	\$ 25,518	\$ 26,696	\$ 41,465	\$ 45,093

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		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Deficit				
Deficit, beginning of period	\$ (26,384)	\$ (25,424)	\$ (23,371)	\$ (26,710)
Mark-to-market adjustment of interest-rate swaps	-	-	-	116
Net income	25,366	26,520	41,206	44,741
Distributions	(19,758)	(17,403)	(38,611)	(34,454)
Deficit, end of period	(20,776)	(16,307)	(20,776)	(16,307)
Accumulated Other Comprehensive Income (Loss)				
Accumulated other comprehensive income (loss), beginning of period	(1,414)	(2,023)	(1,521)	-
Mark-to-market adjustment of interest-rate swaps	-	-	-	(2,199)
Other comprehensive income:				
Amortization of market-to-market adjustment of interest-rate swaps	152	176	259	352
Accumulated other comprehensive income (loss), end of period ¹	(1,262)	(1,847)	(1,262)	(1,847)
Deficit and accumulated other comprehensive income (loss), end of period	\$ (22,038)	\$ (18,154)	\$ (22,038)	\$ (18,154)

¹ Accumulated other comprehensive income (loss) consists of cumulative net gains and losses that were deferred prior to January 1, 2007 when hedge accounting was used by the Fund.

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		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Cash and cash equivalents provided by (used in):				
OPERATING ACTIVITIES				
Net income	\$ 25,366	\$ 26,520	\$ 41,206	\$ 44,741
Add:				
Amortization of capital assets	2,534	2,759	5,000	5,432
Amortization of capital assets included in cost of sales	389	377	823	742
Amortization of other assets	921	609	1,842	1,277
Amortization of intangible assets	3,447	3,271	6,895	6,565
Amortization of mark-to-market adjustment of interest-rate swaps	152	176	259	352
Net unrealized loss (gain) on interest-rate swaps	(1,034)	(2,196)	1,310	(2,520)
Future income taxes expense (recovery)	766	1,454	766	1,454
Minority interest	–	204	–	313
	32,541	33,174	58,101	58,356
Decrease (increase) in non-cash working capital items	2,018	1,520	(7,074)	(2,006)
Changes in other operating assets and liabilities	(1,936)	90	(1,881)	108
	32,623	34,784	49,146	56,458
FINANCING ACTIVITIES				
Repayment of long-term indebtedness	(5,000)	(10,000)	(5,000)	(10,000)
Distributions paid to unitholders	(19,305)	(17,403)	(38,158)	(34,278)
	(24,305)	(27,403)	(43,158)	(44,278)
INVESTING ACTIVITIES				
Expenditures on capital assets	(2,962)	(2,955)	(3,979)	(5,027)
Payments pursuant to long-term supply contracts	–	–	(1,517)	(1,517)
Acquisition and acquisition adjustments (note 2)	–	–	(4,250)	91
	(2,962)	(2,955)	(9,746)	(6,453)
Increase (decrease) in cash and cash equivalents for the period	5,356	4,426	(3,758)	5,727
Cash and cash equivalents, beginning of period	4,034	7,089	13,148	5,788
Cash and cash equivalents, end of period	\$ 9,390	\$ 11,515	\$ 9,390	\$ 11,515
Supplementary information:				
Cash interest paid	\$ 1,588	\$ 2,016	\$ 3,156	\$ 4,088

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

DAVIS + HENDERSON INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2008 and 2007

(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.”), Filogix Inc. and Advanced Validation System Limited Partnership (“AVS L.P.”).

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, 2007, which are included in the 2007 Annual Report along with changes in accounting policies that became effective January 1, 2008 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, 2007.

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., AVS L.P. and AVS G.P. Inc. All inter-company transactions and accounts have been eliminated upon consolidation.

Changes in Accounting Policies

Effective January 1, 2008, the Fund adopted the following CICA Handbook sections: Section 3031, Inventories and Amendments to Section 1400, General Standards of Financial Statement Presentation.

Section 3031, Inventories, which has replaced Section 3030 with the same title, establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. The impact of adoption of this new standard on the January 1, 2008 Fund’s consolidated financial statements was a nominal amount and therefore was charged to the income statement.

Amendments to Section 1400, General Standards of Financial Statement Presentation, was amended to require management, when preparing financial statements, to make an assessment of an entity's ability to continue as a going concern. Any material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern must be disclosed. Management does not believe that there are any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern.

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 can only invest its surplus cash in term deposits and bankers' acceptances.

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 consists of raw materials, work-in-process and finished goods and is stated at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Costs consist of purchased component costs and manufacturing costs, which are comprised of direct material, labour costs and certain indirect costs.

