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ABOUT DATA GROUP LTD.

At DATA Group, we are experts at planning and driving business communications. We help marketers and agencies unify and execute communications campaigns across multiple channels, and we help operations teams streamline and automate document and communications management processes. Our core capabilities include direct marketing, print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. We serve clients in key vertical markets such as financial services, healthcare, lottery and gaming, retail, not-for-profit, and energy. We are strategically located across Canada to support clients on a national basis, and serve the U.S. market through our facilities in Chicago, Illinois.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDER,

In the fourth quarter of 2015, we continued to see a positive impact in our financial results from the substantial headcount and plant rationalizations we implemented in the second and third quarters of 2015. The impact of lower direct and indirect labour costs, improved utilization rates at our key plants, and marginally higher levels of revenue compared to the fourth quarter of last year, contributed positively to gross margins which improved to 24.4% from 23.3% in the prior comparable period. In addition, our Adjusted EBITDA margin of 10.3% for the quarter benefited from headcount reductions and other savings initiatives we implemented across our selling, general and administrative functions throughout the year, compared to an Adjusted EBITDA margin of 7.7% in the prior period. We expect to see the continued benefits from our operational initiatives in 2016.

Our total headcount now stands at 1,430, a net reduction of 210 employees since December 31, 2014. We continue to experience significantly higher capacity utilization rates across our six key "centres of excellence". While we will continue to carefully manage our operations, we are turning our efforts to stabilizing our revenue, including a renewed focus on core vertical markets where we have a strong competitive advantage and where we see opportunities for improved product margin together with growth opportunities.

We recorded restructuring expenses of $1.5 million for the quarter ended December 31, 2015, and a total of $13.6 million for the year ended December 31, 2015 compared to an aggregate of $2.8 million in the prior year.

In December 2015, we redeemed $33.5 million aggregate principal amount (or approximately 75%) of our $44.7 million outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"). We elected to satisfy our redemption obligation by issuing 975,262,140 common shares to holders of 6.00% Convertible Debentures redeemed, in lieu of cash, together with a cash payment equal to accrued and unpaid interest on the 6.00% Convertible Debentures redeemed. This redemption provided a number of important benefits to the Company, including: eliminating a significant obstacle to refinancing our senior credit facility indebtedness; reducing the Company's outstanding total debt by approximately 37.5%; the reduction of annual cash interest expense by $2.0 million; additional financial flexibility; and increased customer, supplier and investor confidence in the Company's long term viability.

In December 2015, we completed the upgrade of our entire digital print production fleet, having entered into an exclusive agreement with Xerox for the supply, installation and maintenance of digital printing equipment and workflow software. We now use Xerox digital presses for all our digital cut-sheet printing.

In March 2016, we announced that we had refinanced our former senior credit facilities by establishing a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM Credit Facility") with the Integrated Private Debt division of Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016. Approximately $43.3 million of the total principal amount available under the new credit facilities has been used to fully repay outstanding indebtedness under our former senior credit facilities, which would have matured in August 2016. The Bank Credit Facility has a maximum available principal amount of $25.0 million with a three year term. The IAM Credit Facility has a maximum available principal amount of $28.0 million with a seven year term.

To support our efforts to stabilize and grow revenue, we have been developing a renewed strategic plan, customer value story and marketplace identity. In March 2016, we announced a complete corporate rebranding, including a new operating name. Effective immediately, the Company will operate as "DATA Communications Management" and feature a new logo, website, and "go to market" strategy. We spent much of 2015 right-sizing our business and priming it for renewal. I'm excited that we're now moving into the growth phase of our plan and this rebranding is just the beginning of our journey.

In connection with our new operating name, we also announced plans to change our legal name to "DATA Communications Management Corp." The legal name change is subject to the approval of our shareholders, and we will be seeking shareholders' approval at our upcoming annual and special shareholders meeting.

For a full description of our financial results for the fourth quarter of 2015 and full year financial results for 2015, please refer to our audited consolidated financial statements for the year ended December 31, 2015 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Sincerely,

(Signed) Michael G. Sifton

President and Chief Executive Officer

DATA Group Ltd.

March 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") comments on the consolidated operations, performance and financial condition of DATA Group Ltd. ("DATA Group") for the years ended December 31, 2015 and 2014. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of DATA Group for the years ended December 31, 2015 and 2014.

All financial information in this MD&A is presented in Canadian dollars and in accordance with generally accepted accounting principles ("GAAP") measured under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") for publicly accountable entities, unless specified otherwise.

The date of this MD&A is March 11, 2016. Additional information relating to DATA Group, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

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 DATA Group, 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 DATA Group's current views regarding future events and operating performance, are based on information currently available to DATA Group, 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 DATA Group 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 DATA Group made or took into account in the preparation of these forward-looking statements include the limited growth in the traditional printing industry and the potential for further declines in sales of DATA Group'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 DATA Group which are related to reduced demand for its printed products will continue to adversely affect DATA Group's financial results; the risk that DATA Group may not be successful in reducing the size of its legacy print business, reducing costs, reducing its long-term debt, repaying or refinancing its outstanding 6.00% convertible unsecured subordinated debentures, and growing its digital communications business; the risk that DATA Group may not be successful in managing its organic growth; DATA Group'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 DATA Group and are well-established suppliers; DATA Group's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA Group's businesses; risks associated with acquisitions by DATA Group; increases in the costs of paper and other raw materials used by DATA Group; and DATA Group's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the headings "Risk Factors" and "Risks and Uncertainties" in DATA Group's publicly available disclosure documents, as filed by DATA Group 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, DATA Group does not intend and does not assume any obligation to update these forward-looking statements.

NON-GAAP MEASURES

This MD&A includes certain non-GAAP 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 net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA for the year ended December 31, 2015 means EBITDA adjusted for restructuring expenses, a gain on redemption of convertible debentures and a goodwill impairment charge. Adjusted EBITDA for the year ended December 31, 2014 means EBITDA adjusted for restructuring expenses and gains on the cancellation of convertible debentures purchased by DATA Group in the market. Adjusted EBITDA for the year ended December 31, 2013 means EBITDA adjusted for restructuring charges and goodwill impairment charges. Adjusted net income (loss) for the year ended December 31, 2015 means net income (loss) adjusted for restructuring expenses, gain on the redemption of convertible debentures, a goodwill impairment charge and the tax effects of those items. Adjusted net income (loss) for the year ended December 31, 2014 means net income (loss) adjusted for restructuring expenses, gains on the cancellation of convertible debentures purchased by DATA Group in the market and the tax effects of those items. Adjusted net income (loss) for the year ended December 31, 2013 means net income (loss) adjusted for restructuring expenses, goodwill impairment charges and the tax effects of those items. Adjusted net income (loss) per share, basic is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of shares (basic and diluted) outstanding during the period. DATA Group believes that, in addition to net income (loss), Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA Group and its predecessors. 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 DATA Group's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 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 below.

BUSINESS OF DATA GROUP

OVERVIEW

DATA Group plans and executes business communications. DATA Group helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications processes. DATA Group derives its revenues from the following core capabilities: direct marketing, print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. DATA Group is strategically located across Canada to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois. DATA Group generally negotiates sales contracts and service level agreements with its clients and generally does not use standardized contracts. Customer agreements and terms typically include provisions consistent with industry practice, allowing DATA Group to pass along increases in the cost of paper and other raw materials used to manufacture products.

Certain elements of DATA Group's gift card and direct mail businesses as well as the buying patterns of certain major customers of DATA Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters, which results in seasonal fluctuations in sales of those products.

DATA Group has recently rebranded its visual identity as part of its ongoing strategic transformation designed to generate long-term enterprise value and increase appreciation for shareholders. See "Outlook" below.

REVENUE RECOGNITION POLICY

DATA Group recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DATA Group's products are customized, product returns are not significant. DATA Group may provide pre-production services to its customers; however, these services do not have standalone value and there is no objective and reliable evidence of fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA Group recognizes warehousing and marketing service fees when the services are provided, the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA Group and the costs associated with these services can be reliably measured. DATA Group occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing service fees are included in one overall selling price of DATA Group's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DATA Group's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DATA Group has incurred restructuring expenses in each of the last three fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures. DATA Group's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DATA Group's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA Group's facilities, utilities, insurance and building maintenance. DATA Group'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, 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 facility, telecommunications, pension plan expenses and professional service fees.

GENERAL INFORMATION AND RESULTS OF OPERATIONS

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

For the years ended December 31, 2015, 2014 and 2013 (in thousands of Canadian dollars, except share and per share amounts, unaudited)	**January 1 to December 31, 2015**	January 1 to December 31, 2014	January 1 to December 31, 2013
Revenues	**$ 304,575**	$ 313,175	$ 316,961
Cost of revenues	**233,505**	238,563	236,879
Gross profit	**71,070**	74,612	80,082
Selling, general and administrative expenses	**54,714**	57,074	59,826
Restructuring expenses	**13,560**	2,804	7,034
Impairment of goodwill	**26,000**	–	44,000
Gain on redemption of convertible debentures	**(12,766)**	–	–
Gain on cancellation of convertible debentures	**–**	(103)	–
Amortization of intangible assets	**1,949**	1,916	8,370
	83,457	61,691	119,230
Income (loss) before finance costs and income taxes	**(12,387)**	12,921	(39,148)
Finance costs			
Interest expense	**5,599**	6,124	6,657
Interest income	**(11)**	(21)	(15)
Amortization of transaction costs	**468**	591	568
	6,056	6,694	7,210
Income (loss) before income taxes	**(18,443)**	6,227	(46,358)
Income tax expense (recovery)			
Current	**1,191**	69	2,916
Deferred	**(462)**	1,679	(3,432)
	729	1,748	(516)
Net income (loss) for the year	**$ (19,172)**	$ 4,479	$ (45,842)
Net income (loss) attributable to common shareholders	**$ (19,172)**	$ 4,479	$ (45,831)
Basic and diluted earnings (loss) per share	**$ (0.40)**	$ 0.19	$ (1.95)
Weighted average number of common shares outstanding	**47,538,152**	23,490,592	23,490,592

As at December 31, 2015, 2014 and 2013 (in thousands of Canadian dollars, unaudited)	**As at December 31, 2015**	As at December 31, 2014	As at December 31, 2013
Current assets	**$ 80,125**	$ 83,619	$ 78,717
Current liabilities	**90,298**	46,176	42,545
Total assets	**134,067**	164,977	166,597
Total non-current liabilities	**24,750**	100,388	105,977
Shareholders' equity	**$ 19,019**	$ 18,413	$ 18,075

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted.

For the years ended December 31, 2015, 2014 and 2013 (in thousands of Canadian dollars, except percentage amounts, unaudited)	**January 1 to December 31, 2015**	January 1 to December 31, 2014	January 1 to December 31, 2013
Revenues	**$ 304,575**	$ 313,175	$ 316,961
Gross profit	**$ 71,070**	$ 74,612	$ 80,082
Gross profit, as a percentage of revenues	**23.3%**	23.8%	25.3%
Selling, general and administrative expenses	**$ 54,714**	$ 57,074	$ 59,826
As a percentage of revenues	**18.0%**	18.2%	18.9%
Adjusted EBITDA (see Table 3)	**$ 21,110**	$ 22,478	$ 25,586
Adjusted EBITDA, as a percentage of revenues	**6.9%**	7.2%	8.1%
Net income (loss) for the year	**$ (19,172)**	$ 4,479	$ (45,842)
Adjusted net income (loss) (see Table 4)	**$ 5,764**	$ 6,487	$ 3,346
Adjusted net income (loss), as a percentage of revenues	**1.9%**	2.1%	1.1%

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

EBITDA and Adjusted EBITDA reconciliation

For the years ended December 31, 2015, 2014 and 2013 (in thousands of Canadian dollars, unaudited)	**January 1 to December 31, 2015**	January 1 to December 31, 2014	January 1 to December 31, 2013
Net income (loss) for the year	**$ (19,172)**	$ 4,479	$ (45,842)
Interest expense	**5,599**	6,124	6,657
Interest income	**(11)**	(21)	(15)
Amortization of transaction costs	**468**	591	568
Current income tax expense	**1,191**	69	2,916
Deferred income tax expense (recovery)	**(462)**	1,679	(3,432)
Depreciation of property, plant and equipment	**4,754**	4,940	5,330
Amortization of intangible assets	**1,949**	1,916	8,370
EBITDA	**$ (5,684)**	$ 19,777	$ (25,448)
Restructuring expenses	**13,560**	2,804	7,034
Impairment of goodwill	**26,000**	–	44,000
Gain on redemption of convertible debentures	**(12,766)**	–	–
Gain on cancellation of convertible debentures	**–**	(103)	–
Adjusted EBITDA	**$ 21,110**	$ 22,478	$ 25,586

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

Adjusted net income (loss) reconciliation

For the years ended December 31, 2015, 2014 and 2013 (in thousands of Canadian dollars, except share and per share amounts, unaudited)	**January 1 to December 31, 2015**	January 1 to December 31, 2014	January 1 to December 31, 2013
Net income (loss) for the year	**$ (19,172)**	$ 4,479	$ (45,842)
Restructuring expenses	**13,560**	2,804	7,034
Impairment of goodwill	**26,000**	–	44,000
Gain on redemption of convertible debentures	**(12,766)**	–	–
Gain on cancellation of convertible debentures	**–**	(103)	–
Tax effect of the above adjustments	**(1,858)**	(693)	(1,846)
Adjusted net income (loss)	**$ 5,764**	$ 6,487	$ 3,346
Adjusted net income (loss) per share, basic and diluted	**$ 0.12**	$ 0.28	$ 0.14
Pro forma Adjusted net income (loss) per share, basic and diluted (1)	**$ 0.0058**	$ 0.0065	$ 0.0034
Weighted average number of common shares outstanding	**47,538,152**	23,490,592	23,490,592
Number of common shares outstanding	**998,752,732**	23,490,592	23,490,592

Note:

(1) On December 23, 2015, DATA Group issued 975,262,140 shares in connection with the redemption of approximately 75% of its 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"). Pro forma Adjusted net income (loss) per share, a non-GAAP measure, assumes Adjusted net income (loss) per share was calculated on the basis of the total number of shares outstanding at December 31, 2015, rather than the weighted average number of shares outstanding at the period end, given the significant dilution that occurred with eight days left in the fiscal year.

RESULTS OF OPERATIONS

The president and chief executive officer ("CEO") of DATA Group is the chief operating decision-maker ("CODM"). Management has determined that there is one operating segment based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. As a result of the organizational and operational changes implemented by DATA Group in 2015, DATA Group's operations are increasingly integrated and interdependent and less focused on serving separate distribution channels and, therefore, DATA Group's former Multiple Pakfold operating segment has been included in one consolidated operating segment commencing in the quarter ended December 31, 2015.

REVENUES

For the year ended December 31, 2015, DATA Group recorded revenues of $304.6 million, a decrease of $8.6 million or 2.7% compared with the same period in 2014. The decrease in revenues for the year ended December 31, 2015 was primarily due to a reduction in orders from existing customers for print-related products and services, price concessions associated with maintaining existing customer contracts in response to aggressive pricing by DATA Group's competitors supplying similar products and services, reduced demand for printed products generally, non-recurring projects, timing of customer orders and a change in product mix.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2015, cost of revenues decreased to $233.5 million from $238.6 million for the same period in 2014. Gross profit for the year ended December 31, 2015 was $71.1 million, which represented a decrease of $3.5 million or 4.7% from $74.6 million for the same period in 2014. Gross profit as a percentage of revenues decreased to 23.3% for the year ended December 31, 2015 compared to 23.8% for the same period in 2014. The decrease in gross profit as a percentage of revenues for the year ended December 31, 2015 was due to a decrease in revenues, the impact of competitive pricing and changes in product mix, which were partially offset by cost reductions realized from prior cost savings initiatives. These cost savings included headcount reductions which helped reduce direct and indirect labour costs, and the renegotiation of agreements for a number of raw material input costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses, excluding amortization of intangible assets, for the year ended December 31, 2015 decreased $2.4 million or 4.1% to $54.7 million compared to $57.1 million for the same period of 2014. As a percentage of revenues, these costs were 18.0% and 18.2% of revenues for the years ended December 31, 2015 and 2014, respectively. The decrease in SG&A expenses for the year ended December 31, 2015 was primarily attributable to cost savings initiatives implemented in 2015 including headcount reductions across sales, general and administration functions and was partially offset by the write off of leasehold improvements at closed facilities.

RESTRUCTURING EXPENSES

For the year ended December 31, 2015, DATA Group announced and completed a significant number of strategic actions to improve its financial performance, resulting in total restructuring expenses of $13.6 million comprised of (i) $11.2 million of restructuring expenses due to changes in senior management, headcount reductions across DATA Group's operations and the closure of certain manufacturing and warehouse locations, and a (ii) charge to onerous contracts of $2.3 million for lease exit charges for a closed warehouse in Brampton, Ontario and closed facilities in Calgary, Alberta and Vancouver, British Columbia, respectively. These actions included the implementation of a net workforce reduction plan of more than 200, the refocusing of its operations into "centres of excellence" at six key plants, and the continued shift of its product offering and mix to achieve higher average gross margins, while establishing a disciplined product management culture. While the most significant actions in fiscal 2015 were largely announced in August, 2015, they were substantially completed by the end of September 2015.

