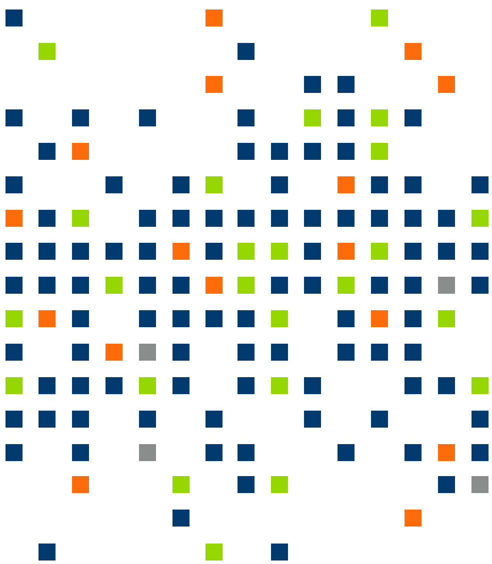

2017 ANNUAL REPORT

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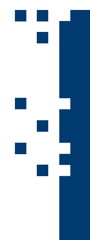

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LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

DCM completed 2017 with a strong fourth quarter. Revenues were $76.1 million, up 11.6% compared to a year ago; and Adjusted EBITDA was $5.6 million, up 154.5% versus a year ago. For the fiscal year ended December 31, 2017, total revenues were $289.5 million, up 4.0% versus a year ago, and Adjusted EBITDA was $16.1 million, compared to $14.4 million a year ago.

This improvement in your business was driven by several initiatives:

SALES PERFORMANCE

We benefited from market share wins including a large North American financial institution. We achieved gains in "share of wallet", essentially providing more services and products to long standing clients.

MARGIN DISCIPLINE AND COST CONTROLS

We undertook a number of initiatives to reduce our product price discounting with a focus to improve gross margins through "cost plus" discipline.

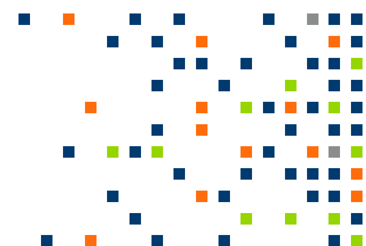
ACQUISITIONS

The Thistle and Eclipse acquisitions completed in February 2017 contributed strong results in the year and helped improve overall gross margins for the company. BOLDER Graphics, acquired in November 2017, chipped in for our last month of the year. BOLDER Graphics provides DCM with highly complementary large format platform capabilities in Western Canada and we expect a strong performance from the business in 2018.

OPERATIONAL EFFICIENCIES

We focused on five key areas:

- Announced and executed the move of Multiple Pakfold from its separate Mississauga, Ontario facility into our Brampton, Ontario location. Estimated annual savings in excess of $0.8 million are expected from this move.
- Announced and completed the move of our Granby, Québec warehousing operations into our Drummondville, Québec facility. Annual associated savings are estimated at $0.7 million.



- Announced and completed the move of BOLDER Graphics into our Calgary, Alberta location. Annual total savings are estimated at $0.8 million.
- Executed strategic selling, general and administrative cost reductions. The elimination of approximately 30 personnel will result in annualized estimated savings of approximately $3.5 million.
- Continued to progress with the implementation of our new ERP project. This is positioned for completion before the end of 2018.

As a result of all of the above, we recently shared our outlook for fiscal 2018 with the market which incorporates the above initiatives together with positive revenue trends. The "Outlook" discussion in the enclosed management's discussion and analysis of financial conditions and results of operations further describes our outlook and assumptions. We are quite encouraged by the momentum we have in the business.

LEADERSHIP TRANSITION

Reflecting on how the DCM team has successfully navigated its transformation over the last three years, as evidenced by the strong fourth quarter in 2017 and the positive outlook for 2018, I want to announce that I am stepping aside from the CEO role, effective June 2018 at the shareholders' annual general meeting. I will however remain a director, subject to shareholder support, and continue as a significant and very supportive shareholder.

I originally joined DCM with the intent to reposition the business for lasting success, and I am confident that the changes we have made to strengthen our team at all levels, and the course we have established, are now in place to do just that.

Gregory J. Cochrane will add CEO to his current title of President. I have thoroughly enjoyed working with and learning from Greg since he joined us in November 2016. During this time Greg has made many important and transformative moves to propel DCM forward. His leadership, energy and keen "customer first" focus is what DCM needs as it continues to move from its strong historical role of being an operations-focused communications provider to becoming more of a marketing communications-focused provider and thought leader.

As we approach this succession, I want to share my extreme gratitude to the whole DCM team. The company is made up of a highly talented, diverse, and extremely loyal team of individuals, all of whom have made my job enjoyable and successful.