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.

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 they are amortized over the term of the facilities using the effective interest method.

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

Impairment of Long-lived Assets

The carrying value of long-lived assets is tested for impairment whenever events or changes in circumstances indicate their carrying value may exceed the total undiscounted future cash flows. The potential impairment is calculated by deducting the fair value of the assets from their carrying value.

The Fund's long-lived assets consist of intangibles and certain machinery and equipment.

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 for each transaction processed by 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. Revenue 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 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.

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. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangible assets and goodwill; valuation allowances for inventories and future income taxes; and valuation of derivative financial instruments. Actual results could differ from those estimates.

Future Accounting and Reporting Changes

Goodwill and Intangibles – The CICA has issued Section 3064, Goodwill and intangible assets which will become effective for the Fund beginning January 1, 2009. This section, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provision of International Financial Reporting Standard IAS 38, Intangible Assets. The new standard also provides guidance for the recognition of internally developed intangible assets,

including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Fund is currently evaluating the impact of this standard on its financial statements.

2. ACQUISITION

AVS Business

On April 28, 2005, the Fund entered into an agreement to acquire a 50% interest in AVS L.P. through a step-by-step acquisition over 20 months ending January 2007. On May 25, 2006, the Fund entered into an amending agreement to accelerate its remaining obligation as well as exercising its option to acquire a further 25% interest in the AVS business. Total consideration paid for the 75% interest in the AVS business was \$11.1 million of which \$3.5 million was allocated to intangible assets, \$7.2 million to goodwill and the remaining balance to net assets.

Effective January 2, 2008, the Fund acquired the remaining 25% of interest in the AVS business for a consideration of \$4.2 million of which \$1.4 million was allocated to intangible assets, \$2.7 million to goodwill, and the remaining balance to net assets.

Each step acquisition was made with available cash on hand.

3. INVENTORY

	June 30, 2008	December 31, 2007
Raw materials	\$ 2,101	\$ 2,202
Work-in-process	1,435	2,152
Finished goods	952	962
	\$ 4,488	\$ 5,316

Raw materials primarily consist of paper but also include foil, hologram and ink. Work-in-process consists of base stock which refers to sheets of cheque stock with non-personalized background print. Finished goods primarily consist of retail products, labels, accessories and security bags.

Inventory that was recognized as cost of sales during the three months ended June 30, 2008 was \$12,394 (Q2 2007 – \$14,334) and six months ended June 30, 2008 was \$24,882 (six months ended June 30, 2007 – \$28,227).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CAPITAL ASSETS

	June 30, 2008		
	Cost	Accumulated amortization	Net
Machinery and equipment	\$ 15,133	\$ 8,104	\$ 7,029
Computer equipment and software	44,917	23,937	20,980
Furniture, fixtures and leasehold improvements	8,595	6,249	2,346
	\$ 68,645	\$ 38,290	\$ 30,355

	December 31, 2007		
	Cost	Accumulated amortization	Net
Machinery and equipment	\$ 15,191	\$ 7,679	\$ 7,512
Computer equipment and software	47,044	24,887	22,157
Furniture, fixtures and leasehold improvements	8,324	5,794	2,530
	\$ 70,559	\$ 38,360	\$ 32,199

Amortization during the three months ended June 30, 2008 was \$2,923 (Q2 2007 – \$3,136) and during the six months ended June 30, 2008 was \$5,823 (six months ended June 30, 2007 – \$6,174), of which \$389 is included in cost of sales during the three months ended June 30, 2008 (Q2 2007 – \$377) and \$823 is included in cost of sales during the six months ended June 30, 2008 (six months ended June 30, 2007 – \$742). Fully amortized capital assets removed from the accounts during the three months ended June 30, 2008 was \$8 (Q2 2007 – \$94) and during the six months ended June 30, 2008 was \$5,893 (six months ended June 30, 2007 – \$94).

5. OTHER ASSETS

	June 30, 2008	December 31, 2007
Cost:		
Long-term supply contracts	\$ 8,863	\$ 12,581
Other	370	370
	9,233	12,951
Accumulated amortization	(5,241)	(6,987)
	\$ 3,992	\$ 5,964

Amortization during the three months ended June 30, 2008 on long-term supply contracts was \$921 (Q2 2007 – \$609) and during the six months ended June 30, 2008 was \$1,842 (six months ended June 30, 2007 – \$1,277).