The headcount reductions implemented resulted in a reduction in total compensation expenses by more than $10.0 million on an annualized basis, and were effected across the entire organization with benefits commencing in the third quarter and particularly in the fourth quarter of 2015. Following these initiatives, lower direct and indirect labour costs, together with improved utilization rates at our key plants contributed positively to improved gross margins, despite lower levels of revenue compared to the prior fiscal year. In addition, Adjusted EBITDA margins benefited from headcount reduction and other savings initiatives DATA Group implemented across its senior executive, sales, and general and administrative functions.

For comparison, in the year ended December 31, 2014, DATA Group incurred restructuring expenses of $2.8 million related to headcount reductions, management changes, consulting fees and the closure of one manufacturing location that did not result in a charge related to an onerous contract.

IMPAIRMENT OF GOODWILL

During the second quarter of 2015, impairment indicators, including changes in the revenue trends and profit forecasts and the failure to meet certain financial covenants under its credit facilities, indicated that DATA Group's assets may be impaired. As a result of this new information, DATA Group performed an impairment analysis at June 30, 2015 by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. As a result of that review, DATA Group concluded that the fair value of its DATA CGU was less than its carrying value. Accordingly, DATA Group recorded an impairment of goodwill of $26.0 million related to the DATA CGU during the three month period ended June 30, 2015.

During the fourth quarter of 2015, DATA Group performed its annual review of impairment of goodwill by comparing the fair value of each CGU to the CGU's carrying value. DATA Group determined the fair value of each CGU by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values required DATA Group to make a number of estimates and assumptions such as projected future revenues, costs of revenues, operating margins, market conditions well into the future, and discount rates. As a result of that review, DATA Group concluded that no further goodwill impairment charges were required.

GAIN ON REDEMPTION OF CONVERTIBLE DEBENTURES

During the year ended December 31, 2015, DATA Group redeemed $33.5 million aggregate principal amount of its $44.7 million outstanding 6.00% Convertible Debentures on December 23, 2015 (the "Redemption Date"). DATA Group elected to satisfy its obligation by issuing and delivering to holders of 6.00% Convertible Debentures redeemed common shares of DATA Group (the "Common Shares") in lieu of cash. On redemption, holders of the 6.00% Convertible Debentures received: (i) a number of Common Shares equal to the principal amount of 6.00% Convertible Debentures redeemed on the Redemption Date divided by 95% of the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ended on December 16, 2015, and (ii) a cash payment equal to accrued and unpaid interest on the 6.00% Convertible Debentures redeemed up to but excluding the Redemption Date, less any applicable withholding taxes. On the Redemption Date, DATA Group issued 975,262,140 Common Shares, which, based on the formula described above, was calculated using a volume-weighted average trading price of $0.03619 per share. Under IFRS, the Common Shares issued were determined to have a fair value on the Redemption Date of $0.02 per share. Common Shares having a fair value of $19.5 million for purposes of IFRS were issued to satisfy the redemption price of the 6.00% Convertible Debentures redeemed on the Redemption Date, which had a carrying value of $32.7 million on that date. This resulted in a gain on redemption of convertible debentures of $13.2 million for purposes of IFRS. Transaction costs of $0.4 million were incurred to execute the redemption and have been netted against the gain on redemption of convertible debentures.

GAIN ON CANCELLATION OF CONVERTIBLE DEBENTURES

During the year ended December 31, 2014, DATA Group commenced a normal course issuer bid ("NCIB") to purchase a portion of the outstanding 6.00% Convertible Debentures and recorded a gain of $0.1 million related to the cancellation of debentures purchased under the NCIB.

ADJUSTED EBITDA

For the year ended December 31, 2015, Adjusted EBITDA was $21.1 million, or 6.9% of revenues. Adjusted EBITDA for the year ended December 31, 2015 decreased $1.4 million or 6.1% from the same period in the prior year and the Adjusted EBITDA margin for the period, as a percentage of revenues, decreased from 7.2% of revenues in 2014 to 6.9% of revenues in 2015. The decrease in Adjusted EBITDA for the year ended December 31, 2015 was attributable to a decline in revenues, which was primarily a result of lower production volumes, pricing concessions and changes in product mix, and was largely offset by cost savings initiatives announced and commenced in the second quarter, and substantially completed in the third quarter of 2015.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DATA Group's former credit facilities, on its outstanding 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities and on DATA Group's employee benefit plans, was $5.6 million for the year ended December 31, 2015 compared to $6.1 million for the same period in 2014. Interest expense for the year ended December 31, 2015 was lower than the same period in the prior year primarily as a result of a reduction in debt outstanding under DATA Group's former credit facilities.

INCOME TAXES

DATA Group reported a loss before income taxes of $18.4 million, a current income tax expense of $1.2 million and a deferred income tax recovery of $0.5 million for the year ended December 31, 2015 compared to income before income taxes of $6.2 million, a current income tax expense of $0.1 million and a deferred income tax expense of $1.7 million for the year ended December 31, 2014. The current income tax expense was due to the taxes payable on DATA Group's estimated taxable income for the years ended December 31, 2015 and 2014. The deferred income tax expense and deferred income tax recovery were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the years ended December 31, 2015 and 2014, respectively.

NET INCOME (LOSS)

Net loss for the year ended December 31, 2015 was $19.2 million compared to net income of $4.5 million for the year ended December 31, 2014. The decrease in comparable profitability for the year ended December 31, 2015 was substantially due to lower gross profit as a result of lower revenues, higher restructuring expenses, a goodwill impairment charge, and a larger current income tax expense during the year ended December 31, 2015. The decrease in comparable profitability was partially offset by cost savings realized as a result of the significant restructuring initiatives in 2015 that led to a decline in SG&A expenses, a gain on redemption of convertible debentures, lower interest expense and a deferred tax recovery during the year ended December 31, 2015.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2015 was $5.8 million compared to Adjusted net income $6.5 million for the same periods in 2014. The decrease in comparable profitability for the year ended December 31, 2015 was attributable to lower gross profit as a result of declines in revenues primarily attributable to lower production volumes, pricing concessions and changes in product mix, and was partially offset by lower direct and indirect labour costs and SG&A expenses attributable to cost savings realized as a result of the restructuring initiatives in 2015.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

In March 2016, DATA Group refinanced its credit facilities by establishing a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM Credit Facility") with the Integrated Private Debt division of Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA Group and the Bank (the "Bank Credit Agreement") and IAM (the "IAM Credit Agreement"), respectively. Approximately $43.3 million of the total available principal amount available to DATA Group under the IAM Credit Agreement and the Bank Credit Agreement has been used to fully repay DATA Group's outstanding indebtedness under its former credit facilities, which would have matured in August 2016. As at March 11, 2016, DATA Group had outstanding borrowings of $15.9 million and letters of credit granted of $2.2 million under the Bank Credit Facility, and outstanding borrowings of $28.0 million under the IAM Credit Facility.

The Bank Credit Facility has a maximum available principal amount of $25.0 million. A portion of the Bank Credit Facility consists of a non-revolving term credit facility (the "Bank Term Facility") in a maximum principal amount of $5.0 million as well as a committed treasury facility pursuant to which the Bank may, in its sole discretion, agree to enter into non-speculative hedging arrangements, subject to certain restrictions. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $25.0 million and a fixed percentage of DATA Group's aggregate accounts receivable and inventory (less certain amounts). The Bank Term Facility is a sub facility of the Bank Credit Facility and is available by way of a single advance and it`s availability is not based on DATA Group's accounts receivable or inventories. The proceeds of the Bank Term Facility must be used by DATA Group to repay indebtedness owing by it under the senior credit facilities previously maintained by DATA Group with a syndicate of Canadian chartered banks. Advances under the Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 75 basis points. The Bank Term Facility matures on the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement and repayments of amounts owing under the Bank Term Facility will not reduce the total available principal amount under the Bank Credit Facility. The Bank Credit Facility matures on the earlier of March 10, 2019 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement.

The IAM Credit Facility matures on March 10, 2023 and has a maximum available principal amount of $28.0 million. Indebtedness outstanding under the IAM Credit Facility bears interest at a fixed rate equal to 6.95% per annum. Under the terms of the IAM Credit Agreement, DATA Group is required to make mandatory blended equal monthly repayments of principal and interest such that, on maturity, advances under the IAM Credit Facility and applicable interest on those advances will have been fully repaid. Repayments cannot be reborrowed. DATA Group may, upon prior written notice to IAM, prepay the IAM Credit Facility in whole, but not in part, at any time provided that DATA Group pays IAM a prepayment premium equal to the greater of three months' interest on the amount prepaid and the difference between (i) the present value of the principal and interest payments that would have been made had the prepayment not been made, discounted at the rate determined by IAM based on the yield on Government of Canada debt obligations having terms approximately equal to the term from the date of prepayment to the original maturity date of the IAM Credit Facility; and (ii) the face value of the principal amount being prepaid at the date of prepayment.

Both the Bank Credit Agreement and the IAM Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board of Directors and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DATA Group without the consent of the Bank or IAM, as applicable. Under the terms of the IAM Credit Agreement, DATA Group has agreed that it will not, without the prior written consent of IAM, 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 DATA Group, 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, DATA Group will have 60 days to replace such officer, such replacement officer to be satisfactory to IAM, acting reasonably. The Bank Credit Facility limits spending on capital expenditures by DATA Group to an aggregate amount not to exceed $5.5 million during any fiscal year, and the IAM Credit Agreement limits the incurrence of capital expenditures to no more than $5.0 million in any fiscal year.

Under the terms of the IAM Credit Agreement, DATA Group must ensure that the aggregate of the principal amount outstanding under the IAM Credit Facility and the principal amount outstanding under the Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), does not exceed $50.0 million; and DATA Group must maintain (i) a ratio of Senior Funded Debt to EBITDA (as defined below) for its four most recently completed fiscal quarters of not greater than the following levels: from the date of the advance up to March 31, 2017 – 3.25 to 1; from April 1, 2017 up to March 31, 2018 – 3.00 to 1; and on and after April 1, 2018 – 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. For purposes of the Bank Credit Agreement and the IAM Credit 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.

Under the terms of the Bank Credit Agreement, DATA Group must maintain a fixed charge coverage ratio of not less than 1.1:1.0 at all times, calculated on a consolidated basis, in respect of any particular 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 DATA Group to service its outstanding debt for such period.

A failure by DATA Group to comply with its obligations under the Bank Credit Agreement or the IAM Credit Agreement, together with certain other events, including a change of control of DATA Group, 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.

For purposes of the Bank Credit Agreement, a change of control means (i) any event or circumstance whereby any person, or group of persons acting jointly or in concert, acquire voting control or direction over 25% or more of the votes attaching to the equity interests of DATA Group (on a fully diluted basis after giving effect to the conversion or exchange of securities convertible into, exchangeable for, or otherwise carrying the right to acquire equity interests); or (ii) DATA Group fails to beneficially and legally own and control 100% of the equity interests of its subsidiary, DATA Group (US) Corp.

For purposes of the IAM Credit Agreement, a change of control will be deemed to have occurred if (i) any person or persons acting together at any time own or control, directly or indirectly, at least 20% of the outstanding equity interests in DATA Group (calculated on a fully diluted basis after taking into account any conversion rights assuming such conversion has actually occurred); or (ii) DATA Group does not, or ceases to, own and control, directly or indirectly, 100% of the voting shares of each any entity that has guaranteed DATA Group's obligations under the IAM Credit Agreement (which includes DATA Group (US) Corp.) or does not, or ceases to, have the right, directly or indirectly, to appoint a majority of the board of directors of any such guarantor. For purposes of the IAM Credit Agreement, an event of default will also be deemed to have occurred on the first day on which a majority of the members of the board of directors of DATA Group are not Continuing Directors where "Continuing Directors" means, as of any date of determination, any member of the board of directors of DATA Group who: (i) was a member of DATA Group's board of directors on March 10, 2016; (ii) was a replacement of a director who has either (A) died, or (B) ceased to be qualified as a director under the Business Corporations Act (Ontario); or (iii) was nominated for election, or appointed, to DATA Group's board of directors with the approval of a majority of the Continuing Directors who were members of DATA Group's board of directors at the time of such nomination or election.

Each of the Bank Credit Facility and the IAM Credit Facility is secured by conventional security charging all the property and assets of DATA Group and its affiliates. The payment of the principal of, and interest on, DATA Group's outstanding 6.00% Convertible Debentures is subordinated in right of payment to the prior payment in full of DATA Group's indebtedness under the Bank Credit Agreement and the IAM Credit Agreement.

As at December 31, 2015, 6.00% Convertible Debentures in an aggregate principal amount of $11.2 million were outstanding. The 6.00% Convertible Debentures mature on June 30, 2017, bear interest at a rate of 6.00% per annum payable semi-annually and are convertible into Common Shares at the option of the holder at any time prior to June 30, 2017 (or, if called for redemption prior to that date, on the business day immediately preceding the dated specified by DATA Group for redemption of the 6.00% Convertible Debentures) at a conversion price of $12.20 per share, being a conversion rate of approximately 81.967 shares per $1,000 principal amount of 6.00% Convertible Debentures, subject to adjustment in certain events. The 6.00% Convertible Debentures may be redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest. DATA Group may, at its option and without the consent of holders of 6.00% Convertible Debentures, on not more than 60 days' and not less than 40 days' prior notice, subject to applicable regulatory approval and provided no Event of Default (as defined in the amended and restated trust indenture dated as of January 1, 2012 (the "Trust Indenture") between DATA Group and Computershare Trust Company of Canada (the "Debenture Trustee"), which governs the 6.00% Convertible Debentures) has occurred and is continuing, elect to satisfy its obligation to pay the redemption price of the 6.00% Convertible Debentures which are to be redeemed or the principal amount of the 6.00% Convertible Debentures which are due on maturity, as the case may be, by issuing freely tradable Common Shares to the holders of the 6.00% Convertible Debentures. Any accrued and unpaid interest on those debentures will be paid in cash. The number of Common Shares to be issued will be determined by dividing the aggregate redemption price of the outstanding 6.00% Convertible Debentures which are to be redeemed or the principal amount of the outstanding 6.00% Convertible Debentures which have matured, as the case may be, by 95% of the Current Market Price (being the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange ("TSX") for 20 consecutive trading days ending on the fifth trading day preceding the redemption date) on the date fixed for redemption or the maturity date, as the case may be. The terms of the 6.00% Convertible Debentures are described in greater detail in DATA Group's Annual Information Form for the year ended December 31, 2014, which is available on SEDAR at www.sedar.com.

Market conditions and DATA Group's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DATA Group from time to time or upon the maturity of the Bank Credit Facility, IAM Credit Facility, the 6.00% Convertible Debentures or other indebtedness of DATA Group.

As at December 31, 2015, DATA Group had cash and cash equivalents of $0.9 million compared to cash and cash equivalents of $0.8 million at December 31, 2014. The cash equivalents consisted mainly of short-term investments, such as money market deposits. DATA Group has deposited the cash equivalents with Canadian Schedule 1 banks, from which DATA Group believes the risk of loss to be remote.

As at December 31, 2015, DATA Group maintained credit facilities (the "Former Credit Facilities") with a syndicate of Canadian chartered banks pursuant to a Third Amended and Restated Credit Agreement dated December 19, 2014. The Former Credit Facilities, which had a maximum available principal amount of $55.0 million, (comprised of a $10.0 million revolving facility, a $5.0 million swing line facility, and a $40.0 million amortizing term loan) were to have matured on August 31, 2016 without the option for renewal or extension. During the year ended December 31, 2015, DATA Group used $4.0 million in cash to repay a portion of the indebtedness outstanding under the Former Credit Facilities outstanding. As discussed above, DATA Group repaid all indebtedness outstanding under the Former Credit Facilities as of March 10, 2016 and those credit facilities have been terminated.

In assessing DATA Group's liquidity requirements, DATA Group takes into account its level of cash and cash equivalents, 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 and planned restructuring activities, as well as its ongoing cash needs for its existing operations, including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DATA Group'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 DATA Group'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. DATA Group'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.

PENSION FUNDING OBLIGATIONS

DATA Group maintains a defined benefit and defined contribution pension plan (the "DATA Group Pension Plan") for some of its employees. Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Group Pension Plan. However, DATA Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Group Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Group Pension Plan. Applicable pension legislation requires that the funded status of the defined benefit provision of the DATA Group Pension Plan be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination).

The funded status of DATA Group's pension plan is impacted by actuarial assumptions, the plan's investment performance, changes in economic conditions and debt and equity markets, changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administrative expenses, among others. Where an actuarial valuation reveals a solvency deficit, current pension regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. Actuarial valuations are required on the DATA Group Pension Plan every three years, beginning January 1, 2014. Based on these valuations, the annual cash contributions to this plan will be determined and will depend 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.

During the year ended December 31, 2014, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2014, the DATA Group Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA Group's annual cash contributions for the next two years to the defined benefit provision of the DATA Group Pension Plan will be unchanged at $1.3 million. During the year ended December 31, 2015, DATA Group made all the required payments related to its funding requirement for the defined benefit provision of the DATA Group Pension Plan for 2015, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014. DATA Group's projected funding obligations for the defined benefit provision of this plan are set out below in the "Contractual obligations – Summary" table under the heading "Contractual obligations". DATA Group's funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2016 is $1.3 million.

