2019 ANNUAL REPORT

THE BRAND
BEHIND YOUR BRAND

Letter to shareholders

Dear Fellow Shareholders,

Fiscal 2019 and Fourth Quarter Financial Results

For fiscal 2019, revenues were $282.9 million compared to $322.8 million in 2018, a decrease of $39.9 million or 12.4%. Adjusted EBITDA was $20.1 million, or 7.1% of revenues after adjusting for the impact of adopting IFRS 16. This compares to $22.2 million for fiscal 2018, representing a decrease of $2.2 million or 9.7%. Before adjusting for the adoption of IFRS 16, Adjusted EBITDA was $9.2 million for fiscal 2019.

Revenues for the fourth quarter were $71.5 million compared to $81.2 million in the fourth quarter of 2018, a decrease of $9.7 million or 11.9%. The decrease in revenues during the quarter was due to a number of factors, including lower customer demand, volume declines in certain products and production slowdowns related to vendor credit constraints associated with our financial liquidity challenges especially in the month of December. Revenues in the quarter were also impacted by a $1.3 million charge to revenue to account for the possibility that aged receivables may not be collectible. The decrease in revenue was partially offset by revenue from the onboarding of a new offering to a large provincial healthcare services customer of $0.8 million and new sales from customers in the Cannabis sector of $2.5 million. In addition, the fourth quarter of 2018 was particularly strong, benefiting from timing of certain customer orders which otherwise would have been produced in the first quarter of 2019, given customer inventory planning and timing of production.

Adjusted EBITDA was $5.5 million in the fourth quarter of 2019, or 7.7% of revenues after adjusting for the impact of adopting IFRS 16, which became effective in the first quarter of 2019. This compares to $6.5 million in the fourth quarter of 2018, representing a $1.0 million or 15.5% decrease compared to last year. Before adjusting for the adoption of IFRS 16, Adjusted EBITDA was $2.7 million or 3.7% of revenues for the quarter ended December 31, 2019. This decrease is primarily due to the higher SG&A due in part to the launch of our new ERP system.

2019 in Review

Fiscal 2019 was a challenging year, as we tested our resiliency and commitment towards a better DCM.

2019 is best summed up as a two-part story; the pre-Enterprise Resource Planning (ERP) period and the post-launch ERP period.

Our plan for 2019 was a continuation of the efforts and accomplishments we achieved in 2018:

- Focus on core customers
- Improve gross margins
- Reduce SG&A
- Paydown debt
- Investing to support future growth

For the first five months of the year, we stuck to our plan:

- New revenue wins…in excess of $45.0 million of lifetime contract revenue
- Cannabis label dominance… the majority of labels produced for Canadian cannabis companies are provided by DCM
- Reduction in SG&A overheads with the elimination of our Brossard location and a total headcount reduction across the organization of more than 200 personnel
- Repayment of $5.0 million in fixed term debt obligations by the end of May 2019

And then came June 3rd, 2019 and the launch of our ERP system.

To say the implementation of a single operating and reporting system into a 60-year-old business was a challenge is an understatement.

In decades of experience within multiple businesses, I had never experienced the level of disruption on a day to day basis as was caused by the launch of our new operating system.

As presented in my second quarter and third quarter letters to shareholders, all facets of our business were affected; particularly revenue, gross margins and our ability to support the financing of a rapidly growing accounts receivable/payable bulge in our balance sheet.

In the fourth quarter we saw a stabilization of our production capabilities and output. This improvement is reflected in DCM posting more stabilized results in the fourth quarter.

So, where are we?

Your management has thoroughly reviewed, with outside professional assistance, the reasons for the challenges we endured with the launch of our ERP system. I can go into great detail of the why's, but I think the most important questions are:

- Does the system work? Yes, it is working the way we designed it!
- Are there any issues still to resolve? Yes, we still are clearing up some invoicing issues. We know where these lie and have a dedicated team focused on resolving these issues.
- Are you seeing the efficiencies you forecasted with the ERP implementation? Not yet. Until we are entirely sure we can get 95% of our SKUs through the system without some manual assistance, we will maintain staff levels to ensure no service interruptions occur.

While ERP implementation and then remediation took up a large part of our employees' attention, our business needed to carry on. I am pleased to report on several accomplishments during the fourth quarter of 2019.

- Fourth quarter revenue - another step toward more "normal" state of business
- Steady gross margins - 24.5% for fiscal 2019, comparable to last year
- More than $80.0 million in new annualized revenue awarded in the full year with wins across our whole client spectrum
- Core customer revenue (our top 10 customers) grew by 3.6% compared to the prior year
- More than 75% of the Canadian cannabis demand for labels is produced by DCM
- An over-subscribed rights offering in December 2019 which added almost $5.0 million in equity

Recently I was meeting with a key supplier who faces many of their own challenges. I was struck by a simple thought written on the white board in their boardroom: "*Nobody can go back and start a new beginning, but anyone can start today and make a new ending*" (Source: Maria Robinson).

All of this process could not have been achieved without the tireless efforts of our DCM employees. I thank them all. It would have been easy to give in, but the thousands of hours of extra effort have made the difference.

Outlook for 2020

Our original forecast for the fiscal year was positive and realistic. We expected to see modest revenue growth while continuing to improve our gross margins and lower our SG&A. We expect the first quarter of 2020, relatively speaking, to be strong and to outperform our first quarter of 2019, however, the impact of the COVID-19 pandemic on our economy and business makes it difficult to predict our financial performance for the balance of the year.

While we are fortunate enough to be an essential services provider to a number of industries, including healthcare, financial services and supply chain sectors, DCM has experienced a reduction in demand from other clients and sectors due to the pandemic, particularly in our retail-related product offerings.

Safeguarding the well-being of our employees has been a top priority. We have taken a number of actions to ensure strict health and safety measures along with the continued operation of our plants.

We have also taken swift action to manage our costs, including temporary layoffs, shift reductions, roll-backs of management and senior executive salaries, reductions in non-essential spending and deferral of other expenses and payments where practical. To date we have qualified for and received approximately $6.1 million under the Canadian Emergency Wage Subsidy relief program with $1.6 million of that amount attributable to the first quarter of 2020. We continue to evaluate the situation closely and assess further actions that may be required in the event of a prolonged disruption. Working capital improvement is a significant priority for us; both collecting accounts receivables and better matching the timing of billing with the cost of production.

Our client-facing activities speak to the value we bring to our enterprise clients as well as our spirit of entrepreneurialism. As of this writing, we have provided more than $5.0 million of COVID-19 related products such as floor decals, posters, sanitizers, wipes and latex gloves. We are also working with some of our top customers to help develop communication plans for re-opening.

While many of our investors and clients see us as production and business process specialists, the crisis has shown that we are a trusted partner ready to anticipate and deliver comprehensive solutions. We remain highly engaged with our clients.

For the balance of the year we are ensuring our focus on flexibility and adaptability to changing needs is front and centre.

I thank all of you for your support and investment in our business.

For a full description of our financial results for fiscal 2019, please refer to our audited consolidated financial statements for year ended December 31, 2019 and related management's discussion and analysis, copies of which are available at www.sedar.com

Yours truly,

(Signed) "Gregory J. Cochrane"

Gregory J. Cochrane

Chief Executive Officer

DATA Communications Management Corp.

June 2020

Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM) and its subsidiaries (referred to herein as "DCM" or the "Company") for the years ended December 31, 2019 and 2018. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of DCM for the years ended December 31, 2019 and 2018. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The date of this MD&A is June 8, 2020. Additional information relating to DCM, including its most recently filed audited and unaudited consolidated financial statements, Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

Basis of presentation

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ending December 31, 2019, as issued and outstanding as of June 8, 2020 the date the Board of Directors ("Board") approved these financial statements.

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: risks relating to the impact of the COVID-19 pandemic, a rapidly evolving situation the impact of which could be material on DCM's business, liquidity and results of operations; DCM's new enterprise resource planning ("ERP") system has failed to perform as planned and interrupted operational transactions during and following the implementation, which has, and may continue to, materially and adversely affect DCM's financial liquidity and operations and results of operations; there are material uncertainties associated with the resolution of the liquidity challenges currently facing DCM that may cast significant doubt as to the ability of DCM to

meet its obligations as they come due; there is no assurance that management's initiatives for dealing with these events and conditions will be successful and there are risks in the expected timing of resolution thereof and the possible effects of these issues if they are not resolved; DCM's ability to continue as a going concern is dependent upon its ability to return DCM to profitability, generate positive cash flows from operations, obtain additional financing, risks relating to DCM's ability to access sufficient capital, including, without limitation, under its existing revolving credit facility, on favourable terms to fund its liquidity and business plans from internal and external sources; the risk that a material weakness in internal control of financial reporting, could, if uncorrected, result in a future misstatement of revenues that may result in a material misstatement of DCM's annual or interim consolidated financial statements if not prevented or detected on a timely basis; the risk that DCM will not be successful in implementing amendments to the terms of its existing credit facilities including, without limitations, the financial covenants of DCM under these facilities; the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions it has made and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers and suppliers.

Additional factors are discussed elsewhere in this MD&A under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of common shares of DCM (basic and diluted) outstanding during the period. In addition to net income (loss), DCM uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and

Adjusted EBITDA to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DCM's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 and Table 7 below. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 4 and Table 8 below.

Business of DCM

OVERVIEW

DCM is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with their customers. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print and/or digital formats.

On February 22, 2017, DCM acquired Eclipse Colour and Imaging Corp. ("DCM Burlington"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. (collectively, “Perennial Group”). On closing, Perennial Group was amalgamated as Perennial Inc. (“Perennial”). Perennial’s suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

On November 7, 2018, DCM announced that Perennial and Aphria Inc. (“Aphria”) had entered into a joint venture agreement (the “JV”). The JV initially focused on cannabis-infused products for the wellness, medical and adult-use markets. The JV was owned equally by Perennial and Aphria. It selected specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV was dissolved on July 12, 2019. As at December 31, 2019, there were no significant transactions or balances between incorporation and dissolution.

Customer agreements and terms typically include provisions consistent with industry practice, which allow DCM to pass along increases in the cost of paper and other raw materials used to manufacture products.

DCM’s revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DCM’s revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

DCM has approximately 1,200 employees in Canada and the United States and had revenues of $282.9 million in 2019. Website: www.datacm.com.

RECENT DEVELOPMENTS

AMENDMENTS TO CREDIT FACILITIES

On February 21, 2020, DCM entered into a sixth amendment to its Bank Credit Facility (the “Bank Sixth Amendment”). Advances under the Bank Credit Facility (as defined in the “Liquidity and capital resources” below section) may not, at any time, exceed the lesser of $50.0 million and a fixed percentage of DCM’s aggregate accounts receivables and inventory (less certain reserve amounts). This amendment permits DCM: (i) for the period from January 1, 2020 to April 30, 2020, to add up to $6.0 million on an unmargined basis (the “Unmargined Amount”) when calculating that borrowing base, and (ii) for the period from January 15, 2020 to May 14, 2020, to remove from the calculation of that borrowing base, up to $2.8 million of reserves (the “Excluded Pension Reserve Amount”) on account of DCM’s deficit in respect of its defined benefit pension plan. The Unmargined Amount of the borrowing base will reduce at the rate of $1.0 million per month commencing on May 1, 2020 until the Unmargined Amount is fully removed from the borrowing base. DCM will be required to reinstate the Excluded Pension Reserve Amount in the calculation of its borrowing base by adding $1.0 million and $2.0 million of that amount respectively in each of May and June, 2020, and by including all of the Excluded Pension Reserve Amount in July 2020 and thereafter. In addition to the financial covenants in the Bank Credit Agreement, the Bank Sixth Amendment added a new financial covenant that requires DCM to meet a Minimum Cash Flow Requirement (as defined in the Bank Sixth Amendment). In the event that DCM’s borrowing base exceeds total borrowings under the Bank Credit Facility by less than $1.5 million, tested on a bi-weekly basis, the Minimum Cash Flow

Requirement requires DCM to demonstrate, in that circumstance, that net cash flows for the Company for the preceding four weeks do not vary negatively from its forecasted cash flows by more than $3.0 million.

The Bank Sixth Amendment also restricts DCM from making payments and distributions to non-arm's length parties without the Bank's consent, subject to certain exceptions, and increases the interest rate on DCM's borrowings under the Bank Credit Facility by 0.50% for the period from January 1, 2020 to September 30, 2020. In addition, DCM has agreed to issue to the Bank warrants to purchase, for a period of 24 months, up to 500,000 common shares of the Company at a price to be determined in accordance with the rules of, and approved by, the Toronto Stock Exchange.

On February 21, 2020, DCM entered into an agreement with each of FPD III, FPD IV and FPD V (as defined in the "Liquidity and capital resources" below section) to defer the payment of regularly scheduled principal payments owing to each of them under the applicable FPD Loan Agreement commencing February 1, 2020. Scheduled principal payments will resume June 15, 2020. The deferred principal payments will be added to the amounts due at maturity of the respective FPD Loan Agreements.

On February 21, 2020, DCM entered into a fifth amendment (the "Crown Fifth Amendment") to the Crown Credit Agreement (as defined in the "Liquidity and capital resources" below section). Under the Crown Fifth Amendment, for the period from January 1, 2020 to October 1, 2020, all interest on outstanding borrowings under the Crown Credit Agreement will be deferred and will be capitalized on each date on which payment of such interest would otherwise be due by adding the amount of the interest due to DCM's then outstanding principal and interest obligations under the Crown Credit Agreement.

Holders of an aggregate of $1.0 million in promissory notes, which were entered into by DCM in July 2019 with certain parties, including related parties of DCM, have agreed to defer repayment of those notes. It had been intended that these promissory notes would be repaid out of the net proceeds of the rights offering completed by the Company in December 2019.

On March 30, 2020, in reaction to anticipated COVID-19 (as defined below) impacts on its business, DCM entered into a seventh amendment to its Bank Credit Facility (the "Bank Seventh Amendment"). This amendment permits DCM to amend the definition of borrowing base by adding into the margining calculations 75% of BAR Products, without duplication, for the period from April 1, 2020 to June 30, 2020. BAR Products means Bill-as-Released finished goods products that are produced and held for future delivery based on specified contracts and billing procedures with DCM's customers. During the aforementioned period, finished goods consisting of BAR Product shall be removed from the definition of "Eligible Inventory" when calculating DCM's borrowing base. The Bank Fifth Amendment covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month has been waived in respect of the months March 2020, April 2020, May 2020 and June 2020, respectively. In addition, the covenant requiring DCM to attain revenue in a minimum amount equal to not less than 90% of its forecasted revenue on a quarterly and on a cumulative basis commencing with the fourth quarter of 2019 and ending with the quarter ending June 30, 2020 was waived starting in the fourth quarter of 2019.

On March 30, 2020, DCM also entered into an agreement with each of FPD III, FPD IV and FPD V, to waive the financial covenant to maintain a minimum monthly EBITDA of $1.0 million in respect of the months of March 2020, April 2020, May 2020 and June 2020 respectively. In addition, FPD also waived the Total Funded Debt to EBTDA Ratio covenant for the quarter ending June 30, 2020.

On March 30, 2020, DCM also entered into a sixth amendment (the "Crown Sixth Amendment") to the Crown Credit Agreement. This amendment waives the Net Debt to EBITDA Ratio covenant requirements for the quarters ending March 31, 2020 and June 30, 2020, respectively and also removes the new financial covenant requiring DCM to have EBITDA of not less than $4.0 million for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8.0 million for the six-month period ending June 30, 2020.

PROGRESS ON ERP TRANSITION

As a result of the significant disruption in DCM's business caused by the implementation of a new ERP system since June 3, 2019, the Company's liquidity has been constrained by delays in production, shipments and billings to its customers. Significant progress continued to be made throughout the fourth quarter and system issues and data quality were substantively remediated during the fourth quarter. Production and shipping volumes returned to more normal levels commensurate with activity prior to the implementation of the new ERP system and DCM continues to work on invoice corrections and accounts receivable collection efforts. Management continues to receive support from its lenders (see "Liquidity" below).

Management of DCM has diagnosed the issues that impacted 2019 and is working to strengthen its system processes and financial controls in 2020. DCM has shifted its focus to achieving post-implementation efficiencies, including providing additional training to employees in each business area, simplifying business processes and improving efficiencies in the system as designed. Management is also creating a detailed business process improvement plan to reduce some of the complexities that were designed into the configuration of the system.

COVID-19 GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, ("COVID-19"), a global pandemic. Governments in affected areas in which the Company operates have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations of gatherings and events. The impacts on the global economy have been far-reaching, however, due to the speed with which the situation developed and the uncertainty of its magnitude, outcome and duration it is not possible to quantify the impact this pandemic may have on the financial results and condition of DCM in future periods.

Management of DCM has been closely monitoring developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where it operates. While safeguarding the well-being of individuals is the Company's principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to ensure continued operation have been implemented to date, including temporary layoffs, wage rollbacks for senior executives and director level employees, shift reductions, reductions in non-essential spending and deferral of other expenses and payments where practical and the Company continues to evaluate and assess further actions. Despite these efforts it is possible that during an extended pandemic

the operation of one or more of DCM's production facilities could be disrupted. In these circumstances DCM may need to limit operations or be temporarily shut down. Although many of DCM customers' products serve essential everyday needs, it is likely that the customer demand for these customer products could continue to deteriorate due to the slowing economy.

Despite DCM's business continuing to operate as an essential provider to a number of industries, including the healthcare, financial services and supply chain sectors, the Company has experienced a reduction in demand from certain clients and sectors due to the pandemic, particularly in its retail related business. It is not currently possible to accurately quantify the impact of the pandemic on the Company's operations or financial results. These possible impacts can be caused by both the pandemic itself as well as by the extensive public restrictions to continue limiting the spread of the virus and may differ in various business areas and DCM's operating locations and timing of the loosening of various restrictions on businesses and the general public.

To date, DCM has not experienced any material disruptions in its supply chain due to COVID-19. Nor has DCM experienced any material credit collection delinquencies related to COVID-19, although certain customers have stretched their payment terms.

DCM's impairment tests for property, plant and equipment and goodwill are generally based on fair value less costs of disposal. Accordingly, as required by IFRS, DCM has not reflected these subsequent conditions in the measurement of its assets at December 31, 2019. For example, revenue assumptions used in DCM's impairment indicators/testing were based on expectations at the end of 2019. Impairment indicators for DCM's assets could exist at March 31, 2020 if current conditions persist. Management of DCM continues to work on revisions to the Company's forecasts and to develop plans in light of the current conditions and will use updated assumptions/forecasts in its impairment indicator analysis and for impairment tests, if such tests are required, including estimates for government assistance including tax rebates, holidays, grants and subsidies introduced in response to the impact of the ongoing COVID-19 pandemic. However, the full financial impact of these events on the Company's financial statements cannot be quantified at this time.

GOVERNMENT GRANTS

On April 11, 2020, the Canadian government launched the Canada Emergency Wage Subsidy (the "CEWS"), an emergency economic relief program to lessen the financial fallout on Canadian businesses from the effects of COVID-19.

The CEWS program is designed to help businesses struggling with the economic effects of the coronavirus retain and/or rehire their employees. The CEWS program provides a salary subsidy of 75% of an employee's wages (up to a weekly cap of $847) for up to 12 weeks, retroactive from March 15, 2020 and ending on June 6, 2020. The subsidy is intended to make it easier for eligible employers to avoid laying off or terminating employees, as well as to bring back staff that were laid-off due to COVID-19 by significantly lessening the organization's payroll costs.

- Period 1: To be eligible for CEWS for this period (which covers the employee pay period of March 15 to April 11, 2020), employers must have had at least a 15% reduction in revenue in March 2020. The lower threshold of 15%

recognizes that the negative economic effects of COVID-19 did not begin until mid-March. Revenue, under this program, can be calculated using the accrual method of accounting or the cash method.

- Period 2: To be eligible for CEWS for this period (which covers the employee pay period of April 12 to May 9, 2020), employers must show a reduction of at least 30% in revenue in April 2020.
- Period 3: To be eligible for CEWS for this period (which covers the employee pay period of May 10 to June 6, 2020 pay period), employers must show a reduction of at least 30% in revenues in May of 2020.

If eligible employers determine that they qualify for the CEWS for one claim period, they will automatically qualify for the following claim period. On May 15, 2020, the Canadian government announced that it would be extending the CEWS by an additional 12 weeks to August 29, 2020 and will be working on potential adjustments to this program, including the 30 per cent revenue decline threshold.

DCM met the eligibility criteria using the cash method to calculate its revenue decline for CEWS for Period 1, and accordingly also qualified for Period 2 of this program. Under the cash revenue method, DCM's revenue was more than 15% lower in March 2020 than in March 2019. However, under the accrual method, DCM's revenue for the month of March was comparable to that in the prior year. At this time, DCM does not expect to meet the eligibility criteria for Period 3, as its cash revenue has improved considerably on a relative month over month comparison. DCM has to date qualified for, and received, approximately $6.1 million under the CEWS with $1.6 million of that amount attributable to the first quarter of 2020.

CEO TEMPORARY MEDICAL LEAVE OF ABSENCE

On May 25, 2020, DCM announced that Gregory Cochrane, DCM's Chief Executive Officer, is taking a temporary medical leave of absence, effective immediately. In Mr. Cochrane's absence, Michael Coté, President of DCM, will assume Mr. Cochrane's responsibilities and will be supported by the Company's existing senior executive and management team, all of whom have extensive tenures with DCM under Mr. Cochrane's leadership.

REVENUE RECOGNITION POLICY

DCM recognizes revenue when control of the products or services it provides to its customers has been transferred. The following is a description of principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies.

PRODUCT SALES

DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. DCM recognizes revenue upon the completion of production or when stock product is purchased from a third-party vendor and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified

three key distinct performance obligations related to the sale of product: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot redirect the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative standalone selling prices, where applicable.

WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. Warehousing services represent a distinct performance obligation and accordingly, revenues are recognized over the period that warehousing services are provided to the customer.

FREIGHT SERVICES

DCM provides services to ship customer product from its warehouse to a location specified by the customer. This represents a distinct performance obligation and revenue is recognized when performance of the shipping service has occurred.

MARKETING SERVICES

DCM generates revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, strategic marketing and design services. Typically, these services are contracted with fixed-fees and are provided over a period of time equal to one year or less. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services. Most of DCM's marketing contracts include a single performance obligation because the promise to transfer the individual services are not separately identifiable from other promises in the contract and therefore are not distinct. DCM transfers control of the services it provides to its customers over time and therefore recognizes revenue progressively as the services are performed based on the percentage of completion method. Under this method, the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract and the percentage of completion is applied to the total estimated revenue.

COST OF REVENUES AND OTHER EXPENSES

DCM's cost of revenues primarily consists of raw materials, manufacturing salaries and benefits, occupancy costs, depreciation of owned equipment, and depreciation of the right-of-use asset ("ROU Asset") for property leases and equipment leases. DCM's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs primarily consist of employee salaries and health benefits at DCM's printing and warehousing facilities. Occupancy costs consist primarily of depreciation of the ROU Asset for property leases, and costs related to utilities, insurance and building maintenance. DCM's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, the ROU Asset, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee

salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as depreciation of the ROU Asset for property leases, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses in each of the last five fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to the closure of certain facilities.

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for each of Fiscal 2019, Fiscal 2018 and Fiscal 2017 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2019 and at January 1, 2018, these periods do not reflect consistent accounting policies, particularly in relation to leases and revenue recognition, and therefore are not directly comparable. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

TABLE 1 The following table sets out selected historical consolidated financial information for the periods noted.

For the years ended December 31, 2019, 2018 and 2017 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to December 31, 2019**			January 1 to December 31, 2018	January 1 to December 31, 2017
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported	As reported
Revenues	**$ 282,876**	**$ —**	**$ 282,876**	$ 322,769	$ 289,529
Cost of revenues	**215,322**	**(1,711)**	**213,611**	244,571	220,138
Gross profit	**67,554**	**1,711**	**69,265**	78,198	69,391
Selling, general and administrative expenses	**67,335**	**(245)**	**67,090**	66,216	61,371
Restructuring expenses	**7,489**	**—**	**7,489**	2,654	9,457
Acquisition costs	**—**	**—**	**—**	348	1,368
	74,824	**(245)**	**74,579**	69,218	72,196
(Loss) income before finance costs and income taxes	**(7,270)**	**1,956**	**(5,314)**	8,980	(2,805)
Finance costs					
Interest expense, net	**5,307**	**3,609**	**8,916**	4,985	4,409
Debt modification losses	**3,858**	**—**	**3,858**	—	—
Amortization of transaction costs	**465**	**—**	**465**	623	701
	9,630	**3,609**	**13,239**	5,608	5,110
(Loss) income before income taxes	**(16,900)**	**(1,653)**	**(18,553)**	3,372	(7,915)
Income tax (recovery) expense					
Current	**(105)**	**—**	**(105)**	1,407	725
Deferred	**(4,461)**	**—**	**(4,461)**	(284)	(2,435)
	(4,566)	**—**	**(4,566)**	1,123	(1,710)
Net (loss) income for the year	**$ (12,334)**	**$ (1,653)**	**$ (13,987)**	$ 2,249	$ (6,205)
Basic (loss) earnings per share	**$ (0.57)**	**$ (0.08)**	**$ (0.65)**	$ 0.11	$ (0.38)
Diluted (loss) earnings per share	**$ (0.57)**	**$ (0.08)**	**$ (0.65)**	$ 0.11	$ (0.38)
Weighted average number of common shares outstanding, basic	**21,757,467**	**21,757,467**	**21,757,467**	20,998,703	16,330,837
Weighted average number of common shares outstanding, diluted	**21,757,467**	**21,757,467**	**21,757,467**	21,055,460	16,330,837

As at December 31, 2019, 2018 and 2017 *(in thousands of Canadian dollars, unaudited)*	**As at December 31, 2019**			As at December 31, 2018	As at December 31, 2017
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported	As reported
Current assets	**$ 101,638**	**$ 4**	**$ 101,642**	$ 85,455	$ 82,804
Current liabilities	**65,541**	**8,013**	**$ 73,554**	64,716	68,648
Total assets	**157,767**	**56,605**	**$ 214,372**	142,231	131,859
Total non-current liabilities	**91,614**	**50,245**	**$ 141,859**	70,003	68,610
Shareholders' equity (deficit)	**$ 612**	**$ (1,653)**	**$ (1,041)**	$ 7,512	(5,399)

DCM adopted IFRS 16 *Leases* ("IFRS 16") on January 1, 2019. The adoption of IFRS 16 resulted in a lower net income by $1.7 million for the year ended December 31, 2019 versus on a pre IFRS 16 basis. Lease payments were previously expensed directly through the statement of operations as cost of sales or Selling, general and administrative ("SG&A") expenses for a total of $10.9 million. Under IFRS 16, (i) the $10.9 million lease payments are recognized as a reduction of lease liabilities in the consolidated statement of financial position and are presented as finance lease payments on the consolidated statement of cash flow, (ii) which offsets the depreciation expense of the right-of-use asset ("ROU Asset") recognized in cost of sales and SG&A for an aggregate amount of $8.9 million for a net operating income effect of $2.0 million, and (iii) finance charges on the lease liabilities were recognized as interest expense of $3.6 million.

DCM adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018. 2018 revenues included the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2018 for further details on the impact of the adoption of this accounting standard.

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures" section above for more details.

For the years ended December 31, 2019, 2018 and 2017 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31, 2019**			January 1 to December 31, 2018	January 1 to December 31, 2017
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported	As reported
Revenues [1]	**$ 282,876**	**$ —**	**$ 282,876**	$ 322,769	$ 289,529
Gross profit	**$ 67,554**	**$ 1,711**	**$ 69,265**	$ 78,198	$ 69,391
Gross profit, as a percentage of revenues	**23.9%**		**24.5%**	24.2%	24.0%
Selling, general and administrative expenses	**$ 67,335**	**$ (245)**	**$ 67,090**	$ 66,216	$ 61,371
As a percentage of revenues	**23.8%**		**23.7%**	20.5%	21.2%
Adjusted EBITDA (see Table 3)	**$ 9,160**	**$ 10,896**	**$ 20,056**	$ 22,218	$ 16,104
As a percentage of revenues	**3.2%**		**7.1%**	6.9%	5.6%
Net (loss) income for the year	**$ (12,334)**	**$ (1,653)**	**$ (13,987)**	$ 2,249	$ (6,205)
Adjusted (loss) net income (see Table 4)	**$ (5,768)**	**$ (1,653)**	**$ (7,421)**	$ 5,584	$ 2,580
As a percentage of revenues	**-2.0%**		**-2.6%**	1.7%	0.9%

(1) 2018 revenues included the impact of the adoption of a new accounting standard, IFRS 15. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2018 for further details on the impact of the adoption of this accounting standard.

TABLE 3 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures" section above for more details.

EBITDA and Adjusted EBITDA reconciliation

For the years ended December 31, 2019, 2018 and 2017 *(in thousands of Canadian dollars, unaudited)*	**January 1 to December 31, 2019**			January 1 to December 31, 2018	January 1 to December 31, 2017
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported	As reported
Net (loss) income for the year [1], [2]	**$ (12,334)**	**$ (1,653)**	**$ (13,987)**	$ 2,249	$ (6,205)
Interest expense, net [1]	**5,307**	**3,609**	**8,916**	4,985	4,409
Debt modification losses	**3,858**	**—**	**3,858**	—	—
Amortization of transaction costs	**465**	**—**	**465**	623	701
Current income tax (recovery) expense	**(105)**	**—**	**(105)**	1,407	725
Deferred income tax (recovery)	**(4,461)**	**—**	**(4,461)**	(284)	(2,435)
Depreciation of property, plant and equipment	**3,959**	**—**	**3,959**	4,678	4,143
Amortization of intangible assets	**3,962**	**—**	**3,962**	4,173	3,509
Depreciation of the ROU Asset [2]	**—**	**8,940**	**8,940**	—	—
EBITDA	**$ 651**	**$ 10,896**	**$ 11,547**	$ 17,831	$ 4,847
Restructuring expenses	**7,489**	**—**	**7,489**	2,654	9,457
One-time business reorganization costs [3]	**1,020**	**—**	**1,020**	1,385	432
Acquisition costs	**—**	**—**	**—**	348	1,368
Adjusted EBITDA	**$ 9,160**	**$ 10,896**	**$ 20,056**	$ 22,218	$ 16,104

(1) 2018 revenues included the impact of the adoption of a new accounting standard, IFRS 15. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2018 for further details on the impact of the adoption of this accounting standard.

(2) 2019 results include the impact of the adoption of a new accounting standard, IFRS 16. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(3) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs. This also includes one-time expenses for the JV that was dissolved on July 12, 2019.

TABLE 4 The following table provides reconciliations of net (loss) income to Adjusted net (loss) income and a presentation of Adjusted net income per share for the periods noted. See "Non-IFRS Measures" section above for more details.

Adjusted net (loss) income reconciliation

For the years ended December 31, 2019, 2018 and 2017 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to December 31, 2019**			January 1 to December 31, 2018	January 1 to December 31, 2017
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported	As reported
Net (loss) income for the year [1], [2]	**$ (12,334)**	**$ (1,653)**	**$ (13,987)**	$ 2,249	$ (6,205)
Restructuring expenses	**7,489**	**—**	**7,489**	2,654	9,457
One-time business reorganization costs [3]	**1,020**	**—**	**1,020**	1,385	432
Acquisition costs	**—**	**—**	—	348	1,368
Tax effect of the above adjustments	**(1,943)**	**—**	**(1,943)**	(1,052)	(2,580)
Adjusted net (loss) income	**$ (5,768)**	**$ (1,653)**	**$ (7,421)**	$ 5,584	$ 2,472
Adjusted net loss per share, basic and diluted	**$ (0.27)**	**$ (0.08)**	**$ (0.34)**	$ 0.27	$ 0.15
Weighted average number of common shares outstanding, basic	**21,582,483**	**21,582,483**	**21,582,483**	20,998,703	16,330,837
Weighted average number of common shares outstanding, diluted	**21,582,483**	**21,582,483**	**21,582,483**	21,055,460	16,445,831
Number of common shares outstanding, basic	**43,047,030**	**43,047,030**	**43,047,030**	21,523,515	20,039,159
Number of common shares outstanding, diluted	**43,047,030**	**43,047,030**	**43,047,030**	21,580,272	20,154,153

(1) 2018 revenues included the impact of the adoption of a new accounting standard, IFRS 15. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2018 for further details on the impact of the adoption of this accounting standard.

(2) 2019 results include the impact of the adoption of a new accounting standard, IFRS 16. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(3) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs. This also includes one-time expenses for the JV that was dissolved on July 12, 2019.

Results of operations

REVENUES

For the year ended December 31, 2019, DCM recorded revenues of $282.9 million, a decrease of $39.9 million or 12.4% compared with the same period in 2018. In the first quarter of 2019, DCM experienced a planned reduction in the scope of work versus the prior year by approximately $4.9 million for a specific customer, which was a one-time non-recurring win in 2018. The remaining decrease in revenue year over year is attributable to (i) a disruption of production and shipments to customers caused by DCM's transition to a new ERP system resulting in a reduction of revenue by $7.5 million year over year; (ii) $28.7 million lower sales due to reduced customer demand, volume decline, production slowdowns and timing of production; (iii) a reduction in spend by certain retailers to better manage their inventory levels

and/or move to other solutions not offered by DCM of $4.0 million; (iv) the loss of a lower margin, limited product line customer resulting in a $3.1 million decrease; (v) $2.1 million due to the deferral of certain work including direct marketing campaigns; (vi) a $1.3 million charge to revenue to account for the possibility that aged receivables may not be collectible, and (vii) $1.0 million for other non-recurring work. The reduction in revenue was partially offset due to (i) onboarding of a new offering to a large provincial healthcare services customer which began to ramp up in the second and third quarter of 2019 for $3.6 million; (ii) new sales from customers in the Cannabis sector of $8.1 million, and (iii) $1.0 million in new wins and existing customer growth. Revenue in the year was also negatively impacted by much of the sales team's focus being redirected from new business development efforts towards customer service to support ERP remediation efforts. As well, credit constraints with vendors led to production shortfalls, particularly in the month of December 2019, and dampened what was expected to be a stronger finish to the year.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2019, cost of revenues decreased to $213.6 million from $244.6 million for the same period in 2018, resulting in a $31.0 million or 12.7% decrease over the same period last year. Excluding the effects of adopting IFRS 16, cost of revenues decreased by $29.2 million or 12.0% relative to the same period last year.