6. INTANGIBLE ASSETS

	June 30, 2008	December 31, 2007
Cost:		
Cheque supply outsourcing contracts	\$ 16,329	\$ 16,329
Customer service contracts	5,849	4,506
Proprietary software	41,993	41,993
Brand names	8,400	8,400
Customer relationships	77,887	77,887
	150,458	149,115
Accumulated amortization	(37,925)	(31,030)
	\$ 112,533	\$ 118,085

Amortization during the three months ended June 30, 2008 was \$3,447 (Q2 2007 – \$3,271) and during six months ended June 30, 2008 was \$6,895 (six months ended June 30, 2007 – \$6,565).

7. GOODWILL

	June 30, 2008	December 31, 2007
Balance, beginning of period	\$ 438,502	\$ 438,546
Goodwill acquired during the period:		
AVS acquisition	2,691	(44)
Balance, end of period	\$ 441,193	\$ 438,502

8. DISBURSEMENT OBLIGATIONS ON CUSTOMER CONTRACTS

	June 30, 2008	December 31, 2007
Current portion	\$ 2,212	\$ 2,962
Long-term portion	–	767
Total disbursement obligations on customer contracts	\$ 2,212	\$ 3,729

The Fund has fixed customer contract disbursement obligations payable as of June 30, 2008 as follows:

2008	\$ 1,445
2009	767
	\$ 2,212

9. LONG-TERM INDEBTEDNESS

	June 30, 2008	December 31, 2007
Non-revolving term loan	\$ 120,000	\$ 120,000
Revolving credit facility	5,000	10,000
	125,000	130,000
Deferred finance costs	(807)	(946)
	\$ 124,193	\$ 129,054

The Fund has \$170.0 million of available term credit facilities due June 15, 2011 (December 31, 2007 – \$170.0 million), consisting of a \$120.0 million non-revolving term loan and a \$50.0 million revolving credit facility. The credit facilities do not require the Fund to make any principal payments prior to their maturity. 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 interest 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 June 30, 2008, the Fund was in compliance with all of its financial covenants and financial condition tests.

Deferred finance costs relate to the renewal and amendment of long-term indebtedness on June 15, 2006. Amortization of deferred finance costs during the three months ended June 30, 2008 was \$70 (Q2 2007 – \$69) and during the six months ended June 30, 2008 was \$139 (six months ended June 30, 2007 – \$138). Amortization of deferred finance costs is recognized as interest expense using the effective interest method.

10. 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, held for 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.

Market Risk The Fund is subject to interest rate risks as its credit 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 following table presents a sensitivity analysis to changes in market interest rates and their potential impact on the Fund for the three and six months ended June 30, 2008. As the sensitivity is hypothetical, it should be used with caution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Three months ended June 30, 2008		Six months ended June 30, 2008	
	+100 bps	-100 bps	+100 bps	-100 bps
Increase (decrease) in interest expense	\$ 42	\$ (42)	\$ 84	\$ (84)
Change to net unrealized (gain) loss on interest-rate swaps	(2,200)	2,200	(2,200)	2,200
Increase (decrease) in net income	\$ 2,158	\$ (2,158)	\$ 2,116	\$ (2,116)
Increase (decrease) in total comprehensive income	\$ 2,158	\$ (2,158)	\$ 2,116	\$ (2,116)

The Fund manages its interest rate risks through the use of interest-rate swaps for most of its outstanding long-term indebtedness. As of June 30, 2008, the Fund has entered into interest-rate swap contracts with its lenders, such that the borrowing rates on \$108.0 million, or 86.4%, of its outstanding term indebtedness are effectively fixed at interest rates and for periods shown in the following table:

Maturity Date	Notional Amount	Fair value of interest-rate swaps		Interest Rate ¹
		Asset	Liability	
January 4, 2009	\$ 10,000	\$ -	\$ 18	4.505%
July 15, 2009	20,000	-	335	5.688%
July 15, 2010	33,000	-	822	5.690%
June 15, 2011	20,000	-	668	5.560%
June 15, 2011	25,000	-	535	5.560%
	\$ 108,000	\$ -	\$ 2,378	

¹ The listed interest rates are inclusive of bankers' 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.

Liquidity Risk The Fund has long-term indebtedness with a maturity date of June 15, 2011. The degree to which the Fund is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to maintain and grow the current levels of cash flows from operations. The Fund may be unable to extend the maturity date of the credit facilities or to refinance outstanding indebtedness.

Management, to reduce liquidity risk, has historically renewed the terms of the Fund's long-term indebtedness in advance of its maturity dates and the Fund has maintained financial ratios that are conservative compared to financial covenants applicable to the credit facilities. Further, the Fund has made numerous voluntary payments on its outstanding long-term indebtedness and a portion of its committed term credit facilities remains undrawn.

Management measures liquidity risk through comparisons of current financial ratios with financial covenants contained in the Credit Agreement.