DATA Group makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DATA Group facilities located in the Province of Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. Based upon the terms of those applicable collective bargaining agreements, DATA Group's estimated annual funding obligation for the SRDF for 2016 is $0.5 million. The most recent funding actuarial report (as at December 31, 2013) in respect of the Québec members of the plan disclosed a solvency deficiency and a gap between the minimum total contributions required under applicable Québec pension legislation and total employer contributions determined pursuant to collective agreements.

Under Québec pension legislation applicable prior to December 31, 2014, DATA Group would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DATA Group had withdrawn from the plan or if the plan had been terminated. On February 18, 2015, Bill 34 (An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans) was tabled in the Québec legislature. Bill 34, which was adopted on April 2, 2015 with effect from December 31, 2014, amends and clarifies the Québec pension legislation for the SRDF 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 solvency deficiencies;
- allow for the reduction of accrued benefits; 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 within five years of Bill 34 being adopted.

In addition, it appears that another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a "Recovery Plan". However, it is unclear as to what form any such plan will take and any related implications for DATA Group cannot be determined at this time.

DATA Group has accounted for this plan on a defined contribution basis.

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. The SERP is unfunded. DATA Group's annual funding obligation under the SERP is approximately $0.6 million.

CASH FLOW FROM OPERATIONS

Changes in working capital generated $3.5 million in cash flow during the year ended December 31, 2015. The trade receivables balance increased by $0.8 million as a result of higher revenues during the fourth quarter of 2015. Inventory levels decreased by $3.1 million as a result of the timing of shipments of products to customers and DATA Group's efforts to reduce the amount of customer inventory on hand. Prepaid expenses and other current assets decreased by $1.5 million due to a reduction in prepayments for insurance expense and rent expense. The trade payables balance increased by $0.4 million as a result of the timing of payments to suppliers for purchases. Deferred revenues decreased by $0.6 million due to the timing of shipments during the fourth quarter of 2015.

INVESTING ACTIVITIES

DATA Group takes a disciplined approach to monitoring its investments, whereby material capital expenditures are subjected to rigorous analysis and ongoing measurement and comparison against budgets to ensure a return on the investment. DATA Group's maintenance capital expenditures consist of replacement of existing capital assets to sustain cash flows, and typically include furniture, fixtures, computer equipment, printing equipment, and leasehold improvements. DATA Group's growth capital expenditures consist of purchases of capital assets to generate new cash flows, and typically include the purchase of new furniture, fixtures, computer equipment and printing equipment to support new business and organic business growth. In addition to maintenance and growth capital expenditures, DATA Group incurs recurring repair and maintenance expenses that are expensed as they are incurred and are not included in capital expenditures. Capital expenditures for the year ended December 31, 2015 were $4.3 million. These capital expenditures, which were financed by cash flow from operations, were related primarily to maintenance capital expenditures and the consolidation of three existing manufacturing facilities into one new manufacturing facility in Calgary, Alberta. The capital expenditures related to the new manufacturing facility in Calgary, Alberta totaled approximately $3.8 million of which approximately $3.2 million was paid during the year ended December 31, 2015 and the balance was paid in 2014.

FINANCING ACTIVITIES

During the year ended December 31, 2015, DATA Group repaid $4.0 million of the principal amount outstanding under the Former Credit Facilities.

NORMAL COURSE ISSUER BID

In May 2015, DATA Group renewed its NCIB for another 12 months. Under the NCIB, DATA Group may purchase up to a maximum of $4.4 million aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the "public float" of the 6.00% Convertible Debentures outstanding and daily purchases are limited to $14,250 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. As at the date of this report, none of the 6.00% Convertible Debentures have been purchased under the renewed NCIB. Under the previous NCIB, which expired in May 2015, DATA Group purchased $0.3 million aggregate principal amount of the 6.00% Convertible Debentures.

OUTSTANDING SHARE DATA

At March 11, 2016 and December 31, 2015, there were 998,752,732 Common Shares outstanding. On December 23, 2015, DATA Group redeemed $33.5 million aggregate principal amount of its $44.7 million outstanding 6.00% Convertible Debentures and satisfied the redemption price by issuing 975,262,140 Common Shares. At December 31, 2014 there were 23,490,592 Common Shares outstanding. At March 11, 2016 and December 31, 2015, $11.2 million aggregate principal amount of 6.00% Convertible Debentures were outstanding. At December 31, 2014, $44.7 million aggregate principal amount of 6.00% Convertible Debentures were outstanding. The 6.00% Convertible Debentures are convertible into Common Shares at the option of the holder at any time prior to June 30, 2017. See "Liquidity and capital resources – Liquidity" above for a description of the 6.00% Convertible Debentures. The Board of Directors has approved the award of options to purchase up to 1,174,500 Common Shares to the president and chief executive officer of DATA Group. The options were granted on April 16, 2015, have an exercise period of seven years from the grant date once vested, and have an exercise price of $0.75 per share, representing the fair value of the Common Shares on date of grant.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

DATA Group's financial instruments consisted of cash and cash equivalents, trade receivables, trade payables, loans payable and long-term debt, the amounts of which are included in DATA Group's consolidated statements of financial position as at December 31, 2015 and December 31, 2014, respectively. DATA Group did not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

The carrying value of cash and cash equivalents, trade receivables, loan payable and trade payables approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of DATA Group's Former Credit Facilities, as at December 31, 2015, approximated its carrying value as a floating interest rate was applicable on advances under those credit facilities. The 6.00% Convertible Debentures are listed for trading on the TSX and the debt portion of those debentures is recorded at its amortized cost. Based on the quoted market price, the 6.00% Convertible Debentures had a fair value of $7.0 million at December 31, 2015 compared to a book value of $10.9 million for the debt portion and of $0.1 million for the conversion options recorded at its historical value.

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 DATA Group to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included on the statement of consolidated position of DATA Group represents the maximum credit exposure.

DATA Group grants credit to customers in the normal course of business. DATA Group 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 90 days.

DATA Group has trade receivables from clients engaged in various industries including financial institutions, insurance companies, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DATA Group 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 DATA Group's large client base.

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. 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. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off. As at December 31, 2015, $1.2 million or 3.2%, of trade receivables were more than 90 days old, a decrease from $2.0 million or 5.3%, of trade receivables that were more than 90 days old at December 31, 2014.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, DATA Group enters into derivative transactions only with highly rated Canadian financial institutions. At December 31, 2015 and 2014, no such transactions were outstanding.

LIQUIDITY RISK

Liquidity risk is the risk that DATA Group may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DATA Group believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing and planned restructuring initiatives will be sufficient to fund DATA Group's 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 DATA Group's pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowings under DATA Group's credit facilities.

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. Non-derivative interest bearing assets are primarily short term liquid assets. DATA Group's interest rate risk arises from long-term debt issuances at fixed and floating interest rates.

CURRENCY RISK

Currency risk is the risk that future cash flows arising from a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of business, DATA Group 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 DATA Group.

Note 16 to the audited consolidated financial statements of DATA Group for the year ended December 31, 2015 contains additional information on DATA Group's financial instruments.

CONTRACTUAL OBLIGATIONS

DATA Group believes that DATA Group 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, 2015. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

CONTRACTUAL OBLIGATIONS – SUMMARY

As at December 31, 2015
(in thousands of Canadian dollars, unaudited)

	Total	2016	2017	2018	2019	2020	2021 and thereafter
Pension funding contributions (1)	$ 8,520	$ 1,878	$ 1,866	$ 1,859	$ 1,851	$ 533	$ 533
Loan payable (2)	$ 369	228	141	–	–	–	–
Long-term debt (3)	$ 44,608	44,608	–	–	–	–	–
Convertible debentures (4)	$ 12,181	671	11,510	–	–	–	–
Operating leases	$ 30,199	11,046	7,083	4,011	3,167	2,682	2,210
Total	$ 95,877	$ 58,431	$ 20,600	$ 5,870	$ 5,018	$ 3,215	$ 2,743

Notes:

(1) DATA Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Group Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Group Pension Plan. See "Liquidity and capital resources – Pension funding obligations" above. The table above includes amounts payable under the SERP. DATA Group'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) DATA Group entered into a loan agreement for licensed software.

(3) Represents amounts payable under the Former Credit Facilities. As at December 31, 2015, outstanding borrowings under the Former Credit Facilities totalled $43.3 million and bore interest at an average floating rate of 4.86% per annum. The estimated interest amount in respect of 2016 has been calculated based upon total borrowings outstanding during the periods and the average annual floating interest rate in effect at December 31, 2015. The outstanding borrowings under the Former Credit Facilities were fully re-paid on March 11, 2016 with advances made under the Bank Credit Facility and the IAM Credit Facility. As of March 11, 2016, DATA Group had outstanding borrowings of $15.9 million and letters of credit granted of $2.2 million under the Bank Credit Facility, and outstanding borrowings of $28.0 million under the IAM Credit Facility. The maximum principal amount of borrowings available to DATA Group under the revolving portion of the Bank Credit Facility at any time is limited to a fixed percentage of DATA Group's aggregate accounts receivable and inventory (less certain amounts) at that time and, in any event, may not exceed $25.0 million less any amounts outstanding under the Bank Term Credit Facility and certain other deductions. Accordingly, DATA Group's ability to borrow the maximum available amount under the revolving portion of the Bank Credit Facility is subject to DATA Group maintaining a sufficient borrowing base and may therefore fluctuate from period to period. If the Bank Credit Facility and the IAM Credit Facility had been in effect as of December 31, 2015, and assuming no borrowings under either of those credit facilities until March 10, 2016, the amounts in respect of "Long-term debt" would have been as follows: 2016 - $6.2 million; 2017 - $8.1 million; 2018 - $6.2 million; 2019 - $20.8 million; 2020 - $5.1 million; and 2021 and thereafter - $11.4 million. These amounts assume that DATA Group has borrowed $10.25 million under the revolving portion of the Bank Credit Facility and $5.0 million under the Bank Term Credit Facility and that such amounts remain outstanding throughout the relevant period. Estimated interest amounts in respect of years after 2015 have been calculated based upon estimated total borrowings outstanding under the Bank Credit Facility and the IAM Credit Facility, respectively, during the applicable periods and, in the case of borrowings under the Bank Credit Facility, the average annual floating interest rate in effect at March 11, 2016.

(4) 6.00% Convertible Debenture, which mature on June 30, 2017 and are convertible at 81.967 shares per $1,000 principal amount of debenture. Annual interest is based on the aggregate amount 6.00% Convertible Debentures outstanding at December 31, 2015 of $0.7 million. Included in the 2017 amount is interest of $0.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

DATA Group's off-balance sheet arrangements are operating leases. DATA Group leases real estate, printing equipment, trucks and office equipment in connection with its sales and manufacturing activities under non-cancellable lease agreements, which expire at various dates.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2015, there were regular intercompany activities between DATA Group and its subsidiary during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DATA Group. Related parties are defined as individuals who can influence the direction or management of DATA Group or any of its subsidiaries and therefore the directors and officers of DATA Group's subsidiaries are considered related parties. Neither DATA Group nor its subsidiary entered into any transactions with related parties as defined above during the year ended December 31, 2015.

OPERATING RESULTS FOR THE FOURTH QUARTER OF 2015 AND 2014

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

	October 1 to December 31, 2015	October 1 to December 31, 2014
Revenues	**$ 81,010**	$ 80,371
Cost of revenues	**61,237**	61,627
Gross profit	**19,773**	18,744
Selling, general and administrative expenses	**12,578**	13,715
Restructuring expenses	**1,545**	769
Gain on redemption of convertible debentures	**(12,766)**	–
Gain on cancellation of convertible debentures	**–**	(43)
Amortization of intangible assets	**504**	479
Income before finance costs and income taxes	**17,912**	3,824
Finance costs		
Interest expense	**1,370**	1,486
Interest income	**(1)**	(6)
Amortization of transaction costs	**163**	175
	1,532	1,655
Income before income taxes	**16,380**	2,169
Income tax expense (recovery)		
Current	**941**	36
Deferred	**2,034**	553
	2,975	589
Net income for the period	**$ 13,405**	$ 1,580
Net income attributable to common shareholders	**$ 13,405**	$ 1,580
Adjusted EBITDA [(1)]	**$ 8,377**	$ 6,215
Adjusted net income (loss) [(2)]	**$ 3,437**	$ 2,120
Adjusted net income (loss) per share, basic and diluted	**$ 0.03**	$ 0.09
Pro forma Adjusted net income (loss) per share, basic and diluted [(3)]	**$ 0.0034**	$ 0.0021
Weighted average number of common shares outstanding	**118,896,671**	23,490,592
Number of common shares outstanding	**998,752,732**	23,490,592

Notes:

(1) The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See "Non-GAAP Measures". Adjusted EBITDA for the (i) fourth quarter of 2015 means EBITDA adjusted for restructuring expenses and gain on redemption of convertible debentures; and (ii) fourth quarter of 2014 means EBITDA adjusted for restructuring expenses and gains on the cancellation of convertible debentures.

(in thousands of Canadian dollars, unaudited)

	October 1 to December 31, 2015	October 1 to December 31, 2014
Net income for the period	**$ 13,405**	$ 1,580
Interest expense	**1,370**	1,486
Interest income	**(1)**	(6)
Amortization of transaction costs	**163**	175
Current income tax expense	**941**	36
Deferred income tax expense	**2,034**	553
Depreciation of property, plant and equipment	**1,182**	1,186
Amortization of intangible assets	**504**	479
EBITDA	**$ 19,598**	$ 5,489
Restructuring expenses	**1,545**	769
Gain on redemption of convertible debentures	**(12,766)**	–
Gain on cancellation of convertible debentures	**–**	(43)
Adjusted EBITDA	**$ 8,377**	$ 6,215

(2) The following table provides a reconciliation of net income (loss) to Adjusted net income (loss) for the periods noted. See "Non-GAAP Measures". Adjusted net income for the (i) fourth quarter of 2015 means net income adjusted for restructuring expenses, gain on redemption of convertible debentures and the tax effect of those expenses; and (ii) fourth quarter of 2014 means net income adjusted for restructuring expenses, gains on the cancellation of convertible debentures and the tax effects of those items.

(in thousands of Canadian dollars, unaudited)

	October 1 to December 31, 2015	October 1 to December 31, 2014
Net income for the period	**$ 13,405**	$ 1,580
Restructuring expenses	**1,545**	769
Gain on redemption of convertible debentures	**(12,766)**	–
Gain on cancellation of convertible debentures	**–**	(43)
Tax effect of above adjustments	**1,253**	(186)
Adjusted net income (loss)	**$ 3,437**	$ 2,120

(3) On December 23, 2015, DATA Group issued 975,262,140 shares in connection with the redemption of approximately 75% of its 6.00% Convertible Debentures. Pro forma Adjusted net income (loss) per share, a non-GAAP measure, assumes Adjusted net income (loss) per share was calculated on the basis of the total number of shares outstanding at December 31, 2015, rather than the weighted average number of shares outstanding at the period end, given the significant dilution that occurred with eight days left in the fiscal year.

REVENUES

For the quarter ended December 31, 2015, DATA Group recorded revenues of $81.0 million, an increase of $0.6 million or 0.8% compared with the same period in 2014. The increase in revenues was due to revenue gains from enterprise customers and strong year end demand for label products. The increase was partially offset by declines in revenues from existing customers due to pricing concessions and changes in product mix.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2015, cost of revenues decreased to $61.2 million from $61.6 million for the same period in 2014. Gross profit for the quarter ended December 31, 2015 was $19.8 million, which represented an increase of $1.0 million or 5.5% from $18.7 million for the same period in 2014. Gross profit as a percentage of revenues increased to 24.4% for the quarter ended December 31, 2015 compared to 23.3% for the same period in 2014. The increase in gross profit was primarily due to cost reductions in direct and indirect labour costs from the closure of our Granby, Québec warehouse and cost savings associated with the closure of our Brampton, Ontario warehouse.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

SG&A expenses, excluding amortization of intangible assets, for the quarter ended December 31, 2015 decreased $1.1 million or 8.3% to $12.6 million compared to $13.7 million in the same period in 2014. As a percentage of revenues, these costs were 15.5% of revenues for the quarter ended December 31, 2015 compared to 17.1% of revenues for the same period in 2014. The decrease in SG&A expenses was attributable to the benefits realized from headcount reductions and other cost savings initiatives in SG&A implemented in 2015.

For the quarter ended December 31, 2015, DATA Group incurred restructuring expenses of $1.5 million primarily related to a lease exit charge related to the closure of its Vancouver, British Columbia manufacturing location as part of its 2015 restructuring initiatives as well as additional headcount reductions completed in the fourth quarter of 2015. For the quarter ended December 31, 2014, DATA Group incurred restructuring expenses of $0.8 million related to headcount reductions, management changes, consulting fees and the closure of one manufacturing location as part of its 2014 restructuring initiatives.

GAIN ON REDEMPTION OF CONVERTIBLE DEBENTURES

On December 23, 2015, DATA Group redeemed $33.5 million aggregate principal amount of its $44.7 million outstanding 6.00% Convertible Debentures and recorded a gain on redemption of convertible debentures of $13.2 million. Transaction costs of $0.4 million were incurred to execute the redemption and have been netted against the gain on redemption of convertible debentures.

ADJUSTED EBITDA

For the quarter ended December 31, 2015, Adjusted EBITDA was $8.4 million, or 10.3% of revenues. Adjusted EBITDA for the quarter ended December 31, 2015 increased $2.2 million or 34.8% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, increased from 7.7% of revenues in 2014 to 10.3% of revenues in 2015. The increase in Adjusted EBITDA was due to cost savings realized as a result of prior restructuring initiatives.