Gross profit for the year ended December 31, 2019 was $69.3 million, which represented a decrease of $8.9 million or 11.4% from $78.2 million for the same period in 2018. Gross profit as a percentage of revenues increased to 24.5% for the year ended December 31, 2019, compared to 24.2% for the same period in 2018. Excluding the effects of adopting IFRS 16, gross profit for the year ended December 31, 2019 was $67.6 million or 23.9% as a percentage of revenues. Gross profit as a percentage of revenues for the year ended December 31, 2019 was negatively impacted by (i) production inefficiencies caused by disruptions arising from the implementation of the ERP system; (ii) lower revenue thereby resulting in weaker absorption of fixed overhead costs, and, (iii) impact of paper and other raw material price increases leading to somewhat compressed margins on contracts with certain customers. Gross profit as a percentage of revenues was, however, positively impacted due to continued discipline to improve pricing with customers, loss of low margin customers, and cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2019 increased $0.9 million or 1.3% to $67.1 million, or 23.7% of total revenues, compared to $66.2 million, or 20.5% of total revenues, for the same period of 2018. After deducting one-time business reorganization costs, SG&A expenses were $66.1 million, or 23.4% of total revenues compared to $64.8 million or 20.1% of revenues in the prior period. The increase in SG&A expenses for the year ended December 31, 2019 is due to an increase in general and administrative expenses of $4.2 million, whereas selling, commissions and expenses decreased by $3.3 million. The decrease in selling, commissions and expenses was primarily attributable to (i) lower sales commission costs commensurate with the decrease in revenues, and (ii) benefits from the cost saving initiatives implemented in 2019 and the last quarter of 2018, and was partially offset by costs incurred for the strategic ideation and marketing expertise contributed by Perennial for in-house support to the DCM Sales team. The increase in general and administrative expenses was primarily attributable to (i) an increase in amortization costs related to the ERP intangible asset which commenced in June 2019 accounting for $1.4 million of the increase; (ii) increased salaries and wages for employees that have resumed normal responsibilities following the

launch of the ERP system and no longer have their salaries and wages capitalized; (iii) overtime and temporary labour required to action remediation efforts related to the new ERP system, in addition to catching up on production of the sales order backlog, and (iv) professional fees surrounding the ERP system.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM over the past five years in order to improve margins and better align costs with the declining revenues experienced by the Company in its traditional business, a trend being faced by the traditional printing industry for several years now.

For the year ended December 31, 2019, DCM incurred restructuring expenses of $7.5 million compared to $2.7 million in the same period in 2018. In 2019, the restructuring costs related to headcount reductions from (i) the closure of its Brossard, Quebec facility which was announced in March 2019, (ii) the sale of its loose-leaf binders and index tab business in May 2019, (iii) process improvements in manufacturing to improve efficiencies and gross margins leading to lower labour requirements, and (iv) process improvements in its SG&A functions to reduce labour costs and enhance productivity. In 2018, DCM incurred $3.8 million of restructuring costs related to (i) headcount reductions in indirect labour due to plant consolidations completed during the year, as well as reductions in the sales and administrative functions, and (ii) costs incurred to facilitate the closure and consolidation of Multiple Pakfold, BOLDER Graphics and the Granby, Québec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Quebec facilities, respectively. Total restructuring costs in 2018 were offset by a recovery of $1.1 million related to the termination of DCM's lease agreement for its Granby, Québec facility.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to improving its gross margins and lowering its selling, general and administration expenses.

GOODWILL ANALYSIS

During the fourth quarter of 2019, DCM performed its annual review of impairment of goodwill by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. The CGUs were defined as follows: DCM, DCM Burlington, Thistle and Perennial.

The recoverable amounts of all CGU's were determined based on their respective fair value less cost to sell. DCM used the income approach to estimate the recoverable value of each CGU which is predicated on the value of the future cash flows that a business will generate going forward and converting them into a present value through discounting. Discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on the 2020 budget internally approved and presented to the Board and further projected over a five-year period. For the DCM Burlington, Thistle and Perennial CGUs, a conservative growth rate of 1% (2018 – 1%), and 0% (2018 – 0%) for DCM CGU was applied to revenue for 2020 to 2024, in consideration of the current economic conditions that existed as at December 31, 2019 (pre-COVID-19) and the specific trends of the business services and marketing solutions industries, and a perpetual long-term growth rate of 0% (2018

– 0%) was used thereafter to derive the recoverable amount of these CGUs. Furthermore, a discount rate of 14.25% (2018 – 14.0%) was used for all of the CGUs.

As a result of this annual test, it was concluded that there was no impairment of goodwill for the DCM, DCM Burlington, Thistle and Perennial CGUs. The estimated recoverable amount of the DCM, DCM Burlington, Thistle and Perennial CGUs exceeded their carrying values by approximately $33.1 million (2018 - $53.0 million), $15.5 million (2018 - $14.3 million), $14.3 million (2018 - $11.3 million) and $3.9 million (2018 - $6.4 million) respectively. The recoverable amount of the DCM, DCM Burlington, Thistle and Perennial CGUs would equal their carrying values if the discount rate was increased to 22.1% (2018 - 31.8%), 41% (2018 - 38.6%), 31.6% (2018 - 30.7%) and 19.7% (2018 - 22.5%), respectively.

ADJUSTED EBITDA

For the year ended December 31, 2019, Adjusted EBITDA was $20.1 million or 7.1% of revenues, after adjusting EBITDA for the $7.5 million in restructuring charges and $1.0 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 16, Adjusted EBITDA for the year ended December 31, 2019 was $9.2 million, or 3.2% of revenues compared with an Adjusted EBITDA of $22.2 million or 6.9% of revenues for the same period last year.

The decrease in Adjusted EBITDA, excluding the effect of IFRS 16, for the year ended December 31, 2019 over the prior year comparative periods was primarily attributable to the launch of the ERP system resulting in (i) the deferral of revenues and compressed margins, as discussed above; (ii) an increase in SG&A as the cost for salaries and wages for those employees working on the ERP system implementation can no longer be capitalized post go-live; (iii) an increase in overtime costs and temporary labour to help resolve ERP issues post go-live and catch up on production from the sales order backlog caused by delays in the ERP transition, and additional professional fees incurred as a direct result of the new ERP system. Furthermore, there were additional reductions in revenues and margins in the normal course of operations. However, the decline was partially offset due to cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018.

FINANCE COSTS

Finance costs include interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16 was $8.9 million for the year ended December 31, 2019 compared to $5.0 million for the same period in 2018. Excluding the effects of adopting IFRS 16, interest expense for the year ended December 31, 2019 was $5.3 million. Interest expense for the year ended December 31, 2019 was relatively consistent with the same period in the prior year excluding IFRS 16. The slight change was primarily due to the Crown Facility, secured in 2018 to fund the acquisition of Perennial and to repay the outstanding balance on its subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"), which was partially reflected in the year ended December 31, 2018 as the facility was obtained in May 2018. In addition, total debt increased as at December 31, 2019 due to an additional $7.0 million loan obtained from Crown in the third quarter of 2019 and increases in the Bank Credit Facility during 2019 resulting in additional interest expense. The increase was offset by a reduction in the unwinding of discount which was included in interest expense of the DCM Burlington and Thistle VTBs that were repaid during the first quarter of 2019, and reduction of FPD Credit Facilities through principal payments resulting in

lower interest expense. In addition, for the year ended December 31, 2019, DCM incurred debt modification losses totaling $3.9 million as a result of the amendments to its senior credit facilities.

INCOME TAXES

DCM reported a loss before income taxes of $18.6 million and a net income tax recovery of $4.6 million for the year ended December 31, 2019 compared to income before income taxes of $3.4 million and a net income tax expense of $1.1 million for the year ended December 31, 2018. The change from a net income tax expense to a recovery position was due to the reduction of DCM's estimated taxable income to a loss for the year ended December 31, 2019. The deferred income tax recovery for the year ended December 31, 2019 was adjusted for any changes in estimates of future reversals of temporary differences.

NET LOSS

Net loss for the year ended December 31, 2019 was $14.0 million compared to a net income of $2.2 million for the same period in 2018. Excluding the effects of adopting IFRS 16, net loss for the year ended December 31, 2019 was $12.3 million.

The decrease in comparable profitability for the year ended December 31, 2019 was primarily due to (i) the launch of the ERP system which resulted in both a reduction in revenues and margins, and increase in SG&A as discussed above, (ii) the decrease in revenues in the normal course of operations, and (iii) an increase in restructuring expenses. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in 2019 and the last quarter of 2018 which helped reduce cost of sales and lower selling, commissions and expenses.

ADJUSTED NET LOSS

Adjusted net loss for the year ended December 31, 2019 was $7.4 million compared to Adjusted net income of $5.6 million for the same period in 2018. Excluding the effects of adopting IFRS 16, Adjusted net loss for the year ended December 31, 2019 was $5.8 million.

The decrease in comparable profitability for the year ended December 31, 2019 was primarily due to (i) the launch of the ERP system resulting in both the reduction in revenues and margins, and increase in SG&A as discussed above, and (ii) the decrease in revenues in the normal course of operations. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in 2019 and the last quarter of 2018 in cost of sales and selling, commissions and expenses.

Liquidity and capital resources

CREDIT AGREEMENTS

BANK AND FPD CREDIT FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”) and an amortizing term loan facility (the “FPD IV Credit Facility”) with Fiera Private Debt Fund IV L.P. ("FPD IV") (formerly, Integrated Private Debt Fund IV LP) a fund managed by Fiera Private Debt Fund GP Inc. ("FPD") (formerly, Integrated Asset Management Corp.) pursuant to separate amended and restated credit agreements between DCM and

the Bank (as amended, the “Bank Credit Agreement”) and FPD (as amended, the “FPD IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “FPD III Credit Agreement”) between Thistle and Fiera Private Debt Fund III L.P. ("FPD III") (formerly, Integrated Private Debt Fund III LP), another fund managed by FPD, pursuant to which FPD III has advanced to Thistle a term loan facility (the “FPD III Credit Facility”). On November 10, 2017, DCM established a $5.0 million secured, non-revolving senior credit facility (the "FPD V Credit Facility") with Fiera Private Debt V L.P. ("FPD V") (formerly, Integrated Private Debt Fund V LP), a fund managed by FPD (the "FPD V Credit Agreement" and, together with the FPD III Credit Agreement and the FPD IV Credit Agreement, the “FPD Credit Agreements”) to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The FPD III Credit Facility and the FPD V Credit Facility are subject to the same covenants stipulated under the FPD IV Credit Agreement and are reported on a consolidated basis.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $50.0 million (see Amendments to Credit Facilities) and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $50.0 million and a fixed percentage of DCM’s aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 2.1%. For the year ended December 31, 2019, DCM capitalized transaction costs of $0.3 million related to the Bank Credit Facility. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at December 31, 2019, the unamortized transaction costs related to the Bank Credit Facility was $0.5 million. As at December 31, 2019, there were outstanding borrowings of $34.7 million under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $0.7 million. As at December 31, 2019, all of DCM’s indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 5.55% per annum. As at December 31, 2019, DCM had access to $2.0 million of available credit under the Bank Credit Facility. The bank overdraft of $1.1 million shown on the consolidated statement of financial position as at December 31, 2019 represents outstanding cheques, which when cashed, would be a draw on the Bank Credit Facility. As at December 31, 2019, the carrying value of the debt instrument was $37.0 million. The carrying value includes the outstanding borrowings of $34.7 million, unamortized premium of $2.8 million less the unamortized transaction cost of $0.5 million.

Under the terms of the FPD Credit Agreements, the maximum aggregate principal amount which may be outstanding under the FPD III Credit Facility, FPD IV Credit Facility, the FPD V Credit Facility, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis in accordance with generally accepted accounting principles (“Total Funded Debt”), cannot exceed $93.0 million.

The principal amount of the amended FPD III Credit Facility amortizes in blended equal monthly repayments of principal and interest of $0.1 million over a nine year term ending October 15, 2022. The principal amount of the FPD IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $0.4 million over a seven year term ending March 10, 2023. The principal amount of the FPD V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $0.1 million over a sixty six month term ending May 15, 2023. The FPD III Credit Facility, FPD IV Credit Facility and FPD IV Credit Facility were amended on July 25, 2019 to defer principal payments for the months of August through December 2019 (see Amendments to Credit Facilities). As at December 31, 2019, all of DCM’s

indebtedness outstanding under the FPD III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended FPD IV Credit Facility and under the FPD V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at December 31, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD III Credit Facility were $19 thousand and $3.4 million, respectively. As at December 31, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD IV Credit Facility were $0.3 million and $16.4 million, respectively. As at December 31, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD V Credit Facility were $0.1 million and $3.7 million, respectively. The unamortized balance of the transaction costs for FPD III Credit Facility, FPD IV Credit Facility and the FPD V Credit Facility are being amortized over the remaining term of each respective facility.

CROWN FACILITY

On May 8, 2018, DCM established a $12.0 million non-revolving term loan facility ("Crown Tranche One Loan") with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which $8.2 million was used to fund the up-front cash component of the Perennial acquisition and $3.5 million was used to repay in full the outstanding balance on DCM's subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"). The balance of the Crown Facility was used for general working capital purposes.

The Crown Facility was made available in one advance on the funding date of May 8, 2018 and bears interest at a fixed rate of 10% per annum, payable quarterly, and the principal amount of the loan is due at maturity, which is 60 months from closing. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of $12.0 million was apportioned to $11.5 million to the debt instrument and $0.5 million to the warrant option based on their relative fair values. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $11.5 million to $12.0 million over the term of the loan.

On August 16, 2019, DCM entered into a third amendment to its Crown Facility whereby Crown advanced a second non-revolving term loan in the principal amount of $7.0 million ("Crown Tranche Two Loan"), for total advances in the principal amount of $19.0 million. The terms are consistent with the provisions of the Crown Tranche One Loan. In addition, a total of 550,000 warrants have been issued to Crown in connection with the Crown Tranche Two Loan. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.7 years, commencing on August 16, 2019. The Crown Facility was apportioned to $6.9 million to the debt instrument and $0.1 million to the warrant option based on the relative fair values. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $6.9 million to $7.0 million over the term of the loan. In connection with this amendment, DCM recognized a loss on modification of debt of $0.1 million, which is included in finance costs in the consolidated statement of operations.

As at December 31, 2019, the carrying value of debt instrument was $18.7 million. This carrying value includes the loan principal balance of $19.0 million, unamortized premiums/discounts of $0.4 million less unamortized transaction costs of $0.7 million.

The Crown Facility can be prepaid in full at any time after twenty-four (24) months from the date of the funding anniversary. The penalties attached to each option are: (a) 3% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 24th month but before the 36th month following the date of the funding anniversary, (b) 2% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 36th month but before the 48th month following the date of the funding anniversary, or (c) 1% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 48th month but before the 60th month following the date of the funding anniversary.

For the year ended December 31, 2019, DCM capitalized transaction costs of $0.2 million related to the Crown Facility. The unamortized transaction costs of $0.7 million is being amortized over the remaining term of this facility.

AMENDMENTS TO CREDIT FACILITIES

Effective May 7, 2018, DCM entered into an amended and restated bank credit agreement (the "A&R Bank Credit Facility") with regards to its Bank Credit Facility, as amended, which incorporated conforming updates to the original Bank Credit Facility dated March 16, 2016 to consolidate the subsequent series of amendments previously made to that facility, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility into the A&R Bank Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the A&R Bank Credit Facility.

Effective May 7, 2018, DCM also entered into amended and restated credit agreements with regards to its FPD III Credit Facility (the "FPD III A&R Credit Facility"), its FPD IV Credit Facility (the "FPD IV A&R Credit Facility") and its FPD V Credit Facility (the "FPD V A&R Credit Facility" and, together with the FPD III A&R Credit Facility and the FPD IV A&R Credit Facility, the “FPD A&R Credit Facilities”), which, among other things incorporated conforming updates to each of those respective original credit agreements, to consolidate the subsequent series of amendments previously made to those agreements, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by FPD.

On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. On February 8, 2019, DCM received an extension of the previous waiver in relation to meeting the fixed charge coverage ratio requirement for the quarter ending June 30, 2019.

On October 26, 2018, DCM received a waiver with regards to the FPD A&R Credit Facilities, and for the purposes of determining DCM's Excess Cash Flow (as defined under "Covenant Requirements" below), the FPD A&R Credit Facilities were waived to reduce the requirement to maintain a debt service coverage ratio of 2.0 times so long as DCM maintains a debt service coverage ratio of at least 1.85 times for the next four fiscal quarters beginning October 1, 2018 and ending

on September 30, 2019. DCM was required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the DCM Burlington, Thistle, BOLDER Graphics and Perennial acquisitions.

On March 5, 2019, DCM entered into a second amendment to its' A&R Bank Credit Facility. Significant terms of the amendment made to the credit facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; and a reduction in the prime rate margin on advances by 15 basis points from 0.75% per annum to 0.60% per annum.

On June 21, 2019, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarter ended September 30, 2019.

On June 21, 2019, DCM received an amendment regarding the FPD A&R Credit Facilities for the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:0 to 1:0, which was amended to no greater than 3.25 to 1:0 for the quarters ended June 30, 2019, September 30, 2019, and December 31, 2019, respectively. Subsequently, on June 30, 2019, DCM received a waiver regarding the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:25 to 1:0 for the quarter ended June 30, 2019.

On June 24, 2019, DCM received an amendment regarding the A&R Bank Credit Facility for the requirement to meet the fixed charge coverage ratio of 1.1 to 1.0, which was amended to 0.90 to 1.0 for May and June 2019, and 1.0 to 1.0 for July and August 2019.

On July 25, 2019, FPD III, FPD IV and FPD V agreed to amend the credit agreements between DCM and FPD III, FPD IV and FPD V for the FPD A&R Credit Facilities (“Amended FPD A&R Credit Facilities”). For each of the FPD A&R Credit Facilities, principal payments for the months of August 2019 through December 2019 were deferred and are to be paid out as bullet payments on each FPD A&R Credit Facility's respective maturity date. During this period, the interest rate on each of the FPD III, FPD IV and FPD V A&R Credit Facilities was increased to 7.25% per annum. The increase in the interest rates is treated as a payment in kind ("PIK") with the interest premium calculated and accrued on a monthly basis for each of the three credit facilities. The PIK was repaid in cash on January 15, 2020 when the regularly scheduled principal and interest payments on each credit facility resumed.

As a condition to those amendments, DCM agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

On July 31, 2019, DCM entered into a third amendment to increase the revolving commitment on its Bank A&R Credit Facility from an aggregate outstanding principal amount of up to $35 million to up to $42 million between July 31 and December 31, 2019. In addition, the amendment includes the Bank's consent to the amendments to the FPD A&R Credit Facilities on July 25, 2019.

On September 30, 2019, DCM received a waiver regarding the Crown Facility for the requirement to maintain the Net Debt to EBITDA of 4.0 to 1.0 for the quarter ended September 30, 2019.

On September 30, 2019, DCM received a waiver regarding the A&R Bank Credit Facility for the requirement to meet the fixed charge coverage ratio of 1.1 to 1.0 for the quarter ended September 30, 2019 and the months ending October 31 and November 30, 2019.

On September 30, 2019, DCM received a waiver regarding the FPD A&R Credit Facilities for the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:25 to 1:0 and Debt Service Coverage Ratio of no less than 1:5 to 1:0 and total funded debt of less than $80.0 million for the quarter ended September 30, 2019.

On November 14, 2019, DCM entered into a fourth amendment to its Bank Credit Facility (the "Bank Fourth Amendment"). This amendment increased the maximum principal amount of the Bank Credit Facility from $35.0 million to $45.0 million until December 31, 2019.

On December 19, 2019, DCM entered into a fifth amendment to its Bank Credit Facility (the "Bank Fifth Amendment"). This amendment increased the maximum principal amount of the Bank Credit Facility to a maximum of $50.0 million, subject to successful completion of a rights offering and receipt of net proceeds from that rights offering of at least $3.0 million, after giving effect to any repayment of the related party promissory notes. The maximum principal amount available under the Bank Credit Facility will decrease by $1.5 million each month commencing April 2020 until it has been reduced to $35.0 million in January 2021. The Bank Fifth Amendment suspended the requirement for DCM to comply with its Fixed Charge Coverage Ratio (the "FCCR") until July 31, 2020. DCM will be required to maintain a FCCR of not less than 1.0 to 1.0 for the twelve month period ended July 31, 2020, a FCCR of not less than 1.05 to 1.0 for the twelve month period ended August 31, 2020 and a FCCR of not less than 1.1 to 1.0 for each twelve month period ending thereafter, commencing with the month ending September 30, 2020. The Bank Fifth Amendment introduced a new covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month and a covenant requiring DCM to attain revenue in a minimum amount equal to not less than 90% of its forecasted revenue on a quarterly and on a cumulative basis commencing with the fourth quarter of 2019 and ending with the quarter ending June 30, 2020. The Bank Fifth Amendment also increased the interest rate payable by DCM on its prime rate loans by 100 basis points per annum, at least until such time as DCM demonstrates its achievement of at least a FCCR of greater than 1.1 to 1.0. In connection with this amendment, DCM recognized a loss on modification of debt of $2.8 million, which is included in finance costs in the consolidated statement of operations.

On December 19, 2019 DCM entered into a waiver and amendment agreement (the "FPD Amendment") with respect to the FPD Credit Agreements. The FPD Amendment suspends DCM's obligation to comply with its Total Funded Debt to EBITDA Ratio covenant for the quarter ending December 31, 2019 and establishes a new Total Funded Debt to EBITDA Ratio covenant of no more than 4.5 to 1.0 that will apply for the second quarter of 2020, after which the original covenant of no greater than 3.0 to 1.0 will apply. In addition, during this period EBITDA for the purposes of such covenant will be calculated on an annualized basis starting with actual EBITDA achieved for the quarter ending December 31, 2019. The FPD Amendment also revised DCM's Debt Service Coverage Ratio ("DSCR") covenant, such that DCM's minimum DSCR will be 0.75 to 1.0 for the quarters ending December 31, 2019 and March 31, 2020 and 1.00 to 1.0 for

the quarter ending June 30, 2020. Thereafter, the original DSCR covenant of at least 1.50 to 1.0 will apply. The FPD Amendment also confirms that the monthly principal payments of the loans under the FPD Credit Agreements will recommence at the originally scheduled rate in January 2020. The FPD Amendment also increased DCM's maximum Total Funded Debt to $93.0 million. The FPD Amendment also added a new financial covenant requiring DCM to maintain a minimum monthly EBITDA of $1.0 million during for the first seven months of 2020.

On December 19, 2019 DCM entered into a fourth amending agreement (the "Crown Fourth Amendment") in connection with the Crown Credit Agreement. Under the Crown Fourth Amendment, the calculation of DCM's Net Debt to EBITDA Ratio covenant was modified such that EBITDA is calculated on an annualized basis for the first three quarters of 2020, commencing with EBITDA for the quarter ending March 31, 2020. The Net Debt to EBITDA Ratio covenant was further modified such that DCM is required to maintain a maximum Net Debt to EBITDA Ratio of 5.0 to 1.0 for the quarters ending March 31, 2020 and June 30, 2020, a maximum of 4.5 to 1.0 for the quarters ending September 30, 2020 and December 31, 2020 and a maximum of 3.0 to 1.0 for each quarter thereafter. The FCCR covenant under the Crown Credit Agreement was also modified such that DCM must maintain an FCCR of at least 1.1 to 1.0 for the quarter ending September 30, 2020, at least 1.15 to 1.0 for the quarter ending December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter. The FCCR will not apply for the quarters ending December 31, 2019, March 31, 2020 and June 30, 2020. The Crown Fourth Amendment also added a new financial covenant requiring DCM to have EBITDA of not less than $4.0 million for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8.0 million for the six-month period ending June 30, 2020. The Crown Fourth Amendment increased the interest rate on the Crown Credit Agreement from 10% per annum to 12% per annum on January 1, 2020, with the incremental 200 basis points per annum being accrued and payable at the earlier of maturity of the Crown Credit Agreement or, pursuant to its prepayment terms, prepayment in full. In connection with this amendment, DCM recognized a loss on modification of debt of $1.0 million, which is included in finance costs in the consolidated statement of operations.

In connection with the Crown Fourth Amendment, the Company has agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from $1.75 to $0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from $1.08 to $0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the FPD Credit Agreements and the Crown Facility contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, FPD III, FPD IV, FPD V and Crown, as applicable. Under the terms of the FPD Credit Agreements, DCM has agreed that it will not, without the prior written consent of FPD III, FPD IV and FPD V, change (or permit any change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DCM, or if any such person has either died or is disabled and can therefore no longer carry on his or her duties of such office, DCM will have 60 days to replace such officer, such replacement officer to be satisfactory to FPD III, FPD IV and FPD V, acting reasonably. The A&R Bank Credit Facility, FPD A&R Credit Facilities and the Crown Facility limit spending on capital expenditures by DCM to an aggregate amount not to exceed $5.5 million, $5 million and $5 million, respectively during any fiscal year.

Under the terms of the Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio of no less than 1.10 to 1, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. Each covenant is calculated and reported on a monthly basis. The Bank amended the requirements for this covenant for the months of May 2019 to August 2019 as noted above. In addition, the Bank waived the requirements to comply with this covenant for the months of September 2019 through to June 2020. As at December 31, 2019, the fixed charge coverage ratio was 0.60. Absent the waiver, the Company would have been in breach of this covenant as at December 31, 2019.

Under the terms of the FPD Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than 3.0 to 1.0 (except for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019, respectively when the covenant was revised to be no greater than 3.25 to 1.0. The covenant was amended to be no greater than 4.5 to:1.0 for the second quarter of 2020 and 3.0 to 1.0 thereafter. FPD waived the requirement to comply with this covenant for the quarters ended June 2019 through June 2020); (ii) a debt service coverage ratio of not less than 1.50 to 1.0, reducing to 0.75 to 1.0 for the quarters ended December 31, 2019 and March 31, 2020, respectively, increasing to 1.00 to 1.0 for the quarter ended June 30, 2020 and thereafter the original ratio of 1.50 to 1.0 will apply. FPD waived the requirement to comply with this covenant for the quarter ended September 30, 2019 (as noted above), (iii) a working capital current ratio of not less than 1.10 to 1, and (iv) total funded debt of not more than $72.0 million up until the quarter ended June 30, 2019, $80.0 million for the quarter ended September 30, 2019 (which FPD waived) and $93.0 million commencing with the quarter ended December 31, 2019. Each covenant is calculated and reported on a quarterly basis. Monthly EBITDA levels must be greater than $1.0 million during each month of the waived period through to July 31, 2020. As of December 31, 2019, the ratio of Total Funded Debt to EBITDA was 8.64, the debt service coverage ratio was 1.95 and the working capital current ratio was 1.56. At December 31, 2019, the Company was in compliance with the debt service coverage ratio and the working capital current ratio. Absent the waivers, the Company would have been in breach of the remaining covenants as at December 31, 2019.

In addition, the FPD Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.00 to 1, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the A&R Bank Credit Facility, the FPD A&R Credit Facilities and the Crown Facility and (iv) interest on leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at December 31, 2019, DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 until December 31, 2019 and 3.0 to 1.0 thereafter. Crown waived the requirement to comply with this covenant for the quarters ended September 30, 2019 and December 31, 2019, respectively and modified this covenant ratio to be a maximum of 5.0 to 1:0 for the quarters ending March 31, 2020 and June 30, 2020, respectively, a maximum of 4.5 to 1.0 for the quarters ended September 30, 2020 and December 31, 2020, respectively, and a maximum of 3.0 to 1.0 thereafter. In addition EBITDA for the first three quarters of 2020 is to be calculated on an annualized basis instead of a trailing twelve months basis; (ii) a fixed charge coverage ratio no less than 1.40 to 1.0, for which waivers were obtained for the quarters ended March 31, 2019 through to June 30, 2020. Crown amended this covenant ratio to be at least 1.1 to 1.0 for the quarter ended September 30, 2020, at least 1.15 to 1.0 for the quarter ended December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter; and (iii) EBITDA of not less than $4.0 million for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8.0 million for the six-month period ending June 30, 2020. Each covenant is calculated and reported on a quarterly basis. As at December 31, 2019, the fixed charge coverage ratio was 0.60 and the net debt to EBITDA ratio was 9.06. Absent the waivers, the Company would have been in breach of these covenants as at December 31, 2019.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the FPD Credit Agreements or the Crown Facility, together with certain other events, including a change of control of DCM and a change in DCM's Chief Executive Officer, President or Chief Financial Officer (unless a replacement officer acceptable to FPD, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months or that it shall be able to receive waivers from its lenders to the extent required; however there can be no assurance that DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants, or obtaining waivers from its lenders over the next twelve months.

In addition, under the terms of the FPD IV Credit Agreement and the FPD V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $0.4 million and of $0.1 million to be used for repayments of principal and interest of indebtedness outstanding under the FPD IV A&R Credit Facility and indebtedness outstanding under the FPD V A&R Credit Facility, respectively. As at December 31, 2019, there was a balance of $0.5 million in the blocked account related to the FPD IV A&R Credit Facility and FPD V A&R Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under the A&R Bank Credit Facility, the FPD V A&R Credit facility, the FPD IV A&R Credit Facility and the FPD III A&R Credit Facility are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. On February 22, 2017, DCM entered into an amended Inter-creditor Agreement (the "Inter-creditor Agreement") between the Bank, FPD III, FPD IV, and the parties to the vendor take-back promissory notes (the “VTB Noteholders”) issued in connection with the acquisitions of DCM Burlington and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV and the VTB Noteholders on the present and after-acquired property of DCM, DCM Burlington and Thistle (the "Original Inter-Creditor Agreement").

On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include FPD V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and its subsidiaries.

LIQUIDITY

In assessing DCM's liquidity requirements, DCM takes into account its level of cash, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing restructuring activities, as well as its ongoing cash needs for its existing operations.

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended Bank Credit Facility, the Amended FPD A&R Credit Facilities, the Crown Facility, as amended, or other indebtedness of DCM.

In June 2019, DCM implemented a new cloud-based Enterprise Resource Planning ("ERP") system company-wide (other than its DCM Burlington, Thistle and Perennial sites) which replaced a number of disparate, legacy systems. As part of its transition to the new ERP system, DCM encountered various migration issues which affected both production revenue and its ability to generate accurate and timely billings to its customers. This issue resulted in a deterioration in operating results in the third quarter of 2019 caused by a backlog of production orders and the issuance of inaccurate invoices which has resulted in delays in the collection of cash from customer trade receivables outstanding. These factors have created a constraint on DCM's financial liquidity.

Net working capital (current assets less current liabilities) has grown to $28.1 million as at December 31, 2019 from $20.7 million as at December 31, 2018, primarily due to an increase in trade receivables over this period. Trade receivables were $86.5 million as at December 31, 2019 compared with $73.1 million as at December 31, 2018. The significant growth in trade receivables and delays in collecting on those trade receivables required DCM to increase its borrowings under its Bank Credit Facility, a key source of liquidity for the Company's operations and to stretch its vendor payable terms. The Company's Bank Credit was reduced by the completion of a rights offering in December 2019, which raised gross proceeds of $5.0 million of equity capital. The Company's borrowings under the Bank Credit Facility increased from $20.8 million as at December 31, 2018 to $34.7 million as at December 31, 2019. Although the Bank agreed to a temporary increase in the Bank Credit Facility to a maximum principal amount of $50.0 million, the growth in trade receivables amounts outstanding over 90 days, which are deemed ineligibles for the purposes of the borrowings under the Bank Credit Facility, reduced the Company's eligible borrowing base such that DCM had access to $2.0 million of available credit as at December 31, 2019.

In order to further assist the Company with its financial liquidity challenges, on February 21,2020, the Bank agreed to temporarily increase the eligible borrowing base under this facility by providing an additional $6.0 million unmargined facility within the $50.0 million. Further, on March 30, 2020, the Bank agreed to temporarily increase the fixed percentage of the cost of unbilled receivables eligible for inclusion in the Company's borrowing base to provide access to additional borrowing capacity under this facility (See "Recent Developments - Amendment to Credit Facilities" above). In connection with these recent amendments, the Company's other lenders, FPD and Crown also agreed to defer the payment of certain scheduled principal payments and interest and the holders of an aggregate of $1.0 million in promissory notes issued by DCM to certain insiders in July 2019 also agreed to defer repayment of those notes. It had been intended that these promissory notes would be repaid out of the net proceeds of the rights offering completed by the Company in December 2019.

On June 1, 2020, the Company had $6.6 million in available credit pursuant to its revolving Bank Credit Facility, as amended. The Company's ability to pay its liabilities as they come due is dependent on the collection of outstanding aged billed trade receivables and its ability to generate positive cash flows from operations. While management is currently executing on its plans to collect aged trade receivables, there can be no assurance that it will be successful, which could result in the Company requiring additional sources of financing.

In connection with the December 2019 amendments to the Company's credit facilities, DCM's senior lenders temporarily amended a number of financial covenants to align with an agreed budget for the next twelve months to enable the Company to resolve the issues it has encountered in connection with the implementation of the ERP system such that the related adverse effects on the Company's financial results no longer impact the Company's ability to comply with its financial covenants on a trailing twelve month basis. While the Company was compliant with the amended financial covenants as at December 31, 2019, management obtained certain waivers from its senior lenders for the first and second quarters of fiscal 2020 during the first quarter of 2020, as it anticipated being in breach of certain financial covenants in connection with the rapidly developing impact of the COVID-19 pandemic (See "Recent Developments - COVID-19 Global Pandemic" above).

The continued ability to comply with financial covenants for at least the next twelve months is contingent on management's ability to meet budgeted revenue and profitability targets and take actions to address operating and financial challenges resulting from COVID-19. The estimate of future cash flows in the Company's 2020 budget include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins, which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions (for example, if EBITDA, applicable to those financial covenants, realized over the next nine months falls short of DCM's forecast by more than approximately 3.6%, the Company will be offside with certain of its existing financial covenants in the third quarter of 2020) and particularly to the ongoing impact of the COVID-19 pandemic, the effects of which are difficult to project with respect to the Company's business and financial results and its financial liquidity.

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2019, cash flows used for operating activities were $0.8 million compared to cash flows generated by operating activities of $17.3 million during the same period in 2018. Current period cash flow from

operations, before adjusting for changes in working capital, generated a total of $6.3 million compared with $9.4 million for the same period last year. As a result of the adoption of IFRS 16, $10.9 million in lease payments are now presented as cash used for financing activities in the consolidated statement of cash flow whereby in the prior year comparative period, this was classified as a reduction of operating activities. Excluding the effects of IFRS 16, cash flow used for operating activities, before adjusting for changes in working capital, was $4.6 million, a decrease of $14.0 million, over the same period last year. Current period cash flows from operations were negatively impacted primarily due to an increase in the net loss which stems from the decrease in revenues and increase in general and administration expense, particularly in the second, third and fourth quarters this year as a direct result of the new ERP system, alongside other reductions in revenue due to softness in customer spend. This was offset by further improvements in DCM's pricing discipline and cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018. Contributions to defined benefit pension plans and income taxes payments were relatively consistent with the comparative period. Current year payments for severances and lease termination related to DCM's restructuring initiatives increased $1.7 million compared to the same period last year as result of the additional restructuring initiatives during 2019 and the last quarter of 2018.