Hedge Accounting Where derivatives are held for risk management purposes or when transactions meet the criteria, including documentation requirements, specified in the CICA

Handbook 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) When applicable, 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 unitholders' equity.

11. OTHER LONG-TERM LIABILITIES

	June 30, 2008	December 31, 2007
Deferred compensation program	\$ -	\$ 1,997
Employee future benefits	408	561
	<u>\$ 408</u>	<u>\$ 2,558</u>

The deferred compensation program, which commenced in 2003, is a five-year long-term incentive plan for management, subject to certain performance criteria and vesting terms, payable after December 31, 2008. The balance as of June 30, 2008 was reclassified to current liabilities during the quarter as it is payable in March 2009.

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 three months ended June 30, 2008 was \$0.4 million (Q2 2007 – \$0.4 million) and for six months ended June 30, 2008 was \$1.0 million (six months ended June 30, 2007 – \$0.9 million).

12. 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.

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, assuming transitional rules apply.

Certain distributions of a SIFT will not be deductible in computing the SIFT’s taxable income, and the SIFT will be subject to tax on its income distributed 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, and under the existing SIFT Rules certain flow-through subsidiaries of the Fund themselves may also be within the definition of a SIFT. Even if it is determined that these flow-through subsidiaries of the Fund meet the definition of a SIFT, there would be no impact on the future tax assets and liabilities of the Fund. On December 20, 2007, the Minister of Finance announced his intention to introduce technical amendments to the SIFT Rules under which certain flow-through subsidiaries of a SIFT, which would include those of the Fund, will not themselves be SIFTs.

Commencing January 1, 2011, the Fund will be subject to tax on its income distributed. 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 flow-through subsidiaries that are expected to reverse in or after 2011. The Fund expects that its income distributed 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 2011.

Significant components of the Fund’s future tax liabilities and assets with respect to the consolidated carrying values related to its investments in certain partnership and trust subsidiaries that are expected to reverse after 2010 are as follows:

Future income tax assets:		
Intangible assets less than tax values	\$ 11,043	\$ 10,854
Loss carryforwards	1,636	1,636
Valuation allowance	(12,679)	(12,490)
Total future tax assets	-	-

Future income tax liabilities:		
Capital assets greater than tax values	2,357	1,591
Total future tax liabilities	2,357	1,591
Net future income tax liabilities	\$ 2,357	\$ 1,591

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 future income tax asset by a valuation allowance for the full amount. A corporate subsidiary of the Fund has losses available for carry forward. The Fund does not expect to realize the benefit of these losses in the foreseeable future and accordingly has reduced the future income tax 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.

13. 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:

	June 30, 2008	December 31, 2007
Balance, beginning of period	\$ 474,585	\$ 474,585
Units issued	-	-
Balance, end of period	\$ 474,585	\$ 474,585
Units outstanding, end of period	43,946,792	43,946,792

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The weighted average number of units outstanding during the three months and the six months ended June 30, 2008 was 43,946,792 (three and six months ended June 30, 2007 – 43,946,792).

14. COMMITMENTS

As of June 30, 2008, the Fund has annual lease obligations with respect to real estate, vehicles and equipment as follows:

2008	\$ 2,057
2009	3,550
2010	3,445
2011	1,924
2012	796
Thereafter	305
	<hr/> \$ 12,077

15. CAPITAL

The Fund views its capital as the combination of its indebtedness and equity balances. In general, the overall capital of the Fund is evaluated and determined in the context of its financial objectives and its strategic plan.

While the Fund carries a level of cash on hand, this amount is modest in relation to its overall capital and is generally in an amount determined in reference to its pending distribution obligations and short-term changes in non-cash working capital balances.

With respect to its level of indebtedness, the Fund determines the appropriate level in the context of its cash flow and overall business risks. Generally, the Fund has maintained a low level of indebtedness relative to cash flow (as compared to many corporate entities) in order to provide increased financial flexibility and to provide increased protection for unitholders relative to their expectation of distributions. Additionally, the Fund has historically generated cash flow in excess of distributions and has used a portion of such excess to pay down indebtedness. The Fund would consider increasing its level of indebtedness relative to cash flow to assist in the financing of an acquisition. As well, the Fund will review its level of indebtedness in the context of the change in taxation impacting the Fund commencing 2011.

The Fund's indebtedness is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a subsidiary level. One such ratio is the "Total Funded Debt / EBITDA Ratio" as defined in the Credit Agreement. The maximum ratio allowed for a 12-month trailing period is 2.50. For the

three months ended June 30, 2008, this ratio was calculated at 1.06 (Q2 2007 – 1.19). Management also uses this ratio as a key indicator in managing the Fund's capital.