INTEREST EXPENSE

Interest expense on long-term debt outstanding under DATA Group's former credit facilities, the 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $1.4 million for the quarter ended December 31, 2015 compared to $1.5 million for the same period in 2014. Interest expense for the quarter ended December 31, 2015 was lower than the same period in the prior year primarily as a result of a reduction in debt outstanding under DATA Group's former credit facilities.

INCOME TAXES

DATA Group reported income before income taxes of $16.4 million, a current income tax expense of $0.9 million and a deferred income tax expense of $2.0 million for the quarter ended December 31, 2015 compared to income before income taxes of $2.2 million and a deferred income tax expense of $0.6 million for the quarter ended December 31, 2014. The current tax expense was primarily related to the income tax payable on DATA Group's estimated taxable income for the quarter ended December 31, 2014. The deferred income tax expense and deferred income tax recovery were mainly due to changes in the estimate of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2015 and 2014.

NET INCOME (LOSS)

Net income for the quarter ended December 31, 2015 was $13.4 million compared to net income of $1.6 million for the quarter ended December 31, 2014. The increase in comparable profitability for the quarter ended December 31, 2015 was substantially due to a gain for purposes of IFRS on redemption of convertible debentures, cost savings realized as a result of prior restructuring initiatives that led to a decline in SG&A expenses and cost of revenues, a reduction in amortization of intangible assets and current income tax expense during the quarter ended December 31, 2015. The increase in comparable profitability was partially offset by higher restructuring expenses and by larger current and deferred tax expense during the quarter ended December 31, 2015.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended December 31, 2015 was $3.4 million compared to Adjusted net income of $2.1 million for the same period in 2014. The increase in comparable profitability for the quarter ended December 31, 2015 was substantially due to marginally higher revenues, lower SG&A expenses as the result of cost savings realized as a result of period prior restructuring initiatives and positive changes in product mix.

EIGHT QUARTER RESULTS OF OPERATIONS – SUMMARY

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

	2015				2014			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$ 81,010**	**$ 74,116**	**$ 73,447**	**$ 76,002**	$ 80,371	$ 78,128	$ 76,773	$ 77,903
Net income (loss) attributable to shareholders	**13,405**	**(1,763)**	**(29,683)**	**(1,131)**	1,580	1,849	254	796
Basic earnings (loss) per share	**0.11**	**(0.08)**	**(1.26)**	**(0.05)**	0.07	0.08	0.01	0.03
Diluted earnings (loss) per share	**0.11**	**(0.08)**	**(1.26)**	**(0.05)**	0.07	0.08	0.01	0.03

The variations in DATA Group's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2015 can be attributed to several principal factors: revenue declines in DATA Group's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, restructuring expenses related to DATA Group's ongoing productivity improvement and cost reduction initiatives, gain on redemption of convertible debentures and a goodwill impairment charge.

DATA Group's net income for the fourth quarter of 2015 included restructuring expenses of $1.5 million related to its cost reduction initiatives and a gain on redemption of convertible debenture of $12.8 million. DATA Group's net income for the fourth quarter of 2014, DATA Group recorded restructuring expenses of $0.8 million related to its cost reduction initiatives.

DATA Group's net loss for the third quarter of 2015 included restructuring expenses of $5.8 million related to its cost reduction initiatives. DATA Group's net income for the third quarter of 2014 included restructuring expenses of $0.3 million related to its cost reduction initiatives.

DATA Group's net loss for the second quarter of 2015 included restructuring expenses of $4.2 million related to its cost reduction initiatives and an impairment of goodwill of $26.0 million related to its DATA CGU. DATA Group's net income for the second quarter of 2014 included restructuring expenses of $0.9 million related to its cost reduction initiatives.

DATA Group's net loss for the first quarter of 2015 included restructuring expense of $2.1 million related to its cost reduction initiatives. DATA Group's net income for the first quarter of 2014 included restructuring expenses of $0.9 million related to its costs reduction initiatives.

CRITICAL ACCOUNTING ESTIMATES

A summary of significant accounting policies is included under notes 2 and 3 of the Notes to the audited consolidated financial statements of DATA Group for the year ended December 31, 2015. Critical accounting estimates require management to make certain judgments and estimates, some of which may be uncertain. Changes in these accounting estimates may have an impact on the financial results of DATA Group. Details of the critical accounting estimates are discussed below.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. 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. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off.

INVENTORY RESERVES

DATA Group maintains a reserve for slow-moving or obsolete inventory, which is reviewed periodically based upon usage and inventory age to determine its adequacy in order to carry inventory at the lower of cost and net realizable value. Physical inventories are taken throughout each year.

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 net fair value of net identifiable assets and liabilities acquired. Goodwill is allocated to the CGU or 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 CGU, 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. The estimated fair value less costs to sell is determined by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values requires DATA Group to make 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. These assumptions are based on management's best estimates and require judgment. As a result, there is inherent uncertainty and actual results may differ from the estimates (see "Measurement uncertainty" below). 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.

INTANGIBLE ASSETS

DATA Group has recognized intangible assets that are comprised of customer relationships, trademarks, trade names and technology. These intangible assets have finite lives. These intangibles are amortized over their estimated useful lives of three to twelve years. Management's judgment is required to determine the useful life of the intangible assets and, where it is believed to be required, an impairment provision is provided when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life of between three and twelve years is determined by reviewing the length of customer relationships and other factors.

PENSION PLANS

DATA Group accounts for its defined benefit pension plans in accordance with IFRS, which requires assumptions concerning future events. Such actuarial assumptions include projected salary increases, discount rates, retirement age, mortality rates and withdrawal rates, among others. DATA Group manages its pension plans by meeting with an actuarial consultant and the fund managers on a regular basis and reviewing 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. Management's estimates are outlined in the table below. Changes in assumptions may have a material impact on the amount of pension expense recognized in any period.

Under the defined contribution provision of the DATA Group Pension Plan, DATA Group's annual pension expense is based on amounts contributed in respect of eligible employees when they are due.

During the year ended December 31, 2015, DATA Group contributed $1.3 million to the defined benefit provision of the DATA Group Pension Plan, $1.7 million to the defined contribution provision of the DATA Group Pension Plan, $0.6 million to the SERP and $0.6 million to the SRDF. DATA Group expects that, in 2016, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $1.3 million, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1.6 million, contributions to the SERP will be approximately $0.6 million and contributions to the SRDF will be approximately $0.5 million.

DATA Group increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2015 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumptions remained unchanged at December 31, 2015. The following table summarizes the rates used in fiscal 2015 and 2014 to calculate DATA Group's defined benefit obligations.

Significant actuarial assumptions adopted in measuring DATA Group's defined benefit plan obligations

	December 31, 2015	December 31, 2014
DATA Group Pension Plan		
Discount rate	**4.10%**	4.00%
Rate of compensation increase	**3.00%**	3.00%
SERP		
Discount rate	**3.90%**	3.80%

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, 2015	December 31, 2014
Retiring at the end of the reporting period:		
Male	**21.5**	21.4
Female	**24.0**	23.9
Retiring in 25 years after the end of the reporting period:		
Male	**22.9**	22.8
Female	**25.2**	25.1

In 2015, the discount rate applied to the defined benefit obligation for the DATA Group Pension Plan and the SERP was increased to 4.10% and 3.90%, respectively, from 4.00% and 3.80%, respectively, reflecting long-term interest rates at December 31, 2015. The primary impact of these changes was actuarial gains of $0.9 million for the DATA Group Pension Plan and of $0.1 million for the SERP, which were recognized in comprehensive income (loss) for the year ended December 31, 2015.

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2015 and at December 31, 2014 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, 2015		
	Impact on defined benefit obligations		
(in thousands of Canadian dollars, except percentages, unaudited)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.25%**	**$ (2,364)**	**$ 2,505**
Salary growth rate	**0.25%**	**693**	**(711)**

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	**$ 1,668**	**$ (1,708)**

	December 31, 2014		
	Impact on defined benefit obligations		
(in thousands of Canadian dollars, except percentages, unaudited)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (2,485)	$ 2,632
Salary growth rate	0.25%	682	(700)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	$ 1,667	$ (1,706)

Through its defined benefit plans, DATA Group 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 Group Pension Plan currently holds a small proportion of equities, 14% 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 Group 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 Group Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. Beginning in 2012 and as the plan matured, the defined benefit provision of the DATA Group Pension Plan's level of investment risk was reduced by lowering the proportion of equities and increasing the proportion of bonds, which are a better match to the plan liabilities. This shift from equities to better matching bonds commenced in 2012 and was expected to conclude in 2026. This period was selected based on analysis of projected pension benefit cash flows. Through the derisking schedule, the defined benefit provision of the DATA Group Pension Plan lowered its interest rate risk, inflation risk and equity risk. In 2011, the defined benefit provision of the DATA Group Pension Plan had 60% equities and 40% bonds. In 2026, the defined benefit provision of the DATA Group Pension Plan was expected to have 15% equities and 85% bonds. This derisking strategy is reviewed annually to consider the current environment and may be revised at any point in time. In 2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Group Pension Plan. With a significant improvement in the financial position, the defined benefit provision of DATA Group Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics.

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.

Each sensitivity analysis disclosed in this report 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 obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation 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 statement of financial position.

INCOME TAXES

Management uses its judgment to estimate current and deferred income tax expenses and recoveries. This involves determining taxable income, temporary differences between tax and accounting carrying values and income tax loss carry-forwards.

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.

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

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.

In the ordinary course of business, DATA Group enters into transactions where the ultimate tax determination may be uncertain. These uncertainties require DATA Group to make estimates of its ultimate tax liabilities and, accordingly, the provision for income taxes. While DATA Group believes these estimates are reasonable and appropriate, additional liabilities may result when uncertain tax positions are resolved or settled at amounts that differ from those estimates. DATA Group, its subsidiary and predecessors may also be reassessed for taxes from time to time. Such reassessments, together with the associated interest and penalties and possible application of unused tax losses, could materially and adversely affect DATA Group.

VALUATION OF ASSETS AND LIABLITES ACQUIRED AND CONSIDERATION TRANSFERRED

The purchase price of an acquired business is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgment and estimates. Adjustments to fair value assessments are recorded to goodwill over the measurement period, not exceeding one year from the date of acquisition.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of 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 judgements 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 fair 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 DATA Group's reporting segments 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 DATA Group's impairment evaluation and hence results.

RESERVE FOR OBSOLETE INVENTORY

The measurement of inventory including the determination of its net realizable value involves the use of estimates. Judgement also exists in determining whether to recognize a provision for obsolete inventory. Management takes into account the most reliable evidence available at the time the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

INCOME TAXES

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax 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. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

PENSION OBLIGATIONS

Management estimates the pension obligations annually 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 DATA Group'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 appraisals of DATA Group's defined benefit obligations.

NEW ACCOUNTING POLICIES

(a) New and amended standards adopted

DATA Group has not adopted any new accounting policies since the year ended December 31, 2014.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015 and not early adopted.

IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 Leases was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Data Group is currently assessing the impact of the new standard 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 DATA Group.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the supervision and participation of DATA Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA Group have evaluated the effectiveness of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of DATA Group as of December 31, 2015. Based on that evaluation, those officers have concluded that, as of December 31, 2015, such disclosure controls and procedures were sufficiently effective to provide reasonable assurance that (i) material information relating to DATA Group was made known to management and (ii) information required to be disclosed by DATA Group 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.

With the supervision and participation of DATA Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA Group have evaluated the effectiveness of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of DATA Group as of December 31, 2015.

In making this evaluation, the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework was used to design the internal controls over financial reporting. Based on that evaluation, those officers have concluded that, as of December 31, 2015, such internal controls over financial reporting were sufficiently effective to provide reasonable assurance regarding the reliability of DATA Group's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

DATA Group's management has determined that there were no changes in the internal controls over financial reporting of DATA Group during the year ended December 31, 2015 reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA Group.

OUTLOOK

In the fourth quarter of 2015, DATA Group continued to see a positive impact in its financial results from the substantial headcount and plant rationalizations it implemented in the second and third quarters of 2015. The impact of lower direct and indirect labour costs, improved utilization rates at its key plants, and marginally higher levels of revenue compared to the fourth quarter of last year, contributed positively to gross margins which improved to 24.4% from 23.3% in the prior comparable period. In addition, DATA Group's Adjusted EBITDA margin of 10.3% for the fourth quarter of 2015 benefited from headcount reductions and other savings initiatives DATA Group implemented across its selling, general and administrative functions throughout the year compared to an Adjusted EBITDA margin of 7.7% in the prior period. DATA Group expects to see continued benefits from its operational initiatives in 2016.

DATA Group's total headcount now stands at 1,430, a net reduction of 210 employees since December 31, 2014. DATA Group continues to experience significantly higher capacity utilization rates across its six key "centres of excellence". While DATA Group will continue to carefully manage its operations, it is turning its efforts to stabilizing its revenue, including a renewed focus on core vertical markets where it has a strong competitive advantage and where it sees opportunities for improved product margin together with growth opportunities.

DATA Group recorded restructuring expenses of $1.5 million for the quarter ended December 31, 2015, and a total of $13.6 million for the year ended December 31, 2015 compared to an aggregate of $2.8 million in the prior year.

To support DATA Group's efforts to stabilize and grow revenue, it has been developing a renewed strategic plan, customer value story and marketplace identity. In March 2016, DATA Group announced a complete corporate rebranding, including a new operating name. Effective immediately, the Company will operate as "DATA Communications Management" and feature a new logo, website, web domain (www.datacm.com) and "go to market" strategy.

RISKS AND UNCERTAINTIES

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

FINANCIAL REPORTING RESPONSIBILITY OF MANAGEMENT

The accompanying consolidated financial statements of DATA Group Ltd (the "DATA Group") have been prepared by management and approved by the Board of Directors of the DATA Group. Management of DATA Group 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 judgments 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, DATA Group maintains a system of internal controls which are designed to provide reasonable assurance that DATA Group'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 DATA Group'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, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements of DATA Group Ltd. 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 DATA Group Ltd.

The Board of Directors has appointed an Audit Committee composed of three directors who are not members of management of DATA Group. 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 DATA Group'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 DATA Group's auditors. In addition, the Board of Directors may refer to the Audit Committee other matters and questions relating to the financial position of DATA Group Ltd. and its subsidiaries.

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 DATA Group.

(Signed) Michael G. Sifton
President and Chief Executive Officer
DATA Group Ltd.

(Signed) James E. Lorimer
Chief Financial Officer
DATA Group Ltd.

March 11, 2016
Brampton, Ontario

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DATA GROUP LTD.

We have audited the accompanying consolidated financial statements of DATA Group Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of (loss) income, comprehensive (loss) income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DATA Group Ltd. and its subsidiary as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

March 11, 2016
Toronto, Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unaudited)	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 871	$ 812
Trade receivables **(note 4)**	38,051	37,175
Inventories **(note 5)**	37,053	40,045
Prepaid expenses and other current assets	4,150	5,587
	80,125	83,619
NON-CURRENT ASSETS		
Deferred income tax assets **(note 12)**	2,070	1,508
Property, plant and equipment **(note 6)**	14,422	15,523
Pension asset **(note 14)**	770	–
Intangible assets **(note 7)**	5,614	7,261
Goodwill **(note 8)**	31,066	57,066
	$ 134,067	$ 164,977
LIABILITIES		
CURRENT LIABILITIES		
Current portion of Credit facilities **(note 10)**	$ 43,095	$ 3,500
Trade payables	29,766	29,061
Provisions **(note 9)**	5,723	2,042
Income taxes payable	903	154
Deferred revenue	10,811	11,419
	90,298	46,176
NON-CURRENT LIABILITIES		
Provisions **(note 9)**	1,483	1,361
Credit facilities **(note 10)**	–	43,382
Convertible debentures **(note 11)**	10,912	43,222
Deferred income tax liabilities **(note 12)**	76	50
Other non-current liabilities **(note 13)**	1,362	548
Pension obligations **(note 14)**	8,354	8,949
Other post-employment benefit plans **(note 15)**	2,563	2,876
	$ 115,048	$ 146,564
EQUITY		
SHAREHOLDERS' EQUITY		
Shares **(note 17)**	$ 234,782	$ 215,336
Conversion options **(note 11)**	128	513
Contributed surplus	385	–
Accumulated other comprehensive income	306	92
Deficit	(216,582)	(197,528)
	$ 19,019	$ 18,413
	$ 134,067	$ 164,977