The caliber of the DCM team is a direct result of the leadership provided by many employees over the history of DCM. I consider it a once in a lifetime privilege to have spent three years working with you. In particular, I'd like to recognize my key confidants Alan Roberts, our Senior Vice-President of Operations, James Lorimer, our Chief Financial Officer, and Judy Holcomb-Williams, our Vice-President of People Experience and who has recently taken on the role of Senior Vice-President, Chief Cultural Officer. You folks have made my DCM journey a thrill and one I'm immensely proud of.

Lastly, I'd like to thank our board of directors made up of seasoned, sound veterans, led by our Chairman J.R. Kingsley Ward. Your support has been an essential ingredient for our success.

This will be the last DCM shareholder letter I write by myself for I will share this privilege with Greg for our first quarter of 2018 report. As such, I want to take this opportunity to thank you, our shareholders, for your tremendous support and patience as we have wrestled to transition and transform your company into a modern communications corporation with an appropriate capital structure.

The journey is not over yet, but I truly now believe we know our destination and we have new sails with the wind at our backs.

For a full description of our financial results for the fourth quarter and full year financial results for 2017, please refer to our audited consolidated financial statements for the year ended December 31, 2017 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Kindest regards,

(Signed) "Michael G. Sifton"

Michael G. Sifton

Chief Executive Officer
DATA Communications Management Corp.
March 2018

MANAGEMENT REPORTS

MANAGEMENT REPORTS

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

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM.TO) and its subsidiaries (referred to herein as "DCM" or the "Company") for the years ended December 31, 2017 and 2016. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of DCM for the years ended December 31, 2017 and 2016. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of March 8, 2018.

BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

On July 4, 2016, DCM consolidated its issued and outstanding common shares ("Common Shares") on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares (the "Share Consolidation"). All references in this MD&A to Common Shares, restricted share units and stock options reflect the Share Consolidation, unless specified otherwise.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance

or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions by DCM; the failure to realize the expected benefits from acquisitions and risks associated with the integration of acquired businesses; increases in the costs of paper and other raw materials used by DCM; and DCM'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 DCM's publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com).

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

NON-IFRS MEASURES

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted 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 means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of Common Shares (basic and diluted) outstanding during the period. In addition to net income (loss), DCM uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts,

investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

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

OVERVIEW

DCM is a leading provider of business communication solutions, bringing value and collaboration to marketing and operations teams in companies across North America. DCM helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications management processes. DCM is strategically located across Canada, including seven centres of excellence to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

DCM derives its revenues from the following core capabilities: direct marketing, commercial 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. The Company serves clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy.

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

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

DCM has approximately 1,411 employees in Canada and the United States, and had revenues of $289.5 million in 2017. Website: www.datacm.com

RECENT DEVELOPMENTS

POST-INTEGRATION OF ACQUISITIONS COMPLETED

As previously reported, DCM completed the acquisition of Eclipse Colour and Imaging Corp. ("Eclipse") and Thistle Printing Limited ("Thistle") in the first quarter of 2017 and completed the acquisition of BGI Holdings Inc. and 1416395 Alberta Limited, collectively "BOLDER Graphics" on November 10, 2017, (the "BOLDER Closing Date"). DCM reported revenues and net income (loss) for the year ended December 31, 2017 from Eclipse of $21.8 million and $2.1 million, from Thistle of $15.1 million and $0.8 million, and BOLDER Graphics of $1.0 million and $(0.1) million, all since their respective dates of acquisition.

During the first quarter of 2018, DCM relocated BOLDER Graphics' staff and operations into DCM's 165,000 square foot Calgary, Alberta facility, which produces a wide array of sheet-fed lithography, digital and wide format print services, variable print-on-demand solutions and provides warehousing, fulfillment and distribution services. The combination of these two operations are expected to provide immediate annualized total cost savings synergies of approximately $0.8 million. This acquisition strengthens DCM's large and wide format printing capabilities in western Canada and complements its significantly expanded large and wide format capabilities obtained through the acquisition of Eclipse in eastern Canada earlier this year.

BOLDER Graphics was acquired for a total purchase price of approximately $3.4 million, before giving effect to post-closing adjustments for changes in working capital and bank indebtedness, based on the final statement of financial position as of the BOLDER Closing Date. The purchase price was satisfied as follows on the BOLDER Closing Date: $1.6 million in cash, $0.8 million through the issuance of 704,424 Common Shares, and $1.1 million in the form of subordinated, unsecured, 6.0% interest bearing vendor take-back promissory notes, which are payable in twenty equal monthly blended payments of principal and interest commencing on February 28, 2018 and ending on September 30, 2019, and the assumption of approximately $0.9 million in outstanding long-term indebtedness. The post-closing adjustments to the purchase of $88 thousand have been finalized and were paid in February 2018 to the vendor and therefore have been included in trade payables and accrued liabilities in DCM's consolidated statement of financial position as at December 31, 2017.