With respect to its equity, the current level of capital is considered adequate in the context of current operations and the present strategic plan of the Fund. The equity component of capital increases primarily based upon the income of the business less the distribution paid. Any major acquisition would be financed in part with additional equity. The Fund will also review its level of equity in the context of the change in taxation impacting the Fund commencing in 2011.

16. SIGNIFICANT CUSTOMERS

For the three months ended June 30, 2008, the Fund earned 78% of its consolidated revenue from its seven largest customers (Q2 2007 – 77%). For the three months ended June 30, 2008, four of these customers individually accounted for greater than 10%, but not more than 17% of the Fund's total revenue (Q2 2007 – five of these customers individually accounted for greater than 10%, but not more than 17% of the Fund's total revenue).

For the six months ended June 30, 2008, the Fund earned 79% of its consolidated revenue from its seven largest customers (for the six months ended June 30, 2007 – 78%). For the six months ended June 30, 2008, four of these customers individually accounted for greater than 10%, but not more than 17% of the Fund's total revenue (for the six months ended June 30, 2007, five of these customers individually accounted for greater than 10%, but not more than 17% of the Fund's total revenue).

17. 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 and *eSwitch*[®], among other offerings. The Filogix Segment includes services related to the origination and underwriting of mortgages in Canada and the personal property search and registration programs, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Prior to January 1, 2008, the personal property, search and registration programs were operated and reported as part of the Davis + Henderson Segment. Effective January 1, 2008, these programs are operated and reported as part of the Filogix Segment.

In circumstances where there is a change in the composition of reportable segments, CICA Handbook Section 1701, Segment Disclosures, requires restatement of corresponding information for earlier periods if practical. If information is not restated, the entity is required to disclose the results for the current period under both the old basis and the new basis of segmentation. As it is not practical to extract costs relating to the personal property, search and registration programs for periods prior to January 1, 2008, in accordance with the CICA Handbook Section 1701, Segment Disclosures, the Fund has presented the segment information for the current period both under the old basis and the new basis of segmentation.

Summarized financial information for the three and six months ended June 30, 2008 and 2007 are as follows:

	Three months ended June 30,							
	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	\$ 77,946	\$ 84,184	\$ 19,317	\$ 17,808	\$ -	\$ -	\$ 97,263	\$ 101,992
Cost of sales and operating expenses	52,305	57,760	10,229	8,820	823	670	63,357	67,250
Amortization of capital and other assets	2,179	1,912	1,276	1,456	-	-	3,455	3,368
	23,462	24,512	7,812	7,532	(823)	(670)	30,451	31,374
Interest expense	-	-	-	-	1,906	2,121	1,906	2,121
Net unrealized loss (gain) on interest rate swaps	-	-	-	-	(1,034)	(2,196)	(1,034)	(2,196)
Amortization of intangible assets	723	788	2,724	2,483	-	-	3,447	3,271
Minority interest	-	-	-	-	-	204	-	204
Income (loss) before income taxes	22,739	23,724	5,088	5,049	(1,695)	(799)	26,132	27,974
Future income tax expense (recovery)	-	-	-	-	766	1,454	766	1,454
Net income (loss)	\$ 22,739	\$ 23,724	\$ 5,088	\$ 5,049	\$ (2,461)	\$ (2,253)	\$ 25,366	\$ 26,520
Capital and other asset expenditures	\$ 1,098	\$ 2,142	\$ 1,864	\$ 813	\$ -	\$ -	\$ 2,962	\$ 2,955
Intangible assets	\$ 1,708	\$ 6,211	\$ 110,825	\$ 117,770	\$ -	\$ -	\$ -112,533	\$ 123,981
Goodwill	\$ 359,385	\$ 366,562	\$ 81,808	\$ 71,940	\$ -	\$ -	\$ -441,193	\$ 438,502
Total assets	\$ 427,121	\$ 445,484	\$ 187,799	\$ 186,074	\$ 9,390	\$ 11,515	\$ 624,310	\$ 643,073

Effective January 1, 2008, the results of the personal property, search and registration programs are included as part of the results of the Filogix Segment. Prior to this date, the results were included as part of the Davis + Henderson Segment. Current period results under both the new and old basis of segmentation have been presented separately.

For the three months ended June 30, 2008, the Davis + Henderson Segment had six customers that individually accounted for greater than 10% but not more than 21% of the Davis + Henderson Segment revenue and the Filigix Segment had three customers that individually accounted for greater than 10% but not more than 19% of the Filigix Segment revenue (Q2 2007 – Davis + Henderson Segment had four customers that individually accounted for greater than 10% but not more than 20% of the Davis + Henderson Segment revenue and the Filigix Segment had three customers that individually accounted for greater than 10% but not more than 17% of the Filigix Segment revenue).