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

Approved by Board of Directors

(Signed) Michael Blair Director

(Signed) Michael G. Sifton Director

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(in thousands of Canadian dollars, except per share amounts, unaudited)	For the year ended December 31, 2015	For the year ended December 31, 2014
REVENUES	$ 304,575	$ 313,175
COST OF REVENUES	233,505	238,563
GROSS PROFIT	71,070	74,612
EXPENSES (INCOME)		
Selling, commissions and expenses	33,194	35,162
General and administration expenses excluding amortization of intangible assets	21,520	21,912
Restructuring expenses (note 9)	13,560	2,804
Impairment of goodwill (note 8)	26,000	–
Gain on redemption of convertible debentures (note 11)	(12,766)	–
Gain on cancellation of convertible debentures	–	(103)
Amortization of intangible assets	1,949	1,916
	83,457	61,691
(LOSS) INCOME BEFORE FINANCE COSTS AND INCOME TAXES	(12,387)	12,921
FINANCE COSTS		
Interest expense	5,599	6,124
Interest income	(11)	(21)
Amortization of transaction costs	468	591
	6,056	6,694
(LOSS) INCOME BEFORE INCOME TAXES	(18,443)	6,227
INCOME TAX EXPENSE (RECOVERY)		
Current	1,191	69
Deferred	(462)	1,679
	729	1,748
NET (LOSS) INCOME FOR THE YEAR	$ (19,172)	$ 4,479
BASIC (LOSS) EARNINGS PER SHARE (note 18)	$ (0.40)	$ 0.19
DILUTED (LOSS) EARNINGS PER SHARE (note 18)	$ (0.40)	$ 0.19

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of Canadian dollars, unaudited)	**For the year ended December 31, 2015**	For the year ended December 31, 2014
NET (LOSS) INCOME FOR THE YEAR	**$ (19,172)**	$ 4,479
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET (LOSS) INCOME		
Foreign currency translation	**214**	62
	214	62
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET (LOSS) INCOME		
Re-measurements of post-employment benefit obligations	**159**	(5,650)
Taxes related to post-employment adjustment above	**(41)**	1,450
	118	(4,200)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**$ 332**	$ (4,138)
COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**$ (18,840)**	$ 341

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, unaudited)	Shares	Conversion options	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance as at December 31, 2013	$ 215,336	$ 516	$ –	$ 30	$ (197,807)	$ 18,075
Net income for the year	–	–	–	–	4,479	4,479
Other comprehensive income (loss) for the year	–	–	–	62	(4,200)	(4,138)
Total comprehensive income (loss) for the year	–	–	–	62	279	341
Cancellation of convertible debentures	–	(3)	–	–	–	(3)
Balance as at December 31, 2014	$ 215,336	$ 513	$ –	$ 92	$ (197,528)	$ 18,413

BALANCE AS AT DECEMBER 31, 2014	**$ 215,336**	**$ 513**	**$ –**	**$ 92**	**$ (197,528)**	**$ 18,413**
Net loss for the year	**–**	**–**	**–**	**–**	**(19,172)**	**(19,172)**
Other comprehensive income for the year	**–**	**–**	**–**	**214**	**118**	**332**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**214**	**(19,054)**	**(18,840)**
Shares issued on the redemption of convertible debentures **(note 17)**	**19,446**	**(385)**	**385**	**–**	**–**	**19,446**
BALANCE AS AT DECEMBER 31, 2015	**$ 234,782**	**$ 128**	**$ 385**	**$ 306**	**$ (216,582)**	**$ 19,019**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)	For the year ended December 31, 2015	For the year ended December 31, 2014
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the year	$ (19,172)	$ 4,479
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	4,754	4,940
Amortization of intangible assets	1,949	1,916
Pension expense	609	530
Loss (gain) on disposal of property, plant and equipment	56	(149)
Impairment of goodwill **(note 8)**	26,000	–
Gain on redemption of convertible debentures **(note 11)**	(12,766)	–
Gain on cancellation of convertible debentures	–	(103)
Provisions **(note 9)**	13,560	2,804
Amortization of transaction costs	468	591
Accretion of convertible debentures	212	295
Other non-current liabilities	692	(270)
Other post-employment benefit plans, net	(250)	134
Tax credits recognized	(181)	(378)
Income tax expense	729	1,748
	16,660	16,537
Changes in working capital **(note 19)**	3,521	(445)
Contributions made to pension plans	(1,878)	(2,538)
Provisions paid **(note 9)**	(9,757)	(4,138)
Income taxes (paid) received	(380)	637
	8,166	10,053
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,300)	(3,207)
Purchase of intangible assets	(302)	–
Proceeds on disposal of property, plant and equipment	654	182
	(3,948)	(3,025)
FINANCING ACTIVITIES		
Repayment of Credit Facilities **(note 10)**	(4,000)	(6,250)
Repurchase of convertible debentures	–	(187)
Proceeds from loan payable **(note 13)**	342	–
Repayment of loan payable	(32)	–
Finance and transaction costs	(565)	(263)
Finance lease payments	(37)	(27)
	(4,292)	(6,727)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(74)	301
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	$ 812	$ 478
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	133	33
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 871	$ 812

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

DATA Group Ltd. ("DATA Group") plans and executes business communications. DATA Group helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications processes. DATA Group derives its revenues from the following core capabilities: direct marketing, print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. DATA Group is strategically located across Canada to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

Certain elements of DATA Group's gift card and direct mail businesses as well as the buying patterns of certain major customers of DATA Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters, which results in seasonal fluctuations in sales of those products.

The common shares of DATA Group are listed on the Toronto Stock Exchange ("TSX") under the symbol "DGI". DATA Group's outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures") are listed on the TSX under the symbol "DGI.DB.A". The address of the registered office of DATA Group is 9195 Torbram Road, Brampton, Ontario.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

These consolidated financial statements were approved by the Board of Directors of DATA Group Ltd., on March 11, 2016.

SIGNIFICANT ACCOUNTING POLICIES

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, DATA Group 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 DATA Group 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 DATA Group has control. Control exists when DATA Group 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.

DATA Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by DATA Group or one of its subsidiaries. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. DATA Group recognizes a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest(s) recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recorded directly in the statement of income (loss).

(a) 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.

(b) Disposal of subsidiaries

When DATA Group 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 income (loss) in respect of that entity are accounted for as if DATA Group 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 income (loss).

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each entity within DATA Group 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 DATA Group's functional currency. The functional currency of DATA Group'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 Canadian dollars at rates of exchange in effect at the statement of financial position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the transaction dates. Gains and losses resulting from translation of monetary assets and liabilities denominated in currencies other than Canadian dollars 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, bank overdraft and highly liquid short-term interest bearing securities with maturities of three months or less at the date of purchase.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when DATA Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and DATA Group has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, DATA Group classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* 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, which include the restricted share units (RSU's), are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss) and are included in finance costs. Gains and losses arising from changes in fair value are presented in the statement of income (loss) 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.

(ii) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. DATA Group's loans and receivables are comprised of trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, if applicable, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) *Other Financial liabilities which are measured at amortized cost:* Financial liabilities measured at amortized cost include trade payables, loans payable, credit facilities and convertible debentures. Trade payables are initially recognized at the amount required to be paid less, if applicable, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. The credit facilities and the non-derivative component of convertible debentures are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. DATA Group's convertible debentures contained a host contract and an embedded derivative. The host contract (the debt portion of the convertible debenture) is measured as the residual of the proceeds after deducting the fair value of the embedded derivative, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(iv) *Derivative financial instruments:* DATA Group may also use derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. All derivatives have been classified as held for trading, are included on the statement of financial position within other assets or other liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement of interest rate swaps that do not meet the hedge criteria and of the written put options are included in finance costs. At December 31, 2015 and 2014, DATA Group had not entered into any interest rate swap agreements.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, DATA Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statement of comprehensive income (loss).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment is recognized in the statement of comprehensive income (loss). DATA Group recognizes an impairment loss, as follows:

Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount through the use of an allowance account.

INVENTORIES

Raw materials inventories are stated at the lower of cost and net realizable value. Printed finished goods and work-in-progress are recorded at the lower of cost and net realizable value. Cost of finished goods, work-in-process and raw materials 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 accumulated 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 DATA Group 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. 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	1 to 10 years
Computer hardware and software	straight-line	1 to 5 years

DATA Group 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 amortization 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 income (loss).

INTANGIBLE ASSETS

Intangible assets that are acquired are measured at cost at the acquisition date. These assets include customer relationships, existing software and technology, trademarks and trade names. 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	straight-line	3 to 12 years
Software and technology	straight-line	7 years
Trademarks and trade names	straight-line	9 years

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 net 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. DATA Group 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

DATA Group has share-based compensation plans as part of DATA Group's long-term incentive plan, as described in note 17. All transactions involving share-based payments are recognized as an expense in the statement of income (loss) 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 income (loss) 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 income (loss).

EMPLOYEE BENEFITS

DATA Group maintains a defined benefit and defined contribution pension plan (the "DATA Group Pension Plan") for some of its employees. Pension benefits are primarily based on years of service, compensation and accrued contributions with investment earnings. DATA Group's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements. Annual actuarial valuations are required on the DATA Group Pension Plan until the solvency deficiency is reduced to a level under which the applicable pension regulations allow the valuations to be completed every three years. At January 1, 2014, the solvency deficiency had reduced to a level such that actuarial valuations are to be completed every three years.

DATA Group also contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Drummondville and Granby plants in Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining.

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. Under the defined contribution provision of the DATA Group Pension Plan, DATA Group'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. DATA Group accrues its obligations for the defined benefit provision of the DATA Group Pension Plan and the SERP 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 DATA Group, 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 DATA Group. An economic benefit is available to DATA Group 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. Administration costs incurred by the DATA Group Pension Plan are recognized as period costs. Curtailments and settlements are accounted for as period costs. Current service costs, administration costs and past services costs are recognized in general and administration expenses in the statement of income (loss). 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 expense (income) in the statement of income (loss).

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 net income (loss).

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the DATA Group'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 a termination benefit 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 SRDF is a negotiated contribution defined benefit multi-employer plan, however, the trustees of this plan are not able to provide sufficient information for DATA Group to account for this plan as a defined benefit plan. DATA Group has accounted for this plan on a defined contribution basis as DATA Group does not believe there is sufficient information to recognize participation on a defined benefit basis. See note 20.

(c) Other long-term employee benefit plans

Certain employees of DATA Group are provided with post-employment benefits, including health care and life insurance benefits on retirement to certain former employees, their beneficiaries and covered dependents. DATA Group's net obligation in respect of its non-pension post-employment benefit 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 income (loss) in the period in which they arise and will not be reclassified to net income (loss). DATA Group also provides other long-term employee benefit plans including pension, health care and dental care benefits for employees on long-term disability. DATA Group's net obligation in respect of its other long-term employee benefit plans 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 post-employment benefit plans are recognized in the statement of income (loss) 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 DATA Group's obligations. These non-pension post-employment and other long-term employee benefit plans are funded on a pay-as-you-go basis.

PROVISIONS

A provision is recognized if, as a result of a past event, DATA Group 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 DATA Group 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:* DATA Group 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. 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

Leases are classified as financing or operating depending on the terms and conditions of the contracts. Lease agreements where DATA Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is 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 is accounted for in accordance with the accounting policy applicable to that asset class. Obligations recorded under finance leases are reduced by lease payments net of imputed interest. Other lease agreements are operating leases and the leased assets are not recognized in DATA Group's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are 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, are included in other non-current liabilities.

SHARE CAPITAL

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

REVENUE RECOGNITION

Revenue from the sale of product is recognized upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs, and risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. When customer payments exceed the revenue recognized, the excess is recorded as deferred revenue. Pre-production services have no standalone value and no reliable evidence of fair value and are therefore included with the final printed products as one unit of accounting. The majority of products are customized and product returns are not significant. Warehousing service and marketing service fees are recognized as the services are provided, when the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services with flow to DATA Group and the costs associated with these services can be reliably measured. If warehousing service fees are included in one overall selling price of a custom print product, the consideration is allocated to each component based on relative selling prices.

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 the options granted and interest related to DATA Group's convertible debentures.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

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 judgements 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 fair 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 DATA Group's reporting segments 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 DATA Group's impairment evaluation and hence results.

RESERVE FOR OBSOLETE INVENTORY

The measurement of inventory including the determination of its net realizable value involves the use of estimates. Judgement also exists in determining whether to recognize a provision for obsolete inventory. Management takes into account the most reliable evidence available at the time the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

INCOME TAXES

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax 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. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

PENSION OBLIGATIONS

Management estimates the pension obligations annually 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 DATA Group'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 appraisals of DATA Group's defined benefit obligations.

3 CHANGE IN ACCOUNTING POLICIES

(a) New and amended standards adopted

DATA Group has not adopted any new accounting policies since the year ended December 31, 2014.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015 and not early adopted.

IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

IFRS 16 *Leases* was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Data Group is currently assessing the impact of the new standard 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 DATA Group.

4 TRADE RECEIVABLES

	December 31, 2015	December 31, 2014
Trade receivables	**$ 38,577**	$ 37,835
Provision for doubtful accounts	**(526)**	(660)
	$ 38,051	$ 37,175

Trade receivables are non-interest bearing with settlement terms from 0 to 90 days.

5 INVENTORIES

	December 31, 2015	December 31, 2014
Raw materials	**$ 5,923**	$ 5,842
Work-in-progress	**2,850**	3,369
Finished goods	**28,280**	30,834
	$ 37,053	$ 40,045

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $657 (2014 – $1,323). The cost of inventories recognized as an expense within cost of revenues in 2015 was $220,656 (2014 – $229,035).

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

6 PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2015	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Construction in progress	Total
Opening net book value	**$ 4,258**	**$ 385**	**$ 9,781**	**$ 483**	**$ 616**	**$ 15,523**
Additions	**3,570**	**140**	**946**	**260**	**(616)**	**4,300**
Effect of movement in exchange rates	**15**	**5**	**25**	**18**	**–**	**63**
Disposals	**(128)**	**(1)**	**(580)**	**(1)**	**–**	**(710)**
Depreciation for the year	**(1,466)**	**(161)**	**(2,878)**	**(249)**	**–**	**(4,754)**
Closing net book value	**$ 6,249**	**$ 368**	**$ 7,294**	**$ 511**	**$ –**	**$ 14,422**
At December 31, 2015						
Cost	**$ 15,374**	**$ 1,892**	**$ 45,979**	**$ 5,554**	**$ –**	**$ 68,799**
Accumulated depreciation	**(9,125)**	**(1,524)**	**(38,685)**	**(5,043)**	**–**	**(54,377)**
Net book value	**$ 6,249**	**$ 368**	**$ 7,294**	**$ 511**	**$ –**	**$ 14,422**

Year ended December 31, 2014	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Construction in progress	Total
Opening net book value	$ 5,137	$ 530	$ 11,039	$ 560	$ –	$ 17,266
Additions	384	7	1,931	269	616	3,207
Effect of movement in exchange rates	9	2	6	6	–	23
Disposals	(27)	–	(6)	–	–	(33)
Depreciation for the year	(1,245)	(154)	(3,189)	(352)	–	(4,940)
Closing net book value	$ 4,258	$ 385	$ 9,781	$ 483	$ 616	$ 15,523
At December 31, 2014						
Cost	$ 13,205	$ 1,805	$ 47,520	$ 5,509	$ 616	$ 68,655
Accumulated depreciation	(8,947)	(1,420)	(37,739)	(5,026)	–	(53,132)
Net book value	$ 4,258	$ 385	$ 9,781	$ 483	$ 616	$ 15,523

During the year ended December 31, 2014, DATA Group incurred costs related to the modifications to a leased building for its new manufacturing facility in Calgary, Alberta. These costs of $616 were included in construction in progress and were not depreciated during the construction period.

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

7 INTANGIBLE ASSETS

Year ended December 31, 2015	Customer relationships	Software and technology	Trademarks and trade names	Total
Opening net book value	**$ 7,091**	**$ 170**	**$ –**	**$ 7,261**
Additions	**–**	**302**	**–**	**302**
Amortization for the year	**(1,831)**	**(118)**	**–**	**(1,949)**
Closing net book value	**$ 5,260**	**$ 354**	**$ –**	**$ 5,614**
At December 31, 2015				
Cost	**$ 75,623**	**$ 10,724**	**$ 7,700**	**$ 94,047**
Accumulated amortization	**(70,363)**	**(10,370)**	**(7,700)**	**(88,433)**
Net book value	**$ 5,260**	**$ 354**	**$ –**	**$ 5,614**

Year ended December 31, 2014				
Opening net book value	$ 8,922	$ 255	$ –	$ 9,177
Additions	–	–	–	–
Amortization for the year	(1,831)	(85)	–	(1,916)
Closing net book value	$ 7,091	$ 170	$ –	$ 7,261
At December 31, 2014				
Cost	$ 75,623	$ 10,422	$ 7,700	$ 93,745
Accumulated amortization	(68,532)	(10,252)	(7,700)	(86,484)
Net book value	$ 7,091	$ 170	$ –	$ 7,261

The remaining useful lives of the customer relationships are between 2 and 3 years.

8 GOODWILL

	December 31, 2015	December 31, 2014
Opening balance	**$ 57,066**	$ 57,066
Impairment of goodwill	**(26,000)**	–
Ending balance	**$ 31,066**	$ 57,066

	December 31, 2015	December 31, 2014
Cost	**$ 160,725**	$ 160,725
Accumulated impairment losses	**(129,659)**	(103,659)
Net carrying value	**$ 31,066**	$ 57,066

During the fourth quarter of 2015, DATA Group performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGUs carrying value. As a result of that review, DATA Group recorded no goodwill impairment charges. The estimated recoverable amount of DATA CGU exceeded its carrying value by approximately $18,400 and its recoverable amount would equal its carrying value if the discount rate was increased by 4.25% to 19.75%.