Changes in working capital during the year ended December 31, 2019 used $7.1 million in cash compared with $7.8 million of cash generated in the prior year. In the prior year comparable period DCM's focus was to better align payments to its vendors with cash receipts from its customers given many of its customers opt to store their finished goods product in DCM's warehouses and pay upon taking shipment of product which extends the time to collection. In the current year, DCM continues to manage cash flow consistent with the comparative period. There was a significant increase in trade receivables of $13.4 million given the challenges encountered with issuing accurate and timely billings as a result of the ERP transition in June 2019. In the third quarter of 2019, billing volumes progressively increased throughout the quarter as the Company began catching up on its backlog of orders. However, DCM continued to experience issues with issuing accurate billings to its customers thereby resulting in a deterioration of collections and an increase in trade receivables. This resulted in liquidity constraints whereby the Company was required to obtain additional financing and manage payments to suppliers to maintain cash for working capital requirements resulting in an increase in trade and accrued liabilities of $8.8 million.

INVESTING ACTIVITIES

For the year ended December 31, 2019, $3.9 million in cash flows were used for investing activities compared with $14.9 million during the same period in 2018. This represents a reduction of $11.0 million over the same period last year, of which $7.3 million was used in the comparable period for the acquisition of Perennial. In the current period, $1.0 million of cash was primarily used to invest in IT equipment related to the implementation of the new ERP system and costs related to leasehold improvements to set up new production equipment, including the Gallus/Heidelberg hybrid digital label press at its Brampton, Ontario facility and the Heidelberg six-colour press at its Toronto, Ontario facility, compared with $2.7 million of capital expenditures incurred in 2018 related to investments in IT equipment and costs related to leasehold improvements, which were incurred as part of DCM's consolidation of certain facilities. Furthermore, $3.9 million of cash was used to further invest in the development of DCM's new ERP system compared with $5.1 million for the same period last year. DCM continued to capitalize costs for the ERP system in the third quarter of 2019 related to further development of the system. $0.7 million in cash proceeds were received upon the sale of its loose-leaf and index tab business in May 2019.

FINANCING ACTIVITIES

For the year ended December 31, 2019, cash flow generated by financing activities was $7.7 million compared with $3.5 million paid during the same period in 2018. During the year DCM completed a rights offering and received cash net of expenses of $4.8 million. As noted under "Cash Flow From Operations", as a result of the adoption of IFRS 16, $10.9 million in lease payments are now presented as cash used for financing activities whereas this is presented as a reduction of cash from operations in the prior year comparative period, thereby contributing to the overall variance in cash used for financing activities. Excluding the effects of IFRS 16, cash flow generated for financing activities was $18.6 million, increasing the variance to $22.0 million from the comparative period. A total of $8.5 million in outstanding principal amounts under its various credit facilities were repaid during the current period compared with $11.2 million during the same period last year. DCM amended its FPD Credit Facilities on July 25, 2019 to defer principal amounts for the months of August to December 2019 which explains the reduction of the repayments on the credit facilities from the comparative period. In addition, $3.9 million was repaid during the period related to the vendor take-back promissory notes issued in connection with the acquisitions of DCM Burlington, Thistle and BOLDER Graphics compared with $4.6 million in the prior year comparative period. The DCM Burlington and Thistle VTBs were fully repaid in the first quarter of 2019, and $1.0 million was paid for the Perennial VTB. The slight decrease from the comparative period relates to the deferral of payments for the Bolder VTB. Lastly, proceeds of $26.1 million was received in the current period, of which $7.0 million represents additional proceeds received from the Crown Facility and the remaining $19.1 million represents the draw on DCM's revolving credit facility with the Bank compared with $13.0 million during the same period last year to fund its working capital requirements, and manage cash flow to compensate for the slow down in the collection process as a result of the ERP disruptions.

PENSION FUNDING OBLIGATIONS

DCM maintains a defined benefit and defined contribution pension plan (the “DATA Communications Management Pension Plan”) for some of its employees.

During the year ended December 31, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the defined benefit provision of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the defined benefit provision of the DATA Communications Management Pension Plan had improved since the previous valuation. Based upon the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2019 and 2020 are $0.5 million.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $227 thousand. During the year ended December 31, 2018, DCM applied $216 thousand of the excess funding from 2017 to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan. During the year ended December 31, 2019, DCM required payments related to its 2019 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying the remaining excess funding from 2017 of $11 thousand was $516 thousand. The December 2019 payment of $44 thousand, related to DCM's 2019 funding requirement, was received by the DATA Communications Management Pension Plan during the first week of January 2020.

DCM makes contributions to the Québec Graphic Communication Pension Plan (the “GCPP”), based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DCM facilities located in the Province of Québec. Prior to 2018 contributions were made to a similar plan, the Québec Graphics Communications Supplemental Retirement and Disability Fund (the "SRDF"). Effective December 31, 2017, the SRDF was merged into the GCPP and this merger was approved by the Québec pension authorities in October 2019.

The GCPP is a negotiated contribution defined benefit multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The GCPP is administered by a joint Board of Trustees composed of representatives of participating employers and of the unions representing plan members in collective bargaining. Based upon the terms of those applicable collective agreements, DCM’s estimated annual negotiated contribution to the GCPP for 2020 is $0.5 million.

The GCPP’s most recent funding actuarial report (as at December 31, 2018) disclosed a small going concern surplus and that negotiated contributions are in excess of the current service cost of the plan. On a solvency basis (or wind up basis) the valuation shows a deficit and a solvency ratio of 75%.

Bill 34 was adopted by Québec in April 2015 to clarify Québec pension legislation for negotiated contribution defined benefit multi-employer pension plans to, among other things:

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund deficiencies;
- require the board of trustees to develop and implement a recovery plan when the negotiated contributions are not sufficient to fund the plan, including the reduction of accrued benefits of all members; and
- remove the responsibility of participating employers to fund their share of the solvency deficit upon withdrawal from the plan or termination of the plan, except in certain circumstances when withdrawal from the plan or termination of the plan occurs prior to April 3, 2020.

A “Recovery Plan” was implemented by the board of trustees in 2016 and received the approval of Québec pension authorities in late 2018. During the year ended December 31, 2019, DCM did not receive any other information on the GCPP.

Outstanding share data

At June 8, 2020 and December 31, 2019, there were 43,047,030 common shares of DCM (“Common Shares”) outstanding. At December 31, 2018, there were 21,523,515 Common Shares outstanding.

On December 31, 2019, DCM completed a rights offering (“Rights Offering”) which was conducted by way of a rights offering circular (“Circular”). Under the offering, DCM issued 21,523,515 Common Shares at a price of $0.23 per share for gross proceeds of $5.0 million. Among this, 11,341,310 Common Shares were issued to directors, officers and related

parties of DCM for total gross proceeds of $2.6 million. The gross proceeds were used to reduce DCM outstanding indebtedness, by repaying amounts drawn under the revolving facilities portion of its Bank Credit Facility. Under the terms of the Rights Offering, each eligible shareholder (“Eligible Holder”) on record as of December 3, 2019 (the “Record Date”) received one right (“Right”) for each Common Share held as of the Record Date. Every Right entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $0.23 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $0.2 million which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $42.9 thousand.

At June 8, 2020 and December 31, 2019, there were options outstanding to purchase up to 1,587,486 Common Shares and up to 1,456,409 Common Shares, respectively. At December 31, 2018, there were options outstanding to purchase up to 1,991,957 Common Shares. During the year ended December 31, 2019, the Board approved awards of options to purchase up to 40,000 Common Shares for a member of DCM's Board. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the Common Shares on March 28, 2019. The options vest at a rate of 1/36th per month beginning on March 28, 2019. The fair value of the options issued was estimated to be $22.8 thousand using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.45%, a weighted average life of seven years, a dividend yield of nil, an expected volatility of 40% and a forfeiture rate of 10%. During the year ended December 31, 2019, there were 575,548 forfeitures of options to purchase Common Shares.

Subsequent to the year end, the Board approved the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share-based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019. The option exercise prices were adjusted by a factor of 1:0.917 and the number of options, restricted share unit ("RSUs") and deferred share unit ("DSUs") were adjusted by a factor of 1:1.09. Note 19 of the Notes to the consolidated financial statements of DCM for the year ended December 31, 2019 contains more details on DCM's share-based compensation.

Options outstanding to purchase up to 616,409 Common Shares with an exercise price of $1.50 were adjusted to options outstanding to purchase up to 671,886 Common Shares with an exercise price of $1.38. Options outstanding to purchase up to 840,000 Common Shares with an exercise price of $1.41 were adjusted to options outstanding to purchase up to 915,600 Common Shares with an exercise price of $1.29.

The 705,225 RSUs outstanding and affected by those anti-dilution adjustments at December 31, 2019 were adjusted to 768,691 RSUs. The 239,849 DSUs outstanding at December 31, 2019 were adjusted to 261,437 DSUs.

At June 8, 2020 and at December 31, 2019, there were warrants outstanding to purchase up to 2,204,642 Common Shares and 1,688,571 Common Shares, respectively. At December 31, 2018, there were warrants outstanding to purchase up to 2,251,550 Common Shares.

During the year ended December 31, 2019, there were a total of 728,571 warrants issued. On July 31, 2019, DCM issued 78,571 warrants in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles

the holder to acquire one Common Share at an exercise price of $1.08 for a period of 3.8 years, commencing on July 31, 2019. The fair value of the warrants issued was estimated to be $39 thousand using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.49%, a weighted average life of 3.8 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. The transaction costs totaling $1 thousand was increased by a deferred income tax asset of $1 thousand. On August 16, 2019, DCM entered into an amendment with Crown and issued 550,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of $1.08 for a period of 3.7 years, commencing on August 16, 2019. The fair value of the warrants issued was estimated to be $145 thousand using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.24%%, a weighted average life of 3.7 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $5 thousand (increased by a deferred income tax asset of $1 thousand). As at December 31, 2019, the value allocated to the warrant options outstanding for this issue was $261 thousand, net of transaction costs and after the increase in value arising from the debt modification during the year. On August 31, 2019, DCM issued 100,000 warrants in connection with an agreement for advisory services. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 2.0 years, commencing on August 31, 2019. The fair value of the warrants issued was estimated to be $18 thousand using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.35%, a weighted average life of 2.0 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $5 thousand (increased by a deferred income tax asset of $1 thousand). DCM recorded $18 thousand as consulting expense related to this issuance. As at December 31, 2019, the value allocated to the warrants outstanding for this issue was $13 thousand, net of transaction costs.

During the year ended December 31, 2019, 1,291,550 warrants to purchase Common Shares expired.

In addition, in February 2020, DCM has agreed to issue to the Bank warrants to purchase, for a period of 24 months, up to 500,000 common shares of the Company at a price to be determined in accordance with the rules of, and approved by, the Toronto Stock Exchange.

Subsequent to the year end, the Board approved the anti-dilution adjustments that affect certain DCM warrants outstanding at December 31, 2019, pursuant to the anti-dilution provisions of DCM's LTIP, in connection with the Rights Offering completed by the Company on December 31, 2019. The warrant exercise prices were adjusted by a factor of 1:0.917 and the number of warrants were adjusted by a factor of 1:1.09. 178,571 warrants outstanding with an exercise price of $1.08 were adjusted to 194,642 warrants outstanding with an exercise price of $0.99.

Financial instruments and Risk management

DCM’s financial instruments consist of cash, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, bonuses payable, credit facilities, promissory notes, and restricted share units, as indicated in DCM’s statements of consolidated financial position as at December 31, 2019 and December 31, 2018, respectively. All of DCM's financial instruments are non-derivative in nature. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

The fair value for other non-derivative financial instruments such as cash, trade receivables, bank overdraft, trade payables and accrued liabilities approximates their carrying value because of the short-term maturity of these instruments. The fair value of restricted cash approximates its carrying value because it is a deposit held with a Canadian chartered bank. Credit facilities, bonuses payable and promissory notes are initially recognized as the amount required to be paid less a discount to derive its fair value and are then measured at amortized costs using the effective interest method, less any impairment losses.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subjected DCM to credit risk consisted of cash and trade receivables. The carrying amount of assets included in the consolidated statements of financial position represents the maximum credit exposure.

DCM grants credit to customers in the normal course of business. DCM typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit terms when warranted and periodically thereafter. Normal credit terms for amounts due from customers call for payment within 0 to 60 days.

DCM has trade receivables from clients engaged in various industries including financial institutions, insurance, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DCM does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by DCM's large client base.

To measure the ECLs, trade receivables, including unbilled receivables, have been grouped based on similar credit risk characteristics, past due status and other relevant factors. The expected default rates are calculated based on management's estimate as well as historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on economic factors affecting the ability of the customers to settle the trade receivable.

On that basis, the loss allowance as at December 31, 2019 was determined using default rates under the provision matrix for an amount of $1.8 million (2018 – $0.8 million), of which $0.4 million (2018 – $0.5 million) relates to unbilled receivables. The following tables represents the provision matrix as at December 31, 2019 and December 31, 2018, respectively:

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2019 and December 31, 2018, respectively:

December 31, 2019 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		1.32%	1.31%	2.19%	6.24%
Billed receivables balance	**$55,504**	$16,603	$16,736	$9,978	$12,187
Billed receivables ECL	**$1,417**	$219	$219	$219	$760

December 31, 2018 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		0.01%	0.03%	0.06%	22.24%
Billed receivables balance	$44,352	$23,243	$14,246	$5,370	$1,493
Billed receivables ECL	$342	$3	$4	$3	$332

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2019 and December 31, 2018, respectively:

December 31, 2019 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**	**Over 120 days**
Unbilled receivables		0.16%	0.31%	0.78%	1.42%	2.74%
Unbilled receivables balance	**32,754**	11,317	4,835	3,464	2,254	10,884
Unbilled receivables ECL	**$390**	$18	$15	$27	$32	$298

December 31, 2018 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**	**Over 120 days**
Default rates		0.20%	0.38%	0.98%	1.50%	2.93%
Unbilled receivables balance	$29,567	$5,427	$5,928	$3,912	$2,672	$11,628
Unbilled receivables ECL	$453	$11	$23	$38	$40	$341

At the end of each reporting period, management re-assesses the default rates. Default rates are applied to the billed and unbilled receivable balances to calculate the credit default reserve. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. When collection efforts have been reasonably exhausted, specific balances are written off. At December 31, 2019, the aging profile of DCM billed receivables had deteriorated. As a result, DCM increased its ECLs on billed receivables to account for amounts that may be become uncollectible and for concessions that may need to be given to encourage customers to settle older amounts promptly.

LIQUIDITY RISK

Liquidity risk is the risk that DCM may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DCM believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing restructuring initiatives will be sufficient to fund its currently projected

operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance or investment in new capital expenditures, and interest and scheduled repayments of borrowings under its credit facilities and scheduled repayments of promissory notes. See “Contractual obligations” section below which contains additional information on the contractual undiscounted cash flows of DCM’s significant financial liabilities and the future commitments of the Company.

As at December 31, 2019, DCM had access to $2.0 million of available credit under the Bank Credit Facility which is comprised of $2.7 million of additional available credit less letters of credit granted of $0.7 million.

MARKET RISK

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. DCM’s interest rate risk arises from credit facilities issuances at floating interest rates. As at December 31, 2019, $34.7 million of DCM’s indebtedness outstanding was subject to floating interest rates of 5.55% per annum, $42.4 million of DCM’s indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum, 6.95% per annum, and 10.00% per annum. The Related Party Promissory Notes, in the aggregate principal amount of 1.0 million was subject to a fixed rate of 10% per annum.

CURRENCY RISK

Currency risk is the risk that the fair value of future cash flows arising from a financial instrument will fluctuate because of changes in foreign currency exchange rates. In the normal course of business, DCM does not have significant foreign exchange transactions and, accordingly, the amounts and currency risk are not expected to have adverse material impact on the operations of DCM. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

Note 24 to the audited consolidated financial statements of DCM for the year ended December 31, 2019 contains additional information on DCM’s financial instruments.

Contractual obligations

DCM believes it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2019. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition.

DCM believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

TABLE 5 The following table sets out DCM's significant contractual obligations and commitments as of December 31, 2019.

(in thousands of Canadian dollars, unaudited)	Total	2020	2021	2022	2023	2024	2025 and thereafter
Pension funding contributions [(1)]	$ 6,341	$ 1,055	$ 1,068	$ 1,063	$ 1,058	$ 1,052	$ 1,045
Bonuses payable [(2)]	$ 333	333	—	—	—	—	—
Lease liabilities [(3)]	$ 87,720	11,267	10,620	8,069	7,776	6,077	43,911
Long-term debt [(4)]	$ 98,625	9,840	11,778	12,511	64,496	—	—
Promissory notes [(5)]	$ 3,017	782	1,100	100	1,035	—	—
Total	$ 196,036	$ 23,277	$ 24,566	$ 21,743	$ 74,365	$ 7,129	$ 44,956

(1) DCM is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Communications Management Pension Plan. See "Liquidity and capital resources – Pension funding obligations" above. The table above includes amounts payable under the SERP. DCM's obligations under the SERP consist of benefits payable as a single life annuity with a five year guarantee. The duration of these payments is dependent on the length of each participant's life and, in certain cases, that of their designated beneficiary, and their age in any given year.

(2) Bonuses payable to former employees of Thistle assumed in connection with DCM's acquisition of Thistle on February 22, 2017. Monthly principal payments of $33 thousand ending October 31, 2020.

(3) Lease liabilities were recognized upon adoption of IFRS 16, effective January 1, 2019 and represents the present value of remaining lease payments discounted using DCM's weighted average incremental borrowing rate. DCM makes lease payments to landlords for the rental of facilities and lease payments to vendors for the rental of equipment.

(4) Long-term debt at December 31, 2019 subject to floating interest rates consists of the Bank Credit Facility, expiring on January 31, 2023. As at December 31, 2019, the outstanding balances totaled $34.7 million and bore interest at an average floating rate of 5.55% per annum. The amounts at December 31, 2019 include estimated interest totaling $2.1 million for 2020, $1.9 million for 2021, $1.9 million for 2022 and $0.2 million for 2023. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2019. Long-term debt at December 31, 2019 subject to fixed interest rates consisting of the FPD III Credit Facility, expiring on October 15, 2022, the FPD IV Credit Facility, expiring on March 10, 2023, FPD V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring May 7, 2023. As at December 31, 2019, the outstanding balances totaled $42.4 million and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, 6.95% per annum and 10.00%, respectively. Monthly blended principal and interest payments of $96.0 thousand, of $0.4 million and of $0.1 million, are made for the FPD III Credit Facility, the FPD IV Credit Facility and the FPD V Credit Facility, respectively. Annual interest payment on the Crown Facility totals $0.5 million for 2020 and annual interest payment on the Crown Facility totals $1.9 million, thereafter. The incremental 200 basis points per annum interest rate on the Crown Facility being accrued and payable at the earlier of maturity of the Crown Credit Agreement, treated as a payment in kind, totals $3.5 million.

(5) Promissory notes related to loans provided by related parties of DCM and related to the acquisitions completed during prior years. On July 31, 2019, DCM issued promissory notes ("Related Party Promissory Notes") to certain parties, including related parties of DCM, in the aggregate principal amount of *$1.0 million*. The Related Party Promissory Notes bear interest at the rate of 10% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. *Non interest bearing promissory note related to the Perennial acquisition totaling $2.5 million payable in three installments of $1.0 million, $1.0 million and $0.5 million due on May 8, 2019, May 8, 2020 and May 8, 2021, respectively. Interest bearing promissory notes related to the acquisition of BOLDER totaling $1.2 million and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $0.1 million, beginning February 28, 2018 and ending September 30, 2019. As a result of amendments to its credit agreements, DCM suspended its payments on vendor take-back promissory notes on June 30, 2019. Resumption of payments on vendor take-back promissory notes will require prior approval from its lenders. DCM received approval from its lenders and made a $0.5 million payment towards the promissory note related to the Perennial acquisition on February 28, 2020.*

Transactions with related parties

During the year ended December 31, 2019, there were regular intercompany activities between DCM and its subsidiaries during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DCM. Related parties are defined as individuals who can influence the direction or management of DCM or any of its subsidiaries and therefore, the directors and officers of DCM's subsidiaries are considered related parties.

On July 31, 2019, DCM issued Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of $1.0 million. In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes. See "Outstanding share data" above for subsequent changes to these outstanding warrants.

Effective July 1, 2018, Perennial entered into a new agreement with Perennial Designs International Private Limited, a company 100% owned by a key management personnel for creative design and development of technology. During the year ended December 31, 2019, total consulting fees totaled $0.7 million (2018 - $0.3 million).

On March 15, 2018, DCM entered into a 5-year loan agreement with a key member of management for a total of $0.1 million to finance the purchase of Common Shares. Interest will accrue at a rate of 3% per annum on the unpaid balance. As at December 31, 2019, the balance owing $0.1 million (2018 - $0.1 million) and was included within other non-current assets in the statement of financial position.

These transactions are provided in the normal course of operations and were measured at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

Operating results for the fourth quarter of 2019 and 2018

TABLE 6 The following table sets out selected consolidated quarterly financial information for the periods noted.

(in thousands of Canadian dollars, except share and per share amounts, unaudited)	**Proforma without IFRS 16 adjustment**	**IFRS 16 adjustments**	**October 1 to December 31, 2019**	October 1 to December 31, 2018
Revenues	**$ 71,489**	**$ —**	**$ 71,489**	$ 81,152
Cost of revenues	**54,356**	**(397)**	**53,959**	61,279
Gross profit	**17,133**	**397**	**17,530**	19,873
Selling, general and administrative expenses	**16,722**	**(57)**	**16,665**	15,247
Restructuring expenses	**(139)**	**—**	**(139)**	1,845
Acquisition costs	**—**	**—**	**—**	29
	16,583	**(57)**	**16,526**	17,121
Income before finance costs and income taxes	**550**	**454**	**1,004**	2,752
Finance costs				
Interest expense, net	**1,559**	**890**	**2,449**	1,321
Debt modification losses	**3,789**	**—**	**3,789**	—
Amortization of transaction costs	**117**	**—**	**117**	154
	5,465	**890**	**6,355**	1,475
(Loss) income before income taxes	**(4,915)**	**(436)**	**(5,351)**	1,277
Income tax (recovery) expense				
Current	**(26)**	**—**	**(26)**	422
Deferred	**(1,312)**	**—**	**(1,312)**	13
	(1,338)	**—**	**(1,338)**	435
Net (loss) income for the period	**$ (3,577)**	**$ (436)**	**$ (4,013)**	$ 842
Adjusted EBITDA (see Table 7)	**$ 2,693**	**$ 2,831**	**$ 5,524**	$ 6,538
Adjusted net income (see Table 8)	**$ (3,264)**	**$ (436)**	**$ (3,700)**	$ 2,280
Adjusted net income per share, basic and diluted	**$ (0.17)**	**$ 0.00**	**$ (0.17)**	$ 0.11
Weighted average number of common shares outstanding, basic and diluted	**21,757,467**	**21,757,467**	**21,757,467**	21,523,515
Number of common shares outstanding, basic and diluted	**43,047,030**	**43,047,030**	**43,047,030**	21,523,515

TABLE 7 The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See "Non-IFRS Measures".

(in thousands of Canadian dollars, unaudited)	**Proforma without IFRS 16 adjustment**	**IFRS 16 adjustments**	**October 1 to December 31, 2019**	October 1 to December 31, 2018
Net (loss) income for the period	**$ (3,577)**	**(436) $**	**(4,013)** $	842
Interest expense, net [1]	**1,559**	**890**	**2,449**	1,321
Debt modification losses	**3,789**	**—**	**3,789**	—
Amortization of transaction costs	**117**	**—**	**117**	154
Current income tax (recovery)	**(26)**	**—**	**(26)**	422
Deferred income tax (recovery)	**(1,312)**	**—**	**(1,312)**	13
Depreciation of property, plant and equipment	**956**	**—**	**956**	1,192
Amortization of intangible assets	**1,184**	**—**	**1,184**	659
Depreciation of the ROU Asset [1]	**—**	**2,377**	**2,377**	—
EBITDA	**$ 2,690 $**	**2,831 $**	**5,521** $	4,603
Restructuring expenses	**(139)**	**—**	**(139)**	1,845
One-time business reorganization costs	**142**	**—**	**142**	61
Acquisition costs	**—**	**—**	**—**	29
Adjusted EBITDA	**$ 2,693 $**	**2,831 $**	**5,524** $	6,538

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

TABLE 8 The following table provides a reconciliation of net income (loss) to Adjusted net income (loss) for the periods noted. See "Non-IFRS Measures".

(in thousands of Canadian dollars, unaudited)	**Proforma without IFRS 16 adjustment**	**IFRS 16 adjustments**	**October 1 to December 31, 2019**	October 1 to December 31, 2018
Net (loss) income for the period	**$ (3,577) $**	**(436) $**	**(4,013)** $	842
Restructuring expenses	**(139)**	**—**	**(139)**	1,845
One-time business reorganization costs [2]	**142**	**—**	**142**	61
Acquisition costs	**—**	**—**	**—**	29
Tax effect of above adjustments	**310**	**—**	**310**	(497)
Adjusted net income (loss) [1]	**$ (3,264) $**	**(436) $**	**(3,700)** $	2,280

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2019 and related management's discussion & analysis for further details on the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

REVENUES

For the quarter ended December 31, 2019, DCM recorded revenues of $71.5 million, a decrease of $9.7 million or 11.9% compared with the same period in 2018. The decrease in revenues for the quarter ended December 31, 2019 was due to a number of factors in the quarter, including lower customer demand, volume declines in certain products and production slowdowns related to vendor credit constraints associated with DCM's financial liquidity challenges, especially in the month of December. Revenues in the quarter were also impacted by a $1.3 million charge to revenue to account for the possibility that aged receivables may not be collectible. The decrease in revenue was partially offset by revenue from the onboarding of a new offering to a large provincial healthcare services customer of $0.8 million and new sales from customers in the Cannabis sector of $2.5 million. In addition, the fourth quarter of 2018 was particularly strong, benefiting from timing of certain customer orders which otherwise would have been produced in the first quarter of 2019, given customer inventory planning and timing of production.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2019, cost of revenues decreased to $54.0 million from $61.3 million for the same period in 2018. Excluding the effects of adopting IFRS 16, cost of revenues decreased by $6.9 million or 11.3% relative to the same period last year.

Gross profit for the quarter ended December 31, 2019 was $17.5 million, which represented a decrease of $2.3 million or 11.8% from $19.9 million for the same period in 2018. Excluding the effects of adopting IFRS 16, gross profit decreased by $2.7 million or 13.8% relative to the same period last year. Gross profit as a percentage of revenues for the quarter ended December 31, 2019 remained largely unchanged from the prior year at 24.5%, however, excluding the effects of adopting IFRS 16, gross profit as a percentage of revenues was 24.0% for the three months ended December 31, 2019. The decrease in gross profit as a percentage of revenues for the quarter ended December 31, 2019 was primarily due to softness in sales thereby resulting in weaker absorption of fixed overhead costs, especially in the month of December and the above noted charge to revenue which adversely impacted gross profit. Gross profit as a percentage of revenues was, however, positively impacted due to continued discipline to improve pricing with customers, loss of low margin customers, higher gross margins attributed to Perennial and cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2019 increased $1.4 million or 9.3% to $16.7 million or 23.3% of total revenues, compared to $15.2 million, or 18.8% of total revenues, in the same period in 2018. The increase in SG&A expenses for the quarter ended December 31, 2019, is due to an increase in general and administrative expenses of $2.4 million, whereas selling, commissions and expenses decreased by $1.0 million. The decrease in selling, commissions and expenses was primarily attributable to lower sales commission costs commensurate with the decrease in revenues and benefits from the cost saving initiatives implemented in 2019 and the last quarter of 2018 and was partially offset by costs incurred for the strategic ideation and marketing expertise contributed by Perennial for in-house support to the DCM Sales team. The increase in general and administrative expenses was attributable to (i) an increase in amortization costs related to the ERP intangible asset which commenced in June 2019 accounting for $0.6 million of the increase; (ii) increase in salaries and wages for employees that have resumed normal responsibilities following the launch of the ERP system and no longer have their salaries and wages capitalized; (iii) overtime and temporary labour

required to action remediation efforts related to the new ERP system, in addition to catching up on production of the sales order backlog and (iv) professional fees surrounding the ERP system.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2019, DCM incurred a net restructuring recovery of $0.1 million compared to restructuring expenses of $1.8 million in the same period in 2018. For the quarter ended December 31, 2019, DCM incurred a net restructuring recovery of $0.1 million primarily related to a recovery of a previous restructuring charges and partially offset by a charge to headcount reductions in certain SG&A functions. For the quarter ended December 31, 2018, DCM incurred restructuring expenses of $1.8 million primarily related to headcount reductions across DCM's operations.

GOODWILL ANALYSIS

During the fourth quarter of 2019, DCM performed its annual review for impairment of goodwill by comparing the fair value of its CGUs to their respective carrying values. As a result of this review, no impairment charges were recorded.

Similarly, during the fourth quarter of 2018, DCM performed its annual review for impairment of goodwill, which resulted in no impairment charge.

ADJUSTED EBITDA

For the quarter ended December 31, 2019, Adjusted EBITDA was $5.5 million, or 7.7% of revenues, after adjusting EBITDA for the $0.1 million in net restructuring recovery, adding back $0.1 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 16, Adjusted EBITDA was $2.7 million or 3.7% of revenues for the quarter ended December 31, 2019 compared with an Adjusted EBITDA of $6.5 million or 8.1% of revenues for the same period last year. The decrease in Adjusted EBITDA, excluding the effect of IFRS 16, for the quarter ended December 31, 2019 was primarily attributable to higher SG&A expenses during the current year.

FINANCE COSTS

Finance costs include interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16 was $2.4 million for the quarter ended December 31, 2019 compared to $1.3 million for the same period in 2018. Excluding the effects of adopting IFRS 16, interest expense for the quarter ended December 31, 2019 was $1.6 million. Interest expense for the quarter ended December 31, 2019 was relatively consistent with the same period in the prior year excluding IFRS 16. The slight change was primarily due to total debt increasing as at December 31, 2019 due to an additional $7.0 million loan obtained from Crown, and an increase in the Bank Credit Facility resulting in additional interest expense. The increase was offset by a reduction in the unwinding of discount which was included in interest expense of the DCM Burlington and Thistle VTBs that were repaid during the first quarter of 2019, and reduction of FPD Credit Facilities through principal payments resulting in lower interest expense. In addition, for the quarter ended December 31, 2019 DCM incurred debt modification losses totaling $3.8 million as a result of the amendments to its senior credit facilities.

INCOME TAXES

DCM reported a loss before income taxes of $5.4 million and a net income tax recovery of $1.3 million for the quarter ended December 31, 2019 compared to income before income taxes of $1.3 million and a net income tax expense of $0.4 million for the quarter ended December 31, 2018. The change from a net income tax expense to a recovery position was due to the reduction of DCM's estimated taxable income to a loss for the quarter ended December 31, 2019. The deferred income tax expense for the quarter ended December 31, 2019 was adjusted for any changes in estimates of future reversals of temporary differences.

NET (LOSS) INCOME

Net loss for the quarter ended December 31, 2019 was $4.0 million compared to net income of $0.8 million for the quarter ended December 31, 2018. Excluding the effects of adopting IFRS 16, net loss for the quarter ended December 31, 2019 was $3.6 million. The decrease in comparable profitability for the quarter ended December 31, 2019 was primarily due to higher finance costs during the current year.

ADJUSTED NET LOSS

Adjusted net loss for the quarter ended December 31, 2019 was $3.7 million compared to Adjusted net income of $2.3 million for the same period in 2018. Excluding the effects of adopting IFRS 16, Adjusted net loss for the quarter ended December 31, 2019 was $3.3 million. The decrease in comparable profitability for the quarter ended December 31, 2019 was primarily due to higher SG&A and finance costs during the current year.

Summary of eight quarter results

TABLE 9 The following table summarizes quarterly financial information for the past eight quarters.

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

	2019				**2018**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	**$ 71,489**	**$ 63,215**	**$ 69,623**	**$ 78,549**	$ 81,152	$ 74,925	$ 78,176	$ 88,516
Net income (loss) attributable to shareholders	**(4,013)**	**(5,897)**	**(3,754)**	**(323)**	842	838	(1,194)	1,763
Basic earnings (loss) per share	**(0.18)**	**(0.27)**	**(0.17)**	**(0.02)**	0.04	0.04	(0.06)	0.09
Diluted earnings (loss) per share	**(0.18)**	**(0.27)**	**(0.17)**	**(0.02)**	0.04	0.04	(0.06)	0.09

The variations in DCM’s quarterly revenues and net income (loss) over the eight quarters ended December 31, 2019 can be attributed to several principal factors: the adoption of IFRS 16 on January 1, 2019, the launch and implementation of the new ERP system, the adoption of IFRS 9 and 15 on January 1, 2018, the acquisition of Perennial, revenue declines in DCM’s traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, refinement of DCM's pricing discipline, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers, debt modification losses and restructuring expenses and business reorganization costs related to DCM’s ongoing productivity improvement and cost reduction initiatives.

DCM’s net loss for the fourth quarter of 2019 included the impact on adoption of IFRS 16, reduction in revenue and higher costs due to disruptions caused by the transition to the new ERP system, restructuring recovery of $0.1 million related to its cost reduction initiatives and debt modification losses totaling $3.8 million as a result of the amendments to its senior credit facilities. DCM's net income for the fourth quarter of 2018 included the impact on adoption of IFRS 9 and 15, restructuring expenses of $1.8 million related to its cost reduction initiatives, and $0.1 million of one-time business reorganization costs related to its cost reduction initiatives.

DCM’s net loss for the third quarter of 2019 included the impact on adoption of IFRS 16, reduction in revenue and higher costs due to disruptions caused by the transition to the new ERP system and restructuring expenses of $2.8 million related to its cost reduction initiatives. DCM’s net income for the third quarter of 2018 included higher revenue at more normalized levels, lower SG&A, restructuring expenses of a nominal amount, and $0.2 million of one-time business reorganization costs related to its cost reduction initiatives.

DCM’s net loss for the second quarter of 2019 included the impact on adoption of IFRS 16, reduction in revenue due to a disruption of production and shipments to customers caused by DCM’s transition to a new ERP and softness in spend from certain retailers, which is offset by an increase related to operating results of Perennial for the full quarter of 2019, restructuring expenses of $3.2 million related to its cost reduction initiatives, and $0.5 million of one-time business reorganization costs that did not qualify as a restructuring expense. DCM’s net loss for the second quarter of 2018 included partial operating results of Perennial, restructuring expenses of $0.7 million related to its cost reduction initiatives, $0.8 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.3 million.