Six months ended June 30,

	Davis + Henderson Segment		Filigix Segment		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	\$152,670	\$162,681	\$ 33,681	\$ 30,460	\$ –	\$ –	-\$186,351	\$193,141
Cost of sales and operating expenses	102,848	112,611	21,300	17,568	1,415	1,349	125,563	131,528
Amortization of capital and other assets	4,329	3,924	2,513	2,785	–	–	6,842	6,709
	45,493	46,146	9,868	10,107	(1,415)	(1,349)	53,946	54,904
Interest expense	–	–	–	–	3,769	4,351	3,769	4,351
Net unrealized loss (gain) on interest rate swaps	–	–	–	–	1,310	(2,520)	1,310	(2,520)
Amortization of intangible assets	1,447	1,599	5,448	4,966	–	–	6,895	6,565
Minority interest	–	–	–	–	–	313	–	313
Income (loss) before income taxes	44,046	44,547	4,420	5,141	(6,494)	(3,493)	41,972	46,195
Future income tax expense (recovery)	–	–	–	–	766	1,454	766	1,454
Net income (loss)	\$ 44,046	\$ 44,547	\$ 4,420	\$ 5,141	\$ (7,260)	\$ (4,947)	\$ 41,206	\$ 44,741
Capital and other asset expenditures	\$ 3,563	\$ 4,237	\$ 1,933	\$ 2,307	\$ –	\$ –	\$ 5,496	\$ 6,544
Intangible assets	\$ 1,708	\$ 6,211	\$110,825	\$117,770	\$ –	\$ –	-\$112,533	\$123,981
Goodwill	\$359,385	\$366,562	\$ 81,808	\$ 71,940	\$ –	\$ –	-\$441,193	\$438,502
Total assets	\$427,121	\$445,484	\$187,799	\$186,074	\$ 9,390	\$ 11,515	\$624,310	\$643,073

Effective January 1, 2008, the results of the personal property, search and registration programs are included as part of the results of the Filigix Segment. Prior to this date, the results were included as part of the Davis + Henderson Segment. Current period results under both the new and old basis of segmentation have been presented separately.

For the six months ended June 30, 2008, the Davis + Henderson Segment had six customers that individually accounted for greater than 10% but not more than 20% of the Davis + Henderson Segment revenue and the Filigix Segment had three customers that individually accounted for greater than 10% but not more than 19% of the Filigix Segment revenue (for the six months ended June 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 Filigix Segment had three customers that individually accounted for greater than 10% but not more than 16% of the Filigix Segment revenue).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following tables illustrate the reporting under the new and old basis of segmentation for the three and six months ended June 30, 2008.

	Three months ended June 30,							
	Davis + Henderson Segment		Filogix Segment		Corporate		Consolidated	
	New Basis	Old Basis	New Basis	Old Basis	New Basis	Old Basis	New Basis	Old Basis
	2008	2008	2008	2008	2008	2008	2008	2008
Revenue	\$ 77,946	\$ 79,158	\$ 19,317	\$ 18,105	\$ -	\$ -	\$ 97,263	\$ 97,263
Cost of sales and operating expenses	52,305	53,070	10,229	9,464	823	823	63,357	63,357
Amortization of capital and other assets	2,179	2,179	1,276	1,276	-	-	3,455	3,455
	23,462	23,909	7,812	7,365	(823)	(823)	30,451	30,451
Interest expense	-	-	-	-	1,906	1,906	1,906	1,906
Net unrealized loss (gain) on interest-rate swaps	-	-	-	-	(1,034)	(1,034)	(1,034)	(1,034)
Amortization of intangible assets	723	964	2,724	2,483	-	-	3,447	3,447
Income (loss) before income taxes	22,739	22,945	5,088	4,882	(1,695)	(1,695)	26,132	26,132
Future income tax expense (recovery)	-	-	-	-	766	766	766	766
Net income (loss)	\$ 22,739	\$ 22,945	\$ 5,088	\$ 4,882	\$ (2,461)	\$ (2,461)	\$ 25,366	\$ 25,366
Capital and other assets expenditures	\$ 1,098	\$ 1,098	\$ 1,864	\$ 1,864	\$ -	\$ -	\$ 2,962	\$ 2,962
Intangible assets	\$ 1,708	\$ 4,696	\$ 110,825	\$ 107,837	\$ -	\$ -	\$ 112,533	\$ 112,533
Goodwill	\$ 359,385	\$ 369,253	\$ 81,808	\$ 71,940	\$ -	\$ -	\$ 441,193	\$ 441,193
Total assets	\$ 427,121	\$ 450,381	\$ 187,799	\$ 164,539	\$ 9,390	\$ 9,390	\$ 624,310	\$ 624,310

The results presented under the old basis for the Davis + Henderson and Filogix Segments remove from the current period results, the impact of the change in the reporting of the personal property, search and registration programs.