During the second quarter of 2015, impairment indicators, including changes in the revenue trends and profit forecasts and the failure to meet certain financial covenants under its credit facilities, indicated that DATA Group's assets may be impaired. As a result of this new information, DATA Group performed an impairment analysis by comparing the fair value of each CGU to the CGU's carrying value. As a result of that review, DATA Group concluded that the fair value of its DATA CGU was less than its carrying value. Accordingly, DATA Group recorded an impairment of goodwill of $26,000 related to the DATA CGU during the second quarter of 2015.

DATA Group did not make any changes to the valuation methodology used to assess goodwill 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. DATA Group 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 DATA Group's internal approved financial budgets or forecasts. DATA Group projected revenue, operating margins and cash flows for a period of five years, and applied a perpetual long-term growth rate thereafter. Based on the most recent forecasts, DATA Group is expecting negative growth of 1.0% (2014 – negative growth of 1.0%) over the next two years (2014 – five years) and a perpetual long-term growth rate of 0% (2014 – 0%) based on forecast GDP growth, inflation rates, the industry's expected growth rates and management experience. In arriving at its forecasts, DATA Group considered past experience, economic trends as well as industry and market trends. The projections also took into account the expected impact of restructuring initiatives approved.

DATA Group assumed a discount rate to calculate the present value of the projected cash flows, representing a pre-tax discount rate using a weighted average cost of capital ("WACC") for DATA Group adjusted for tax, and is 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 DATA Group. DATA Group used discount rates of 15.5% to 19.9% (2014 – 15.5% to 19.9%) reflecting management's judgment that sales channels and size of its CGU's would affect the volatility of each CGU's cash flows.

DATA Group projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DATA Group used a tax rate of 26.5% (2014 – 26.5%). 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.

During the fourth quarter of 2014, DATA Group performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGUs carrying value. As a result of that review, DATA Group recorded no goodwill impairment charges. The estimated recoverable amount of DATA CGU exceeded its carrying value by approximately $1,200 and its recoverable amount would equal its carrying value if the discount rate was increased by 0.2% to 15.7%.

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

9 PROVISIONS

	Restructuring	Onerous contracts	Total
Balance – Beginning of year	**$ 1,300**	**$ 2,103**	**$ 3,403**
Additional charge during the year	**11,231**	**2,329**	**13,560**
Utilized during the year	**(7,917)**	**(1,840)**	**(9,757)**
Balance – End of year	**$ 4,614**	**$ 2,592**	**$ 7,206**
Less: Current portion of provisions	**(3,981)**	**(1,742)**	**(5,723)**
As at December 31, 2015	**$ 633**	**$ 850**	**$ 1,483**

	Restructuring	Onerous contracts	Total
Balance – Beginning of year	$ 1,600	$ 3,137	$ 4,737
Additional charge during the year	2,804	–	2,804
Utilized during the year	(3,104)	(1,034)	(4,138)
Balance – End of year	$ 1,300	$ 2,103	$ 3,403
Less: Current portion of provisions	(1,069)	(973)	(2,042)
As at December 31, 2014	$ 231	$ 1,130	$ 1,361

RESTRUCTURING

During the year ended December 31, 2015, DATA Group continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2015, these initiatives resulted in $11,231 of additional restructuring expenses in the consolidated statement of loss and comprehensive loss due to changes in senior management, headcount reductions across DATA Group's operations and the closure of certain manufacturing and warehouse locations. During the year ended December 31, 2014, these initiatives resulted in $2,804 of restructuring expenses due to headcount reductions in the consolidated statement of income and comprehensive income.

For the year ended December 31, 2015, cash payments of $7,917 (2014 – $3,103) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $4,614 at December 31, 2015 are expected to be paid in 2016 and 2017.

ONEROUS CONTRACTS

During the year ended December 31, 2015, DATA Group closed a Brampton, Ontario warehouse and a Calgary, Alberta facility. Lease exit charges of $719 and $669, representing the liabilities, at present value, for the remaining lease costs under each lease agreement and building maintenance costs at each location, were recorded and will be paid over the remaining term of the leases, each expiring in 2016.

During the year ended December 31, 2015, DATA Group also closed a Vancouver, British Columbia facility. A lease exit charge of $941, representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2018.

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

10 CREDIT FACILITIES

	December 31, 2015	December 31, 2014
Term loan		
– 4.55% bankers' acceptances, maturing January 30, 2015	$ –	$ 39,750
– 4.86% bankers' acceptances, maturing January 16, 2016	35,750	–
Revolving facility		
– 4.55% bankers' acceptances, maturing January 30, 2015	–	5,000
– 4.86% bankers' acceptances, maturing January 16, 2016	7,500	–
– Floating rate debt	–	2,500
Credit facilities	43,250	47,250
Unamortized transaction costs	(155)	(368)
	$ 43,095	$ 46,882
Less: Current portion of Credit facilities	(43,095)	(3,500)
Credit facilities	$ –	$ 43,382

DATA Group maintains credit facilities (the "Credit Facilities") with a syndicate of Canadian chartered banks (the "Lenders") pursuant to a Third Amended and Restated Credit Agreement (the "Credit Agreement") dated December 19, 2014. The Credit Facilities mature on August 31, 2016 and have a maximum available principal amount of $55,000, comprised of a $10,000 revolving facility, a $5,000 swing line facility, and a $40,000 amortizing term loan. The $40,000 amortizing term loan was permanently reduced by $250 on December 31, 2014, by $1,000 on March 31, 2015, by $1,000 on June 30, 2015, by $1,000 on September 30, 2015 and by $1,000 on December 31, 2015. Under the terms of the Credit Agreement, DATA Group is required to make mandatory repayments of outstanding advances under the term loan as follows: $1,500 on the last day of March and June of 2016, respectively. The Lenders' commitment under the term loan will be permanently reduced by each of these repayments such that on maturity the maximum available principal amount of the term loan will be $32,750. DATA Group made principal repayments under the term loan of $1,000 during each of the three month periods ended December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively. A portion of the credit facilities are subject to bankers' acceptance fees over the applicable banker's acceptance rates. Maturing bankers' acceptances are typically rolled into new bankers' acceptances. The floating rate debt is an advance that is subject to interest at the Canadian prime rate plus an applicable margin. At December 31, 2015, all of DATA Group's indebtedness outstanding under the Credit Facilities was subject to a floating interest rate of 4.86% (2014 – 4.59%) per annum.

Advances under the Credit Facilities are secured by conventional security charging all the property and assets of DATA Group and its subsidiary. A failure by DATA Group to comply with its obligations under the Credit Agreement, together with certain other events, including a change of control of DATA Group, could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under the Credit Facilities and entitle the Lenders to exercise their remedies under their security over DATA Group's assets.

The Credit Agreement contains financial covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. Those covenants require DATA Group to maintain, at all times, a quarterly maximum ratio (the "Debt to EBITDA Ratio") of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA"). The maximum Debt to EBITDA Ratio allowed for a 12-month trailing period was 2.50 at December 31, 2014 and March 31, 2015, respectively. The maximum Debt to EBITDA Ratio allowed for a 12-month trailing period ended June 30, 2015 declined to 2.25. The Credit Agreement also requires DATA Group to maintain, at all times, a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges (the "Fixed Charge Ratio"). The minimum Fixed Charge Ratio allowed for a 12-month trailing period was 1.25. DATA Group did not maintain the required Debt to EBITDA Ratio or the Fixed Charge ratio as at June 30, 2015. As a result, DATA Group was not in compliance with either of these financial covenants and the outstanding borrowings under the Credit Facilities as at June 30, 2015 were classified as current. However, during the quarter ended September 30, 2015, DATA Group entered into a Waiver and Amendment

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

Agreement to Third Amended and Restated Credit Agreement with the Lenders with respect to a waiver for non-compliance with those financial covenants as at June 30, 2015 and amendments to the terms of the Credit Agreement as they relate to the Debt to EBITDA Ratio and the Fixed Charge Ratio. After giving effect to those amendments, the maximum Debt to EBITDA Ratio for the 12 month trailing period ended September 30 2015 was 2.75, declined to 2.50 at December 31, 2015, and declines to 2.25 at March 31, 2016, and to 2.0 after March 31, 2016. As at December 31, 2015, the Debt to EBITDA Ratio was calculated at 2.06 (2014 – 2.10). The minimum Fixed Charge Ratio required to be maintained by DATA Group for the 12 month trailing period ended September 30, 2015 has been amended to 1.10 and rose to 1.25 as at December 31, 2015. As at December 31, 2015, the Fixed Charge Ratio was calculated at 1.78 (2014 – 1.61).

As the Credit Facilities are due to mature in less than 12 months, the outstanding borrowings under the Credit Facilities have been classified as current at December 31, 2015. See note 26.

The Credit Agreement contains restrictive covenants which limit the discretion of management with respect to certain business matters and the declaration or payment of dividends on DATA Group's common shares without the prior consent of the Lenders.

11 CONVERTIBLE DEBENTURES

	December 31, 2015	December 31, 2014
6.00% convertible debentures, maturing June 30, 2017, interest payable in June and December, convertible at 81.967 shares per $1,000 of debenture	**$ 11,044**	$ 43,966
Unamortized transaction costs	**(132)**	(744)
	$ 10,912	$ 43,222

The 6.00% Convertible Debentures with an aggregate principal amount of $11,175 (2014 – $44,705) bear interest at a rate of 6.00% per annum payable semi-annually, in arrears, on June 30 and December 31. The 6.00% Convertible Debentures mature on June 30, 2017 and are convertible into common shares of DATA Group ("Shares") at the option of the holder prior to maturity or redemption at a conversion price of $12.20 per Share, subject to adjustment in certain events described in greater detail in DATA Group's Annual Information Form for the year ended December 31, 2014. The 6.00% Convertible Debentures could not be redeemed before June 30, 2013.

On or after June 30, 2013 and prior to June 30, 2015, the 6.00% Convertible Debentures could have been redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the Shares (being the volume-weighted average trading price of the Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date) is at least 125% of the conversion price of the 6.00% Convertible Debentures. On or after June 30, 2015, the 6.00% Convertible Debentures may be redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, DATA Group may, at its option, subject to regulatory approval and certain other conditions, elect to satisfy its obligation to pay the applicable redemption price for the principal amount of the 6.00% Convertible Debentures by issuing and delivering that number of Shares obtained by dividing the aggregate redemption price of the debentures to be redeemed, or the principal amount of outstanding debentures which have matured, by 95% of the current market price of the Shares on the date fixed for redemption or the maturity date.

DATA Group capitalized transaction costs of $2,266 related to this issuance and amortization of these costs is recognized over the term of the 6.00% Convertible Debentures.

REDEMPTION OF 6.00% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES FOR SHARES

DATA Group redeemed $33,530 aggregate principal amount of its $44,705 outstanding 6.00% Convertible Debentures on December 23, 2015 (the "Redemption Date"). DATA Group elected to satisfy its obligation by issuing and delivering to holders of 6.00% Convertible Debentures redeemed common shares of DATA Group (the "Common Shares") in lieu of cash. On redemption, holders of the 6.00% Convertible Debentures received: (i) a number of Common Shares equal to the principal amount of 6.00% Convertible Debentures redeemed on the Redemption Date divided by 95% of the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ended on December 16, 2015, and (ii) a cash payment equal to accrued and unpaid interest on the 6.00% Convertible Debentures redeemed up to but excluding the Redemption Date, less any applicable withholding taxes. The redemption of the 6.00% Convertible Debentures was completed in accordance with the terms of the amended and restated trust indenture dated as of January 1, 2012 (the "Trust Indenture") between DATA Group and Computershare Trust Company of Canada (the "Debenture Trustee"), which governs the 6.00% Convertible Debentures, and did not require the consent of 6.00% Convertible Debenture holders.

On the Redemption Date, DATA Group issued 975,262,140 Common Shares, see (note 17), which, based on the formula described above, was calculated using a volume-weighted average trading price of $0.03619 per share. Under IFRS, the Common Shares issued were determined to have a fair value on the Redemption Date of $0.02 per share. Common Shares having a fair value of $19,505 were issued to satisfy the redemption price of the 6.00% Convertible Debentures redeemed on the Redemption Date, which had a carrying value of $32,735 on that date. This resulted in a gain on redemption of convertible debentures of $13,230 under IFRS. A total of $523 of transaction costs were incurred to execute the redemption. Of the total costs, $59 were directly attributable to the issuance of the Common Shares and have been netted against the increase in shares. The remaining costs of $464 were directly attributable to the redemption of the 6.00% Convertible Debentures and have been expensed and netted against the gain on redemption of convertible debentures within the consolidated statement of (loss) income. DATA Group also made a cash payment of $970 representing the accrued and unpaid interest on the 6.00% Convertible Debentures redeemed up to but excluding the Redemption Date, less any applicable withholding taxes.

The redemption resulted in a reduction of $385 of conversion options being written off to contributed surplus.

NORMAL COURSE ISSUER BID

In May 2015, DATA Group renewed its normal course issuer bid ("NCIB") for another 12 months. Under the NCIB, DATA Group may purchase up to a maximum of $4,365 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the "public float" of the 6.00% Convertible Debentures outstanding and daily purchases are limited to $14 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. At December 31, 2015, $ Nil of the 6.00% Convertible Debentures have been purchased under the renewed NCIB. Under the previous NCIB, which expired in May 2015, $295 aggregate principal amount of the 6.00% Convertible Debentures were purchased.

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

12 DEFERRED AND CURRENT INCOME TAXES

Significant components of DATA Group's deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows:

December 31, 2015	Assets	Liabilities	Net
Pension obligations and other post-employment benefit plans	$ 2,649	$ –	$ 2,649
Unfavourable lease obligation	216	–	216
Lease escalation	200	–	200
Deferred finance fees	130	–	130
Deductible reserves	1,166	–	1,166
Tax credit carry-forwards	125	–	125
Convertible debentures	–	(34)	(34)
Property, plant and equipment greater than tax values	–	(1,083)	(1,083)
Intangible assets greater than tax values	–	(1,321)	(1,321)
Tax related to tax credit carry-forwards	–	(33)	(33)
Other	–	(21)	(21)
Total deferred tax assets (liabilities)	$ 4,486	$ (2,492)	$ 1,994

December 31, 2014	Assets	Liabilities	Net
Pension obligations and other post-employment benefit plans	$ 3,035	–	$ 3,035
Unfavourable lease obligation	68	–	68
Lease escalation	152	–	152
Benefit of income tax loss and other carry-forwards	914	–	914
Deductible reserves	657	–	657
Convertible debentures	–	(190)	(190)
Property, plant and equipment greater than tax values	–	(1,279)	(1,279)
Intangible assets greater than tax values	–	(1,712)	(1,712)
Deferred finance fees	–	(155)	(155)
Other	–	(32)	(32)
Total deferred tax assets (liabilities)	$ 4,826	$ (3,368)	$ 1,458

Reflected in the consolidated statement of financial position as follows:	December 31, 2015	December 31, 2014
Deferred tax assets	$ 2,070	$ 1,508
Deferred tax liabilities	(76)	(50)
Net deferred tax assets (liabilities)	$ 1,994	$ 1,458

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

	Balance at January 1, 2015	Other	Recognized in statement of income	Recognized in comprehensive income	Balance at December 31, 2015
Pension obligations and other post-employment benefit plans	$ 3,035	$ –	$ (345)	$ (41)	$ 2,649
Unfavourable lease obligation	68	–	148	–	216
Lease escalation	152	–	48	–	200
Benefit of income tax loss and other carry-forwards	914	–	(914)	–	–
Deferred finance fees	–	–	130	–	130
Deductible reserves	657	–	509	–	1,166
Tax credit carry-forwards	–	125	–	–	125
	$ 4,826	$ 125	$ (424)	$ (41)	$ 4,486
Convertible debentures	$ (190)	$ –	$ 156	$ –	$ (34)
Property, plant and equipment greater than tax values	(1,279)	–	196	–	(1,083)
Intangible assets greater than tax values	(1,712)	–	391	–	(1,321)
Deferred finance fees	(155)	–	155	–	–
Tax related to tax credit carry-forwards	–	–	(33)	–	(33)
Other	(32)	(10)	21	–	(21)
	$ (3,368)	$ (10)	$ 886	$ –	$ (2,492)
Total deferred tax assets (liabilities)	$ 1,458	$ 115	$ 462	$ (41)	$ 1,994

	Balance at January 1, 2015	Recognized in statement of income	Recognized in comprehensive income	Balance at December 31, 2014
Pension obligations and other post-employment benefit plans	$ 2,114	$ (529)	$ 1,450	$ 3,035
Unfavourable lease obligation	104	(36)	–	68
Lease escalation	189	(37)	–	152
Benefit of income tax loss and other carry-forwards	2,354	(1,440)	–	914
Deductible reserves	1,084	(427)	–	657
	$ 5,845	$ (2,469)	$ 1,450	$ 4,826
Convertible debentures	$ (276)	$ 86	$ –	$ (190)
Property, plant and equipment greater than tax values	(1,465)	186	–	(1,279)
Intangible assets greater than tax values	(2,255)	543	–	(1,712)
Deferred finance fees	(125)	(30)	–	(155)
Other	(37)	5	–	(32)
	$ (4,158)	$ 790	$ –	$ (3,368)
Total deferred tax assets (liabilities)	$ 1,687	$ (1,679)	$ 1,450	$ 1,458

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

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2015, DATA Group has non-capital loss carry-forwards of $nil (2014 – $3,692).