DCM's net loss for the first quarter of 2019 included the impact on adoption of IFRS 16, in addition to the operating results of Perennial for the full quarter of 2019, restructuring expenses of $1.7 million related to its cost reduction initiatives, and $0.4 million of one-time business reorganization costs that did not qualify as a restructuring expense. DCM's net income for the first quarter of 2018 included higher revenues due to large, non-recurring work for a government contract, restructuring expenses of $0.1 million related to its cost reduction initiatives, and $0.3 million of one-time business reorganization costs that did not qualify as a restructuring expense.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2019 which are outlined in notes 2 and 3 of the Notes to the consolidated financial statements of DCM for the year ended December 31, 2019.

On January 1, 2019, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The impact of the implementation of these standards on DCM’s consolidated financial statements are described below.

IFRS 16 - LEASES

IFRS 16 Leases was issued in January 2016. It supersedes the International Accounting Standard Board's ("IASB") prior lease standard, IAS 17 Leases, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for them according to the respective classification.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset and a lease liability for all leases but can elect to exclude those with a term of less than twelve months and for which the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

DCM elected to adopt IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, Determining whether an Arrangement contains a Lease.

IFRS 16 provides for certain practical expedients and exemptions, including those related to the initial adoption of the standard. DCM applied the following practical expedients, permitted by the standard, upon adoption of IFRS 16:

- the use of a single discount rate to a portfolio of equipment leases with reasonably similar characteristics;
- reliance on previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- the accounting for operating leases (on a lease-by-lease basis) with underlying value of assets being less than $5 thousand CAD;
- the exclusion of initial direct costs for the measurement of the ROU Asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- election, by class of underlying asset, not to separate non-lease components from lease components.

DCM has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date DCM relied on its assessment made applying IAS 17 and IFRIC 4.

The details of DCM's leasing activities, new significant accounting policies and the impact of the changes from the previous significant accounting policies are set out below.

AS A LESSEE

DCM leases various offices, warehouses and machinery and office equipment. Rental contracts are typically made for fixed periods of 1 to 13 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. DCM has options to purchase certain manufacturing equipment for a nominal amount or the then fair market value, to extend the term, or return the equipment at the end of the lease term. The obligations are secured by the lessors’ title to the leased asset for such leases. DCM also enters into sub-leases as an intermediate lessor.

DCM assesses, at the inception of a contract, whether a contract is, or contains, a lease. A lease is a contract in which the right to control the use of an identified asset is granted for an agreed upon period of time in exchange for consideration. DCM assesses whether a contract conveys the right to control the use of an identified asset when there is both the right to direct the use of the asset and obtain substantially all the economic benefits from that use.

At the commencement of a lease contract:

(i) a lease liability is initially measured at the present value of the non-cancellable lease payments over the lease term and discounted at DCM's incremental borrowing rate. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable, and

(ii) a right-of-use asset ("ROU Asset") is initially measured at cost, which comprises the initial lease liability, lease payments made at or before the lease commencement date, initial direct costs and restoration obligations less lease incentives.

The ROU Asset is depreciated in subsequent periods over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if DCM is reasonably certain to exercise that option. The ROU Asset is assessed for impairment in accordance with the requirements of IAS 36 *Impairment of Assets*.

The lease liability is measured in subsequent periods at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in DCM’s estimate of the amount expected to be payable under a residual value guarantee, or if DCM changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset, with any difference recorded in the consolidated statement of operations.

On a lease by lease basis, DCM also exercises the option available for contracts comprising lease components as well as non-lease components, not to separate these components. Payments to the lessor for variable costs associated with the lease, including variable payments to the lessor related to non-lease components, are not included in the measurement of the lease liability, and are expensed as incurred in the consolidated statement of operations.

Extension and termination options exist for DCM’s property leases. DCM re-measures the lease liability, when there is a change in the assessment of the inclusion of the extension option in the lease term, resulting from a change in facts and circumstances.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise IT equipment and small items of office furniture.

AS AN INTERMEDIATE LESSOR

IFRS 16 does not change lessor accounting compared to IAS 17. For sub-leases where DCM is an intermediate lessor, the interest in the head lease and sub-lease are accounted for separately. DCM assesses the lease classification of a

sub-lease as either an operating lease or a finance lease with reference to the ROU Asset arising from the head lease. If a head lease is a short-term lease to which DCM applies the exemption described above, then the sub-lease is classified as an operating lease.

IMPACT OF ADOPTION OF IFRS 16:

The following table summarizes the impact of adopting IFRS 16 on DCM's consolidated statement of financial position as at January 1, 2019:

(in thousands of Canadian dollars)	***December 31, 2018 prior to the adoption of IFRS 16***	***Impact of adopting IFRS 16***	***January 1, 2019 after the adoption of IFRS 16***
Prepaid expenses and other current assets [(c)]	$ 3,519	$ 31	$ 3,550
Other non-current assets [(c)]	827	257	1,084
Right-of-use assets [(a) (b) (c)]	—	56,879	56,879
Property, plant and equipment [(a)]	16,804	(29)	16,775
Trade payables and accrued liabilities [(a)(b)]	43,497	(239)	43,258
Provisions (current portion) [(c)]	2,908	(105)	2,803
Provisions (non-current portion) [(c)]	540	(211)	329
Lease liabilities [(a)]	—	60,645	60,645
Other non-current liabilities [(b)]	3,272	(2,952)	320

(a) Previously under IAS 17, leases were classified as financing or operating leases depending on the terms and conditions of the contracts.

Leases previously classified as finance leases under IAS 17, where DCM assumed substantially all the risks and rewards of ownership, were initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. On adoption of IFRS 16, for such leases previously classified as finance leases, DCM recognized the carrying amount of the lease asset and lease liability immediately before transition in the amount of $29 thousand as the carrying amount of the ROU Asset and the lease liability at the date of initial application. The application of IFRS 16 to these leases as at January 1, 2019 resulted in the equipment held under finance lease arrangements previously presented within property, plant, and equipment, and the obligation previously presented under trade payables and accrued liabilities on the statement of financial position, to be presented as a ROU Asset and a lease liability.

Payments made under leases previously classified as operating leases were charged to the statement of operations on a straight-line basis over the period of the lease. On adoption of IFRS 16, DCM recognized a lease liability and a ROU Asset in relation to substantially all leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019, which amounted to $60.6 million. The ROU Asset was measured at the amount equal to the lease liability, adjusted by the amount of prepaid and accrued lease payments relating to that lease (as noted below) recognized on the statement of financial position as at January 1, 2019.

(b) Deferred lease inducements and lease escalation liabilities previously recognized with respect to operating leases in accordance with SIC-15, *Operating leases- Incentives* ("SIC-15"), have been derecognized, and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset as at that date for a total of $3.2 million. Under SIC-15, payments made under operating leases net of lease inducements were recognized in the statement of operations on a straight-line basis over the term of the lease. Previously deferred lease inducements and lease escalation liabilities were included within other non-current liabilities and trade payables and accrued liabilities on the statement of financial position.

(c) Provisions for onerous operating lease contracts and unfavourable lease obligations have been derecognized and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset for a total of $0.3 million. This results in a reduction to the onerous lease provision and the unfavourable lease obligation included within “Provisions” on the statement of financial position. With respect to an onerous lease where DCM entered into a sublease whereby the rent payments received were lower than the rent payments paid for the head lease, DCM has classified the sublease as a finance lease receivable for $0.5 million, which is included in prepaid expenses and other current assets, and other non-current assets on the statement of financial position.

Prepaid lease payments previously recognized for operating leases have been derecognized from prepaid expenses and other current assets on the statement of financial position, and the balance as of January 1, 2019 has been adjusted to increase the ROU Asset as at that date for a total of $0.2 million.

RECONCILIATION TO THE OPENING BALANCE:
The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

(in thousands of Canadian dollars)		**January 1, 2019**
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	**$**	**59,925**
Undiscounted cash flows for lease commitments related to leases not yet commenced		**(8,591)**
Undiscounted cash flows for extension options reasonably certain to be exercised		**38,932**
Recognition exemption for short-term and low dollar value leases		**(519)**
		89,747
Leases previously classified as finance leases under IAS 17		**29**
Discounted using the incremental borrowing rate at January 1, 2019		**(29,131)**
Lease liabilities recognized at January 1, 2019	**$**	**60,645**
Current	**$**	**6,762**
Non-current	**$**	**53,883**

When measuring lease liabilities, DCM discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.70%.

The recognized ROU Asset relates to the following types of assets:

(in thousands of Canadian dollars)		January 1, 2019
Property	$	**48,720**
Office equipment		**419**
Production equipment		**7,740**
	$	**56,879**

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. DCM adopted the amendments to IFRIC 23 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's consolidated financial statements.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 Employee Benefits with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM adopted the amendment to IAS 19 in its consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)* aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (AMENDMENT)

In October 2012, the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after January 1, 2020. DCM does not expect it to have a significant impact on its consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DCM.

Critical accounting estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that are not readily apparent from other sources about the carrying amounts of assets and liabilities, and reporting of income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

Goodwill, intangible and non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, annually at the end of each fiscal year. The determination of the impairment of goodwill, intangible and non-current assets are impacted by estimates of the recoverable value of CGUs, assumptions of future cash flows, and achieving forecasted business results. These assumptions can be impacted by economic conditions and also require considerable judgment by management. Declines in business results or declines in the fair value of CGUs could result in impairments in future periods. Changing the assumptions selected by management, in particular the discount rate and growth assumptions used in the cash flow projections, could significantly affect the result of DCM's impairment analysis.

INCOME TAXES

In assessing the probability of realizing deferred income tax assets, management has made estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Deferred tax assets also reflect the benefit of unused tax losses that can be carried forward to reduce income taxes in future years. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

UNCERTAIN TAX POSITIONS

DCM maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DCM reviews the adequacy of these provisions at the end of the

reporting period. It is possible that at some future date, liabilities in excess of the DCM's provisions could result from audits by, or litigation with, relevant taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

LEASES

(i) DCM uses significant judgment when determining whether a contract contains an identified asset, and whether DCM has the right to control the use of the identified asset.

(ii) DCM also makes significant judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate represents the rate DCM would pay to borrow funds to obtain the underlying asset over a similar term and with similar security. This requires judgment to determine the financing spread adjustment based on existing credit facilities and a lease-specific adjustment based on the underlying asset.

(iii) In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

PENSION OBLIGATIONS

Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DCM's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DCM's defined benefit obligations.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. The amount recognized as a provision is DCM's best estimate of the present obligation at the end of the reporting period. The determination of DCM's provisions, which includes restructuring costs and onerous contracts, involves judgment about the outcome of future events, and estimates on the timing and amount of expected future cash flows. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

AGGREGATION OF OPERATING SEGMENTS

Management applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers, and distribution methods.

REVENUE RECOGNITION

a) Product sales

DCM uses significant judgment, which is inherent in its revenue generating activities, as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer's product and the agreed upon term of warehousing to manage any related business risks.

b) Marketing services

DCM accounts for its revenue from fixed-fee contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenues. Contract costs include direct labor, direct costs for subcontractors and other expenditures that are recoverable directly from its customers. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract costs estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another, including labor productivity and availability, the complexity of the work to be performed and the performance of subcontractors. Estimating total costs is subjective and requires management's best judgments based on the information available at that time.

Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known.

Management's report on internal controls over financial reporting

DISCLOSURE CONTROLS AND PROCEDURES

DCM maintains a set of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) designed to provide reasonable assurance that information required to be disclosed in its public filings or otherwise under securities legislation is recorded, processed, summarized and reported on a timely basis and that such controls and procedures are designed to ensure that information required to be so disclosed is accumulated and communicated to its management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. With the supervision and participation of DCM's senior management team, the President of DCM (who assumed the responsibilities of DCM Chief Executive Officer, Gregory J. Cochrane, in late May 2020 following Mr. Cochrane's decision to take a temporary medical leave of absence from DCM) ("CEO") and the Chief Financial Officer ("CFO") of DCM have evaluated the

effectiveness of disclosure controls and procedures of DCM as of December 31, 2019. Based on that evaluation, those officers have concluded that, as of December 31, 2019, such disclosure controls and procedures were not sufficiently effective to provide reasonable assurance that (i) material information relating to DCM was made known to management and (ii) information required to be disclosed by DCM in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation, due to the material weakness in DCM's internal control over financial reporting as set forth below.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Multilateral Instrument 52-109 requires the CEO and CFO to certify they are responsible for establishing and maintaining internal control over financial reporting (“ICFR”) for the Company and that ICFR has been designed and is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company’s internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

DCM’s internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, or persons performing similar functions, and effected by DCM's Board of Directors, management and other personnel. DCM’s internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of DCM's annual or interim financial statements will not be prevented or detected on a timely basis.

As previously reported, the Company launched a new, cloud-based, end to end Enterprise Resource Planning (“ERP”) system to standardize and automate business processes and controls in June 2019. The project was a major initiative that utilized third party consultants and is expected to provide scalability, facilitate improved reporting and oversight and enhance internal control over financial reporting. As part of the transition to the new ERP system, DCM encountered various data migration issues coupled with numerous data accuracy and other system issues post go live. These issues affected DCM's production and its ability to generate accurate and timely billings to its customers which resulted in a deterioration in its operating results and a backlog of production orders. The recording of inaccurate invoices also resulted in errors in the recognition of production revenue and the accuracy of accounts receivable, contributed to complications in completing pricing adjustments for customers and caused delays in the timely issuance of customer billings and the collection of cash from customers. These inaccuracies have been corrected in DCM's consolidated

financial statements for the year ended December 31, 2019 prior to their release. There were no changes to DCM's previously released interim financial results.

The Company’s management, under the supervision of and with the participation of its CEO and CFO, assessed the effectiveness of DCM's internal control over financial reporting as of December 31, 2019 using the criteria set forth by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on that evaluation, management concluded that control deficiencies related to invoicing and production revenue recognition represented a material weakness, and that the Company’s internal control over financial reporting was not effective as of December 31, 2019. Additionally, there is a reasonable possibility that this material weakness, could, if uncorrected, result in a future misstatement of revenues that may result in a material misstatement of DCM's annual or interim consolidated financial statements if not prevented or detected on a timely basis.

DCM believes that these control deficiencies were the result of:

(i) a continuous risk assessment process that inadequately identified and assessed risks affecting DCM’s internal controls over financial reporting associated with the implementation of its new ERP system;

(ii) a complex configuration of the system, which included custom modifications to accommodate highly specialized customer billing and finished goods reporting, as well as complex internal and external revenue reporting requirements;

(iii) insufficient business scenario testing prior to go-live;

(iv) improper mapping of legacy business processes and controls to those in the new ERP environment prior to go-live and insufficient training of Company employees to ensure the system and business process design was clearly understood and followed by the business; and, as a result,

(v) the Company did not design, implement and consistently operate effective process-level controls to ensure that it appropriately (a) recorded and accounted for revenue, billed and unbilled trade receivables, (b) reconciled revenue and accounts receivable balance sheet accounts, (c) reviewed and approved the complete population of manual journal entries, and (d) used complete and accurate information in performing manual controls.

Following identification of the material weakness and prior to filing DCM's consolidated financial statements, management completed substantive procedures for the year ended December 31, 2019. Based on these procedures, DCM's CEO and CFO have certified that, based on their knowledge, the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the year ended December 31, 2019. PricewaterhouseCoopers LLP has issued an unqualified opinion on the financial statements in their report dated June 8, 2020.

REMEDIATION PLAN AND ACTIVITIES

Management has made substantial progress implementing measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively.

DCM management has evaluated the impact of these changes and has updated its process and control documentation in DCM's new ERP environment to assist in the evaluation of the design and effectiveness of controls. This documentation was completed in May 2020.

Additional remediation actions taken by DCM in the fourth quarter of 2019 and the first quarter of 2020 include:

(i) continued enhancements to DCM's company-wide risk assessment processes;

(ii) additional training of responsible staff; supplemented with third-party consultants as needed;

(iii) implementation of additional business processes and system controls to ensure invoice accuracy, particularly with regards to oversight of order entry, including verification of pricing to customer trade agreements and purchase orders, and appropriate units of measure related to pricing and quantity;

(iv) reinforcing policies around customer purchase order review, retention and accessibility, credit and rebilling procedures, production revenue reconciliations, and monthly cut-off processes;

(v) clearly identifying and communicating individual employees their responsibilities; and

(vi) implementing new reporting tools to ensure the completeness and accuracy of customer invoicing including additional manual controls.

DCM believes that these actions have substantially remediated the material weakness. The weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. DCM expects that the remediation of this material weakness will be completed prior to the end of 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except for the actions taken to address the material weakness identified during the fourth quarter of 2019 and the first quarter of 2020, as of December 31, 2019 there were no changes in the Company’s internal control over financial reporting that occurred during the fourth quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

Outlook

Despite the challenges faced by the Company in 2019 with ERP, and in 2020 to date with COVID-19, DCM remains focused on the key strategic priorities it laid out in early 2019, namely:

- **Focus on its core enterprise customers** - particularly those customers for whom DCM provides value-added marketing solutions with enhanced margins, not simply product-related features
- **Improve gross margins** - by realizing the benefits of price increases as appropriate, improved operating efficiencies, additional potential headcount reductions and a stabilized ERP system
- **Reduce SG&A expenses** - through streamlining the overhead required to serve our customers
- **Pay down debt** - return to paying down amounts drawn on our revolving line of credit towards more historical levels, along with repayment of DCM's other fixed term debt obligations, and prudent working capital management

- **Make strategic investments to support DCM's future growth** - enhancing our DATAOnline platform, development of new technology applications, including customer-specific apps, all of which are intended to better serve our enterprise customers

DCM's client base is well diversified and includes many essential services providers in industries including the healthcare, financial services and supply chain sectors. Nonetheless, the Company has experienced a reduction in demand from other clients and sectors due to the COVID-19 pandemic, particularly in its retail-related product offerings. DCM remains focused on serving its enterprise clients with value-added services and is experiencing a high level of engagement with those customers during this period.

The Company has initiated a number of actions to manage costs through this period, including temporary layoffs, shift reductions, rollbacks of management and senior executive salaries, reductions in non-essential spending and deferral of other expenses and payments where practical. DCM continues to evaluate the COVID-19 situation closely and assess further actions that may be required in the event of a prolonged disruption. At this point in time, DCM believes that these actions have adequately positioned the Company for the current environment, although it continues to assess opportunities for further cost reduction.

It is not currently possible to accurately quantify the impact of the pandemic on the Company's operations or financial results or the length of time over which this impact may continue. These possible impacts may include; changes in our customer's needs and their buying behavior; ongoing public restrictions that could continue to limit the spreading of the virus and may impact DCM's operating locations; and, the timing of the loosening of various restrictions on businesses and the general public. However, DCM is working closely with its customers to assist in this transition.

Management of DCM continues to assess the impact of COVID-19 on the Company's business, as well as government responses and assistance that may benefit the Company, in the form of tax rebates, holidays, grants and subsidies introduced in response to the impact of the ongoing COVID-19 pandemic.

As at June 1, 2020, there were outstanding borrowings of $28.5 million under the revolving facilities portion of the Bank Credit Facility, compared to $34.7 million as at December 31, 2019, an improvement of approximately $6.1 million. And on June 1, 2020, the Company had $6.6 million in available credit pursuant to its revolving Bank Credit Facility, compared to $2.0 million as at December 31, 2019. The Company has to date qualified for and received approximately $6.1 million under the Canadian Emergency Wage Subsidy relief program with $1.6 million of that amount attributable to the first quarter of 2020. At this time DCM does not expect to meet the eligibility criteria for pay period 3 of this program.

Working capital improvement will be a significant focus of the business in 2020 and a critical component to the theme of paying down debt. Substantial progress has been made in remediating the ERP issues from 2019, including a reduction in production backlog, improved invoice accuracy, appropriate revenue recognition, and more-timely customer billing and collection of accounts receivable. These initiatives are expected to return the working capital levels of the Company to more normal levels by the end of 2020 as the Company focuses on achieving post-implementation ERP efficiencies.

In addition, DCM is in advanced stages of implementing a significant change in its billing practices, whereby it is eliminating a legacy practice of not invoicing certain clients for finished goods products until they have been shipped from DCM's warehouse, and converting these clients to “invoice on production.” Under this legacy "bill as released", or BAR, practice, and pursuant to long-term contracts, DCM has historically incurred the costs of producing customer-specific finished goods products up-front, warehoused these products for a period of time, and not been able to invoice these clients until product is ultimately shipped to a specific client site. In late March 2020, in conjunction with the impending potential financial impact from COVID-19, the Company implemented a project to initially focus on converting its top 15 BAR accounts to invoice on production. These accounts represent approximately two-thirds of the value of BAR finished goods inventory. The Company ultimately intends to convert all of its BAR clients to invoice on production. The conversion of these BAR clients to invoice on production is well advanced, with conversions of a number of accounts either completed or planned, and represents a significant potential opportunity for the Company to improve its working capital position and better align billings with the costs which DCM incurs to produce these products.

Due to the impact of COVID-19, the Company has deferred most of its planned spending in the first half of 2020 on capital expenditures and technology development initiatives. It is expected this spending will re-commence once better visibility in the balance of the year is available. Digital innovation investment remains a priority for capital spending initiatives for DCM in 2020 and the coming years.

Risks and uncertainties

An investment in DCM’s securities involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described in DCM’s most recent Annual Information Form and other continuous disclosure filings made by DCM with Canadian securities regulatory authorities before investing in securities of DCM. The risks described in this report, the Annual Information Form and those other filings are not the only ones facing DCM. Additional risks not currently known to DCM, or that DCM currently believes are immaterial, may also impair the business, results of operations, financial condition and liquidity of DCM.

Financial reporting responsibility of management

The accompanying consolidated financial statements of DATA Communications Management Corp. ("DCM") have been prepared by management and approved by the Board of Directors of DCM. Management of DCM is responsible for the preparation and presentation of the consolidated financial statements and all the financial information contained within this Annual Report within reasonable limits of materiality. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In the preparation of the consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on available information and careful judgements and have been properly reflected in the accompanying consolidated financial statements. The financial information throughout the text of this Annual Report is consistent with that in the consolidated financial statements.

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

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

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

The Board of Directors has appointed an Audit Committee composed of four directors who are not members of management of DCM. The Audit Committee meets periodically with management and the auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. It is responsible for reviewing DCM's annual and interim consolidated financial statements and the report of the auditors. The Audit Committee reports the results of such reviews to the Board of Directors and makes recommendations with respect to the appointment of DCM's auditors. In addition, the Board of Directors may refer to the Audit Committee other matters and questions relating to the financial position of DCM.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting, and are responsible for approving the consolidated financial statements of DCM.

(Signed) "Michael Coté"

Michael Coté
President
DATA Communications Management Corp.

(Signed) "James E. Lorimer"

James E. Lorimer
Chief Financial Officer
DATA Communications Management Corp.

June 8, 2020
Brampton, Ontario

Independent auditor's report

To the Shareholders of DATA Communications Management Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of DATA Communications Management Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the CEO's Letter to Shareholders which we obtained prior to the date of this auditor's report and the information other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Simon Kent.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 8, 2020

Consolidated statements of financial position

(in thousands of Canadian dollars)	**December 31, 2019**	December 31, 2018
ASSETS		
CURRENT ASSETS		
Trade receivables (note 5)	**$ 86,451**	$ 73,124
Inventories (note 6)	**12,580**	8,812
Prepaid expenses and other current assets	**2,611**	3,519
	101,642	85,455
NON-CURRENT ASSETS		
Other non-current assets	**828**	827
Deferred income tax assets (note 15)	**6,648**	3,428
Restricted cash (note 13)	**515**	515
Property, plant and equipment (note 7)	**13,062**	16,804
Right-of-use assets (note 8)	**56,381**	—
Pension assets (note 17)	**156**	—
Intangible assets (note 9)	**18,167**	18,164
Goodwill (note 10)	**16,973**	17,038
	$ 214,372	$ 142,231
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft (note 13)	**$ 1,093**	$ 3,999
Trade payables and accrued liabilities	**51,743**	43,497
Current portion of credit facilities (notes 1 and 13)	**3,887**	5,670
Current portion of promissory notes (note 14)	**492**	4,013
Current portion of lease liabilities (note 12)	**8,252**	—
Provisions (note 11)	**3,886**	2,908
Income taxes payable	**2,068**	3,152
Deferred revenue	**2,133**	1,477
	73,554	64,716
NON-CURRENT LIABILITIES		
Provisions (note 11)	**192**	540
Credit facilities (notes 1 and 13)	**74,760**	51,751
Promissory notes (note 14)	**2,095**	1,363
Lease liabilities (note 12)	**53,514**	—
Deferred income tax liabilities (note 15)	**402**	1,753
Other non-current liabilities (note 16)	**—**	3,272
Pension obligations (note 17)	**7,958**	8,346
Other post-employment benefit plans (note 18)	**2,938**	2,978
	$ 215,413	$ 134,719
EQUITY		
SHAREHOLDERS' EQUITY / (DEFICIT)		
Shares (note 19)	**$ 256,045**	$ 251,217
Warrants (note 19)	**853**	806
Contributed surplus	**2,300**	1,841
Translation reserve	**254**	242
Deficit	**(260,493)**	(246,594)
	$ (1,041)	$ 7,512
	$ 214,372	$ 142,231

General Information and Going Concern (note 1); Commitments and Contingencies (note 22); Subsequent Events (note 28)

Approved by Board of Directors

(Signed) "J.R. Kingsley Ward" Director

(Signed) "Gregory J. Cochrane" Director

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts)	**For the year ended December 31, 2019**	For the year ended December 31, 2018
REVENUES (note 26)	**$ 282,876**	$ 322,769
COST OF REVENUES	**213,611**	244,571
GROSS PROFIT	**69,265**	78,198
EXPENSES		
Selling, commissions and expenses	**32,946**	36,276
General and administration expenses	**34,144**	29,940
Restructuring expenses (note 11)	**7,489**	2,654
Acquisition costs (note 4)	**—**	348
	74,579	69,218
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES	**(5,314)**	8,980
FINANCE COSTS		
Interest expense on long term debt and pensions, net	**5,307**	4,985
Interest expense on lease liabilities (note 12)	**3,609**	—
Debt modification losses (note 13)	**3,858**	—
Amortization of transaction costs	**465**	623
	13,239	5,608
(LOSS) INCOME BEFORE INCOME TAXES	**(18,553)**	3,372
INCOME TAX (RECOVERY) EXPENSE		
Current (note 15)	**(105)**	1,407
Deferred (note 15)	**(4,461)**	(284)
	(4,566)	1,123
NET (LOSS) INCOME FOR THE YEAR	**$ (13,987)**	$ 2,249
BASIC (LOSS) EARNINGS PER SHARE (note 20)	**$ (0.65)**	$ 0.11
DILUTED (LOSS) EARNINGS PER SHARE (note 20)	**$ (0.65)**	$ 0.11

Consolidated statements of comprehensive (loss) income

(in thousands of Canadian dollars)	**For the year ended December 31, 2019**	For the year ended December 31, 2018
NET (LOSS) INCOME FOR THE YEAR	**$ (13,987)**	$ 2,249
OTHER COMPREHENSIVE (LOSS) INCOME:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME		
Foreign currency translation	**12**	59
	12	59
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME		
Re-measurements of pension and other post-employment benefit obligations (notes 17 and 18)	**118**	(1,318)
Taxes related to pension and other post-employment benefit adjustment above (note 15)	**(30)**	343
	88	(975)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**$ 100**	$ (916)
COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**$ (13,887)**	$ 1,333

Consolidated statements of changes in shareholders' equity (deficit)

(in thousands of Canadian dollars)	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity
Balance as at December 31, 2017	$ 248,996	$ 287	$ —	$ 1,368	$ 183	$ (256,233)	$ (5,399)
Impact of change in accounting policy on adoption of IFRS 15	—	—	—	—	—	8,365	8,365
	$ 248,996	$ 287	$ —	$ 1,368	$ 183	$ (247,868)	$ 2,966
Net income for the year	—	—	—	—	—	2,249	2,249
Other comprehensive loss for the year	—	—	—	—	59	(975)	(916)
Total comprehensive income for the year	—	—	—	—	59	1,274	1,333
Issuance of common shares and warrants, net (note 19)	2,221	519	—	—	—	—	2,740
Share-based compensation expense (note 19)	—	—	—	473	—	—	473
Balance as at December 31, 2018	$ 251,217	$ 806	$ —	$ 1,841	$ 242	$ (246,594)	$ 7,512
BALANCE AS AT DECEMBER 31, 2018	**$ 251,217**	**$ 806**	**$ —**	**$ 1,841**	**$ 242**	**$ (246,594)**	**$ 7,512**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**(13,987)**	**(13,987)**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**12**	**88**	**100**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**12**	**(13,899)**	**(13,887)**
Issuance of common shares, net (note 19)	**4,828**	**—**	**—**	**—**	—	—	**4,828**
Expiration of warrants (note 19)	—	**(269)**	**—**	**269**	—	—	**—**
Share-based compensation expense (note 19)	**—**	**—**	**—**	**190**	**—**	**—**	**190**
Issuance and repricing of warrants, net (note 19)		**316**	—	—	—	—	**316**
BALANCE AS AT DECEMBER 31, 2019	**$ 256,045**	**$ 853**	**$ —**	**$ 2,300**	**$ 254**	**$ (260,493)**	**$ (1,041)**

Consolidated statements of cash flows

(in thousands of Canadian dollars)	**For the year ended December 31, 2019**	For the year ended December 31, 2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net (loss) income for the year	**$ (13,987)**	$ 2,249
Adjustments to net (loss) income		
Depreciation of property, plant and equipment (note 7)	**3,959**	4,678
Amortization of intangible assets (note 9)	**3,962**	4,173
Depreciation of right-of-use-assets (note 8)	**8,940**	—
Interest expense on lease liabilities (note 12)	**3,609**	—
Share-based compensation expense	**190**	473
Defined benefit pension expense (note 17)	**596**	560
Loss (gain) on disposal of property, plant and equipment	**72**	(10)
Write-off of intangible assets	—	242
Provisions (note 11)	**7,489**	1,665
Amortization of transaction costs and debt modification losses (note 13)	**4,327**	623
Accretion of non-current liabilities and related interest expense	**290**	617
Other non-current liabilities	**—**	192
Other post-employment benefit plans, net	**(73)**	1
Tax credits recognized	**(94)**	(111)
Income tax (recovery) expense	**(4,566)**	1,123
	14,714	16,475
Changes in working capital (note 21)	**(7,122)**	7,827
Contributions made to defined benefit pension plans (note 17)	**(989)**	(959)
Provisions paid (note 11)	**(6,543)**	(4,869)
Income taxes paid	**(871)**	(1,211)
	(811)	17,263
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 7)	**(1,036)**	(2,694)
Purchase of intangible assets (note 9)	**(3,878)**	(5,111)
Proceeds on disposal of property, plant and equipment	**300**	180
Proceeds on sale of business (note 4)	**675**	—
Net cash consideration for acquisition of businesses (note 4)	**—**	(7,320)
	(3,939)	(14,945)
FINANCING ACTIVITIES		
Issuance of common shares and warrants, net (note 19)	**4,798**	685
Proceeds from credit facilities and warrants (note 13)	**26,099**	12,951
Repayment of credit facilities (note 13)	**(8,495)**	(11,238)
Repayment of other liabilities	**(400)**	(400)
Proceeds from promissory notes and warrants (note 14)	**1,000**	—
Repayment of promissory notes (note 14)	**(3,905)**	(4,561)
Transaction costs (note 13)	**(533)**	(900)
Lease payments (note 12)	**(10,904)**	(20)
	7,660	(3,483)
DECREASE IN BANK OVERDRAFT DURING THE PERIOD	**2,910**	(1,165)
BANK OVERDRAFT – BEGINNING OF YEAR	**$ (3,999)**	$ (2,868)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**(4)**	34
BANK OVERDRAFT – END OF YEAR	**$ (1,093)**	$ (3,999)

1 General Information and Going Concern

DATA Communications Management Corp. ("DCM") is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with its customers. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print or digital formats.

On February 22, 2017, DCM acquired Eclipse Colour and Imaging Corp. ("DCM Burlington"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. (collectively, "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

On November 7, 2018, DCM announced that Perennial and Aphria Inc. ("Aphria") had entered into a joint venture agreement (the "JV"). The JV initially focused on cannabis-infused products for the wellness, medical and adult-use markets. The JV was owned equally by Perennial and Aphria. It selected specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV was dissolved on July 12, 2019. As at December 31, 2019, there were no significant transactions or balances between incorporation and dissolution.

DCM's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DCM's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. There are material uncertainties associated with the resolution of the liquidity challenges currently facing the Company that stem from the various migration issues after implementing a new enterprise wide IT system at certain DCM sites that affected both production revenue and the Company's ability to generate accurate and timely billings to its customers as described in note 24 (Liquidity risk), coupled with impacts to the business as a result of the current COVID-19 pandemic and continued need for covenant waivers from the Company's lenders as described in note 28 (Subsequent events) that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its ability to return the Company to profitability, generate positive cash flows from operations, convert past due customer trade receivables to cash, and obtain such additional financing and financial covenant waivers associated with its credit facilities as may otherwise be necessary. Management's plans for dealing with these events and conditions and the expected timing of resolution thereof and the possible effects of these issues if they are not resolved are discussed in note 24 and note 28. Although the Company

has been successful in the past in amending its credit facilities and obtaining covenant testing deferral from its lenders when needed, there is no assurance that these initiatives will be successful. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The common shares of DCM are listed on the Toronto Stock Exchange ("TSX") under the symbol "DCM". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario.

2 Basis of presentation and significant accounting policies

BASIS OF PRESENTATION

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS").

These consolidated financial statements were approved by the Board of Directors ("Board") of DATA Communications Management Corp., on June 8, 2020.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the accounting policy changes as described in note 3.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, DCM takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share based-payments*, International Accounting Standards ("IAS") 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1; that are observable for the asset or liability; either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of DCM and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated upon consolidation.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which DCM has control. Control exists when DCM is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date which control is obtained. They are deconsolidated from the date that control ceases.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When DCM ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive loss in respect of that entity are accounted for as if DCM had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income (loss) are reclassified to the statement of operations.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, and their operating results are included in the consolidated financial statements as of the acquisition date. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by DCM and contingent considerations, on the acquisition date, in exchange for control of the acquired entity. The excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The transaction costs attributable to the acquisition are recognized in the statement of operations when they are incurred.

If the agreement includes a contingent consideration, it is measured at fair value as of the acquisition date and added to the consideration transferred, and a liability for the same amount is recognized. Any subsequent change to the fair value of the contingent consideration will be recognized in the statement of operations.