Six months ended June 30,

	Davis + Henderson Segment		Filigix Segment		Corporate		Consolidated	
	New Basis	Old Basis	New Basis	Old Basis	New Basis	Old Basis	New Basis	Old Basis
	2008	2008	2008	2008	2008	2008	2008	2008
Revenue	\$152,670	\$154,807	\$ 33,681	\$ 31,544	\$ -	\$ -	\$186,351	\$186,351
Cost of sales and operating expenses	102,848	104,406	21,300	19,742	1,415	1,415	125,563	125,563
Amortization of capital and other assets	4,329	4,329	2,513	2,513	-	-	6,842	6,842
Interest expense	45,493	46,072	9,868	9,289	(1,415)	(1,415)	53,946	53,946
Net unrealized loss (gain) on interest-rate swaps	-	-	-	-	3,769	3,769	3,769	3,769
Amortization of intangible assets	-	-	-	-	1,310	1,310	1,310	1,310
Income (loss) before income taxes	1,447	1,929	5,448	4,966	-	-	6,895	6,895
Future income tax expense (recovery)	44,046	44,143	4,420	4,323	(6,494)	(6,494)	41,972	41,972
Net income (loss)	-	-	-	-	766	766	766	766
Capital and other assets expenditures	\$ 44,046	\$ 44,143	\$ 4,420	\$ 4,323	\$ (7,260)	\$ (7,260)	\$ 41,206	\$ 41,206
Intangible assets	\$ 3,563	\$ 3,563	\$ 1,933	\$ 1,933	\$ -	\$ -	\$ 5,496	\$ 5,496
Goodwill	\$ 1,708	\$ 4,696	\$110,825	\$107,837	\$ -	\$ -	\$112,533	\$112,533
Total assets	\$359,385	\$369,253	\$ 81,808	\$ 71,940	\$ -	\$ -	\$441,193	\$441,193
	\$427,121	\$450,381	\$187,799	\$164,539	\$ 9,390	\$ 9,390	\$624,310	\$624,310

The results presented under the old basis for the Davis + Henderson and Filigix Segments remove from the current period results, the impact of the change in the reporting of the personal property, search and registration programs.

18. 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 June 30, 2008	Three months ended March 31, 2008	Three months ended December 31, 2007 ²	Three months ended September 30, 2007 ²	Three months ended June 30, 2007 ²
Revenue	\$ 97,263	\$ 89,088	\$ 90,934	\$ 94,676	\$ 101,992
Cost of sales and operating expenses	63,357	62,206	64,582	63,813	67,250
Amortization of capital and other assets	3,455	3,387	3,647	3,496	3,368
	30,451	23,495	22,705	27,367	31,374
Interest expense	1,906	1,863	1,876	1,982	2,121
Net unrealized loss (gain) on interest-rate swaps	(1,034)	2,344	823	957	(2,196)
Amortization of intangible assets	3,447	3,448	3,386	3,347	3,271
Future income taxes expense (recovery)	766	-	137	-	1,454
Minority interest	-	-	(139)	205	204
Net income	\$ 25,366	\$ 15,840	\$ 16,622	\$ 20,876	\$ 26,520
Cash flows from operating activities	\$ 32,623	\$ 16,523	32,141	\$ 28,802	\$ 34,784
Changes in non-cash working capital and other items ¹	(82)	9,037	(6,959)	425	(1,814)
Adjusted cash flows from operating activities	32,541	25,560	25,182	29,227	32,970
Less:					
Capital asset expenditures and contract payments	2,962	2,534	4,354	4,598	2,955
Adjusted cash flows after capital asset expenditures and contract payments	29,579	23,026	20,828	24,629	30,015
Distributions paid to unitholders	19,305	18,853	26,676	17,403	17,403
	10,274	4,173	(5,848)	7,226	12,612
Cash flows provided by (used in) other financing activities	(5,000)	-	-	(5,000)	(10,000)
Cash flows used in acquisition of businesses and customer service contracts	-	(4,250)	-	(837)	-
Changes in non-cash working capital and other items ¹	82	(9,037)	6,959	(425)	1,814
Distributions paid to minority interest	-	-	(187)	(255)	-
Increase (decrease) in cash and cash equivalents for the period	\$ 5,356	\$ (9,114)	924	\$ 709	\$ 4,426

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.