In the ordinary course of business, DATA Group and its subsidiary 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, 2015 and 2014 are set out below:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Current income tax expense:		
Current tax on profits for the year	$ 1,191	$ 69
Total current income tax expense	1,191	69
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences described above	(462)	1,679
Total deferred income tax (recovery) expense	(462)	1,679
Total income tax expense for the year	$ 729	$ 1,748

Taxes on items recognized in comprehensive income (loss) for the years ended December 31, 2015 and 2014 are set out below:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Deferred income tax expense (recovery) on recognition of actuarial gains (losses) related to defined benefit plans	$ 41	$ (1,450)
Total deferred income tax expense (recovery) in comprehensive income (loss)	$ 41	$ (1,450)

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

FACTORS AFFECTING TAX EXPENSE (RECOVERY) FOR THE YEAR

The 2015 statutory rate of Canadian corporate income tax is 25.89% (2014 – 25.67%). The following are reconciliations of income taxes calculated at the Canadian corporate rate to the tax expense (recovery) for the years ended December 31, 2015 and 2014.

	For the year ended December 31, 2015	For the year ended December 31, 2014
Income (loss) before tax multiplied by the statutory rate of Canadian corporate tax of 25.89% (2014 – 25.67%)	**$ (4,775)**	$ 1,598
Increase (reduction) in rate resulting from:		
Difference between Canadian rates and rates applicable to subsidiary in another country	**171**	37
Impairment of goodwill	**6,731**	–
Gain on redemption of convertible debentures	**(1,310)**	–
Non-deductible expenses and other items	**(88)**	113
Total income tax expense (recovery) for the year	**$ 729**	$ 1,748

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 25.89% (2014 – 25.67%). The tax rate for the current year is 0.22% higher than 2014 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. Deferred 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 tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.63% (2014 – 25.99%) based on the tax rates in years when the temporary differences are expected to reverse.

13 OTHER NON-CURRENT LIABILITIES

	December 31, 2015	December 31, 2014
Deferred lease inducement	**$ 828**	$ 245
Lease escalation liabilities	**768**	614
Finance lease liabilities	**18**	58
Loan payable	**342**	–
	$ 1,956	$ 917
Less: Current portion of other non-current liabilities	**(594)**	(369)
	$ 1,362	$ 548

The current portion of other non-current liabilities is included in trade payables.

During the year ended December 31, 2006, DATA Group entered into a lease agreement for its Edmonton, Alberta facility and that included lease inducements which were deferred and are recognized over the life of the lease, expiring in 2016. During the year ended December 31, 2015, DATA Group entered into a lease agreement for its Calgary, Alberta facility and that included lease inducements which were deferred and are recognized over the life of the lease, expiring in 2022.

DATA Group's operations are conducted in leased properties. DATA Group'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. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease, expiring in 2016 to 2022.

During the year ended December 31, 2015, DATA Group entered into a loan payable agreement for licensed software in the amount of $342. The loan has an interest rate of 2.90% and repayments of $19 per month will be made over 20 months ending in August 2017.

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

14 PENSION OBLIGATIONS, ASSET AND EXPENSES

Reflected in the consolidated statement of financial position as follows:	December 31, 2015	December 31, 2014
Pension asset	$ (770)	$ –
Pension obligations	8,354	8,949
Pension obligations, net	$ 7,584	$ 8,949

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Group Pension Plan. Annual actuarial valuations are required on the DATA Group Pension Plan until the solvency deficiency is reduced to a level under which the applicable pension regulations allow the valuations to be completed every three years. At January 1, 2014, the solvency deficiency had reduced to a level such that actuarial valuations are to be completed every three years. Based on those valuations, the annual cash contributions in respect of the defined benefit provision of the DATA Group Pension Plan were to be determined annually and depended 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, 2014, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2014, the DATA Group Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA Group's annual cash contributions for the next two years to the defined benefit provision of the DATA Group Pension Plan will be unchanged at $1,311. During the year ended December 31, 2015, DATA Group made all the required payments related to its funding requirements for the defined benefit provision of the DATA Group Pension Plan for 2015, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014.

The following is a summary of DATA Group's net pension obligations:

	December 31, 2015	December 31, 2014
Present value of funded obligations	$ 59,929	$ 61,455
Less: Fair value of plan assets	(60,699)	(61,129)
Deficit (surplus) of funded plans	(770)	326
Present value of unfunded obligations	8,354	8,623
Pension obligations, net	$ 7,584	$ 8,949

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

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

	Funded	Unfunded	December 31, 2015
Balance – Beginning of year	**$ 61,455**	**$ 8,623**	**$ 70,078**
Interest expense	**2,416**	**317**	**2,733**
Benefits paid	**(3,023)**	**(567)**	**(3,590)**
Re-measurements:			
– Gain from change in financial assumptions	**(900)**	**(85)**	**(985)**
– Experience (gains) losses	**(19)**	**66**	**47**
Balance – End of year	**$ 59,929**	**$ 8,354**	**$ 68,283**

	Funded	Unfunded	December 31, 2014
Balance – Beginning of year	$ 51,836	$ 8,102	$ 59,938
Interest expense	2,547	370	2,917
Benefits paid	(2,347)	(579)	(2,926)
Re-measurements:			
– Loss from change in demographic assumptions	277	54	331
– Loss from change in financial assumptions	8,308	749	9,057
– Experience losses (gains)	834	(73)	761
Balance – End of year	$ 61,455	$ 8,623	$ 70,078

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

	Funded	Unfunded	December 31, 2015
Balance – Beginning of year	**$ 61,129**	**$ –**	**$ 61,129**
Interest income	**2,424**	**–**	**2,424**
Employer contributions	**1,311**	**567**	**1,878**
Benefits paid	**(3,023)**	**(567)**	**(3,590)**
Administrative expenses paid from plan assets	**(300)**	**–**	**(300)**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest income	**(842)**	**–**	**(842)**
Balance – End of year	**$ 60,699**	**$ –**	**$ 60,699**

	Funded	Unfunded	December 31, 2014
Balance – Beginning of year	$ 54,520	$ –	$ 54,520
Interest income	2,687	–	2,687
Employer contributions	1,959	579	2,538
Benefits paid	(2,347)	(579)	(2,926)
Administrative expenses paid from plan assets	(300)	–	(300)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest income	4,610	–	4,610
Balance – End of year	$ 61,129	$ –	$ 61,129

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

DATA GROUP PENSION PLAN ASSET COMPOSITION

	For the year ended December 31, 2015			For the year ended December 31, 2014		
		Quoted	Percentage of plan assets		Quoted	Percentage of plan assets
Domestic equities	$	3,687		$	3,772	
Foreign equities		5,164			4,992	
Equity instruments	$	8,851	14%	$	8,764	14%
Short and mid-term bonds	$	10,241		$	7,403	
Long bonds		37,570			40,861	
Commercial mortgages		3,677			3,811	
Debt instruments	$	51,488	85%	$	52,075	85%
Cash and cash equivalents	$	360	1%	$	290	1%
Total	$	60,699	100%	$	61,129	100%

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENT OF INCOME (LOSS)

		Funded		Unfunded		December 31, 2015
Administration expenses	$	300	$	–	$	300
Interest expense		2,416		317		2,733
Interest income		(2,424)		–		(2,424)
Total net interest expense		(8)		317		309
Defined benefit expense recognized	$	292	$	317	$	609

		Funded		Unfunded		December 31, 2014
Administration expenses	$	300	$	–	$	300
Interest expense		2,547		370		2,917
Interest income		(2,687)		–		(2,687)
Total net interest expense		(140)		370		230
Defined benefit expense recognized	$	160	$	370	$	530

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

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Funded	Unfunded	December 31, 2015
Re-measurements:			
- Gain from change in financial assumptions	$ (900)	$ (85)	$ (985)
- Experience (gains) losses	(19)	66	47
- Return on plan assets, excluding amounts included in interest income	842	–	842
	(77)	(19)	(96)
Deferred income tax effect	20	5	25
Defined benefit recovery recognized	$ (57)	$ (14)	$ (71)

	Funded	Unfunded	December 31, 2014
Re-measurements:			
- Loss from change in demographic assumptions	$ 277	$ 54	$ 331
- Loss from change in financial assumptions	8,308	749	9,057
- Experience losses (gains)	834	(73)	761
- Return on plan assets, excluding amounts included in interest income	(4,610)	–	(4,610)
	4,809	730	5,539
Deferred income tax effect	(1,235)	(187)	(1,422)
Defined benefit expense recognized	$ 3,574	$ 543	$ 4,117

DATA Group 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 DATA GROUP'S DEFINED BENEFIT OBLIGATIONS

	December 31, 2015	December 31, 2014
DATA GROUP PENSION PLAN		
Discount rate	4.10%	4.00%
Rate of compensation increase	3.00%	3.00%
SERP		
Discount rate	3.90%	3.80%

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

DATA Group increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2015 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2015.

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, 2015	December 31, 2014
Retiring at the end of the reporting period:		
Male	**21.5**	21.4
Female	**24.0**	23.9
Retiring in 25 years after the end of the reporting period:		
Male	**22.9**	22.8
Female	**25.2**	25.1

Through its defined benefit plans, DATA Group 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 Group Pension Plan currently holds a small proportion of equities, 14% 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 Group 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 Group Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. Beginning in 2012 and as the plan matured, the defined benefit provision of the DATA Group Pension Plan's level of investment risk was reduced by lowering the proportion of equities and increasing the proportion of bonds which are a better match to the plan liabilities. This shift from equities to better matching bonds commenced in 2012 and was expected to conclude in 2026. This period was selected based on analysis of projected pension benefit cash flows. Through the derisking schedule, the defined benefit provision of the DATA Group Pension Plan lowered its interest rate risk, inflation risk and equity risk. In 2011, the defined benefit provision of the DATA Group Pension Plan had 60% equities and 40% bonds. In 2026, the defined benefit provision of the DATA Group Pension Plan was expected to have 15% equities and 85% bonds. This derisking strategy is reviewed annually to consider the current environment and may be revised at any point in time. In 2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Group Pension Plan. With a significant improvement in the financial position, the defined benefit provision of the DATA Group Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics.

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

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.

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2015 and at December 31, 2014 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, 2015		
	Impact on defined benefit obligations		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (2,364)**	**$ 2,505**
Salary growth rate	**0.25%**	**693**	**(711)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**$ 1,668**	**$ (1,708)**

	December 31, 2014		
	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (2,485)	$ 2,632
Salary growth rate	0.25%	682	(700)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 1,667	$ (1,706)

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 obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation 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 statement of financial position.

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

The weighted average duration of the defined benefit obligations is 14.3 years (2014 – 15.3 years).

Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Between 5 5 to 10 years
At December 31, 2015	**$ 2,782**	**$ 5,839**	**$ 6,433**	**$ 18,096**
At December 31, 2014	$ 2,652	$ 5,644	$ 6,066	$ 17,485

The annual pension expense for the defined contribution provision of the DATA Group Pension Plan is based on the amounts contributed in respect of eligible employees. The annual pension expense for the SRDF, which is 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 DATA Group facilities located in the Province of Québec.

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Defined contribution plan	**$ 1,720**	$ 1,842
Defined benefit multi-employer plan	**$ 640**	$ 664

DATA Group expects that, in 2016, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $1,311, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1,610, contributions to the SERP will be approximately $567 and contributions to the SRDF will be approximately $546.

15 OTHER POST-EMPLOYMENT BENEFIT PLANS

Costs related to non-pension post-employment and other long-term employee benefit plans 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 DATA Group's non-pension post-employment and other long-term employee benefit plans:

	December 31, 2015	December 31, 2014
Balance – Beginning of year	**$ 2,876**	$ 2,631
Current service cost	**284**	242
Interest expense	**120**	136
Benefits paid	**(260)**	(277)
Re-measurements:		
– Gain from change in demographic assumptions	**(150)**	(172)
– (Gain) loss from change in financial assumptions	**(20)**	218
– Experience (gains) losses	**(287)**	98
Balance – End of year	**$ 2,563**	$ 2,876

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

ELEMENTS OF OTHER POST EMPLOYMENT BENEFIT EXPENSE RECOGNIZED IN THE STATEMENT OF INCOME (LOSS)

	December 31, 2015	December 31, 2014
Current service cost	**$ 284**	$ 242
Interest expense	**120**	136
Re-measurements:		
– Experience (gains) losses	**(394)**	33
Benefit expense recognized	**$ 10**	$ 411

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	December 31, 2015	December 31, 2014
Re-measurements:		
– Loss from change in demographic assumptions	**$ –**	$ 10
– Loss (gain) from change in financial assumptions	**(12)**	127
– Experience gains	**(51)**	(26)
	(63)	111
Deferred income tax effect	**16**	(28)
Benefit expense (recovery) recognized	**$ (47)**	$ 83

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

DATA GROUP OTHER LONG-TERM EMPLOYEE OBLIGATIONS	**December 31, 2015**	December 31, 2014
Discount rate	**4.10%**	4.00%
Health care cost trend rate – Initial	**6.10%**	6.12%
Health care cost trend rate declines by 2028 (2014 – 2028)	**4.50%**	4.50%

DATA GROUP NON-PENSION POST-EMPLOYMENT OBLIGATION	**December 31, 2015**	December 31, 2014
Discount rate	**4.10%**	4.00%
Health care cost trend rate – Initial	**6.58%**	6.74%
Health care cost trend rate declines by 2028 (2014 – 2028)	**4.50%**	4.50%

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

SENSITIVITY ANALYSIS ON OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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.

	Impact on other post-employment benefit obligations		
At December 31, 2015	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (48)**	**$ 50**
Health care cost trend rates	**1.00%**	**182**	**(163)**

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy	**$ 84**	**$ (80)**

	Impact on other post-employment benefit obligations		
At December 31, 2014	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (54)	$ 56
Health care cost trend rates	1.00%	208	(186)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	$ 81	$ (78)

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 5 to 10 years**
At December 31, 2015	**$ 264**	**$ 483**	**$ 443**	**$ 980**
At December 31, 2014	$ 312	$ 559	$ 477	$ 942

DATA Group expects that, in 2016, contributions to its other post-employments benefit plans will be approximately $264.

16 FINANCIAL INSTRUMENTS

DATA Group's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, loans payable, credit facilities, and convertible debentures, as indicated in DATA Group's statements of consolidated financial position as at December 31, 2015 and 2014. DATA Group does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, trade receivables, loan payable and trade payables approximates their carrying value because of the short-term maturity of these instruments.

The fair value of DATA Group's Credit Facilities are equivalent to their carrying value since their interest rates are comparable to market rates. The 6.00% Convertible Debentures are listed for trading on the TSX, and the debt portion is recorded at amortized cost. Based on the quoted market price, the 6.00% Convertible Debentures had a fair value of $7,000 at December 31, 2015 compared to a book value of $10,912 for the debt portion and of $128 for the conversion options recorded at its historical value.

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

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values and the fair values of DATA Group's financial instruments are classified into the categories listed below as at December 31, 2015 and as at December 31, 2014. All financial assets and financial liabilities listed are categorized as level 1 inputs in the fair value hierarchy. There were no transfers between levels 1, 2 or 3 during the year.

December 31, 2015	**Carrying Value**	**Fair Value**
Loans and receivables (1)	**$ 39,264**	**$ 39,264**
Financial liabilities at amortized cost (2)	**82,400**	**78,356**

December 31, 2014	Carrying Value	Fair Value
Loans and receivables (1)	$ 37,987	$ 37,987
Financial liabilities at amortized cost (2)	118,325	102,300

Notes:

(1) Includes cash and cash equivalents and trade receivables.

(2) Includes trade payables (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), loan payable, credit facilities and convertible debentures.

There are no financial instruments recorded at fair value in the consolidated statement of financial position as at December 31, 2015 and 2014.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

DATA Group 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 DATA Group to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included on the statement of consolidated position represents the maximum credit exposure.

The cash equivalents consisted mainly of short-term investments, such as money market deposits. DATA Group has deposited the cash equivalents with Canadian Schedule 1 banks, from which management believes the risk of loss to be remote.

DATA Group grants credit to customers in the normal course of business. DATA Group 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 90 days.

DATA Group has trade receivables from clients engaged in various industries including financial institutions, insurance companies, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DATA Group 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 DATA Group's large client base.

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

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. 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. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off. As at December 31, 2015, $1,217 or 3.2%, of trade receivables were more than 90 days old, a decrease from $2,006 or 5.3%, of trade receivables that were more than 90 days old at December 31, 2014. The movement in DATA Group's allowance for doubtful accounts for 2015 and 2014 are as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Balance – Beginning of period	**$ 660**	$ 637
Provisions and revisions	**(134)**	23
Balance – End of period	**$ 526**	$ 660

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, DATA Group enters into derivative transactions only with highly rated Canadian financial institutions. At December 31, 2015 and 2014, no such transactions were outstanding.

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

LIQUIDITY RISK

Liquidity risk is the risk that DATA Group may encounter difficulties in meeting obligations associated with financial liabilities as they become due. As at December 31, 2015, DATA Group had access to $7,500 of additional available credit under its revolving and swing line facilities, less letters of credit granted of $2,157 under its Credit Facilities. See note 26.