If the initial recognition of the business combination is incomplete when the financial statements are issued for the period during which the acquisition occurred, DCM records a provisional amount for the items for which measurement is incomplete. Adjustments to the original recognition of the business combination will be recorded as an adjustment to the assets acquired and liabilities assumed during the measurement period, and the adjustments must be applied retroactively. The measurement period is the period from the acquisition date to the date on which DCM has received complete information on the facts and circumstances that existed as of the acquisition date.

If a business combination is achieved in stages, DCM reassesses the share it held previously in the acquiree at fair value at the acquisition date and includes the gain or loss resulting, if any, to the statement of operations.

In the case of a business combination of less than 100%, a non-controlling interest is measured, either at fair value or at the non-controlling interest's share of the net identifiable assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each entity within DCM are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These consolidated financial statements are presented in Canadian dollars, which is DCM’s functional currency. The functional currency of DCM’s United States

operations is U.S. dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at rates of exchange in effect at the statement of financial position date. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at rates prevailing on the transaction dates. Gains and losses resulting from translation of monetary assets and liabilities denominated in currencies other than each entity's functional currency are included in the determination of income for the year.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rate during the period. Foreign currency differences are recognized in other comprehensive income (loss) in the foreign currency translation reserve account.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, deposits held with banks and bank overdraft and highly liquid short-term interest bearing securities with maturities of three months or less at the date of purchase.

INVENTORIES

Raw materials inventories, base stock finished goods and work-in-progress are recorded at the lower of cost and net realizable value. Raw materials are recorded on a weighted average cost basis. Cost of finished goods and work-in-process are determined using the first-in, first-out method. Inventory manufactured includes the cost of materials, labour and production overheads (based on normal operating capacity) including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price less cost to complete and applicable selling expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and impairments. Costs include expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to DCM and the cost can be measured reliably. The carrying value of a replaced asset is derecognized when replaced. Maintenance and repairs are expensed as incurred. Property, plant and equipment are depreciated from the point at which the asset is ready for use. Depreciation is computed using the methods and rates based on the estimated useful lives of the property, plant and equipment as outlined below:

	Basis	Rate
Leasehold improvements	straight-line	Shorter of life or lease term
Office furniture and equipment	straight-line	5 years
Presses and printing equipment	straight-line	3 to 10 years
Computer hardware and software	straight-line	2 to 5 years
Vehicles	straight-line	3 years

DCM allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, the method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in general and administration expenses in the statement of operations.

INTANGIBLE ASSETS

Separately acquired intangible assets are initially measured at cost. Customer relationships, tradenames, trademarks and non-compete agreements acquired in a business combination are recognised at fair value at the acquisition date which is their deemed cost. Where these assets have a finite life, they are subsequently carried at cost less accumulated amortization and impairment losses

Research costs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by DCM are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Management's judgment is required to determine the useful lives of intangible assets including reviewing the length of customer relationships and other factors. These finite life assets are amortized over their estimated useful lives as outlined below.

	Basis	Rate
Customer relationships and customer backlog	straight-line	1.5 to 12 years
Software and technology	straight-line	1 to 7 years
Computer software development costs	straight-line	1 to 5 years
Trademarks, trade names and non-compete agreements	straight-line	2 to 10 years

Residual values, the method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

GOODWILL

Goodwill represents the excess of the aggregate of consideration transferred in a business combination and the non-controlling interest in the acquired business over the fair value of net identifiable assets and liabilities acquired. Adjustments to fair value assessments are recorded to goodwill over the measurement period, not exceeding one year from the date of acquisition. Goodwill is allocated to the cash generating unit ("CGU") or a group of CGUs to which it relates. A CGU is an identifiable group of assets that are largely independent of the cash flows from other assets or group of assets, which is not higher than an operating segment.

Goodwill is evaluated for impairment annually or more frequently if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is charged

to income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail including a number of estimates and assumptions such as projected future revenues, cost of revenues, operating margins, market conditions well into the future, and discount rates.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recorded as impairment provisions within accumulated depreciation for depreciable assets. DCM evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

SHARE-BASED COMPENSATION

DCM has share-based compensation plans as part of DCM's long-term incentive plan, as described in note 19. All transactions involving share-based payments are recognized as an expense in the statement of operations over the vesting period.

Equity-settled share-based payment transactions, such as stock option awards, are measured at the grant date at the fair value of employee services received in exchange for the grant of options or share awards and, for non-employee transactions, at the fair value of the goods or services received at the date on which the entity recognizes the goods or services. The total amount of the expense recognized in the statement of operations is determined by reference to the fair value of the share awards or options granted, which factors in the number of options expected to vest. Equity-settled share-based payment transactions are not remeasured once the grant date fair value has been determined.

Cash-settled share-based payment transactions are measured at the fair value of the liability. The liability is remeasured at each reporting date and at the date of settlement, with changes in fair value recognized in the statement of operations.

EMPLOYEE BENEFITS

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. Pension benefits are primarily based on years of service, compensation and accrued contributions with investment earnings. DCM's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements. Actuarial valuations are required to be completed every three years.

DCM also contributes to the Québec Graphic Communication Pension Plan (the "GCPP") for certain employees at its Drummondville plant in Québec. Prior to 2018 contributions were made to a similar plan, the Québec Graphics Communications Supplemental Retirement and Disability Fund (the "SRDF"). Effective December 31st, 2017, the SRDF was merged into the GCPP and this merger was approved by the Québec pension authorities in October 2019. In addition, DCM sponsors a number of multi-employer, defined benefit employee pension and non-pension benefit plans which are administered by Unifor Local 591G for the hourly employees of Thistle ("Unifor Pension & Benefit Plans"). The GCPP, SRDF and Unifor Pension & Benefit Plans provide post-employment benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers and the unions. DCM's obligation to the GCPP, SRDF and Unifor Pension & Benefit Plans are limited to the amounts agreed to in the respective collective bargaining agreements of each plan.

Certain former senior executives of a predecessor corporation participated in a Supplementary Executive Retirement Plan ("SERP"), which provides for pension benefits payable as a single life annuity with a five year guarantee.

(a) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Pension benefits for defined contribution formula are based on the accrued contributions with investment earnings. DCM's annual pension expense is based on the amounts contributed in respect of eligible employees when they are due.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Pension benefits for the defined benefit formula are generally calculated based on the number of years of service and the maximum average eligible earnings of each employee during any period of five consecutive years. DCM accrues its obligations for the defined benefit provision and related costs, net of plan assets, where applicable. The cost of pensions earned by employees covered by these plans are actuarially determined using the projected unit credit method taking into account management's best estimate of salary escalation, retirement ages and longevity of employees, where applicable. When the calculation results in a benefit to DCM, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in DCM. An economic benefit is available to DCM if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Improvements to the pension plans are recognized as past service costs in the period of the plan amendment. Current service costs are expensed in the period that the benefits are accrued. Current service costs, administration costs and past services costs are recognized as period costs in general and administration expenses in the statement of operations. Net interest is calculated by applying the discount rate at the beginning of the period to the net benefit liability or asset and is recognized in finance costs (income) in the statement of operations.

The discount rate used to determine the accrued benefit obligation is determined by reference to yields on high quality corporate bonds and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arise from the difference between actual rate of return on plan assets and the discount rate for that period, from changes in actuarial assumptions used to determine the accrued benefit obligation and from changes to accrued benefit obligation resulting from actual experience differing from long-term assumptions used to determine the accrued benefit obligation. Re-measurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the actual return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income (loss) in the period in which they occur. Re-measurements recognized in other comprehensive income (loss) are reflected immediately in retained earnings (deficit) and will not be reclassified to the statement of operations.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the DCM's defined benefit plans. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions to the plans.

A liability for termination benefits is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided.

The SERP is unfunded.

The GCPP, SRDF and the Unifor Pension & Benefit Plans are negotiated contribution, defined benefit multi-employer plans, however, the trustees of these plans are not able to provide sufficient information for DCM to account for these plans as a defined benefit plan. DCM has accounted for these plans on a defined contribution basis as DCM does not believe there is sufficient information to recognize participation on a defined benefit basis. See note 22 for additional information related to the GCPP and SRDF.

(c) Other post-employment and long-term employee benefit plans

DCM provides non-pension post-employment benefits, including health care and life insurance benefits on retirement to certain former employees, their beneficiaries and covered dependents ("DCM OPEB Plans"). DCM's net obligation in respect of its DCM OPEB Plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed using the projected unit credit method. Any actuarial gains and losses related to non-pension post-employment benefit plans are recognized in other comprehensive loss in the period in which they arise and will not be reclassified to statement of operations.

DCM also provides other long-term employee benefit plans including pension, health care and dental care benefits for certain employees on long-term disability ("DCM OPEB LTD Plan"). DCM's net obligation in respect of its DCM OPEB LTD Plan is the actuarial present value of all future projected benefits determined as at the valuation date. Any actuarial gains and losses related to other long-term employee benefit plans are recognized in the statement of operations in the period in which they arise.

The discount rate is the yield at the reporting date on yields on high quality corporate bonds that have maturity dates approximating the terms of DCM's obligations. The DCM OPEB Plans and DCM OPEB LTD Plan are funded on a pay-as-you-go basis.

PROVISIONS

A provision is recognized if, as a result of a past event, DCM has a present legal or constructive obligation for which the amount can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted to its present value if material. The unwinding of the discount is recognized as a finance cost.

(i) *Restructuring:* A provision for restructuring is recognized when DCM has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(ii) *Onerous contracts:* DCM performs evaluations to identify onerous contracts and, where applicable, records provisions against such contracts.

INCOME TAXES

Income tax expense comprises current and deferred tax. Current income tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss), in which case the current and/or deferred tax is also recognized directly in equity or other comprehensive income (loss).

Current income taxes is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years that are expected to be paid. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. DCM establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither

accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured on a non-discounted basis at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized in the foreseeable future.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred income tax assets and liabilities are presented as non-current.

LEASES

DCM leases various offices, warehouses and machinery and office equipment. Rental contracts are typically made for fixed periods of 1 to 13 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. DCM has options to purchase certain manufacturing equipment for a nominal amount or the then fair market value, to extend the term, or return the equipment at the end of the lease term. The obligations are secured by the lessors’ title to the leased asset for such leases. DCM also enters into sub-leases as an intermediate lessor.

The accounting policies applicable to leases for 2018 and 2019 are set out below:

Accounting policy applicable prior to January 1, 2019.

IAS 17 *Leases,* required leases to be classified as financing or operating depending on the terms and conditions of the contracts. Lease agreements where DCM assumes substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset class. Obligations recorded under finance leases were reduced by lease payments net of imputed interest. Other lease agreements were operating leases and the leased assets were not recognized in DCM’s statement of financial position. Payments made under operating leases were recognized in the statement of operations on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease. The unamortized portion of lease incentives and the difference between the straight-line rent expense and the payments, as stipulated under the lease agreement, were included in other non-current liabilities. For sub-leases where DCM was the intermediate lessor, the interest in the head lease and sub-lease were accounted for separately.

Accounting policy applicable from January 1, 2019.

IFRS 16 *Leases* became effective for DCM on January 1, 2019 superseding the requirements of IAS 17 *Leases*. The accounting policies applied under IFRS 16 are as follows:

AS A LESSEE

DCM assesses, at the inception of a contract, whether a contract is, or contains, a lease. A lease is a contract in which the right to control the use of an identified asset is granted for an agreed upon period of time in exchange for consideration.

DCM assesses whether a contract conveys the right to control the use of an identified asset when there is both the right to direct the use of the asset and obtain substantially all the economic benefits from that use.

At the commencement of a lease contract:

(i) a lease liability is initially measured at the present value of the non-cancellable lease payments over the lease term and discounted at DCM's incremental borrowing rate. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable, and

(ii) a right-of-use asset ("ROU Asset") is initially measured at cost, which comprises the initial lease liability, lease payments made at or before the lease commencement date, initial direct costs and restoration obligations less lease incentives.

The ROU Asset is depreciated in subsequent periods over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if DCM is reasonably certain to exercise that option. The ROU Asset is assessed for impairment in accordance with the requirements of IAS 36 *Impairment of Assets*.

The lease liability is measured in subsequent periods at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in DCM’s estimate of the amount expected to be payable under a residual value guarantee, or if DCM changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset, with any difference recorded in the consolidated statement of operations.

On a lease by lease basis, DCM also exercises the option available for contracts comprising lease components as well as non-lease components, not to separate these components. Payments to the lessor for variable costs associated with the lease, including variable payments to the lessor related to non-lease components, are not included in the measurement of the lease liability, and are expensed as incurred in the consolidated statement of operations.

Extension and termination options exist for DCM’s property leases. DCM re-measures the lease liability, when there is a change in the assessment of the inclusion of the extension option in the lease term, resulting from a change in facts and circumstances.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed interim consolidated statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise IT equipment and small items of office furniture.

AS AN INTERMEDIATE LESSOR

IFRS 16 does not change lessor accounting compared to IAS 17. For sub-leases where DCM is an intermediate lessor, the interest in the head lease and sub-lease are accounted for separately. DCM assesses the lease classification of a sub-lease as either an operating lease or a finance lease with reference to the ROU Asset arising from the head lease.

Please see note 3 for details of the impact of adopting IFRS 16 as at January 1, 2019.

SHARE CAPITAL AND WARRANTS

Common shares and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of common shares and warrants are recognized as a deduction from equity, net of any tax effects.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting net income (loss) and weighted

average number of shares outstanding during the period for the effects of dilutive potential shares, which includes any options granted.

REVENUE RECOGNITION

DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied:

(a) Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM's customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with its customers related to product, DCM has identified three key distinct performance obligations: product sales, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from, its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding balance for "unbilled receivables" are recognized within trade receivables in the consolidated statement of financial position. Unbilled receivables are transferred to accounts receivables when the invoices are issued to the customers. Deferred revenue represents amounts that have been invoiced to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when DCM completes production of product or upon receipt of third-party product into its warehouses.

(b) Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance. Amounts are typically invoiced as warehousing services are performed in accordance with agreed upon contractual terms at periodic intervals. When DCM receives advance payments or issues billings in excess of revenue, these are recognized as deferred revenue in the statement

of financial position. Deferred revenue is recognized as revenue when or as DCM provides custodial services over the agreed upon warehouse term.

(c) Freight services - DCM has identified it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred as products are shipped.

(d) Marketing services - DCM generates revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, strategic marketing and design services. Typically, these services are contracted with fixed-fees and are provided over a period of time equal to one year or less. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services. DCM's marketing contracts include a single performance obligation because the promise to transfer the individual services are not separately identifiable from other promises in the contract and therefore are not distinct. DCM transfers control of the services it provides to its customers over time and therefore recognizes revenue progressively as the services are performed. Revenue from customer contracts are recognized based on the percentage of completion method. Under this method, the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract and the percentage of completion is applied to the total estimated revenue.

While providing services, DCM incurs certain direct costs for subcontractors and other expenses that are recoverable directly from its customers. The recoverable amounts of these direct costs are included in DCM's gross revenue as it obtains control of these services before they are provided to the customer and therefore, acts as a principal in these arrangements.

The timing of revenue recognition, billings, and cash collections results in trade receivables, unbilled receivables, and deferred revenue in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or when contractual milestones are achieved. Receivables represent amounts currently due from customers and unbilled receivables represents work that has not yet been invoiced to the customer however DCM has a right to payment for the services provided ahead of agreed upon contractual milestones. Unbilled receivables are transferred to receivables when billings are issued to the customer. Accordingly, unbilled receivables are recognized and included within trade receivables in the consolidated statement of financial position. Deferred revenue represents amounts that have been invoiced to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when or as DCM performs under the contract.

(e) Other services - This includes other ancillary services such as fees related to administrative functions that DCM provides to its customers and financing charges associated with customers where DCM stores customer product in the warehouse over a period of time and invoices the customer when the product is dispatched from DCM's warehouse. Revenue for other ancillary services are recognized upon completion of the performance obligations to its customers. Financing income is recognized as DCM provides custodial services to its customers over the agreed upon warehouse term.

VARIABLE CONSIDERATION

Some contracts with customers provide volume-based incentives specific to product sales. Such incentive offerings give rise to variable consideration and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers and records these as a reduction to revenue in the consolidated statement of operations.

CONTRACT COSTS

Contract costs represent incremental costs incurred, such as sales commissions for sales made to certain customers. Contract costs are deferred and included within prepaid expenses and other assets for contracts expected to be delivered after more than one year and then amortized over their estimated useful lives. Contract costs are carried at cost less accumulated amortization. For the years ended December 31, 2019 and 2018, DCM did not have any significant balances or transactions.

FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL").

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

Financial assets and liabilities at FVTPL: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations and are included in finance costs. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost are initially recognized at fair value, except for trade receivables that do not contain a significant financing component which are measured at the transaction price, plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets through other comprehensive income: Financial assets carried at FVOCI are measured at fair value. Interest, dividends and impairment gains and losses are recognized in the consolidated statement of operations on the same basis as for amortized cost assets. Changes in fair value are recognized initially in other comprehensive income. When the assets are derecognized or reclassified the cumulative changes in fair value are reclassified to the consolidated statement of operations (except where they relate to investments in equity instruments). The Company has no financial instruments measured at fair value through other comprehensive loss.

DCM determines the classification of financial assets and liabilities at initial recognition. The classification of DCM's financial assets and liabilities is disclosed in note 24.

IMPAIRMENT OF FINANCIAL ASSETS

DCM applies the 'expected credit loss' ("ECL") model to assess the impairment of its financial assets at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. DCM measures loss allowance at an amount equal to lifetime ECLs.

DCM applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

DERECOGNITION

Financial Assets: The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations.

Financial liabilities: The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of operations.

USE OF ESTIMATES, MEASUREMENT UNCERTAINTY AND JUDGMENTS

The preparation of consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amount of certain assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the period reported. Management must also make estimates and judgments about future results of operations, related specific elements of the business and operations in assessing recoverability of assets and recorded value of liabilities. Significant areas of measurement uncertainty are summarized below. For each item, actual results could differ from estimates and judgments made by management.

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

Goodwill, intangible and non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, annually at the end of each fiscal year. The determination of the impairment of goodwill, intangible and non-current assets are impacted by estimates of the recoverable value of CGUs, assumptions of future cash flows, and achieving forecasted business results. These assumptions can be impacted by economic conditions and also require considerable judgment by management. Declines in business results or declines in the fair value of CGUs could result in impairments in future periods. Changing the assumptions selected by management, in particular the discount rate and growth assumptions used in the cash flow projections, could significantly affect the result of DCM's impairment analysis.

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, assumed financial liabilities, among other items. These estimates have been discussed further below.

Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of equipment, computer hardware, furniture, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

Intangible Assets

The fair value of trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related

cash flows. The fair value of other intangible assets were based on the depreciated replacement cost approach which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Inventories
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Financial Liabilities
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

INCOME TAXES
In assessing the probability of realizing deferred income tax assets, management has made estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Deferred tax assets also reflect the benefit of unused tax losses that can be carried forward to reduce income taxes in future years. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

UNCERTAIN TAX POSITIONS
DCM maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DCM reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date, liabilities in excess of the DCM's provisions could result from audits by, or litigation with, relevant taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

LEASES
(i) DCM uses significant judgment when determining whether a contract contains an identified asset, and whether DCM has the right to control the use of the identified asset.

(ii) DCM also makes significant judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate represents the rate DCM would pay to borrow funds to obtain the underlying asset over a similar term and with similar security. This requires judgment to determine the financing spread adjustment based on existing credit facilities and a lease-specific adjustment based on the underlying asset.

(iii) In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

PENSION OBLIGATIONS
Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DCM's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DCM's defined benefit obligations. See notes 17 and 18 for the sensitivity of key assumptions.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. The amount recognized as a provision is DCM's best estimate of the present obligation at the end of the reporting period. The determination of DCM's provisions, which includes restructuring costs and onerous contracts, involves judgment about the outcome of future events, and estimates on the timing and amount of expected future cash flows. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

AGGREGATION OF OPERATING SEGMENTS

Management applies judgment in aggregating operating segments into a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers, and distribution methods.

REVENUE RECOGNITION

a) Product sales

DCM uses significant judgment, which is inherent in its revenue generating activities, as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer’s product and the agreed upon term of warehousing to manage any related business risks.

b) Marketing services

DCM accounts for its revenue from fixed-fee contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenues. Contract costs include direct labor, direct costs for subcontractors and other expenditures that are recoverable directly from its customers. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract costs estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another, including labor productivity and availability, the complexity of the work to be performed and the performance of subcontractors. Estimating total costs is subjective and requires management’s best judgments based on the information available at that time.

Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known.

3 Change in accounting policies

(a) New and amended standards adopted

On January 1, 2019, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the implementation of these standards on DCM’s consolidated financial statements are described below.

IFRS 16 - LEASES

IFRS 16 *Leases* was issued in January 2016. It supersedes the International Accounting Standard Board's ("IASB") prior lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for them according to the respective classification.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset ("ROU Asset") and a lease liability for all leases but can elect to exclude those with a term of less than twelve months and for which the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

DCM elected to adopt IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease.*

IFRS 16 provides for certain practical expedients and exemptions, including those related to the initial adoption of the standard. DCM applied the following practical expedients, permitted by the standard, upon adoption of IFRS 16:

- the use of a single discount rate to a portfolio of equipment leases with reasonably similar characteristics;
- reliance on previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- the accounting for operating leases (on a lease- by-lease basis) with underlying value of assets being less than $5,000 CAD as low dollar value leases;
- the exclusion of initial direct costs for the measurement of the ROU Asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- election, by class of underlying asset, not to separate non-lease components from lease components.

DCM has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date DCM relied on its assessment made applying IAS 17 and IFRIC 4.

IMPACT OF ADOPTION OF IFRS 16:

The following table summarizes the impact of adopting IFRS 16 on DCM's consolidated statement of financial position as at January 1, 2019:

	December 31, 2018 prior to the adoption of IFRS 16	Impact of adopting IFRS 16	January 1, 2019 after the adoption of IFRS 16
Prepaid expenses and other current assets [c]	$ 3,519	$ 31	$ 3,550
Other non-current assets [c]	827	257	1,084
Right-of-use assets [a] [b] [c]	—	56,879	56,879
Property, plant and equipment [a]	16,804	(29)	16,775
Trade payables and accrued liabilities [a][b]	43,497	(239)	43,258
Provisions (current portion) [c]	2,908	(105)	2,803
Provisions (non-current portion) [c]	540	(211)	329
Lease liabilities [a]	—	60,645	60,645
Other non-current liabilities [b]	3,272	(2,952)	320

(a) Previously under IAS 17, leases were classified as financing or operating leases depending on the terms and conditions of the contracts.

Leases previously classified as finance leases under IAS 17, where DCM assumed substantially all the risks and rewards of ownership, were initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. On adoption of IFRS 16, for such leases previously classified as finance leases, DCM recognized the carrying amount of the lease asset and lease liability immediately before transition in the amount of $29 as the carrying amount of the ROU Asset and the lease liability at the date of initial application. The application of IFRS 16 to these leases as at January 1, 2019 resulted in the equipment held under finance lease arrangements previously presented within property, plant, and equipment, and the obligation previously presented under trade payables and accrued liabilities on the statement of financial position, to be presented as a ROU Asset and a lease liability.

Payments made under leases previously classified as operating leases were charged to the statement of operations on a straight-line basis over the period of the lease. On adoption of IFRS 16, DCM recognized a lease liability and a ROU Asset in relation to substantially all leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019, which amounted to $60,616. The ROU Asset was measured at the amount equal to the lease liability, adjusted by the amount of prepaid and accrued lease payments relating to that lease (as noted below) recognized on the statement of financial position as at January 1, 2019.

(b) Deferred lease inducements and lease escalation liabilities previously recognized with respect to operating leases in accordance with SIC-15, *Operating leases- Incentives* ("SIC-15"), have been derecognized, and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU Asset as at that date for a total of $3,162. Under SIC-15, payments made under operating leases net of lease inducements were recognized in the statement of operations on a straight-line basis over the term of the lease. Previously deferred lease inducements and lease escalation liabilities were included within other non-current liabilities and trade payables and accrued liabilities on the statement of financial position.

(c) Provisions for onerous operating lease contracts and unfavourable lease obligations have been adjusted as a reduction to the ROU Asset as at January 1, 2019 for a total of $316. This results in a reduction to the onerous lease provision and the unfavourable lease obligation included within "Provisions" on the statement of financial position. With respect to an onerous lease where DCM entered into a sublease whereby the rent payments received were lower than the rent payments paid for the head lease, DCM has classified the sublease as a finance lease receivable for $506, which is included in prepaid expenses and other current assets, and other non-current assets on the statement of financial position.

(d) Prepaid lease payments previously recognized for operating leases have been derecognized from prepaid expenses and other current assets on the statement of financial position, and the balance as of January 1, 2019 has been adjusted to increase the ROU Asset as at that date for a total of $218.

RECONCILIATION TO THE OPENING BALANCE:

The following reconciliation to the opening balance for the lease liability as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

		January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	$	59,925
Undiscounted cash flows for lease commitments related to leases not yet commenced		(8,591)
Undiscounted cash flows for extension options reasonably certain to be exercised		38,932
Recognition exemption for short-term and low dollar value leases		(519)
		89,747
Leases previously classified as finance leases under IAS 17		29
Discounted using the incremental borrowing rate at January 1, 2019		(29,131)
Lease liabilities recognized at January 1, 2019	$	60,645
Current	$	6,762
Non-current	$	53,883

When measuring lease liabilities, DCM discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.70%.

The recognized ROU Asset relates to the following types of assets:

		January 1, 2019
Property	$	48,720
Office equipment		419
Production equipment		7,740
	$	56,879

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. DCM adopted the amendments to IFRIC 23 in its condensed interim consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's consolidated financial statements.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM adopted the amendment to IAS 19 in its consolidated financial statements effective January 1, 2019. The adoption of this amendment did not have a significant impact on DCM's consolidated financial statements.

(b) Future accounting standards not yet adopted.

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)* aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are

effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (AMENDMENT)

In October 2012, the IASB issued *Definition of Material (Amendments to IAS 1 and IAS 8)* to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after January 1, 2020. DCM does not expect it to have a significant impact on its consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The amendments are effective for annual periods beginning on or after January 1, 2020. DCM is currently evaluating the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DCM.

4 Business acquisitions

ACQUISITION OF PERENNIAL GROUP OF COMPANIES

On May 8, 2018 (the "Perennial Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial, a leading design firm. The acquisition of Perennial has added a new suite of services which include business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

DCM acquired Perennial for a total purchase price of approximately $12,530, comprised of $8,226 in cash paid on closing (after giving effect to the preliminary working capital adjustment of $1,166 and the post-closing working capital adjustments of $60), $2,051 through the issuance of common shares of DCM, and $2,253 in the form of a subordinated, unsecured non-interest bearing vendor take back note (the "Perennial VTB"). The Perennial VTB is repayable as follows: $1,000 was paid on May 6, 2019, $1,000 is payable on the second anniversary of closing and $500 on the third anniversary of closing. A total of 1,394,856 common shares ("Common Shares") of DCM were issued to one of the vendors of Perennial. During the last quarter of fiscal 2018, the total post-closing adjustments to the purchase price were finalized and paid in cash to the vendor in the amount of $60.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Perennial Closing Date of $1.73 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Perennial Closing Date. The fair value of the Perennial VTB was determined by present valuing the future cash flows using a discount rate of 6% which represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

The consideration paid and the allocation of the consideration to the fair values of the assets acquired and liabilities assumed in the acquisition as of the Perennial Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed		Amount
Cash and cash equivalents	$	906
Trade receivables		1,012
Prepaid expenses and other assets		287
Property, plant and equipment		115
Intangible assets		2,995
Trade payables and accrued liabilities		(388)
Income taxes payable		(28)
Deferred revenue		(115)
Deferred income tax liabilities		(924)
Total identifiable net assets		**3,860**
Goodwill		**8,670**
Total	**$**	**12,530**

Purchase price consideration		Amount
Cash	$	8,226
Common shares		2,051
Promissory note (note 14)		2,253
Total	**$**	**12,530**

The fair value of trade receivables was $1,012. The gross contractual amount of trade receivables due was $721 of which $4 was deemed to be uncollectible. The remaining balance of $295 relates to unbilled receivables.

The identifiable intangible assets acquired of $2,995 relate to customer relationships of $1,615, trade names of $550 and customer backlog intangible of $830. The customer relationship is being amortized over an expected useful life of 5 years. The trade name and the customer backlog are being amortized over estimated useful lives of 10 years and 19 months, respectively.

Goodwill of $8,670 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is not tax deductible.

Total acquisition costs incurred and charged to the consolidated statement of operations for the year ended December 31, 2018 were $294 related to the Perennial acquisition.

The revenues and net loss contributed by Perennial and included in the condensed interim consolidated statement of operations for the period between the Perennial Closing Date and December 31, 2018 were $4,087 and $464, respectively. Net profit (loss) has been adjusted for additional amortization and depreciation expense related to the fair value adjustments made to tangible and intangible assets on acquisition. If the acquisition had occurred on January 1, 2018, the estimated revenues and net loss contributed by Perennial to DCM’s operating results for the year ended December 31, 2018 would have been approximately $6,487 and $875, respectively, after adjusting net loss for additional amortization and depreciation expense that would have been charged assuming the fair value adjustments to tangible and intangible assets had applied from January 1, 2018.

SALE OF TABS AND BINDER BUSINESS

On May 2, 2019, DCM entered into an asset purchase agreement with Southwest Business Products Ltd. (“Southwest”) whereby DCM has sold its loose-leaf binders and index tab business to Southwest for cash of $675 and Southwest acquired certain assets and assumed certain liabilities related to the business, including $65 of goodwill. The gross cash proceeds were used for general working capital requirements. The release of security on the assets sold were approved by DCM’s senior lenders.

In addition, DCM entered into a long-term supply agreement with Southwest as a preferred vendor to DCM for the supply of binders, index tabs and related products. The loose-leaf binders and tab business was previously acquired by DCM in conjunction with the acquisition of BOLDER Graphics in November of 2018.

5 Trade receivables

		December 31, 2019		December 31, 2018
Trade receivables	**$**	**88,258**	$	73,919
Provision for doubtful accounts		**(1,807)**		(795)
	$	**86,451**	$	73,124

As at December 31, 2019, trade receivables include unbilled receivables of $32,364 (2018 – $29,114), net of an expected credit loss allowance of $390 (2018 – $453).

6 Inventories

		December 31, 2019		December 31, 2018
Raw materials	**$**	**8,304**	$	4,779
Work-in-progress		**2,035**		2,810
Finished goods		**2,241**		1,223
	$	**12,580**	$	8,812

Raw materials inventory amount is net of obsolescence reserves of $229 (2018 – $250). Finished goods consist of base stock items.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars, except percentages, shares and per share amounts)

7 Property, plant and equipment

The following tables present changes in property, plant and equipment for the years ended December 31, 2019 and 2018:

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Vehicles	Construction in progress	Total
Year ended December 31, 2019							
Opening net book value	**$ 4,338**	**$ 437**	**$ 10,105**	**$ 1,224**	**$ 42**	**$ 658**	**$ 16,804**
Additions, net of transfers from CIP	**182**	**6**	**1,481**	**25**	**—**	**(658)**	**1,036**
Reclassifications to intangible assets (note 9)	**—**	**—**	**—**	**(152)**	**—**	**—**	**(152)**
Effect of movement in exchange rates	**(1)**	**—**	**(2)**	**(1)**	**—**	**—**	**(4)**
Disposals	**(16)**	**—**	**(645)**	**(2)**	**—**	**—**	**(663)**
Depreciation for the year	**(1,066)**	**(155)**	**(2,450)**	**(263)**	**(25)**	**—**	**(3,959)**
Closing net book value	**$ 3,437**	**$ 288**	**$ 8,489**	**$ 831**	**$ 17**	**$ —**	**$ 13,062**
At December 31, 2019							
Cost	**$ 12,056**	**$ 1,639**	**$ 43,592**	**$ 3,044**	**$ 74**	**$ —**	**$ 60,405**
Accumulated depreciation	**(8,619)**	**(1,351)**	**(35,103)**	**(2,213)**	**(57)**	**—**	**(47,343)**
Net book value	**$ 3,437**	**$ 288**	**$ 8,489**	**$ 831**	**$ 17**	**$ —**	**$ 13,062**

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Vehicles	Construction in progress	Total
Year ended December 31, 2018							
Opening net book value	$ 4,521	$ 573	$ 12,362	$ 533	$ 71	$ 771	$ 18,831
Additions, net of transfers from CIP	905	6	886	1,010	—	(113)	2,694
Acquisitions during the year (note 4)	19	38	—	58	—	—	115
Effect of movement in exchange rates	(5)	—	9	8	—	—	12
Disposals	(22)	—	(145)	—	(3)	—	(170)
Depreciation for the year	(1,080)	(180)	(3,007)	(385)	(26)	—	(4,678)
Closing net book value	$ 4,338	$ 437	$ 10,105	$ 1,224	$ 42	$ 658	$ 16,804
At December 31, 2018							
Cost	$ 11,986	$ 1,724	$ 44,621	$ 4,996	$ 74	$ 658	$ 64,059
Accumulated depreciation	(7,648)	(1,287)	(34,516)	(3,772)	(32)	—	(47,255)
Net book value	$ 4,338	$ 437	$ 10,105	$ 1,224	$ 42	$ 658	$ 16,804

8 Right-of-use assets

The following tables present changes in the right-of-use assets for the year ended December 31, 2019:

	Property	Office Equipment	*Production Equipment*	*Total*
Year ended December 31, 2019				
Balance, January 1, 2019	$ 48,720	$ 419	$ 7,740	$ 56,879
Additions	—	2,044	6,323	8,367
Modifications	(690)	(29)	794	75
Depreciation for the year	(4,611)	(824)	(3,505)	(8,940)
Closing net book value	**$ 43,419**	**$ 1,610**	**$ 11,352**	**$ 56,381**
At December 31, 2019				
Cost	$ 48,030	$ 2,434	$ 14,857	$ 65,321
Accumulated depreciation	(4,611)	(824)	(3,505)	(8,940)
Net book value	$ 43,419	$ 1,610	$ 11,352	$ 56,381

During the year ended December 31, 2019, DCM modified certain leases by entering into renewal and/or amending agreements to extend or reduce a lease term and/or reduce the lease payments. This includes early termination of the Saskatoon, Saskatchewan property lease effective November 30, 2019, and negotiations with a significant lessor to extend the term of existing production and office equipment contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars, except percentages, shares and per share amounts)

9 Intangible assets

The following tables present changes in intangible assets for the years ended December 31, 2019 and 2018:

	Customer relationships	Software and technology	Trademarks, trade names and non-compete agreements	Construction in progress	Total
Year ended December 31, 2019					
Opening net book value	**$ 9,181**	**$ 121**	**$ 660**	**$ 8,202**	**$ 18,164**
Additions, net of transfers from CIP	**—**	**12,080**	**—**	**(8,202)**	**3,878**
Reclassifications from PPE (note 7)	**—**	**152**	**—**	**—**	**152**
Disposal during the year	**(65)**	**—**	**—**	**—**	**(65)**
Amortization for the year	**(2,055)**	**(1,588)**	**(319)**	**—**	**(3,962)**
Closing net book value	**$ 7,061**	**$ 10,765**	**$ 341**	**$ —**	**$ 18,167**
At December 31, 2019					
Cost	**$ 87,733**	**$ 25,183**	**$ 8,697**	**$ —**	**$ 121,613**
Accumulated amortization	**(80,672)**	**(14,418)**	**(8,356)**	**—**	**(103,446)**
Net book value	**$ 7,061**	**$ 10,765**	**$ 341**	**$ —**	**$ 18,167**

	Customer relationships	Software and technology	Trademarks, trade names and non-compete agreements	Construction in progress	Total
Year ended December 31, 2018					
Opening net book value	$ 9,999	$ 759	$ 376	$ 3,339	$ 14,473
Additions, net of transfers from CIP	—	6	—	5,105	5,111
Acquisition during the year (note 4)	2,445	—	550	—	2,995
Write off during the year	—	—	—	(242)	(242)
Amortization for the year	(3,263)	(644)	(266)	—	(4,173)
Closing net book value	$ 9,181	$ 121	$ 660	$ 8,202	$ 18,164
At December 31, 2018					
Cost	$ 87,798	$ 11,674	$ 8,697	$ 8,202	$ 116,371
Accumulated amortization	(78,617)	(11,553)	(8,037)	—	(98,207)
Net book value	$ 9,181	$ 121	$ 660	$ 8,202	$ 18,164

The remaining useful lives of the customer relationships are between 1 and 5 years.