² Certain comparative figures have been reclassified to conform to the current period's presentation.

Summary of Cash Flows Per Unit

(in Canadian dollars, unaudited)	Three months ended June 30, 2008	Three months ended March 31, 2008	Three months ended December 31, 2007	Three months ended September 30, 2007	Three months ended June 30, 2007
Adjusted cash flows from operating activities	\$ 0.7405	\$ 0.5816	\$ 0.5730	\$ 0.6651	\$ 0.7502
Adjusted cash flows after capital asset expenditures and contract payments	\$ 0.6731	\$ 0.5240	\$ 0.4739	\$ 0.5604	\$ 0.6830
Distributions paid to unitholders	\$ 0.4393	\$ 0.4290	\$ 0.6070	\$ 0.3960	\$ 0.3960
Distributions declared during period	\$ 0.4496	\$ 0.4290	\$ 0.6180	\$ 0.3960	\$ 0.3960

Condensed Consolidated Balance Sheet

(in thousands of Canadian dollars, unaudited)	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Cash and cash equivalents	\$ 9,390	\$ 4,034	\$ 13,148	\$ 12,224	\$ 11,515
Other current assets	26,847	25,382	26,149	29,644	29,772
Capital and other assets	34,347	35,229	38,268	38,049	39,303
Goodwill and other intangible assets	553,726	557,173	556,587	559,973	562,483
	\$ 624,310	\$ 621,818	\$ 634,152	\$ 639,890	\$ 643,073
Payables and other current liabilities	\$ 42,427	\$ 38,491	\$ 49,116	\$ 45,165	\$ 45,994
Other long-term liabilities	5,143	7,417	6,289	5,673	6,732
Long-term indebtedness	124,193	129,123	129,054	128,985	133,916
Unitholders' equity	452,547	446,787	449,693	460,067	456,431
	\$ 624,310	\$ 621,818	\$ 634,152	\$ 639,890	\$ 643,073

Distribution History

Month								Distributions per unit ¹	
	2008	2007	2006	2005	2004	2003	2002	2001	
January	\$ 0.1430	\$ 0.1280	\$ 0.1220	\$ 0.1200	\$ 0.1150	\$ 0.1117	\$ 0.1083	\$ -	
February	0.1430	0.1280	0.1220	0.1200	0.1150	0.1117	0.1083	-	
March	0.1430	0.1320	0.1250	0.1200	0.1168	0.1117	0.1083	-	
April	0.1430	0.1320	0.1250	0.1200	0.1168	0.1133	0.1083	-	
May	0.1533	0.1320	0.1250	0.1200	0.1168	0.1133	0.1083	-	
June	0.1533	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	-	0.1320	0.1250	0.1220	0.1168	0.1150	0.1117	-	
November ²	-	0.3430	0.1280	0.1220	0.1200	0.1150	0.1117	-	
December ³	-	0.1430	0.1280	0.1220	0.1200	0.1150	0.1117	0.0427	
	\$ 0.8786	\$ 1.7980	\$ 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 November 2007 declared distributions included a special distribution of \$0.20 for unitholders of record on November 15, 2007 and was paid November 30, 2007.

³ Distributions in 2001 are in respect of the 12 calendar days from December 20, 2001 to December 31, 2001.

SUPPLEMENTARY FINANCIAL INFORMATION (continued)

Tax Allocation of Distributions

	2008	2007	2006	2005	2004	2003	2002
Dividend income	0.0%	0.0%	0.0%	0.0%	15.0%	19.5%	16.9%
Other income	100.00%	100.0%	100.0%	91.6%	75.2%	69.5%	71.5%
Return of capital	0.0%	0.0%	0.0%	8.4%	9.8%	11.0%	11.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The above tax allocation of distributions for 2008 represents an estimate based on the total expected distributions for the year ended December 31, 2008.

Other Statistics

(in thousands, except per unit amounts)

Quarter ended	Trading price range of units (TSX: "DHFUN")			Average daily volume	Number of units outstanding at quarter end	Market capitalization at quarter end
	High	Low	Close			
2008 Q2	\$ 17.85	\$ 15.53	\$ 15.58	83	43,947	\$ 684,691
Q1	21.75	15.77	17.19	107	43,947	755,445
2007 Q4	22.00	18.75	21.00	98	43,947	922,883
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

DAVIS + HENDERSON INCOME FUND

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Allan Gotlieb²

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Sales and Marketing

Steve Rotz

Vice President,
Corporate Development

Joanne Sisco

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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
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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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