The contractual undiscounted cash flows of DATA Group's significant financial liabilities are as follows:

December 31, 2015	**Less than a year**	**1 to 3 years**	**4 years and greater**	**Total**
Trade payables	**$ 29,766**	**$ –**	**$ –**	**$ 29,766**
Loan payable	**228**	**141**	**–**	**369**
Long-term debt (1)	**44,608**	**–**	**–**	**44,608**
Convertible debentures (2)	**671**	**11,510**	**–**	**12,181**
Total	**$ 75,273**	**$ 11,651**	**$ –**	**$ 86,924**

December 31, 2014	Less than a year	1 to 3 years	4 years and greater	Total
Trade payables	$ 29,061	$ –	$ –	$ 29,061
Long-term debt (1)	6,100	44,533	–	50,633
Convertible debentures (2)	2,682	48,728	–	51,410
Total	$ 37,843	$ 93,261	$ –	$ 131,104

Notes:

(1) Credit Facilities, expiring on August 31, 2016. As at December 31, 2015, the outstanding balance totalled $43,250 and bore interest at an average floating rate of 4.86% per annum. The outstanding balance will be reduced by principal repayments of $1,500 on March 31 and June 30 of 2016. The amounts at December 31, 2015 include estimated interest totalling $1,358 for 2016. As at December 31, 2014, the outstanding balance totalled $47,250 and bore interest at an average floating rate of 4.59% per annum. The outstanding balance was reduced by principal repayments of $1,000 at the end of each quarter of 2015 and will be reduced by principal repayments of $1,500 on March 31 and June 30 of 2016. The amounts at December 31, 2014 include estimated interest totalling $2,100 for 2015, and $1,283 for 2016. The estimated interest has been calculated based on the total borrowings outstanding during the periods and the average annual floating interest rate in effect as at December 31, 2015 and 2014, respectively.

(2) 6.00% Convertible Debentures, maturing on June 30, 2017, convertible at 81.967 shares per $1,000 of debenture. The aggregate principal amount totalled $11,175 as at December 31, 2015 and totalled $44,705 as at December 31, 2014, respectively. The amounts at December 31, 2015 include interest totalling $671 for 2016 and $335 for 2017. The amounts at December 31, 2014 include interest totalling $2,682 for 2015 to 2016 and $1,341 for 2017.

DATA Group also has significant contractual obligations in the form of operating leases (note 20), as well as contingent obligations in the form of letters of credit. DATA Group believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing and planned 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 capital expenditures and interest and scheduled repayments of borrowings under its credit facilities.

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

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. Non-derivative interest bearing assets are primarily short term liquid assets. DATA Group's interest rate risk arises from long-term debt issuances at fixed and floating interest rates.

At December 31, 2015, $43,250 of the DATA Group's indebtedness outstanding was subject to floating interest rates of 4.86% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in net income (loss) and comprehensive income (loss) by $456 for the year ended December 31, 2015 (2014 – $500), respectively. DATA Group's remaining outstanding 6.00% Convertible Debentures are subject to a fixed interest rate of 6.00% 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, DATA Group 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 DATA Group. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

17 SHARES

DATA Group 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 of Directors. In the event of the liquidation, dissolution, winding up of DATA Group or other distribution of assets of DATA Group among its shareholders for the purpose of winding up its affairs, the holders of the common shares will, subject to the rights of the holders of any other class of shares of DATA Group entitled to receive assets of DATA Group upon such a distribution in priority to or concurrently with the holders of the common shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

On December 23, 2015, DATA Group redeemed $33,530 aggregate principal amount of its $44,705 outstanding 6.00% Convertible Debentures and satisfied this obligation by issuing 975,262,140 common shares of DATA Group. The share issuance was recorded based on the trading price on the day of the transaction of $0.02 per share. Transaction costs related to the issuance of $59 were deducted when recording the shares. See note 11 for further details.

The following summarizes the change in shares:

	Number of Common shares		Amount
Balance – January 1, 2015	**23,490,592**	**$**	**215,336**
Shares issued	**975,262,140**		**19,446**
Balance – December 31, 2015	**998,752,732**	**$**	**234,782**
Balance – January 1, 2014 and December 31, 2014	23,490,592	$	215,336

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

SHARE-BASED COMPENSATION

DATA Group 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 DATA Group; and, align the interests of Participants with those of the shareholders of DATA Group. Awards to Participants are primarily based on the financial results of DATA Group and services provided. The aggregate maximum number of common shares available for issuance from DATA Group's treasury under the LTIP is 99,875,273 common shares or 10% of the issued common shares outstanding. The shares to be awarded will be authorized and unissued shares.

DATA Group'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 DSUs, restricted shares or 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 the company in an amount equal to the fair value of one DATA Group common share. RSUs generally vest within three years and primarily settle in cash upon 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 general and administration expenses. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted. During the year a total of 318,217 RSUs were granted to senior executives at DATA Group. During the year 55,096 RSUs were forfeited and 26,844 RSUs were paid in cash such that outstanding RSUs at December 31, 2015 are 236,277. Of the total outstanding RSUs at December 31, 2015, 11,485 have vested and are payable. Compensation expense amounted to $12 during the year ended December 31, 2015.

(b) Option ("Option")

The Board of Directors has approved the award of options to purchase up to 1,174,500 common shares to the president and chief executive officer of DATA Group. The options were granted on April 16, 2015, have an exercise period of seven years from the grant date once vested, and have an exercise price of $0.75 per share, representing the fair value of the common shares on the date of grant. The vesting of the award is based on meeting certain performance targets for Actual EPS and Actual Return on Capital Employed ("ROCE") for the fiscal 2016, 2017 and 2018 fiscal periods. As the targets have not been set, the value of the award, as determined using a Black-Scholes model and current market inputs, is revalued at each reporting date. At December 31, 2015, $Nil compensation expense has been recognized and no options have vested.

18 EARNINGS (LOSS) PER SHARE

	For the year ended December 31, 2015	For the year ended December 31, 2014
BASIC (LOSS) EARNINGS PER SHARE		
Net (loss) income for the period attributable to common shareholders	**$ (19,172)**	$ 4,479
Weighted average number of shares	**47,538,152**	23,490,592
Basic (loss) earnings per share	**$ (0.40)**	$ 0.19
DILUTED (LOSS) EARNINGS PER SHARE		
Net (loss) income for the year attributable to common shareholders	**$ (19,172)**	$ 4,479
Weighted average number of shares	**47,538,152**	23,490,592
Diluted (loss) earnings per share	**$ (0.40)**	$ 0.19

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

6.00% Convertible Debentures in the aggregate principal amount of $11,175 (2014 – $44,705) and the related interest expense were excluded from the computation of diluted earnings per share as their effect would have been antidilutive. Options granted were excluded from the computation of diluted earnings per share because their exercise price was higher than the market price of Common Shares.

19 CHANGES IN WORKING CAPITAL

	For the year ended December 31, 2015	For the year ended December 31, 2014
Trade receivables	**$ (805)**	$ (585)
Inventories	**3,101**	(2,414)
Prepaid expenses and other current assets	**1,462**	(1,645)
Trade payables	**396**	2,916
Deferred revenue	**(633)**	1,283
	$ 3,521	$ (445)

20 COMMITMENTS AND CONTINGENCIES

DATA Group leases real estate, printing equipment, trucks and office equipment in connection with its sales and manufacturing activities under non-cancellable lease agreements, which expire at various dates. Future commitments under non-cancellable operating leases are as follows:

	December 31, 2015
2016	**$ 11,046**
2017	**7,083**
2018	**4,011**
2019	**3,167**
2020	**2,682**
2021 and thereafter	**2,210**
	$ 30,199

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

DATA Group makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DATA Group facilities located in the Province of Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. Based upon the terms of those applicable collective agreements, DATA Group's estimated annual funding obligation for the SRDF for 2016 is $546. The most recent funding actuarial report (as at December 31, 2013) in respect of the Québec members of the plan disclosed a solvency deficiency and a gap between the minimum total contributions required under applicable Québec pension legislation and total employer contributions determined pursuant to collective agreements.

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

Under Québec pension legislation applicable prior to December 31, 2014, DATA Group would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DATA Group had withdrawn from the plan or if the plan had been terminated. On February 18, 2015, Bill 34 (An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans) was tabled in the Québec legislature. Bill 34, which was adopted on April 2, 2015 with effect from December 31, 2014, amends and clarifies the Québec pension legislation for the SRDF 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 solvency deficiencies;
- allow for the reduction of accrued benefits; 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 within five years of Bill 34 being adopted.

In addition, it appears that another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a “Recovery Plan”. However, it is unclear as to what form any such plan will take and any related implications for DATA Group cannot be determined at this time.

21 CAPITAL STRUCTURE

The DATA Group’s objectives when managing its capital structure are:

- To seek to ensure sufficient liquidity to safe guard DATA Group’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.
- To provide a return to shareholders.

DATA Group’s capital structure consists of various types of long-term debt and shareholder’s equity. DATA Group’s primary uses of capital are to finance increases in working capital, payments towards other long-term obligations, capital expenditures and acquisitions.

DATA Group’s Credit Facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests (see note 10). Management also uses Debt to EBITDA Ratio as a key indicator in managing DATA Group’s capital.

With respect to its equity, the current level of capital is considered adequate in the context of current operations and the present strategic plan of DATA Group. The equity component of capital increases primarily based upon the income of the business less any dividends paid. Management anticipates that any major acquisition or significant growth initiatives would be financed in part with additional equity.

DATA Group’s capital structure is as follows:

	December 31, 2015	December 31, 2014
Credit facilities	**$ 43,095**	$ 46,882
Convertible debentures	**10,912**	43,222
Total long-term debt	**$ 54,007**	$ 90,104
Total equity	**$ 19,019**	$ 18,413

DATA Group is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its credit facilities, which relates mainly to permitted investments, acquisitions, lease agreements, dividends and subordinated debt.

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

23 EXPENSES BY NATURE

	For the year ended December 31, 2015	For the year ended December 31, 2014
Raw materials and other purchases	$ 153,336	$ 152,547
Wages and benefits	101,938	110,514
Pension and other post-employment expenses	2,550	3,081
Occupancy costs	16,761	17,380
Restructuring expenses	13,560	2,804
Depreciation, amortization and impairments	32,703	6,856
Other expenses	(3,886)	7,072
Total cost of revenues and operating expenses	$ 316,962	$ 300,254

24 SEGMENTED INFORMATION

The president and chief executive officer ("CEO") of DATA Group is the chief operating decision-maker ("CODM"). Management has determined that there is one operating segment based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. As a result of the organizational and operational changes implemented by DATA Group in 2015, DATA Group's operations are increasingly integrated and interdependent and less focused on serving separate distribution channels and, therefore, DATA Group's former Multiple Pakfold operating segment has been included in one consolidated operating segment commencing in the quarter ended December 31, 2015. Management evaluates the performance of the reporting segment 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. DATA Group established operations in Niles, Illinois during the fourth quarter of 2012 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, 2015, U.S. sales were not significant to disclose separately.

Warehousing revenues were approximately 7% of total consolidated revenues for the year ended December 31, 2015 and were approximately 7% of total consolidated revenues for the year ended December 31, 2014.

25 RELATED PARTY TRANSACTIONS

DATA Group does not have transactions in the ordinary course of business with entities whose management, directors or trustees are also directors of DATA Group.

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be the CEO, chief financial officer and other members of the senior executive team. Compensation awarded to key management personnel included:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Salaries and other short-term employee benefits	$ 2,405	$ 1,950
Termination and retirement benefits	1,135	—
Post-employment benefits	29	32
Total	$ 3,569	$ 1,982

The CEO was granted 201,827 RSUs and was granted options to purchase up to 1,174,500 common shares during the year (see note 17).

During the year ended December 31, 2015, DATA Group's general and administration expenses include a charge of $322 (2014 – $356) for the duties performed by DATA Group's Board of Directors.

26 SUBSEQUENT EVENTS

SENIOR CREDIT FACILITIES

In March 2016, DATA Group established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM Credit Facility") with the Integrated Private Debt division of Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DATA Group and the Bank (the "Bank Credit Agreement") and IAM (the "IAM Credit Agreement"), respectively. Approximately $43,250 of the total available principal amount available to DATA Group under the IAM Credit Agreement and the Bank Credit Agreement has been used to fully repay DATA Group's outstanding indebtedness under its former senior credit facilities. As at March 11, 2016, DATA Group had outstanding borrowings of $15,931 and letters of credit granted of $2,159 under the Bank Credit Facility, and outstanding borrowings of $28,000 under the IAM Credit Facility.

The Bank Credit Facility has a maximum available principal amount of $25,000. A portion of the Bank Credit Facility consists of a non-revolving term credit facility (the "Bank Term Facility") in a maximum principal amount of $5,000 as well as a committed treasury facility pursuant to which the Bank may, in its sole discretion, agree to enter into non-speculative hedging arrangements, subject to certain restrictions. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $25,000 and a fixed percentage of DATA Group's aggregate accounts receivable and inventory (less certain amounts). The Bank Term Facility is a sub facility of the Bank Credit Facility and is available by way of a single advance and it`s availability is not based on DATA Group's accounts receivable or inventories. The proceeds of the Bank Term Facility must be used by DATA Group to repay indebtedness owing by it under the senior credit facilities previously maintained by DATA Group with a syndicate of Canadian chartered banks. Advances under the Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 75 basis points. The Bank Term Facility matures on the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement and no repayments on the Bank Term Facility will reduce the total available principal amount under the Bank Credit Facility. The Bank Credit Facility matures on the earlier of March 10, 2019 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement.

The IAM Credit Facility matures on March 10, 2023 and has a maximum available principal amount of $28,000. Indebtedness outstanding under the IAM Credit Facility bears interest at a fixed rate equal to 6.95% per annum. Under the terms of the IAM Credit Agreement, DATA Group is required to make mandatory blended equal monthly repayments of principal and interest such that, on maturity, advances under the IAM Credit Facility and applicable interest on those advances will have been fully repaid. Repayments cannot be reborrowed. Under the terms of the IAM Credit Agreement, DATA Group must ensure that the aggregate of the principal amount outstanding under the IAM Credit Facility and the principal amount outstanding under the Bank Credit Facility does not exceed $50,000.

Both the Bank Credit Agreement and the IAM Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board of Directors and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DATA Group without the consent of the Bank or IAM, as applicable. The Bank Credit Facility limits spending on capital expenditures by DATA Group to an aggregate amount not to exceed $5,500 during any fiscal year, and the IAM Credit Agreement limits the incurrence of capital expenditures to no more than $5,000 in any fiscal year.

Under the terms of the IAM Credit Agreement, DATA Group must ensure that the aggregate of the principal amount outstanding under the IAM Credit Facility and the principal amount outstanding under the Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), does not exceed $50,000; and DATA Group must maintain (i) a ratio of Senior Funded Debt to EBITDA for its four most recently completed fiscal quarters of not greater than the following levels: from the date of the advance up to March 31, 2017 – 3.25 to 1; from April 1, 2017 up to March 31, 2018 – 3.00 to 1; and on and after April 1, 2018 – 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1.

Under the terms of the Bank Credit Agreement, DATA Group must maintain a fixed charge coverage ratio of not less than 1.1:1.0 at all times, calculated on a consolidated basis, in respect of any particular period.

Each of the Bank Credit Facility and the IAM Credit Facility is secured by conventional security charging all the property and assets of DATA Group and its affiliates. The payment of the principal of, and interest on, DATA Group's outstanding 6.00% Convertible Debentures is subordinated in right of payment to the prior payment in full of DATA Group's indebtedness under the Bank Credit Agreement and the IAM Credit Agreement.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Michael Blair [3]
Chairman, Director

J.R. Kingsley Ward [2]
Vice-Chairman, Director

William Albino [1, 2]
Director

Rod Phillips [1,3]
Director

Harinder S. Takhar [1, 3]
Director

Michael G. Sifton
Director & Officer
President & Chief Executive Officer

James E. Lorimer
Officer
Chief Financial Officer & Corporate Secretary

[1] Member, Audit Committee (Chairperson is Harinder S. Takhar)

[2] Member, Corporate Governance Committee (Chairperson is William Albino)

[3] Member, Human Resources and Compensation Committee (Chairperson is Rod Phillips)

EXECUTIVE TEAM

Michael G. Sifton
President & Chief Executive Officer

James E. Lorimer
Chief Financial Officer

Steve Wittal
Senior Vice-President, Sales

Alan Roberts
Senior Vice-President, Operations

Judy Holcomb-Williams
Vice-President, Human Resources

Jeff Gladwish
Vice-President, Marketing

Karl Spangler
Chief Technology Officer

CORPORATE INFORMATION

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

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Website
www.datacm.com

Toronto Stock Exchange Symbols
DGI and DGI.DB.A

OUR VALUES

AT DATA COMMUNICATIONS MANAGEMENT WE...

...ARE UNITED AS ONE TEAM

We are a unified team bonded by our common purpose and driven by our commitment to openness, collaboration and a desire to win

...AIM FOR GREATNESS

We are obsessed with providing an exceptional customer experience grounded in quality, reliability and accountability

...INNOVATE AND LEAD

We are externally focused, using data and market trends to boldly serve our clients as trusted advisors and problem solvers

...ARE COMMITTED TO EVERY MEMBER OF OUR TEAM

We inspire and encourage our employees to do great things while continually learning and celebrating success, within a diverse environment built on support and belonging

...ARE MINDFUL OF OUR GREATER COMMUNITY AND THE ENVIRONMENT

We share a responsibility for the communities where we live and work and embrace the best environmental, ethical and governance practices

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