During the year ended December 31, 2019, the costs of $12,080 DCM incurred mainly related to development and implementation of new Enterprise Resource Planning ("ERP") system were transferred to software and technology. A significant portion of these cost were previously included in construction in progress.

10 Goodwill

		December 31, 2019		December 31, 2018
Opening balance	$	17,038	$	8,368
Disposal of business (note 4)		(65)		—
Acquisition of Perennial (note 4)		—		8,670
Ending balance	$	16,973	$	17,038

		December 31, 2019		December 31, 2018
Cost	$	177,698	$	177,763
Accumulated impairment losses		(160,725)		(160,725)
Net carrying value	$	16,973	$	17,038

DCM performed its annual impairment analysis of goodwill at the CGU level. The CGUs were defined as follows: DCM, DCM Burlington, Thistle, and Perennial. The classification of CGUs is consistent with the operating segments identified in note 26.

During the year ended December 31, 2018, DCM recognized an additional $8,670 of goodwill which was derived from the acquisition of Perennial.

During the fourth quarter of 2019, DCM performed its annual review for impairment of goodwill by comparing the fair value of each of its CGUs to its respective carrying values. DCM did not make any changes to the valuation methodology used to assess for impairment since its last annual impairment test. The recoverable amounts of all CGUs have been determined based on the fair value less cost to sell. DCM uses the income approach to estimate the recoverable value of each CGU. The income approach is predicated on the value of the future cash flows that a business will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value through discounting. The discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on the 2020 budget internally approved and presented to the Board and further projected over a five-year period. For the DCM Burlington, Thistle and Perennial CGUs, a conservative growth rate of 1% (2018 – 1%), and 0% (2018 – 0%) for DCM CGU was applied to revenue for 2020 to 2024, in consideration of the current economic conditions that existed as at December 31, 2019 (pre-COVID-19 as defined in note 28) and the specific trends of the business services and marketing solutions industries, and a perpetual long-term growth rate of 0% (2018 – 0%) was used thereafter to derive the recoverable amount of these CGUs.

Furthermore, DCM derived a post-tax discount rate to calculate the present value of the projected cash flows using a weighted average cost of capital ("WACC") for the DCM, DCM Burlington, Thistle and Perennial CGUs. This represents an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of these CGUs. A discount rate of 14.25% (2018 – 14.0%) was used for the DCM, DCM Burlington, Thistle and Perennial CGUs reflecting management's judgment that sales channels and the size of its CGU's would affect the volatility of each CGU's cash flows.

DCM projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DCM used a tax rate of 26.50% (2018 – 26.50%). Tax assumptions are sensitive to changes in tax laws as well as

assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

As a result of this annual test, it was concluded that there was no impairment of goodwill for the DCM, DCM Burlington, Thistle and Perennial CGUs as at December 31, 2019 (see note 28 for details of events arising since the year end date). The estimated recoverable amount of the DCM, DCM Burlington, Thistle and Perennial CGUs exceeded their carrying values by approximately $33,079 (2018 - $53,024), $15,536 (2018 - $14,279), $14,259 (2018 - $11,260) and $3,866 (2018 - $6,374) respectively. The recoverable amount of the DCM, DCM Burlington, Thistle and Perennial CGUs would equal their carrying values if the discount rate was increased to 22.1% (2018 - 31.8%), 41% (2018 - 38.6%), 31.6% (2018 - 30.7%) and 19.7% (2018 - 22.5%), respectively.

11 Provisions

	Termination provisions	Onerous contracts	Other	Total
Balance – December 31, 2018	**$ 2,581**	**$ 653**	**$ 214**	**$ 3,448**
Adoption of IFRS 16 (note 3)	**—**	**(136)**	**(180)**	**(316)**
As at January 1, 2019	**2,581**	**517**	**34**	**3,132**
Additional charge during the year	**7,489**	**—**	**—**	**7,489**
Utilized during the year	**(5,992)**	**(517)**	**(34)**	**(6,543)**
Balance - December 31, 2019	**$ 4,078**	**$ —**	**$ —**	**$ 4,078**
Less: Current portion of provisions	**(3,886)**	**—**	**—**	**(3,886)**
As at December 31, 2019	**$ 192**	**$ —**	**$ —**	**$ 192**

	Termination provisions	Onerous contracts	Other	Total
Balance – December 31, 2017	$ 3,468	$ 2,988	$ 196	$ 6,652
Additional charge during the year	2,654	—	134	2,788
Recovery during the year	—	(1,123)	—	(1,123)
Utilized during the year	(3,541)	(1,212)	(116)	(4,869)
Balance – December 31, 2018	$ 2,581	$ 653	$ 214	3,448
Less: Current portion of provisions	(2,286)	(571)	(51)	(2,908)
As at December 31, 2018	$ 295	$ 82	$ 163	$ 540

TERMINATION PROVISIONS

During the year ended December 31, 2019, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2019, these initiatives resulted in $7,489 of additional restructuring expenses due to headcount reduction across DCM's operations, the closure of its Brossard, Quebec manufacturing facility effective April 30, 2019, as part of its strategy to exit the stationery business, and the sale of its tabs and bindery business in the Calgary, Alberta manufacturing facility.

During the year ended December 31, 2018, total restructuring initiatives resulted in costs incurred of $2,654 due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations.

For the year ended December 31, 2019, cash payments of $5,992 (2018 - $3,541), respectively, were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $4,078 at December 31, 2019 are expected to be paid in 2020 and 2021.

ONEROUS CONTRACTS

During the first quarter of 2018, DCM entered into an agreement with the landlord of the Granby, Quebec facility to terminate its existing lease. DCM agreed to make payments to the landlord in two equal installments of $517 each due on May 15, 2018 and January 15, 2019. During the three months ended March 31, 2019, DCM made the last installment payment to the landlord of the facility.

The remaining balance of $136 relates to an onerous sublease contract for the Dorval, Quebec facility. This balance was reclassified as a reduction to the ROU Asset upon the adoption of IFRS 16 (see note 3).

OTHER

During the first quarter of 2019, the outstanding balance of $34 (2018 - nil) was paid in connection with a former contract. The remaining balance of $180 relates to an unfavourable lease obligation for its Burlington, Ontario facility in connection with the acquisition of DCM Burlington where the rent payments exceeded the fair market value. This balance was reclassified as a reduction to the ROU Asset upon the adoption of IFRS 16 (see note 3).

12 Lease liabilities

(i) *LEASE LIABILITIES*

DCM currently leases office space, office equipment and production equipment. A lease liability has been recognized equal to the present value of remaining lease payments discounted at the interest rate implicit in the lease, or if that rate cannot be readily determined, DCM's weighted average incremental borrowing rate.

	Property	Office Equipment	Production Equipment	Total
Balance - January 1, 2019	$ 52,209	$ 419	$ 8,017	$ 60,645
Additions	—	2,295	6,037	8,332
Modifications	(681)	(29)	794	84
Payments during the year	(6,038)	(896)	(3,970)	(10,904)
Interest charge for the year	2,827	114	668	3,609
Balance - December 31, 2019	$ 48,317	$ 1,903	$ 11,546	$ 61,766

The contractual undiscounted cash flows of DCM's lease liabilities are as follows:

	Contractual Cash Flows	Extension Options	Total December 31, 2019
Not later than one year	$ 11,267	$ —	$ 11,267
Later than one and not later than five years	33,226	4,927	38,153
Later than five years	4,522	33,778	38,300
Total undiscounted lease liabilities	$ 49,015	$ 38,705	$ 87,720
Discounted using the incremental borrowing rate			(25,954)
Lease liabilities			$ 61,766
Current			$ 8,252
Non-current			$ 53,514

(ii) AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

		For the year ended December 31, 2019
Variable lease payments not included in the measurement of lease liabilities	$	**6,152**
Income from sub-leasing right-of-use assets	$	**(198)**
Expenses relating to short-term leases and leases of low value assets	$	**1,208**

13 Credit facilities

		December 31, 2019		December 31, 2018
Term loans				
- 6.10% term debt, maturing October 15, 2022, (FPD III Credit Facility)		**3,404**		3,947
- 6.95% term debt, maturing March 10, 2023, (FPD IV Credit Facility)		**16,350**		18,589
- 6.95% term debt, maturing May 15, 2023, (FPD V Credit Facility)		**3,681**		4,160
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)		**19,000**		12,000
Revolving facilities				
- floating rate debt, maturing January 31, 2023, (Bank Credit Facility) - see amendments in note 28		**34,664**		20,799
Credit facilities		**77,099**		59,495
Unamortized debt premiums and discount		**3,201**		(489)
Unamortized transaction costs		**(1,653)**		(1,585)
	$	**78,647**	$	57,421
Less: Current portion of Credit facilities		**(3,887)**		(5,670)
Credit facilities	**$**	**74,760**	$	51,751

CREDIT AGREEMENTS

BANK AND FPD FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”) and an amortizing term loan facility (the “FPD IV Credit Facility”) with Fiera Private Debt Fund IV L.P. ("FPD IV") (formerly, Integrated Private Debt Fund IV LP) a fund managed by Fiera Private Debt Fund GP Inc. ("FPD") (formerly, Integrated Asset Management Corp.) pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the “Bank Credit Agreement”) and FPD (as amended, the “FPD IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “FPD III Credit Agreement”) between Thistle and Fiera Private Debt Fund III L.P. ("FPD III") (formerly, Integrated Private Debt Fund III LP), another fund managed by FPD, pursuant to which FPD III has advanced to Thistle a term loan facility (the “FPD III Credit Facility”). On November 10, 2017, DCM established a $5,000 secured, non-revolving senior credit facility (the "FPD V Credit Facility") with Fiera Private Debt V L.P. ("FPD V") (formerly, Integrated Private Debt Fund V LP), a fund managed by FPD (the "FPD V Credit Agreement" and, together with the FPD III Credit Agreement and the FPD IV Credit Agreement, the “FPD Credit Agreements”) to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The FPD III Credit Facility and the FPD V Credit Facility are subject to the same covenants stipulated under the FPD IV Credit Agreement and are reported on a consolidated basis.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $50,000 (see Amendments to Credit Facilities) and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $50,000 and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 1.6%. For the year ended December 31, 2019, DCM capitalized transaction costs of $292 related to the Bank Credit Facility. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at December 31, 2019, the unamortized transaction costs related to the Bank Credit Facility was $519. As at December 31, 2019, there were outstanding borrowings of $34,664 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $725. As at December 31, 2019, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 5.55% per annum. As at December 31, 2019, DCM had access to $2,001 of available credit under the Bank Credit Facility. The bank overdraft of $1,093 shown on the consolidated statement of financial position as at December 31, 2019 represents outstanding cheques, which when cashed, would be a draw on the Bank Credit Facility. As at December 31, 2019, the carrying value of the debt instrument was $36,953. The carrying value includes the outstanding borrowings of $34,664, unamortized premium of $2,808 less the unamortized transaction cost of $519.

Under the terms of the FPD Credit Agreements, the maximum aggregate principal amount which may be outstanding under the FPD III Credit Facility, FPD IV Credit Facility, the FPD V Credit Facility, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed $93,000.

The principal amount of the amended FPD III Credit Facility amortizes in blended equal monthly repayments of principal and interest of $96 over a nine year term ending October 15, 2022. The principal amount of the FPD IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $422 over a seven year term ending March 10, 2023. The principal amount of the FPD V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $91 over a sixty six month term ending May 15, 2023. The FPD III Credit Facility, FPD IV Credit Facility and FPD IV Credit Facility were amended on July 25, 2019 to defer principal payments for the months of August through December 2019 (see Amendments to Credit Facilities). As at December 31, 2019, all of DCM's indebtedness outstanding under the FPD III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended FPD IV Credit Facility and under the FPD V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at December 31, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD III Credit Facility were $19 and $3,404, respectively. As at December 31, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD IV Credit Facility were $309 and $16,350, respectively. As at December 31, 2019, the unamortized transaction costs and outstanding borrowings related to the FPD V Credit Facility were $109 and $3,681, respectively. The unamortized balance of the transaction costs for FPD III Credit Facility, FPD IV Credit Facility and the FPD V Credit Facility are being amortized over the remaining term of each respective facility.

CROWN FACILITY

On May 8, 2018, DCM established a $12,000 non-revolving term loan facility ("Crown Tranche One Loan") with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which $8,226 was used to fund the up-front cash component of the Perennial acquisition and $3,500 was used to repay in full the outstanding balance on DCM's subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"). The balance of the Crown Facility was used for general working capital purposes.

The Crown Facility was made available in one advance on the funding date of May 8, 2018 and bears interest at a fixed rate of 10% per annum, payable quarterly, and the principal amount of the loan is due at maturity, which is 60 months from closing. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM

common share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of $12,000 was apportioned to $11,458 to the debt instrument and $542 to the warrant option based on their relative fair values (note 19). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $11,458 to $12,000 over the term of the loan.

On August 16, 2019, DCM entered into a third amendment to its Crown Facility whereby Crown advanced a second non-revolving term loan in the principal amount of $7,000 ("Crown Tranche Two Loan"), for total advances in the principal amount of $19,000. The terms are consistent with the provisions of the Crown Tranche One Loan. In addition, a total of 550,000 warrants have been issued to Crown in connection with the Crown Tranche Two Loan. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.7 years, commencing on August 16, 2019. The Crown Facility was apportioned to $6,855 to the debt instrument and $145 to the warrant option based on the relative fair values (note 19). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $6,855 to $7,000 over the term of the loan.

In connection with this amendment, DCM recognized a loss on modification of debt of $69, which is included in finance costs in the consolidated statement of operations.

As at December 31, 2019, the carrying value of debt instrument was $18,697. This carrying value includes the loan principal balance of $19,000, unamortized premiums/discounts of $394 less unamortized transaction costs of $697.

The Crown Facility can be prepaid in full at any time after twenty-four (24) months from the date of the funding anniversary. The penalties attached to each option are: (a) 3% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 24th month but before the 36th month following the date of the funding anniversary, (b) 2% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 36th month but before the 48th month following the date of the funding anniversary, or (c) 1% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 48th month but before the 60th month following the date of the funding anniversary.

For the year ended December 31, 2019, DCM capitalized transaction costs of $241 related to the Crown Facility. The unamortized transaction costs of $697 is being amortized over the remaining term of this facility.

BANK LEASE FACILITY

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately $2,400 (“Bank Lease Facility”). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the years ended December 31, 2019 and December 31, 2018 was $nil and $33, respectively. On January 16, 2019, DCM entered into an amendment to extend the interim funding period to March 31, 2019.

On April 29, 2019, DCM finalized its lease agreement with the Bank pursuant to the Bank Lease Facility entered into on July 31, 2018. The agreement is for a period of five years with monthly payments of $38. Upon expiration of the lease term, DCM has the option to purchase or return the equipment.

AMENDMENTS TO CREDIT FACILITIES

Effective May 7, 2018, DCM entered into an amended and restated bank credit agreement (the "A&R Bank Credit Facility") with regards to its Bank Credit Facility, as amended, which incorporated conforming updates to the original Bank Credit Facility dated March 16, 2016 to consolidate the subsequent series of amendments previously made to that facility, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit

Facility into the A&R Bank Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the A&R Bank Credit Facility.

Effective May 7, 2018, DCM also entered into amended and restated credit agreements with regards to its FPD III Credit Facility (the "FPD III A&R Credit Facility"), its FPD IV Credit Facility (the "FPD IV A&R Credit Facility") and its FPD V Credit Facility (the "FPD V A&R Credit Facility" and, together with the FPD III A&R Credit Facility and the FPD IV A&R Credit Facility, the “FPD A&R Credit Facilities”), which, among other things incorporated conforming updates to each of those respective original credit agreements, to consolidate the subsequent series of amendments previously made to those agreements, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by FPD.

On July 31, 2018, the A&R Bank Credit Facility was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed $3,000. The A&R Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of $35,000 and has added a cross default and cross collateralization condition which includes the equipment leased as collateral under A&R Bank Credit Facility and Bank Lease Facility.

On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. On February 8, 2019, DCM received an extension of the previous waiver in relation to meeting the fixed charge coverage ratio requirement for the quarter ending June 30, 2019.

On October 26, 2018, DCM received a waiver with regards to the FPD A&R Credit Facilities, and for the purposes of determining DCM's Excess Cash Flow (as defined under "Covenant Requirements" below), the FPD A&R Credit Facilities were waived to reduce the requirement to maintain a debt service coverage ratio of 2.0 times so long as DCM maintains a debt service coverage ratio of at least 1.85 times for the next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM was required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the DCM Burlington, Thistle, BOLDER Graphics and Perennial acquisitions.

On March 5, 2019, DCM entered into a second amendment to its' A&R Bank Credit Facility. Significant terms of the amendment made to the credit facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the prime rate margin on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the credit facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16 effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the A&R Bank Credit Facility will be completed on a basis that substantially has the same effect as the results prior to the adoption of IFRS 16 whereby lease payments will also be deducted from EBITDA, in addition to all other adjustments previously allowed per the Bank Credit Agreement. As a result, definitions of certain terms related to IFRS 16 were added to the A&R Bank Credit Facility. DCM’s financial covenant ratio with the Bank remained unchanged.

On June 21, 2019, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarter ended September 30, 2019.

On June 21, 2019, DCM received an amendment regarding the FPD A&R Credit Facilities for the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:0 to 1:0, which was amended to no greater than 3.25 to 1:0 for the quarters ended June 30, 2019, September 30, 2019, and December 31, 2019, respectively. Subsequently, on June 30, 2019, DCM received a waiver regarding the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:25 to 1:0 for the quarter ended June 30, 2019.

On June 24, 2019, DCM received an amendment regarding the A&R Bank Credit Facility for the requirement to meet the fixed charge coverage ratio of 1.1 to 1.0, which was amended to 0.90 to 1.0 for May and June 2019, and 1.0 to 1.0 for July and August 2019.

On July 25, 2019, FPD III, FPD IV and FPD V agreed to amend the credit agreements between DCM and FPD III, FPD IV and FPD V for the FPD A&R Credit Facilities (“Amended FPD A&R Credit Facilities”). For each of the FPD A&R Credit Facilities, principal payments for the months of August 2019 through December 2019 were deferred and are to be paid out as bullet payments on each FPD A&R Credit Facility's respective maturity date. During this period, the interest rate on each of the FPD III, FPD IV and FPD V A&R Credit Facilities was increased to 7.25% per annum. The increase in the interest rates is treated as a payment in kind ("PIK") with the interest premium calculated and accrued on a monthly basis for each of the three credit facilities. The PIK was repaid in cash on January 15, 2020 when the regularly scheduled principal and interest payments on each credit facility resumed.

As a condition to those amendments, DCM agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

On July 31, 2019, DCM entered into a third amendment to increase the revolving commitment on its Bank A&R Credit Facility from an aggregate outstanding principal amount of up to $35,000 to up to $42,000 between July 31 and December 31, 2019. In addition, the amendment includes the Bank's consent to the amendments to the FPD A&R Credit Facilities on July 25, 2019.

On September 30, 2019, DCM received a waiver regarding the Crown Facility for the requirement to maintain the Net Debt to EBITDA of 4.0 to 1.0 for the quarter ended September 30, 2019.

On September 30, 2019, DCM received a waiver regarding the A&R Bank Credit Facility for the requirement to meet the fixed charge coverage ratio of 1.1 to 1.0 for the quarter ended September 30, 2019 and the months ending October 31 and November 30, 2019.

On September 30, 2019, DCM received a waiver regarding the FPD A&R Credit Facilities for the requirement to maintain a Total Funded Debt to EBITDA Ratio of no greater than 3:25 to 1:0 and Debt Service Coverage Ratio of no less than 1:5 to 1:0 and total funded debt of less than $80,000 for the quarter ended September 30, 2019.

On November 14, 2019, DCM entered into a fourth amendment to its Bank Credit Facility (the “Bank Fourth Amendment”). This amendment increased the maximum principal amount of the Bank Credit Facility from $35,000 to $45,000 until December 31, 2019.

On December 19, 2019, DCM entered into a fifth amendment to its Bank Credit Facility (the “Bank Fifth Amendment”). This amendment increased the maximum principal amount of the Bank Credit Facility to a maximum of $50,000, subject to successful completion of a rights offering and receipt of net proceeds from that rights offering of at least $3,000, after giving effect to any repayment of the related party promissory notes (as defined in note 14). The maximum principal amount available under the Bank Credit Facility will decrease by $1,500 each month commencing April 2020 until it has been reduced to $35.0 million in January 2021. The Bank Fifth Amendment suspended the requirement for DCM to comply with its Fixed Charge Coverage Ratio (the “FCCR”) until July 31, 2020. DCM will be required to maintain a FCCR of not less than 1.0 to 1.0 for the twelve month period ended July 31, 2020, a FCCR of not less than 1.05 to 1.0 for the twelve month period ended August 31, 2020 and a FCCR of not less than 1.1 to 1.0 for each twelve month period ending thereafter, commencing with the month ending September 30, 2020. The Bank Fifth Amendment introduced a new covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month and a covenant requiring DCM to attain revenue in a minimum amount equal to not less than 90% of its forecasted revenue on a quarterly and on a cumulative basis commencing with the fourth quarter of 2019 and ending with the quarter ending June 30, 2020. The Bank Fifth Amendment also increased the interest rate payable by DCM on its prime

rate loans by 100 basis points per annum, at least until such time as DCM demonstrates its achievement of at least a FCCR of greater than 1.1 to 1.0. In connection with this amendment, DCM recognized a loss on modification of debt of $2,808, which is included in finance costs in the consolidated statement of operations.

On December 19, 2019 DCM entered into a waiver and amendment agreement (the "FPD Amendment") with respect to the FPD Credit Agreements. The FPD Amendment suspends DCM's obligation to comply with its Total Funded Debt to EBITDA Ratio covenant for the quarter ending December 31, 2019 and establishes a new Total Funded Debt to EBITDA Ratio covenant of no more than 4.5 to 1.0 that will apply for the second quarter of 2020, after which the original covenant of no greater than 3.0 to 1.0 will apply. In addition, during this period EBITDA for the purposes of such covenant will be calculated on an annualized basis starting with actual EBITDA achieved for the quarter ending December 31, 2019. The FPD Amendment also revised DCM's Debt Service Coverage Ratio ("DSCR") covenant, such that DCM's minimum DSCR will be 0.75 to 1.0 for the quarters ending December 31, 2019 and March 31, 2020 and 1.00 to 1.0 for the quarter ending June 30, 2020. Thereafter, the original DSCR covenant of at least 1.50 to 1.0 will apply. The FPD Amendment also confirms that the monthly principal payments of the loans under the FPD Credit Agreements will recommence at the originally scheduled rate in January 2020. The FPD Amendment also increased DCM's maximum Total Funded Debt to $93,000. The FPD Amendment also added a new financial covenant requiring DCM to maintain a minimum monthly EBITDA of $1,000 during for the first seven months of 2020.

On December 19, 2019 DCM entered into a fourth amending agreement (the "Crown Fourth Amendment") in connection with the Crown Credit Agreement. Under the Crown Fourth Amendment, the calculation of DCM's Net Debt to EBITDA Ratio covenant was modified such that EBITDA is calculated on an annualized basis for the first three quarters of 2020, commencing with EBITDA for the quarter ending March 31, 2020. The Net Debt to EBITDA Ratio covenant was further modified such that DCM is required to maintain a maximum Net Debt to EBITDA Ratio of 5.0 to 1.0 for the quarters ending March 31, 2020 and June 30, 2020, a maximum of 4.5 to 1.0 for the quarters ending September 30, 2020 and December 31, 2020 and a maximum of 3.0 to 1.0 for each quarter thereafter. The FCCR covenant under the Crown Credit Agreement was also modified such that DCM must maintain an FCCR of at least 1.1 to 1.0 for the quarter ending September 30, 2020, at least 1.15 to 1.0 for the quarter ending December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter. The FCCR will not apply for the quarters ending December 31, 2019, March 31, 2020 and June 30, 2020. The Crown Fourth Amendment also added a new financial covenant requiring DCM to have EBITDA of not less than $4,000 for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8,000 for the six-month period ending June 30, 2020. The Crown Fourth Amendment increased the interest rate on the Crown Credit Agreement from 10% per annum to 12% per annum on January 1, 2020, with the incremental 200 basis points per annum being accrued and payable at the earlier of maturity of the Crown Credit Agreement or, pursuant to its prepayment terms, prepayment in full. In connection with this amendment, DCM recognized a loss on modification of debt of $981, which is included in finance costs in the consolidated statement of operations.

In connection with the Crown Fourth Amendment, the Company has agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from $1.75 to $0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from $1.08 to $0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020.

Subsequent to the year ended December 31, 2019, DCM amended its credit facilities with the Bank, FPD and Crown. See note 28 for further details.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the FPD Credit Agreements and the Crown Facility contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, FPD III, FPD IV, FPD V and Crown, as applicable. Under the terms of the FPD Credit Agreements, DCM has agreed that it will not, without the prior written consent of FPD III, FPD IV and FPD V, change (or permit any change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DCM, or if any such person has either died or is disabled and can therefore no longer carry on his or her duties of such office, DCM will have 60 days to replace such officer, such replacement officer

to be satisfactory to FPD III, FPD IV and FPD V, acting reasonably. The A&R Bank Credit Facility, FPD A&R Credit Facilities and the Crown Facility limit spending on capital expenditures by DCM to an aggregate amount not to exceed $5,500, $5,000 and $5,000, respectively during any fiscal year.

Under the terms of the Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio of no less than 1.10 to 1, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. Each covenant is calculated and reported on a monthly basis. The Bank amended the requirements for this covenant for the months of May 2019 to August 2019 as noted above. In addition, the Bank waived the requirements to comply with this covenant for the months of September 2019 through to June 2020. See note 24 for liquidity risk. Absent the waiver, the Company would have been in breach of this covenant as at December 31, 2019.

Under the terms of the FPD Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than 3.0 to 1.0 (except for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019, respectively when the covenant was revised to be no greater than 3.25 to 1.0. The covenant was amended to be no greater than 4.5 to:1.0 for the second quarter of 2020 and 3.0 to 1.0 thereafter. FPD waived the requirement to comply with this covenant for the quarters ended June 2019 through June 2020); (ii) a debt service coverage ratio of not less than 1.50 to 1.0, reducing to 0.75 to 1.0 for the quarters ended December 31, 2019 and March 31, 2020, respectively, increasing to 1.00 to 1.0 for the quarter ended June 30, 2020 and thereafter the original ratio of 1.50 to 1.0 will apply. FPD waived the requirement to comply with this covenant for the quarter ended September 30, 2019 (as noted above), (iii) a working capital current ratio of not less than 1.10 to 1, and (iv) total funded debt of not more than $72,000 up until the quarter ended June 30, 2019, $80,000 for the quarter ended September 30, 2019 (which FPD waived) and $93,000 commencing with the quarter ended December 31, 2019. Each covenant is calculated and reported on a quarterly basis. Monthly EBITDA levels must be greater than $1,000 during each month of the waived period through to July 31, 2020. At December 31, 2019, the Company was in compliance with the debt service coverage ratio and the working capital current ratio. Absent the waivers, the Company would have been in breach of the remaining covenants as at December 31, 2019.

In addition, the FPD Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.00 to 1, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the A&R Bank Credit Facility, the FPD A&R Credit Facilities and the Crown Facility and (iv) interest on leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at December 31, 2019, DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 until December 31, 2019 and 3.0 to 1.0 thereafter. Crown waived the requirement to comply with this covenant for the quarters ended September 30, 2019 and December 31, 2019, respectively and modified this covenant ratio to be a maximum of 5.0 to 1:0 for the quarters ending March 31, 2020 and June 30, 2020, respectively, a maximum of 4.5 to 1.0 for the quarters ended September 30, 2020 and December 31, 2020, respectively, and a maximum of 3.0 to 1.0 thereafter. In addition EBITDA for the first three quarters of 2020 is to be calculated on an annualized basis instead of a trailing twelve months basis; (ii) a fixed charge coverage ratio no less than 1.40 to 1.0, for which waivers were obtained for the quarters ended March 31, 2019 through to June 30, 2020. Crown amended this covenant ratio to be at least 1.1

to 1.0 for the quarter ended September 30, 2020, at least 1.15 to 1.0 for the quarter ended December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter; and (iii) EBITDA of not less than $4,000 for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8,000 for the six-month period ending June 30, 2020. Each covenant is calculated and reported on a quarterly basis. Absent the waivers, the Company would have been in breach of these covenants as at December 31, 2019.

For purposes of the Bank Credit Agreement, the FPD Credit Agreements and Crown Facility agreement, “EBITDA” means net income or net loss for the relevant period, calculated on a consolidated basis in accordance with generally accepted accounting principles, plus amounts deducted, or minus amounts added, in calculating net income or net loss in respect of: the aggregate expense incurred for interest on debt and other costs of obtaining credit; income taxes, whether or not deferred; depreciation and amortization; non-cash expenses resulting from employee or management compensation, including the grant of stock options or restricted options to employees; any gain or loss attributable to the sale, conversion or other disposition of property out of the ordinary course of business; interest or dividend income; foreign exchange gain or loss; gains resulting from the write-up of property and losses resulting from the write-down of property (except allowances for doubtful accounts receivable and non-cash reserves for obsolete inventory); any gain or loss on the repurchase or redemption of any securities (including in connection with the early retirement or defeasance of any debt); goodwill and other intangible asset write-downs; and any other extraordinary, non-recurring or unusual items as agreed to by the lender. The pro forma financial results from DCM's acquisitions completed during the year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's calculations.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the FPD Credit Agreements or the Crown Facility, together with certain other events, including a change of control of DCM and a change in DCM's Chief Executive Officer, President or Chief Financial Officer (unless a replacement officer acceptable to FPD, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months or that it shall be able to receive waivers from its lenders to the extent required; however there can be no assurance that DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants, or obtaining waivers from its lenders over the next twelve months (see note 1).

In addition, under the terms of the FPD IV Credit Agreement and the FPD V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $425 and of $90 to be used for repayments of principal and interest of indebtedness outstanding under the FPD IV A&R Credit Facility and indebtedness outstanding under the FPD V A&R Credit Facility, respectively. As at December 31, 2019, there was a balance of $515 (December 31, 2018 - $515) in the blocked account related to the FPD IV A&R Credit Facility and FPD V A&R Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under the A&R Bank Credit Facility, the FPD V A&R Credit facility, the FPD IV A&R Credit Facility and the FPD III A&R Credit Facility are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. On February 22, 2017, DCM entered into an amended Inter-creditor Agreement (the "Inter-creditor Agreement") between the Bank, FPD III, FPD IV, and the parties to the vendor take-back promissory notes (the “VTB Noteholders”) issued in connection with the acquisitions of DCM Burlington and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV and the VTB Noteholders on the present and after-acquired property of DCM, DCM Burlington and Thistle (the "Original Inter-Creditor Agreement").

On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include FPD V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

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Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and its subsidiaries.

The movement in credit facilities during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Balance - Beginning of year, net of transaction costs and debt premiums and discounts	**$ 57,421**	$ 55,932
Changes from financing cash flows		
Proceeds from credit facilities	**26,099**	12,951
Repayment of credit facilities	**(8,495)**	(11,238)
Transaction costs	**(533)**	(900)
Total change from financing cash flows	**74,492**	56,745
Non-cash movements		
Issuance of new and repricing of existing warrants	**(266)**	—
Amortization of transaction costs	**465**	623
Debt modification losses	**3,858**	—
Accretion of discount	**98**	53
Balance - End of year, net of transaction costs and debt premiums and discounts	**$ 78,647**	$ 57,421

The scheduled principal repayments on the long-term debt are as follows:

	December 31, 2019
2020	**3,887**
2021	**6,172**
2022	**7,268**
2023	**59,772**
	$ 77,099

14 Promissory notes

The movement in the promissory note balances during the years ended December 31, 2019 and 2018 are as follows:

2019	**DCM Burlington acquisition**	**Thistle acquisition**	**BOLDER Graphics acquisition**	**Perennial acquisition**	**Related Party Promissory Notes**	**Total**
Balance – Beginning of year	**$ 2,254**	**$ 270**	**$ 509**	**$ 2,343**	**$ —**	**$ 5,376**
Additions	**—**	**—**	**—**	**—**	**961**	**961**
Unwinding of discount	**29**	**4**	**—**	**104**	**4**	**141**
Interest expense	**—**	**—**	**14**	**—**	**—**	**14**
Payments during the year	**(2,283)**	**(274)**	**(348)**	**(1,000)**	**—**	**(3,905)**
Balance – End of year	**$ —**	**$ —**	**$ 175**	**$ 1,447**	**$ 965**	**$ 2,587**
Less: Current portion of promissory notes	**$ —**	**$ —**	**$ —**	**(492)**	**$ —**	**(492)**
As at December 31, 2019	**$ —**	**$ —**	**$ 175**	**$ 955**	**$ 965**	**$ 2,095**

2018	DCM Burlington acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Related Party Promissory Notes	Total
Balance - Beginning of year	$ 4,309	$ 1,799	$ 1,095	$ —	$ —	$ 7,203
Addition - May 8, 2018	—	—	—	2,253	—	2,253
Unwinding of discount	228	111	—	90	—	429
Interest expense	—	—	52	—	—	52
Payments during the year	(2,283)	(1,640)	(638)	—	—	(4,561)
Balance - End of year	$ 2,254	$ 270	$ 509	$ 2,343	$ —	$ 5,376
Less: Current portion of promissory notes	(2,254)	(270)	(509)	(980)	—	(4,013)
As at December 31, 2018	$ —	$ —	$ —	$ 1,363	$ —	$ 1,363

On July 31, 2019, DCM issued promissory notes (“Related Party Promissory Notes”) to certain parties, including related parties of DCM, in the aggregate principal amount of $1,000. The Related Party Promissory Notes bear interest at the rate of 10% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. The Related Party Promissory Notes are subordinated to DCM's obligations under the Bank A&R Credit Facility, the FPD A&R Credit Facilities and the Crown Facility on the same basis as the VTB Noteholders as provided for in the amended and restated inter-creditor agreement dated May 7, 2018.

In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.8 years, commencing on July 31, 2019. The Related Party Promissory Notes of $1,000 was apportioned to $961 to the debt instrument and $39 to the warrant option based on their relative fair values (note 19). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $961 to $1,000 over the term of the loan.

Effective July 25, 2019 (date of the Amended FPD A&R Credit Facilities), DCM agreed to defer any further payments on its vendor take-back promissory notes. Resumption of payments on the vendor take-back promissory notes will require prior approval by FPD.

15 Income taxes

Significant components of DCM's deferred income tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

December 31, 2019		**Assets**		**Liabilities**		**Net**
Pension obligations and other post-employment benefit plans	**$**	**2,713**	**$**	**—**	**$**	**2,713**
Property, plant and equipment, ROU assets and lease liabliites		**124**		**—**		**124**
Benefit of income tax loss and other carry-forwards		**2,393**		**—**		**2,393**
Deferred finance fees and debt premiums		**1,064**		**—**		**1,064**
Deductible reserves		**507**		**—**		**507**
Intangible assets		**—**		**(513)**		**(513)**
Promissory notes		**—**		**(15)**		**(15)**
Other		**—**		**(27)**		**(27)**
Total deferred income tax assets (liabilities)	**$**	**6,801**	**$**	**(555)**	**$**	**6,246**
Set-off of deferred income tax assets (liabilities) pursuant to set off provisions		**(153)**		**153**		**—**
Net deferred income tax assets (liabilities)	**$**	**6,648**	**$**	**(402)**	**$**	**6,246**

December 31, 2018		Assets		Liabilities		Net
Pension obligations and other post-employment benefit plans	$	2,944	$	—	$	2,944
Unfavourable lease obligation		236		—		236
Lease escalation		586		—		586
Deferred finance fees		217		—		217
Deductible reserves		734		—		734
Property, plant and equipment		—		(1,491)		(1,491)
Intangible assets		—		(1,348)		(1,348)
Promissory notes		—		(50)		(50)
Tax related to tax credit carry-forwards		—		(121)		(121)
Other		—		(32)		(32)
Total deferred income tax assets (liabilities)	$	4,717	$	(3,042)	$	1,675
Set-off of deferred income tax assets (liabilities) pursuant to set off provisions		(1,289)		1,289	$	—
Net deferred income tax assets (liabilities)	$	3,428	$	(1,753)	$	1,675

As at December 31, 2019, DCM recorded net deferred income tax assets of $6,648 (2018 – $3,428) and net deferred income tax liabilities of $402 (2018 – $1,753) in its consolidated statements of financial position. The deferred income tax assets have not been offset against the deferred income tax liabilities as DCM does not have a legally enforceable right to offset these amounts and the deferred income tax assets and deferred income tax liabilities are not related to income taxes levied by the same taxation authority.

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Changes in deferred income tax assets and liabilities during the years ended December 31, 2019 and 2018 are as follows:

	Balance at January 1, 2019	Other	Recognized in statement operations	Recognized in comprehensive income	Balance at December 31, 2019
Pension obligations and other post-employment benefit plans	$ 2,944	$ —	$ (201)	$ (30)	$ 2,713
Property, plant and equipment, ROU assets and lease liabilities	(1,491)	1,036 (1)	579	—	124
Unfavourable lease obligation	236	(236) (1)	—	—	—
Lease escalation	586	(586) (1)	—	—	—
Benefit of income tax loss and other carry-forwards	(121)	94	2,420	—	2,393
Deferred finance fees and debt premiums	217	46	801	—	1,064
Deductible reserves	734	(82) (1)	(145)	—	507
Intangible assets	(1,348)	—	835	—	(513)
Promissory notes	(50)	—	35	—	(15)
Other	(32)	(132) (1)	137	—	(27)
Deferred income tax assets (liabilities), net	**$ 1,675**	**$ 140**	**$ 4,461**	**$ (30)**	**$ 6,246**

(1) The net impact of adopting IFRS 16 on DCM's net deferred income tax assets and liabilities as at January 1, 2019 was $nil (note 3).

	Balance at January 1, 2018	Other	Acquired in business combinations	Recognized in statement operations	Recognized in comprehensive loss	Balance at December 31, 2018
Pension obligations and other post-employment benefit plans	$ 2,712	$ —	$ —	$ (111)	$ 343	$ 2,944
Unfavourable lease obligation	282	—	—	(46)	—	$ 236
Lease escalation	492	—	—	94	—	$ 586
Deferred finance fees	299	5	—	(87)	—	$ 217
Deductible reserves	1,581	—	(42)	(805)	—	$ 734
Tax credit carry-forwards	348	111	—	(459)	—	$ —
Property, plant and equipment	(1,349)	—	(7)	(135)	—	$ (1,491)
Intangible assets	(1,552)	—	(793)	997	—	$ (1,348)
Promissory notes	(97)	—	(65)	112	—	$ (50)
Benefit of other carry-forwards	2,108	—	—	(2,229)	—	$ (121)
Other	(11)	(2,957) (1)	(17)	2,953	—	$ (32)
Deferred income tax assets (liabilities), net	$ 4,813	$ (2,841)	$ (924)	$ 284	$ 343	$ 1,675

(1) The impact of adopting IFRS 9 and IFRS 15 on DCM's deferred income tax assets and liabilities as at January 1, 2018 totaled $2,957.

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The realization of the deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Based on management's projections of future taxable income and tax planning strategies, management expects to realize these net deferred income tax assets in advance of expiry. As at December 31, 2019, DCM has non-capital tax loss carry-forwards of $7,767 (2018 – Nil). The non-capital tax loss carry-forwards expire in varying amounts from 2037 to 2039.

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

The major components of income tax expense (recovery) for the years ended December 31, 2019 and 2018 are set out below:

		For the year ended December 31, 2019		For the year ended December 31, 2018
Total current income tax (recovery) expense	**$**	**(105)**	$	1,407
Total deferred income tax recovery		**(4,461)**		(284)
Total income tax (recovery) expense for the year	**$**	**(4,566)**	$	1,123

For the year ended December 31, 2019, deferred income tax recovery (expense) on the recognition of actuarial gains (losses) related to DCM's defined benefit plans of $30 (2018 – $(343)) were recognized in the statements of comprehensive (loss) income.

The following are reconciliations of income tax expense (recovery) calculated at the statutory rate of Canadian corporate income taxes below for the years ended December 31, 2019 and 2018.

		For the year ended December 31, 2019		For the year ended December 31, 2018
(Loss) income before income taxes	**$**	**(18,553)**	$	3,372
Expected income tax (recovery) expense calculated at statutory income tax rate [(1)]		**(4,813)**		879
Adjustment to income taxes resulting from:				
Difference between Canadian rates and rates applicable to subsidiary in another country or rates applicable to wholly owned Canadian subsidiaries		**43**		(18)
Non-deductible expenses and other items		**204**		262
Total income tax (recovery) expense for the year	**$**	**(4,566)**	$	1,123

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 25.94% (2018 – 26.06%).

The current tax rate for the current year is 0.12% lower than 2018 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.48% (2018 – 26.07%) based on the tax rates in years when the temporary differences are expected to reverse.

16 Other non-current liabilities

		December 31, 2019		December 31, 2018
Deferred lease inducement	**$**	**—**	$	908
Lease escalation liabilities		**—**		2,254
Bonuses payable		**318**		668
	$	**318**	$	3,830
Less: Current portion of other non-current liabilities		**(318)**		(558)
	$	**—**	$	3,272

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of Thistle which will be paid in equal monthly payments until the end of October 2020. The liability was recorded at fair value based on discounting using a discount rate of 10%. The carrying amount of the liability at December 31, 2019 was $318 (2018 – $668) of which $318 (2018 – $348) was classified as current liabilities in trade payables and accrued liabilities.

DCM's operations are conducted in leased properties. DCM's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Up until December 31, 2018, payments made under operating leases were recognized in the condensed interim consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2019 to 2028. These balances were reclassified as a reduction of the ROU Asset as at January 1, 2019 upon adoption of IFRS 16 (see note 3).

17 Pension obligations, assets and expenses

Effective January 1, 2018, no further services credits will accrue under the defined benefit provision of the DATA Communications Management Pension Plan. Actuarial valuations are performed every three years. Based on those valuations, the annual cash contributions in respect of the defined benefit provision of the DATA Communications Management Pension Plan are dependent on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others. Under applicable pension regulations, the plan's solvency deficiency can be funded over a maximum period of five years.

During the year ended December 31, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the defined benefit provision of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the defined benefit provision of the DATA Communications Management Pension Plan had improved since the previous valuation. Based upon the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2019 and 2020 are $527.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $227. During the year ended December 31, 2018, DCM applied $216 of the excess funding from 2017 to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan. During the year ended December 31, 2019, DCM's required payments related to its 2019 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying the remaining excess funding from 2017 of $11 was $516. The December 2019 payment of $44, related to DCM's 2019 funding requirement, was received by the DATA Communications Management Pension Plan during the first week of January 2020.

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The following is a summary of DCM's net pension obligations for the defined benefit provision of the funded DATA Communications Management Pension Plan and unfunded SERP:

	December 31, 2019	December 31, 2018
Present value of funded obligations	**$ 64,999**	$ 60,073
Less: Fair value of plan assets	**(65,155)**	(59,448)
(Surplus) Deficit of funded plan	**(156)**	625
Present value of unfunded obligations	**7,958**	7,721
Pension obligations, net	**$ 7,802**	$ 8,346

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

The following is a summary of the change in DCM's net pension obligations for the defined benefit provision of the funded DATA Communications Management Pension Plan and unfunded SERP:

	Funded	Unfunded	December 31, 2019
Balance – Beginning of year	**$ 60,073**	**$ 7,721**	**$ 67,794**
Interest expense	**2,232**	**276**	**2,508**
Benefits paid	**(3,015)**	**(517)**	**(3,532)**
Re-measurements:			
- Loss from change in financial assumptions	**5,715**	**505**	**6,220**
- Experience (gains) losses	**(6)**	**(27)**	**(33)**
Balance – End of year	**$ 64,999**	**$ 7,958**	**$ 72,957**

	Funded	Unfunded	December 31, 2018
Balance – Beginning of year	$ 62,638	$ 8,133	$ 70,771
Interest expense	2,161	268	2,429
Benefits paid	(2,890)	(528)	(3,418)
Re-measurements:			
- Gain from change in financial assumptions	(2,438)	(224)	(2,662)
- Experience (gains) losses	602	72	674
Balance – End of year	$ 60,073	$ 7,721	$ 67,794

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

The following is a summary of the change in the fair value of the plan assets for the defined benefit provision of the funded DATA Communications Management Pension Plan and unfunded SERP:

	Funded	Unfunded	December 31, 2019
Balance – Beginning of year	**$ 59,448**	**$ —**	**$ 59,448**
Interest income	**2,212**	**—**	**2,212**
Employer contributions	**472**	**517**	**989**
Benefits paid	**(3,015)**	**(517)**	**(3,532)**
Administrative expenses paid from plan assets	**(300)**	**—**	**(300)**
Re-measurements:			
- Return on plan assets, excluding amounts included in interest income	**6,338**	**—**	**6,338**
Balance – End of year	**$ 65,155**	**$ —**	**$ 65,155**

	Funded	Unfunded	December 31, 2018
Balance – Beginning of year	$ 63,398	$ —	$ 63,398
Interest income	2,169	—	2,169
Employer contributions	431	528	959
Benefits paid	(2,890)	(528)	(3,418)
Administrative expenses paid from plan assets	(300)	—	(300)
Re-measurements:			
- Return on plan assets, excluding amounts included in interest income	(3,360)	—	(3,360)
Balance – End of year	$ 59,448	$ —	$ 59,448

DATA COMMUNICATIONS MANAGEMENT PENSION PLAN ASSET COMPOSITION

The following is a summary of the composition in plan assets of the defined benefit provision of the funded DATA Communications Management Pension Plan:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Quoted	**Percentage of plan assets**	Quoted	Percentage of plan assets
Domestic equities	**$ 3,388**		$ 3,673	
Foreign equities	**6,577**		4,610	
Equity instruments	**$ 9,965**	**15%**	$ 8,283	14%
Short and mid-term bonds	**$ 11,883**		$ 11,102	
Long-term bonds	**43,384**		39,555	
Debt instruments	**$ 55,267**	**85%**	$ 50,657	85%
Cash and cash equivalents	**$ (77)**	**—%**	$ 508	1%
Total	**$ 65,155**	**100%**	$ 59,448	100%

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ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

The following is a summary of the expense recognized for the defined benefit provision of the funded DATA Communications Management Pension Plan and unfunded SERP:

	Funded	Unfunded	December 31, 2019
Administration expenses	**$ 300**	**$ —**	**$ 300**
Interest expense	**2,232**	**276**	**2,508**
Interest income	**(2,212)**	**—**	**(2,212)**
Total net interest expense	**20**	**276**	**296**
Defined benefit expense recognized	**$ 320**	**$ 276**	**$ 596**

	Funded	Unfunded	December 31, 2018
Administration expenses	$ 300	$ —	$ 300
Interest expense	2,161	268	2,429
Interest income	(2,169)	—	(2,169)
Total net interest expense (income)	(8)	268	260
Defined benefit expense recognized	$ 292	$ 268	$ 560

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

The following is a summary of the amounts recognized in the statement of comprehensive income (loss) for the defined benefit provision of the funded DATA Communications Management Pension Plan and unfunded SERP:

	Funded	Unfunded	December 31, 2019
Re-measurements:			
- Loss from change in financial assumptions	$ 5,715	$ 505	$ 6,220
- Experience (gains) losses	(6)	(27)	(33)
- Return on plan assets, excluding amounts included in interest income	(6,338)	—	(6,338)
	(629)	478	(151)
Deferred income tax effect	163	(124)	39
Defined benefit (recovery) expense recognized	$ (466)	$ 354	$ (112)

	Funded	Unfunded	December 31, 2018
Re-measurements:			
- Gain from change in financial assumptions	$ (2,438)	$ (224)	$ (2,662)
- Experience (gains) losses	602	72	674
- Loss on plan assets, excluding amounts included in interest income	3,360	—	3,360
	1,524	(152)	1,372
Deferred income tax effect	(397)	40	(357)
Defined benefit (recovery) expense recognized	$ 1,127	$ (112)	$ 1,015

DCM manages its pension plans by meeting with an actuarial consultant and the fund managers on a regular basis and reviews periodic reports outlining changes in the plan liabilities and the return on pension assets relative to the market. Assumptions are reviewed on an ongoing basis and adjustments are made whenever management believes that conditions have materially changed.

SIGNIFICANT ACTUARIAL ASSUMPTIONS ADOPTED IN MEASURING DCM'S DEFINED BENEFIT OBLIGATIONS

	December 31, 2019	December 31, 2018
DATA Communications Management Pension Plan		
Discount rate	3.10 %	3.80 %
Rate of compensation increase	3.00 %	3.00 %
SERP		
Discount rate	3.00 %	3.70 %

DCM decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2019 to reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2019.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Canada. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	December 31, 2019	December 31, 2018
Retiring at the end of the reporting period:		
Male	21.8	21.8
Female	24.2	24.2
Retiring in 25 years after the end of the reporting period:		
Male	23.1	23.1
Female	25.4	25.4

Through its defined benefit plans, DCM is exposed to a number of risks, the most significant of which are detailed below:

ASSET VOLATILITY

For a defined benefit pension plan, fluctuations in the value of plan assets are assessed in the context of fluctuations in the plan liabilities. The plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields. As discount rates change, the value of the plan liabilities will fluctuate, if the growth of plan liabilities exceeds that of plan assets a deficit will result. The defined benefit provision of the DATA Communications Management Pension Plan currently holds a small proportion of equities, approximately 15% of total assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The defined benefit provision of the DATA Communications Management Pension Plan's investment time horizon and financial position are key inputs in deciding on the proportion of equities held.

The defined benefit provision of the DATA Communications Management Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. In 2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Communications Management Pension Plan. With a significant improvement in the financial position, the defined benefit provision of the DATA Communications Management Pension Plan asset mix was 15% equities and 85% bonds. Given the new funding rules for Ontario registered pension plans, the investment strategy shifted from a solvency focus to an ongoing focus. This lead to a bond portfolio structure change in 2018 that moved from cash flow matching to duration matching using pooled funds. The equity and bond target allocations and the equity portfolio structure did not change relative to the previous year.

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

SALARY RISK

The present value of the pension benefit obligations is calculated by reference to the future salaries of plan participants, so salary increases of the plan participants greater than assumed will increase plan liabilities.

LIFE EXPECTANCY

The majority of the plans' obligations provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

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The sensitivity of the defined benefit pension obligations for the DATA Communications Management Pension Plan and SERP to changes in assumptions at December 31, 2019 and at December 31, 2018 are set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	December 31, 2019		
	Impact on defined benefit obligations		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (2,324)**	**$ 2,449**
Salary growth rate	**0.25%**	**567**	**(506)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		$ 2,074	$ (2,111)

	December 31, 2018		
	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (2,096)	$ 2,207
Salary growth rate	0.25%	464	(419)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 1,849	$ (1,883)

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statements of financial position.

The weighted average duration of the defined benefit obligations is 13.1 years (2018 – 12.7 years).

Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Between 5 to 10 years
At December 31, 2019	**$ 3,281**	**$ 6,769**	**$ 7,123**	**$ 19,525**
At December 31, 2018	$ 3,202	$ 6,655	$ 6,940	$ 19,048

The annual pension expense for the defined contribution provision of the DATA Communications Management Pension Plan is based on the amounts contributed in respect of eligible employees. The annual pension expense for the GCCP, SRDF and Unifor Pension & Benefit Plans, which are accounted for as a defined contribution plan, is based on amounts contributed based on a percentage of wages of unionized employees who are covered by the respective collective bargaining agreements, all of whom are employed at DCM facilities located in the Province of Québec and Ontario.

DCM's pension expense related to DCM's defined contribution plans are as follows:

		For the year ended December 31, 2019		For the year ended December 31, 2018
Defined contribution plan	$	1,225	$	1,346
Defined benefit multi-employer plans	$	505	$	596

DCM expects that, in 2020, contributions to the defined benefit provision of the DATA Communications Management Pension Plan will be approximately $527, contributions to the defined contribution provision of the DATA Communications Management Pension Plan will be approximately $1,169, contributions to the SERP will be approximately $508, contributions to the GCPP will be approximately $484 and contributions to the Unifor Pension & Benefit Plans will be approximately $76.

18 Other post-employment benefit plans

Costs related to the DCM OPEB Plans and the DCM OPEB LTD Plan, are actuarially determined using the projected unit credit method, the actuarial present value of all future projected benefits determined as at the valuation date and management's best assumptions.

The following summarizes the change in the obligations related to the DCM OPEB Plans and DCM OPEB LTD Plan:

		December 31, 2019		December 31, 2018
Balance – Beginning of year	$	2,978	$	3,031
Current service cost		280		293
Interest expense		118		111
Benefits paid		(312)		(272)
Re-measurements:				
- Gain from change in demographic assumptions		(252)		—
- Loss (gain) from change in financial assumptions		154		(52)
- Experience gains		(28)		(133)
Balance – End of year	$	2,938	$	2,978

ELEMENTS OF OTHER POST EMPLOYMENT BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

The following summarizes the elements of the benefit expense related to the DCM OPEB Plans and DCM OPEB LTD Plan:

		December 31, 2019		December 31, 2018
Current service cost	$	280	$	293
Interest expense		118		111
Re-measurements:				
- Gain from change in demographic assumptions		(112)		—
- Loss (gain) from change in financial assumptions		85		(33)
- Experience gains		(132)		(98)
Benefit expense recognized	$	239	$	273

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AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

The following summarizes the amounts recognized in the statement of comprehensive income (loss) related to the DCM OPEB Plans:

	December 31, 2019	December 31, 2018
Re-measurements:		
- Gain from change in demographic assumptions	$ (140)	$ —
- Loss (gain) from change in financial assumptions	69	(19)
- Experience losses (gains)	104	(35)
	33	(54)
Deferred income tax effect	(9)	14
Benefit recovery recognized	$ 24	$ (40)

SIGNIFICANT ACTUARIAL ASSUMPTIONS ADOPTED IN MEASURING DCM'S OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

DCM OPEB Plans	December 31, 2019	December 31, 2018
Discount rate	3.10%	3.80 %
Health care cost trend rate – Initial	6.22%	6.16 %
Health care cost trend rate declines by 2040 (2018 – 2040)	4.00%	4.00 %

DCM OPEB LTD Plan	December 31, 2019	December 31, 2018
Discount rate	3.10%	3.80 %
Health care cost trend rate – Initial	5.55%	5.62 %
Health care cost trend rate declines by 2040 (2018 – 2040)	4.00%	4.00 %

SENSITIVITY ANALYSIS ON OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The effects on the DCM OPEB Plans and DCM OPEB LTD Plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	Impact on other post-employment benefit obligations		
At December 31, 2019	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (51)	$ 52
Health care cost trend rates	1.00%	179	(162)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 61	$ (59)

	Impact on other post-employment benefit obligations				
At December 31, 2018	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	$	(52)	$	54
Health care cost trend rates	1.00%		207		(186)

	Increase by 1 year in assumption		Decrease by 1 year in assumption	
Life expectancy	$	70	$	(68)

Expected maturity analysis of undiscounted other post-employment benefits:

		Less than a year		Between 1 to 2 years		Between 2 to 5 years		Between 5 to 10 years
At December 31, 2019	**$**	**329**	**$**	**612**	**$**	**528**	**$**	**923**
At December 31, 2018	$	326	$	605	$	556	$	1,013

DCM expects that, in 2020, contributions to its DCM OPEB Plans and DCM OPEB LTD Plan will be approximately $329.

19 Shares and warrants

SHARES

DCM is authorized to issue an unlimited number of common shares. The common shares have a stated capital of one dollar. Each common share is entitled to one vote at any meeting of shareholders. Each holder of the common shares will be entitled to receive dividends if, as and when declared by the Board.In the event of the liquidation, dissolution, winding up of DCM or other distribution of assets of DCM among its shareholders for the purpose of winding up its affairs, the holders of the common shares will be entitled to receive assets of DCM upon such a distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

The following summarizes the change in number of issued and outstanding common shares during the periods below:

	Number of Common shares		Amount
Balance – January 1, 2019	**21,523,515**	**$**	**251,217**
Shares issued - December 31, 2019	**21,523,515**		**4,828**
Balance – December 31, 2019	**43,047,030**	**$**	**256,045**

	Number of Common shares		Amount
Balance – January 1, 2018	20,039,159	$	248,996
Shares issued - May 8, 2018 (note 4)	1,394,856		2,046
Shares issued - June 11, 2018 (note 27)	89,500		175
Balance – December 31, 2018	21,523,515	$	251,217

On December 31, 2019, DCM completed a rights offering (“Rights Offering”) which was conducted by way of a rights offering circular (“Circular”). Under the offering, DCM issued 21,523,515 Common Shares at a price of $0.23 per share for gross proceeds of $4,950. Among this, 11,341,310 Common Shares were issued to directors, officers and related

parties of DCM for total gross proceeds of $2,609. The gross proceeds were used to reduce DCM outstanding indebtedness, by repaying amounts drawn under the revolving facilities portion of its Bank Credit Facility. Under the terms of the Rights Offering, each eligible shareholder (“Eligible Holder”) on record as of December 3, 2019 (the “Record Date”) received one right (“Right”) for each Common Share held as of the Record Date. Every Right entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $0.23 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $165 which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $43.

In connection with the acquisition of Perennial on May 8, 2018, DCM issued a total of 1,394,856 Common Shares to the vendors of the companies as partial consideration for the fair value of the net assets acquired on the Perennial Closing Date for $2,051, net of $8 in issuance costs and increased by a deferred income tax asset of $3.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of warrants. The additional share issue caused an increase in common shares by $175. The increase consisted of cash proceeds of $157 as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of $18.

WARRANTS

A summary of warrant activities for the year ended December 31, 2019 and the year ended December 31, 2018 is as follows:

	2019		2018	
	Number of Warrants	**Weighted average Exercise Price**	Number of Warrants	Weighted average Exercise Price
Warrants outstanding - beginning of year	**2,251,550**	**$ 1.75**	1,381,050	$ 1.75
Granted	**728,571**	**1.08**	960,000	1.75
Expired	**(1,291,550)**	**1.75**	—	—
Exercised	**—**	**—**	(89,500)	1.75
Warrants outstanding - end of year	**1,688,571**	**$ 0.35**	2,251,550	$ 1.75

The outstanding warrants had an exercise price range as follows:

	December 31, 2019 Number of Warrants	December 31, 2018 Number of Warrants
$1.75	**—**	2,251,550
$1.08	**178,571**	—
$0.26	**1,510,000**	—
Warrants outstanding	**1,688,571**	2,251,550

On August 16, 2019, DCM entered into an amendment with Crown for an additional principal amount of $7,000 and issued 550,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of $1.08 for a period of 3.7 years, commencing on August 16, 2019. The fair value of the warrants issued was estimated to be $145 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.24%, a weighted average life of 3.7 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies and adjusted using a discount rate of 5% for the statutory hold period. The additional principal amount of $7,000 was then apportioned between the host debt and the warrant option based on relative fair values. The value allocated to the warrant options outstanding for this issue was $140, net of transaction costs of $5 (increased by a deferred income tax asset of $1).

On August 31, 2019, DCM issued 100,000 warrants in connection with an agreement for advisory services. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 2.0 years, commencing on August 31, 2019. The fair value of the warrants issued was estimated to be $18 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.35%, a weighted average life of 2.0 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $5 (increased by a deferred income tax asset of $1). DCM recorded $18 as consulting expense related to this issuance. As at December 31, 2019, the value allocated to the warrants outstanding for this issue was $13, net of transaction costs (increased by a deferred income tax asset of $1).

On July 31, 2019, DCM issued 78,571 warrants in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.8 years, commencing on July 31, 2019. The fair value of the warrants issued was estimated to be $39 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.49%, a weighted average life of 3.8 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. The total Related Party Promissory Notes amount of $1,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at December 31, 2019, the value allocated to the warrant options outstanding for this issue was $38, net of transaction costs of $1 (increased by a deferred income tax asset of $1).

On May 8, 2018, DCM established the $12,000 Crown Facility and issued 960,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The fair value of the warrants issued was estimated to be $565 using the Black-Scholes option-pricing model, assuming a risk-free interest of 2.16%, a weighted average life of five years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $5 (increased by a deferred income tax asset of $2). The total credit facility amount of $12,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at December 31, 2019 and December 31, 2018, the value allocated to the warrant options outstanding for this issue was $537, net of transaction costs.

In connection with the Crown Fourth Amendment (note 13), the Company has agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from $1.75 to $0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from $1.08 to $0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020. The increased value of the warrants arising from the debt modification was $121.

On June 28, 2017, DCM completed a non-brokered private placement offering, which included purchase warrants entitling the holder to acquire one Common Share at an exercise price of $1.75 for a period of two years. On June 28, 2019, the remaining purchase warrants of 1,291,550 expired, resulting in a reduction of warrants and corresponding increase to contributed surplus of $269 in the consolidated statement of financial position.

SHARE-BASED COMPENSATION

DCM has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DCM; and, align the interests of Participants with those of the shareholders of DCM. Awards to Participants are primarily based on the financial results of DCM and services provided. The aggregate maximum number of common shares available for issuance from DCM's treasury under the LTIP is 4,304,703 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

DCM's share-based compensation plan consists of five types of awards: restricted share unit ("RSUs"), options, deferred share unit ("DSUs"), restricted shares or stock appreciation right ("SARs") awards. No SARs have been granted to date.

(a) Restricted share unit ("RSU")

Under the RSU portion of the LTIP, selected employees are granted RSUs where each RSU represents the right to receive a distribution from DCM in an amount equal to the fair value of one DCM common share. RSUs granted are performance and non-performance based. The performance component is based on Company specific financial targets approved by the Board and the non-performance component is based on continued employment. RSUs generally vest over three years, require continued employment with DCM for the duration of the vesting period and settle in cash upon final vesting.

A liability for RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to compensation expense, as a component of costs of revenues, selling, commissions and expenses, and general and administration expenses. The RSUs payable are included in trade payables and accrued liabilities. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	December 31, 2019	December 31, 2018
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**530,452**	177,869
Units granted	**853,016**	740,432
Units forfeited	**(648,883)**	(387,344)
Units paid out	**(26,635)**	(505)
Balance - end of period/year	**707,950**	530,452

During the year ended December 31, 2019, the Chief Executive Officer ("CEO") and the President of DCM were granted 327,343 RSUs (2018 – 299,021 RSUs) and a total of 525,673 RSUs (2018 – 441,411 RSUs) were awarded to other members of DCM's management.

Of the total outstanding RSUs at December 31, 2019, 54,857 (December 31, 2018 – 26,634) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2019 was $193 (December 31, 2018 – $400).

During the year ended December 31, 2019, compensation expense of $230 (2018 – $312) was recognized in the consolidated statement of operations related to RSUs granted.

(b) Options ("Options")

A summary of Options activities for the year ended December 31, 2019 and the year ended December 31, 2018 is as follows:

	2019			2018		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of year	**1,991,957**	**$**	**1.45**	804,961	$	1.50
Granted	**40,000**		**1.41**	1,200,000		1.41
Forfeited	**(575,548)**		**(1.44)**	(13,004)		1.50
Options outstanding - end of year	**1,456,409**	**$**	**1.45**	1,991,957	$	1.45
Exercisable	**1,116,415**	**$**	**1.46**	1,125,281	$	1.50

The outstanding Options had an exercise price range as follows:

	December 31, 2019 Number of Options	December 31, 2018 Number of Options
$1.50	**616,409**	791,957
$1.41	**840,000**	1,200,000
Options outstanding	**1,456,409**	1,991,957

The Black-Scholes option-pricing model inputs used to compute compensation expense for the options granted under the fair value-based method are as follows:

	December 31, 2019	December 31, 2018
Expected life (years)	**7**	7
Expected volatility	**40%**	40%
Dividend yield	**0%**	0%
Risk free rate of return	**1.45%**	1.88%
Weighted average fair value of options granted	**$ 0.57**	$ 0.68
Forfeiture rate	**10%**	10%

During the year ended December 31, 2019, options to purchase up to 40,000 common shares were awarded to a director. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 28, 2019. During the year ended December 31, 2018, options to purchase up to 1,200,000 common shares were awarded to DCM's Board of Directors and executive management team, including a total of 200,000 options awarded to the President and CEO. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 14, 2018. During the year ended December 31, 2019, a total of 575,548 (2018 – 13,004) options awarded were forfeited.

During the year ended December 31, 2019, compensation expense of $190 (2018 – $473) was recognized in the consolidated statement of operations related to options granted.

(c) Deferred share unit ("DSU")

On March 14, 2018 and March 21, 2019, each director was given the option to elect to receive all or part of his or her compensation (the "Director Fees") in DSUs commencing effective April 1, 2018. Effective April 1, 2019, each director was required to receive at least half of his or her annual retainer in DSUs and had the option to elect to receive all or part of his or her other compensation in DSUs.

Each DSU represents the right to receive a distribution from DCM in an amount equal to the fair value of one DCM common share on the date of the termination of service of the respective director. The number of DSUs payable to each director is determined by multiplying the total Director Fees payable by the percent elected to be paid in DSUs and dividing the product by the Fair Value of one DCM common share on the grant date. A liability for DSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The DSUs payable is included in trade payables and accrued liabilities.

During the year ended December 31, 2019, 152,925 DSUs (2018 – 86,924 DSUs) were granted. The carrying amount of the liability relating to the 239,849 DSUs outstanding at December 31, 2019 was $58 (December 31, 2018 – $116 and 86,924 DSUs outstanding).

During the year ended December 31, 2019, a recovery of $58 (2018 – an expense of $116) was recognized in the consolidated statement of operations related to DSUs granted.

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20 Earnings (loss) per share

		For the year ended December 31, 2019		For the year ended December 31, 2018
BASIC (LOSS) EARNINGS PER SHARE				
Net (loss) income for the year attributable to common shareholders	**$**	**(13,987)**	$	2,249
Weighted average number of shares		**21,582,483**		20,998,703
Basic (loss) earnings per share	**$**	**(0.65)**	$	0.11
DILUTED (LOSS) EARNINGS PER SHARE				
Net (loss) income for the year attributable to common shareholders	**$**	**(13,987)**	$	2,249
Weighted average number of shares		**21,582,483**		21,055,460
Diluted (loss) earnings per share	**$**	**(0.65)**	$	0.11

For the year ended December 31, 2019, options to purchase up to 1,456,409 common shares were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 1,688,571 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of December 31, 2019.

During the year ended December 31, 2018, options to purchase up to 1,200,000 common shares, where the average market price of the common shares was greater than the exercise price, were included in the computation of diluted earnings per share as their effect would have been dilutive. Options to purchase up to 791,957 common shares where the average market price of the common shares was less than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 2,251,550 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of December 31, 2018.

21 Changes in working capital

		For the year ended December 31, 2019		For the year ended December 31, 2018
Trade receivables	**$**	**(13,436)**	$	(2,668)
Inventories		**(4,038)**		2,070
Prepaid expenses and other current and non-current assets		**945**		788
Trade and accrued liabilities		**8,751**		8,118
Deferred revenue		**656**		(481)
	$	**(7,122)**	$	7,827

22 Commitments and Contingencies

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

DCM makes contributions to the Québec Graphic Communication Pension Plan (the “GCPP”), based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DCM facilities located in the Province of Québec. Prior to 2018 contributions were made to a similar plan, the Québec Graphics Communications Supplemental Retirement and Disability Fund (the "SRDF"). Effective December 31, 2017, the SRDF was merged into the GCPP and this merger was approved by the Québec pension authorities in October 2019.

The GCPP is a negotiated contribution defined benefit multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The GCPP is administered by a joint Board of Trustees composed of representatives of participating employers and of the unions representing plan members in collective bargaining. Based upon the terms of those applicable collective agreements, DCM’s estimated annual negotiated contribution to the GCPP for 2020 is $484.

The GCPP’s most recent funding actuarial report (as at December 31, 2018) disclosed a small going concern surplus and that negotiated contributions are in excess of the current service cost of the plan. On a solvency basis (or wind up basis) the valuation shows a deficit and a solvency ratio of 75%.

Bill 34 was adopted by Québec in April 2015 to clarify Québec pension legislation for negotiated contribution defined benefit multi-employer pension plans to, among other things:

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund deficiencies;
- require the board of trustees to develop and implement a recovery plan when the negotiated contributions are not sufficient to fund the plan, including the reduction of accrued benefits of all members; and
- remove the responsibility of participating employers to fund their share of the solvency deficit upon withdrawal from the plan or termination of the plan, except in certain circumstances when withdrawal from the plan or termination of the plan occurs prior to April 3, 2020.

A “Recovery Plan” was implemented by the board of trustees in 2016 and received the approval of Québec pension authorities in late 2018. During the year ended December 31, 2019, DCM did not receive any other information on the GCPP.

23 Capital structure

DCM’s objectives when managing its capital structure are:

- To seek to ensure sufficient liquidity to safeguard DCM’s ability to continue as a going concern;
- To maintain a strong capital base so as to maintain shareholders’, creditors’, customers', suppliers' and market confidence; and
- To deploy capital to provide an appropriate investment return to its shareholders

DCM’s capital structure consists of long-term debt (including the current portion) and shareholders’ equity. DCM’s primary uses of capital are to finance increases in working capital, make payments towards its long-term obligations, and fund investments in capital expenditures and business acquisitions.

DCM manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, in line with its present strategic plan, DCM may issue new shares. Management anticipates that any major acquisition or significant growth initiatives would be financed in part with additional equity and debt.

DCM is not subject to any externally imposed capital requirements other than the covenants and restrictions under the terms of its Credit Facilities including the requirement to meet certain financial ratios and financial conditions pertaining to permitted investments, acquisitions, lease agreements, dividends and subordinated debt (see note 13).

DCM's capital structure is as follows:

		December 31, 2019		December 31, 2018
Credit facilities	**$**	**78,647**	$	57,421
Lease liabilities		**61,766**		—
Total long-term debt	**$**	**140,413**	$	57,421
Total (deficit) equity	**$**	**(1,041)**	$	7,512

24 Financial instruments

DCM's financial instruments consist of cash, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, bonuses payable, credit facilities, promissory notes, and restricted share units, as indicated in DCM's statements of consolidated financial position as at December 31, 2019 and 2018. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

DCM's non-derivative financial instruments are comprised of cash, trade receivables, restricted cash, bank overdraft, trade payables and accrued liabilities, bonuses payable, credit facilities, promissory notes, and restricted share units. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial instruments at fair value through the profit and loss include restricted share units which are recorded as a liability at fair value on the grant date and are subsequently adjusted for changes in the price of DCM's common shares through the consolidated statements of operations.

The fair value for other non-derivative financial instruments such as cash, trade receivables, bank overdraft, trade payables and accrued liabilities approximates their carrying value because of the short-term maturity of these instruments. The fair value of restricted cash approximates its carrying value because it is a deposit held with a Canadian chartered bank. Credit facilities, bonuses payable and promissory notes are initially recognized as the amount required to be paid less a discount to derive its fair value and are then measured at amortized costs using the effective interest method, less any impairment losses.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values and the fair values of DCM's financial instruments are classified into the categories listed below in accordance with IFRS 9.

December 31, 2019	**Carrying Value**	**Fair Value**
Financial assets at amortized cost [(1)]	**$ 86,966**	**$ 86,966**
Financial liabilities at amortized cost [(2)]	**195,414**	**197,067**
Financial liabilities FVTPL [(3)]	**251**	**251**

December 31, 2018	Carrying Value	Fair Value
Financial assets at amortized cost [(1)]	$ 73,639	$ 73,639
Financial liabilities at amortized cost [(2)]	108,856	110,441
Financial liabilities FVTPL[(3)]	516	516

(1) Includes restricted cash and trade receivables.

(2) Includes bank overdraft, trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities), bonuses payable, credit facilities, lease liabilities and promissory notes.

(3) Includes RSUs and DSUs.

Bonuses payable, credit facilities, promissory notes, RSUs and DSUs are categorized as level 2 inputs in the fair value hierarchy given their valuations include inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. There were no transfers between levels 1, 2 or 3 during the year.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

DCM is exposed to various risks as it relates to financial instruments. These risks and the processes for managing the risk are set out below.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subjected DCM to credit risk consisted of cash and trade receivables. The carrying amount of assets included in the consolidated statements of financial position represents the maximum credit exposure.

DCM grants credit to customers in the normal course of business. DCM typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit terms when warranted and periodically thereafter. Normal credit terms for amounts due from customers call for payment within 0 to 60 days.

DCM has trade receivables from clients engaged in various industries including financial institutions, insurance, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DCM does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by DCM's large client base.

To measure the ECLs, trade receivables, including unbilled receivables, have been grouped based on similar credit risk characteristics, past due status and other relevant factors. The expected default rates are calculated based on management's estimate as well as historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on economic factors affecting the ability of the customers to settle the trade receivable.

On that basis, the loss allowance as at December 31, 2019 was determined using default rates under the provision matrix for an amount of $1,807 (2018 – $795), of which $390 (2018 – $453) relates to unbilled receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars, except percentages, shares and per share amounts)

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2019 and December 31, 2018, respectively:

December 31, 2019	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		1.32%	1.31%	2.19%	6.24%
Billed receivables balance	**$55,504**	$16,603	$16,736	$9,978	$12,187
Billed receivables ECL	**$1,417**	$219	$219	$219	$760

December 31, 2018	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		0.01%	0.03%	0.06%	22.24%
Billed receivables balance	$44,352	$23,243	$14,246	$5,370	$1,493
Billed receivables ECL	$342	$3	$4	$3	$332

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2019 and December 31, 2018, respectively:

December 31, 2019	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**	**Over 120 days**
Unbilled receivables		0.16%	0.31%	0.78%	1.42%	2.74%
Unbilled receivables balance	**$32,754**	$11,317	$4,835	$3,464	$2,254	$10,884
Unbilled receivables ECL	**$390**	$18	$15	$27	$32	$298

December 31, 2018	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**	**Over 120 days**
Default rates		0.20%	0.38%	0.98%	1.50%	2.93%
Unbilled receivables balance	$29,567	$5,427	$5,928	$3,912	$2,672	$11,628
Unbilled receivables ECL	$453	$11	$23	$38	$40	$341

At the end of each reporting period, management re-assesses the default rates. Default rates are applied to the billed and unbilled receivable balances to calculate the credit default reserve. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. When collection efforts have been reasonably exhausted, specific balances are written off. At December 31, 2019, the aging profile of DCM billed receivables had deteriorated. As a result, DCM increased its ECLs on billed receivables to account for amounts that may be become uncollectible and for concessions that may need to be given to encourage customers to settle older amounts promptly.

The movement in DCM's allowance for doubtful accounts for 2019 and 2018 are as follows:

		For the year ended December 31, 2019		For the year ended December 31, 2018
Balance – Beginning of period	**$**	**795**	$	711
Provisions and revisions		**1,012**		84
Balance – End of period	**$**	**1,807**	$	795

LIQUIDITY RISK

Liquidity risk is the risk that DCM may encounter difficulties in meeting obligations associated with financial liabilities as they become due.

In June 2019, DCM implemented a new cloud-based Enterprise Resource Planning ("ERP") system company-wide (other than its DCM Burlington, Thistle and Perennial sites) which replaced a number of disparate, legacy systems. As part of its transition to the new ERP system, DCM encountered various migration issues which affected both production revenue and its ability to generate accurate and timely billings to its customers. This issue resulted in a deterioration in operating results in the third quarter of 2019 caused by a backlog of production orders and the issuance of inaccurate invoices which has resulted in delays in the collection of cash from customer trade receivables outstanding. These factors have created a constraint on DCM's financial liquidity.

Net working capital (current assets less current liabilities) has grown to $28,088 as at December 31, 2019 from $20,739 as at December 31, 2018, primarily due to an increase in trade receivables over this period. Trade receivables were $86,451 as at December 31, 2019 compared with $73,124 as at December 31, 2018. The significant growth in trade receivables and delays in collecting on those trade receivables required DCM to increase its borrowings under its Bank Credit Facility, a key source of liquidity for the Company's operations and to stretch its vendor payable terms. The Company's Bank Credit was reduced by the completion of a rights offering in December 2019, which raised gross proceeds of $4,950 of equity capital. The Company's borrowings under the Bank Credit Facility increased from $20,799 as at December 31, 2018 to $34,664 as at December 31, 2019. Although the Bank agreed to a temporary increase in the Bank Credit Facility to a maximum principal amount of $50,000 (See note 13 Credit facilities, Credit agreements, Bank and FPD facilities), the growth in trade receivables amounts outstanding over 90 days, which are deemed ineligibles for the purposes of the borrowings under the Bank Credit Facility, reduced the Company's eligible borrowing base such that DCM had access to $2,001 of available credit as at December 31, 2019.

In order to further assist the Company with its financial liquidity challenges, on February 21,2020, the Bank agreed to temporarily increase the eligible borrowing base under this facility by providing an additional $6,000 unmargined facility within the $50,000 (See Note 28 Subsequent events, Amendments to Credit Facilities). Further, on March 30, 2020, the Bank agreed to temporarily increase the fixed percentage of the cost of unbilled receivables eligible for inclusion in the Company's borrowing base to provide access to additional borrowing capacity under this facility (See Note 28 Subsequent events, Amendments to Credit Facilities). In connection with these recent amendments, the Company's other lenders, FPD and Crown also agreed to defer the payment of certain scheduled principal payments and interest and the holders of an aggregate of $1,000 in promissory notes issued by DCM to certain insiders in July 2019 also agreed to defer repayment of those notes. It had been intended that these promissory notes would be repaid out of the net proceeds of the rights offering completed by the Company in December 2019.

On June 1, 2020, the Company had $6,649 in available credit pursuant to its revolving Bank Credit Facility, as amended. The Company's ability to pay its liabilities as they come due is dependent on the collection of outstanding aged billed trade receivables and its ability to generate positive cash flows from operations. While management is currently executing on its plans to collect aged trade receivables, there can be no assurance that it will be successful, which could result in the Company requiring additional sources of financing.

In connection with the December 2019 amendments to the Company's credit facilities, DCM's senior lenders temporarily amended a number of financial covenants to align with an agreed budget for the next twelve months to enable the Company to resolve the issues it has encountered in connection with the implementation of the ERP system such that the related adverse effects on the Company's financial results no longer impact the Company's ability to comply with its financial covenants on a trailing twelve month basis. While the Company was compliant with the amended financial covenants as at December 31, 2019, management obtained certain waivers from its senior lenders for the first and second quarters of fiscal 2020 during the first quarter of 2020, as it anticipated being in breach of certain financial covenants in connection with the rapidly developing impact of the COVID-19 pandemic (see Note 28 Subsequent events, COVID-19 Global Pandemic).

The continued ability to comply with financial covenants for at least the next twelve months is contingent on management's ability to meet budgeted revenue and profitability targets and take actions to address operating and financial challenges resulting from COVID-19. The estimate of future cash flows in the Company's 2020 budget include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins, which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions (for example, if EBITDA, applicable to those financial covenants, realized over the next nine months falls short of DCM's forecast by more than approximately 3.6%, the Company will be offside with certain of its existing financial covenants in the third quarter of 2020) and particularly to the ongoing impact of the COVID-19 pandemic, the effects of which are difficult to project with respect to the Company's business and financial results and its financial liquidity.

Collectively, these factors could materially affect the business and operating results and DCM's ability to comply with the financial covenants for 2020. Failure to obtain adequate financing if required and/ or on satisfactory terms and further covenant waivers as necessary could have a material adverse effect on the Company's results of operations and financial condition.

The contractual undiscounted cash flows of DCM's significant financial liabilities are as follows:

December 31, 2019		**Less than a year**		**1 to 3 years**		**4 years and greater**		**Total**
Bank overdraft	**$**	**1,093**	**$**	**—**	**$**	**—**	**$**	**1,093**
Trade payables and accrued liabilities		**51,743**		**—**		**—**		**51,743**
Bonuses payable (1)		**333**		**—**		**—**		**333**
Lease liabilities		**11,267**		**26,465**		**49,988**		**87,720**
Credit facilities (2)		**9,840**		**88,785**		**—**		**98,625**
Promissory notes (3)		**782**		**2,235**		**—**		**3,017**
Total	**$**	**75,058**	**$**	**117,485**	**$**	**49,988**	**$**	**242,531**

December 31, 2018		Less than a year		1 to 3 years		4 years and greater		Total
Bank overdraft		$ 3,999		—		—		$ 3,999
Trade payables and accrued liabilities	$	43,497	$	—	$	—	$	43,497
Bonuses payable (1)		400		333		—		733
Credit facilities (2)		9,495		46,318		14,146		69,959
Promissory notes (3)		4,078		1,500		—		5,578
Total	$	61,469	$	48,151	$	14,146	$	123,766

(1) *Bonuses payable to former employees of Thistle assumed in connection with DCM's acquisition of Thistle on February 22, 2017. Monthly principal payments of $33 ending October 31 2020.*

(2) *Credit facilities at December 31, 2019 subject to floating interest rates consisting of the Bank Credit Facility, expiring on January 31, 2023. DCM's credit facilities were subsequently amended (note 28). As at December 31, 2019, the outstanding balances totaled $34,664 and bore interest at an average floating rate of 5.55% per annum. The amounts at December 31, 2019 include estimated interest totaling $2,054 for 2020, $1,924 for 2021, $1,924 for 2022 and $160* for *2023. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2019. Credit facilities at December 31, 2019 subject to fixed interest rates consisting of the FPD III Credit Facility, expiring on October 15, 2022, the FPD IV Credit Facility, expiring on March 10, 2023, the FPD V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring on May 7, 2023. As at December 31, 2019, the outstanding balances totaled $42,435 and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, of 6.95% per annum, and of 10.00% per*

annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively. Annual interest payment on the Crown Facility totals $478 for 2020 and annual interest payment on the Crown Facility totals $1,900, thereafter. The incremental 200 basis points per annum interest rate on the Crown Facility being accrued and payable at the earlier of maturity of the Crown Credit Agreement, treated as a payment in kind, totals $3,531. Credit facilities at December 31, 2018 subject to floating interest rates consisting of the Bank Credit Facility, expiring on March 31, 2020. As at December 31, 2018, the outstanding balance totaled $20,799 and bore interest at an average floating rate of 4.7% per annum. The amounts at December 31, 2018 include estimated interest totaling $978 for 2019 and $163 for 2020. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2018. Credit facilities at December 31, 2018 subject to fixed interest rates consisting of the FPD III Credit Facility expiring on October 15, 2022, FPD IV Credit Facility, expiring on March 10, 2023, the FPD V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring on May 7, 2023. As at December 31, 2018, the outstanding balance totaled $38,207 and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, of 6.95% per annum and of 10.0% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively. Annual interest payment on the Crown Facility totals $1,200.

(3) *Promissory notes related to loans provided by related parties of DCM and related to the acquisitions completed during prior years.* On July 31, 2019, DCM issued the Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of *$1,000*. The Related Party Promissory Notes bear interest at the rate of 10% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. *A non-interest bearing promissory note related to the acquisition of Perennial totaling $2,253 and payable in three installments of $1,000 due on May 8, 2019, $1,000 due on May 8, 2020 and $500 due on May 8, 2021. Promissory notes related to the acquisitions completed during the year ended December 31, 2018 and the prior year included a non interest bearing promissory notes related to the acquisition of DCM Burlington totaling $4,566 and payable in two installments of $2,283 due on February 28, 2018 and February 28, 2019, respectively, and related to the acquisition of Thistle totaling $1,913 and payable in monthly installments of $137 ending February 28, 2019. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1,160 and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $58, beginning February 28, 2018 and ending September 30, 2019. As a result of amendments to its credit agreements, DCM suspended its payments on vendor take-back promissory notes on June 30, 2019. Resumption of payments on vendor take-back promissory notes will require prior approval from its lenders. DCM received approval from its lenders and made a $500 payment towards the promissory note related to the Perennial acquisition on February 28, 2020.*

DCM also has contingent obligations in the form of letters of credit. DCM believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing restructuring initiatives will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance or investment in new capital expenditures, and interest and scheduled repayments of borrowings under its credit facilities and scheduled repayments of promissory notes. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

MARKET RISK

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. DCM's interest rate risk arises from credit facilities issuances at floating interest rates.

At December 31, 2019, $34,664 of DCM's indebtedness outstanding was subject to floating interest rates of 5.55% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit or loss and

comprehensive loss by $299 for the year ended December 31, 2019 (2018 – $203), respectively. At December 31, 2019, $42,435 of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum, of 6.95% per annum and of 10.00% per annum. The Related Party Promissory Notes, in the aggregate principal amount of $1,000 was subject to a fixed rate of 10% per annum. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $174 was subject to a fixed rate of 6.0% per annum.

CURRENCY RISK

Currency risk is the risk that the fair value of future cash flows arising from a financial instrument will fluctuate because of changes in foreign currency exchange rates. In the normal course of business, DCM does not have significant foreign exchange transactions and, accordingly, the amounts and currency risk are not expected to have adverse material impact on the operations of DCM. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

25 Expenses by nature

		For the year ended December 31, 2019		For the year ended December 31, 2018
Raw materials and other purchases	**$**	**131,324**	$	160,824
Wages and benefits		**103,111**		111,304
Occupancy costs		**10,193**		16,316
Restructuring expenses		**7,489**		2,654
Depreciation, amortization and impairments		**16,861**		9,093
Other expenses		**19,212**		13,598
Total cost of revenues and operating expenses	**$**	**288,190**	$	313,789

26 Segmented information

The CEO of DCM is the chief operating decision maker ("CODM"). The CODM reviews and assesses DCM's performance and makes decisions about resources to be allocated for each operating segment.

Given many of DCM's customers operate and run marketing campaigns on a national scale, DCM utilizes its print capabilities, logistics and fulfilment services, and digital communications solutions from its operating segments to service its customers. These operating segments have been aggregated as one reportable segment as they have similar economic characteristics, they offer a portfolio of similar products and services, they have alike customers, and their production processes and distribution methods are similar based on the aggregation criteria in IFRS 8.

Perennial is considered a separate operating segment. Perennial is a design firm focused on creating and delivering design strategies for major retail brands. Perennial's business is separate from the core DCM business and cannot be aggregated based on the criteria in IFRS 8. For the purposes of segment disclosure, Perennial does not meet the quantitative thresholds stipulated under IFRS 8, and because it is not significant, this segment is not disclosed separately.

Management evaluates the performance of the reportable segments based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segment.

All significant external sales are to customers located in Canada. DCM established operations in Niles and Chicago, Illinois and New York, New York in order to service the U.S. operations of a large customer and is seeking to grow its U.S. sales, however at December 31, 2019, U.S. sales were not significant to disclose separately.

DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

		For the year ended December 31, 2019		For the year ended December 31, 2018
Product sales	**$**	**253,146**	$	289,719
Warehousing services		**9,350**		9,424
Freight services		**10,822**		12,565
Marketing and other services		**9,558**		11,061
	$	**282,876**	$	322,769

27 Related party transactions

On July 31, 2019, DCM issued Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of $1,000. In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes. See note 14.

Effective June 23, 2015, DCM appointed an insurance company as its broker of record for its corporate insurance policies and subsequently entered into new general corporate insurance policies, including the renewal of its directors and officers liability insurance later in the year. The insurance company continues as DCM's broker of record and earns fees based on a percentage of the insurance expense paid by DCM. The insurance company was a related party whereby the Chair of the Board and the CEO of DCM each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them. On January 9, 2019, the Chair of the Board and the CEO of DCM resigned their positions as Directors and disposed of their minority interest in the insurance company. During the prior fiscal year, DCM recorded an insurance expense of $542 related to these policies. As at December 31, 2018, prepaid expenses and other current assets included prepaid insurance to the insurance company of $277.

During the year ended December 31, 2019, directors, officers and related parties of DCM participated in a rights offering of Common Shares (see note 19), purchasing 11,341,310 Common Shares (or 52.7% of the 21,523,515 common shares issued as a result of the rights offering) for consideration of $2,609. During the year ended December 31, 2018, 89,500 Common Shares were issued to the CEO of DCM pursuant to the exercise of warrants. The additional share issue caused an increase in Common Shares by $175. The increase consisted of cash proceeds of $157 as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of $18.

Effective July 1, 2018, Perennial entered into a new agreement with Perennial Designs International Private Limited, a company 100% owned by a key member of management for creative design and development of technology. During the year ended, total consulting fees totaled $734 (2018 – $289).

On March 15, 2018, DCM entered into a 5 year loan agreement with a key member of management for a total of $107 to finance the purchase of Common Shares. Interest will accrue at a rate of 3% per annum on the unpaid balance. As at December 31, 2019, the balance owing was $108 (2018 – $109) was included within other non-current assets in the statement of financial position.

These transactions are provided in the normal course of operations and are measured at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be Directors on DCM's Board, the CEO, the President, the Chief Financial Officer and other members of the senior executive team. Compensation awarded to key management personnel, excluding compensation awarded to Directors which are described below, included:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Salaries and other short-term employee benefits	**$ 2,466**	$ 3,141
Post-employment benefits	**37**	31
Share-based compensation expense	**(8)**	651
Total	**$ 2,495**	$ 3,823

During the year ended December 31, 2019, key management personnel (excluding compensation awarded to Directors) were granted 571,236 RSUs (2018 – 536,626 RSUs), and 378,723 RSUs (2018 – 261,312 RSUs) were forfeited. Key management personnel (excluding compensation awarded to Directors) were also granted options to purchase up to Nil Common Shares (2018 – 1,000,000 Common Shares) and 575,548 Common Shares (2018 – Nil Common Shares) were forfeited during the year ended December 31, 2019 (see note 19). During the year ended December 31, 2019, DCM's general and administration expenses include a recovery of +$8 (2018 – charge of $651) for these share-based compensation awards.

During the year ended December 31, 2019, DCM's general and administration expenses include a charge of $153 (2018 – $234) for the duties performed by DCM's Board, of which a recovery of $58 (2018 - a charge of $116) relates to DSU expense (note 19). A director was also granted options to purchase up to 40,000 Common shares (2018 - 200,000 Common Shares) during the year ended December 31, 2019 (see note 19). During the year ended December 31, 2019, DCM's general and administration expenses include a charge of $58 (2018 – $78) for these share-based compensation awards.

28 Subsequent events

AMENDMENTS TO CREDIT FACILITIES

On February 21, 2020, DCM entered into a sixth amendment to its Bank Credit Facility (the "Bank Sixth Amendment"). Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $50,000 and a fixed percentage of DCM's aggregate accounts receivables and inventory (less certain reserve amounts). This amendment permits DCM: (i) for the period from January 1, 2020 to April 30, 2020, to add up to $6,000 on an unmargined basis (the "Unmargined Amount") when calculating that borrowing base, and (ii) for the period from January 15, 2020 to May 14, 2020, to remove from the calculation of that borrowing base, up to $2,800 of reserves (the "Excluded Pension Reserve Amount") on account of DCM's deficit in respect of its defined benefit pension plan. The Unmargined Amount of the borrowing base will reduce at the rate of $1,000 per month commencing on May 1, 2020 until the Unmargined Amount is fully removed from the borrowing base. DCM will be required to reinstate the Excluded Pension Reserve Amount in the calculation of its borrowing base by adding $1,000 and $2,000 of that amount respectively in each of May and June, 2020, and by including all of the Excluded Pension Reserve Amount in July 2020 and thereafter. In addition to the financial covenants in the Bank Credit Agreement, the Bank Sixth Amendment added a new financial covenant that requires DCM to meet a Minimum Cash Flow Requirement (as defined in the Bank Sixth Amendment). In the event that DCM's borrowing base exceeds total borrowings under the Bank Credit Facility by less than $1,500, tested on a bi-weekly basis, the Minimum Cash Flow Requirement requires DCM to demonstrate, in that circumstance, that net cash flows for the Company for the preceding four weeks do not vary negatively from its forecasted cash flows by more than $3,000.

The Bank Sixth Amendment also restricts DCM from making payments and distributions to non-arm's length parties without the Bank's consent, subject to certain exceptions, and increases the interest rate on DCM's borrowings under the Bank Credit Facility by 0.50% for the period from January 1, 2020 to September 30, 2020. In addition, DCM has

agreed to issue to the Bank warrants to purchase, for a period of 24 months, up to 500,000 common shares of the Company at a price to be determined in accordance with the rules of, and approved by, the Toronto Stock Exchange.

On February 21, 2020, DCM entered into an agreement with each of FPD III, FPD IV and FPD V to defer the payment of regularly scheduled principal payments owing to each of them under the applicable FPD Loan Agreement commencing February 1, 2020. Scheduled principal payments will resume June 15, 2020. The deferred principal payments will be added to the amounts due at maturity of the respective FPD Loan Agreements.

On February 21, 2020, DCM entered into a fifth amendment (the "Crown Fifth Amendment") to the Crown Credit Agreement. Under the Crown Fifth Amendment, for the period from January 1, 2020 to October 1, 2020, all interest on outstanding borrowings under the Crown Credit Agreement will be deferred and will be capitalized on each date on which payment of such interest would otherwise be due by adding the amount of the interest due to DCM's then outstanding principal and interest obligations under the Crown Credit Agreement.

Holders of an aggregate of $1,000 in promissory notes, which were entered into by DCM in July 2019 with certain parties, including related parties of DCM, have agreed to defer repayment of those notes. It had been intended that these promissory notes would be repaid out of the net proceeds of the rights offering completed by the Company in December 2019.

On March 30, 2020, in reaction to anticipated COVID-19 (as defined below) impacts on its business, DCM entered into a seventh amendment to its Bank Credit Facility (the "Bank Seventh Amendment"). This amendment permits DCM to amend the definition of borrowing base by adding into the margining calculations 75% of BAR Products, without duplication, for the period from April 1, 2020 to June 30, 2020. BAR Products means Bill-as-Released finished goods products that are produced and held for future delivery based on specified contracts and billing procedures with DCM's customers. During the aforementioned period, finished goods consisting of BAR Product shall be removed from the definition of "Eligible Inventory" when calculating DCM's borrowing base. The Bank Fifth Amendment covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month has been waived in respect of the months March 2020, April 2020, May 2020 and June 2020, respectively. In addition, the covenant requiring DCM to attain revenue in a minimum amount equal to not less than 90% of its forecasted revenue on a quarterly and on a cumulative basis commencing with the fourth quarter of 2019 and ending with the quarter ending June 30, 2020 was waived starting in the fourth quarter of 2019.

On March 30, 2020, DCM also entered into an agreement with each of FPD III, FPD IV and FPD V, to waive the financial covenant to maintain a minimum monthly EBITDA of $1,000 in respect of the months of March 2020, April 2020, May 2020 and June 2020 respectively. In addition, FPD also waived the Total Funded Debt to EBTDA Ratio covenant for the quarter ending June 30, 2020.

On March 30, 2020, DCM also entered into a sixth amendment (the "Crown Sixth Amendment") to the Crown Credit Agreement. This amendment waives the Net Debt to EBITDA Ratio covenant requirements for the quarters ending March 31, 2020 and June 30, 2020, respectively and also removes the new financial covenant requiring DCM to have EBITDA of not less than $4,000 for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8,000 for the six-month period ending June 30, 2020.

COVID-19 GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, ("COVID-19"), a global pandemic. Governments in affected areas in which the Company operates have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations of gatherings and events. The impacts on the global economy have been far-reaching, however, due to the speed with which the situation developed and the uncertainty of its magnitude, outcome and duration it is not possible to quantify the impact this pandemic may have on the financial results and condition of DCM in future periods.

Management of DCM has been closely monitoring developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where it operates. While safeguarding the well-being of

individuals is the Company's principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to ensure continued operation have been implemented to date, including temporary layoffs, wage rollbacks for senior executives and director level employees, shift reductions, reductions in non-essential spending and deferral of other expenses and payments where practical and the Company continues to evaluate and assess further actions. Despite these efforts it is possible that during an extended pandemic the operation of one or more of DCM's production facilities could be disrupted. In these circumstances DCM may need to limit operations or be temporarily shut down. Although many of DCM customers' products serve essential everyday needs, it is likely that the customer demand for these customer products could continue to deteriorate due to the slowing economy.

Despite DCM's business continuing to operate as an essential provider to a number of industries, including the healthcare, financial services and supply chain sectors, the Company has experienced a reduction in demand from certain clients and sectors due to the pandemic, particularly in its retail related business. It is not currently possible to accurately quantify the impact of the pandemic on the Company's operations or financial results. These possible impacts can be caused by both the pandemic itself as well as by the extensive public restrictions to continue limiting the spread of the virus and may differ in various business areas and DCM's operating locations and timing of the loosening of various restrictions on businesses and the general public.

To date, DCM has not experienced any material disruptions in its supply chain due to COVID-19. Nor has DCM experienced any material credit collection delinquencies related to COVID-19, although certain customers have stretched their payment terms.

DCM's impairment tests for property, plant and equipment and goodwill are generally based on fair value less costs of disposal. Accordingly, as required by IFRS, DCM has not reflected these subsequent conditions in the measurement of its assets at December 31, 2019. For example, revenue assumptions used in DCM's impairment indicators/testing were based on expectations at the end of 2019. Impairment indicators for DCM's assets could exist at March 31, 2020 if current conditions persist. Management of DCM continues to work on revisions to the Company's forecasts and to develop plans in light of the current conditions and will use updated assumptions/forecasts in its impairment indicator analysis and for impairment tests, if such tests are required, including estimates for government assistance including tax rebates, holidays, grants and subsidies introduced in response to the impact of the ongoing COVID-19 pandemic. However, the full financial impact of these events on the Company's financial statements cannot be quantified at this time.

CHANGES TO WARRANTS

Subsequent to the year end, the Board approved the anti-dilution adjustments that affect certain DCM warrants outstanding at December 31, 2019, pursuant to the anti-dilution provisions of DCM's LTIP, in connection with the Rights Offering completed by the Company on December 31, 2019. The warrant exercise prices were adjusted by a factor of 1:0.917 and the number of warrants were adjusted by a factor of 1:1.09. 178,571 warrants outstanding with an exercise price of $1.08, were adjusted to 194,642 warrants outstanding with an exercise price of $0.99.

CHANGES TO SHARE-BASED COMPENSATION

Subsequent to the year end, the Board approved the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share-based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019. The option exercise prices were adjusted by a factor of 1:0.917 and the number of options, RSUs and DSUs were adjusted by a factor of 1:1.09.

Options outstanding to purchase up to 616,409 Common Shares with an exercise price of $1.50 were adjusted to options outstanding to purchase up to 671,886 Common Shares with an exercise price of $1.38. Options outstanding to purchase up to 840,000 Common Shares with an exercise price of $1.41 were adjusted to options outstanding to purchase up to 915,600 Common Shares with an exercise price of $1.29.

The 705,225 RSUs outstanding and affected by those anti-dilution adjustments at December 31, 2019 were adjusted to 768,691 RSUs. The 239,849 DSUs outstanding at December 31, 2019 were adjusted to 261,437 DSUs.

GOVERNMENT GRANTS

On April 11, 2020, the Canadian government launched the Canada Emergency Wage Subsidy (the "CEWS"), an emergency economic relief program to lessen the financial fallout on Canadian businesses from the effects of COVID-19.

The CEWS program is designed to help businesses struggling with the economic effects of the coronavirus retain and/or rehire their employees. The CEWS program provides a salary subsidy of 75% of an employee's wages (up to a weekly cap of $847) for up to 12 weeks, retroactive from March 15, 2020 and ending on June 6, 2020. The subsidy is intended to make it easier for eligible employers to avoid laying off or terminating employees, as well as to bring back staff that were laid-off due to COVID-19 by significantly lessening the organization's payroll costs.

The wage subsidy is divided into three periods, which each represent an employee's four-week pay period. The required revenue reduction the employer must experience to be eligible for CEWS depends on what period they are applying for:

- Period 1: To be eligible for CEWS for this period (which covers the employee pay period of March 15 to April 11, 2020), employers must have had at least a 15% reduction in revenue in March 2020. The lower threshold of 15% recognizes that the negative economic effects of COVID-19 did not begin until mid-March. Revenue, under this program, can be calculated using the accrual method of accounting or the cash method.
- Period 2: To be eligible for CEWS for this period (which covers the employee pay period of April 12 to May 9, 2020), employers must show a reduction of at least 30% in revenue in April 2020.
- Period 3: To be eligible for CEWS for this period (which covers the employee pay period of May 10 to June 6, 2020 pay period), employers must show a reduction of at least 30% in revenues in May of 2020.

If eligible employers determine that they qualify for the CEWS for one claim period, they will automatically qualify for the following claim period. On May 15, 2020, the Canadian government announced that it would be extending the CEWS by an additional 12 weeks to August 29, 2020 and will be working on potential adjustments to this program, including the 30 per cent revenue decline threshold.

DCM met the eligibility criteria using the cash method to calculate its revenue decline for CEWS for Period 1, and accordingly also qualified for Period 2 of this program. Under the cash revenue method, DCM's revenue was more than 15% lower in March 2020 than in March 2019. However, under the accrual method, DCM's revenue for the month of March was comparable to that in the prior year. At this time, DCM does not expect to meet the eligibility criteria for Period 3, as its cash revenue has improved considerably on a relative month over month comparison. DCM has to date qualified for, and received, approximately $6,100 under the CEWS with $1,600 of that amount attributable to the first quarter of 2020.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

J.R. Kingsley Ward [3]
Chairman, Director

William Albino [1,2,3]
Director

Merri L. Jones [1,3]
Director

James J. Murray O.Ont., SIOR [2]
Director

Michael G. Sifton [1]
Director

Derek J. Watchorn [1,2]
Director

Gregory J. Cochrane
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

EXECUTIVE TEAM

Gregory J. Cochrane
Chief Executive Officer

Mike Coté
President

James E. Lorimer
Chief Financial Officer

Chris Lund
Chief Innovation Officer

Kevin Lund
Chief Brand Officer

Ralph Misale
Chief Operations Officer

Edwina Fung
Senior Vice President, Finance

Phil Hammond
Chief Revenue Officer

CORPORATE INFORMATION

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[1] Member, Audit Committee
(Chairperson is Michael G. Sifton)

[2] Member, Corporate Governance Committee
(Chairperson is Derek J.Watchorn)

[3] Member, Human Resources & Compensation Committee
(Chairperson is J.R. Kingsley Ward)

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