Note 4 to the audited consolidated financial statements of DCM for the year ended December 31, 2017 contains additional information used to determine the fair value of the Common Shares and fair value of the vendor take-back promissory note issued on BOLDER Closing Date.

On the BOLDER Closing Date, DCM also advanced $1.3 million to settle BOLDER Graphics' bank indebtedness and amounts payable to the former owners of the company.

Total cash advanced on the BOLDER Graphics acquisition of $2.9 million, which was used to finance the up-front cash component of the acquisition and settle the above noted debt. $2.0 million was financed with the proceeds from the IAM V Credit Facility (as defined in the "Liquidity and Capital Resources" below) and $0.9 million was financed with a draw under DCM's bank credit facility (see "Liquidity and Capital Resources" below for further details related to DCM's bank credit facilities).

The valuation report for the BOLDER Graphics acquisition is still in progress, and therefore, the purchase price allocation remains preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material. The post-closing adjustment for the Eclipse acquisition was completed during the second quarter of 2017 and did not change the purchase price significantly from the estimated amount previously used for the purchase accounting. The post-closing adjustment for the Thistle acquisition was completed during the third quarter of 2017 and resulted in a small increase in the purchase price previously used for the purchase accounting.

OPERATIONAL INITIATIVES

On January 25, 2018, DCM announced the integration of the Company's Multiple Pakfold operations into its Brampton, Ontario facility and the relocation of its Granby, Québec warehousing operations into its Drummondville, Québec facility were completed as planned with little business disruption. These facility moves, together with the labour force reductions DCM announced in October 2017 of approximately 30 individuals across the Company's indirect labour, selling, general and administrative functions, and ongoing efforts to drive efficiencies throughout the Company, are expected to result in annualized total savings of approximately $5.0 million. DCM expects to realize the full quarter effect of many of these improvements commencing in the first quarter of 2018.

REVENUE RECOGNITION POLICY

DCM 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 DCM's products are customized, product returns are not significant. DCM 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 their fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DCM recognizes warehousing, administration 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 DCM and the costs associated with these services can be reliably measured. DCM 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, administration and marketing service fees are included in one overall selling price of DCM's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DCM's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DCM's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DCM's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DCM's facilities, utilities, insurance and building maintenance. DCM's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, 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.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for each of Fiscal 2017, Fiscal 2016 and Fiscal 2015 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

TABLE 1

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

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31 2017**		January 1 to December 31 2016		January 1 to December 31 2015
Revenues	$	289,529	$	278,363	$	304,575
Cost of revenues		220,138		215,295		233,505
Gross profit		69,391		63,068		71,070
Selling, general and administrative expenses		61,371		55,934		56,663
Restructuring expenses		9,457		4,200		13,560
Impairment of goodwill		—		31,066		26,000
Gain on redemption of convertible debentures		—		—		(12,766)
Acquisition costs		1,368		68		—
		72,196		91,268		83,457
(Loss) before finance costs and income taxes		(2,805)		(28,200)		(12,387)
Finance costs (income)						
Interest expense		4,415		3,414		5,599
Interest income		(6)		(8)		(11)
Amortization of transaction costs		701		578		468
		5,110		3,984		6,056
(Loss) before income taxes		(7,915)		(32,184)		(18,443)
Income tax (recovery) expense						
Current		725		1,572		1,191
Deferred		(2,435)		(1,649)		(462)
		(1,710)		(77)		729
Net loss for the year	$	(6,205)	$	(32,107)	$	(19,172)
Basic (loss) earnings per share	$	(0.38)	$	(2.89)	$	(40.33)
Diluted (loss) earnings per share	$	(0.38)	$	(2.89)	$	(40.33)
Weighted average number of common shares outstanding, basic		16,330,837		11,125,518		475,382
Weighted average number of common shares outstanding, diluted		16,330,837		11,125,518		475,382
As at December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, unaudited)*		**As at December 31 2017**		As at December 31 2016		As at December 31 2015
Current assets	$	82,804	$	68,620	$	83,619
Current liabilities		68,648		58,473		46,176
Total assets		131,859		90,910		164,977
Total non-current liabilities		68,610		42,372		100,388
Shareholders' deficit	$	(5,399)	$	(9,935)	$	18,413

TABLE 2

The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures".

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31 2017**	January 1 to December 31 2016	January 1 to December 31 2015
Revenues	$ 289,529	$ 278,363	$ 304,575
Gross profit	$ 69,391	$ 63,068	$ 71,070
Gross profit, as a percentage of revenues	24.0%	22.7%	23.3%
Selling, general and administrative expenses	$ 61,371	$ 55,934	$ 56,663
As a percentage of revenues	21.2%	20.1%	18.6%
Adjusted EBITDA (see Table 3)	$ 16,104	$ 14,381	$ 21,110
As a percentage of revenues	5.6%	5.2%	6.9%
Net loss for the year	$ (6,205)	$ (32,107)	$ (19,172)
Adjusted net (loss) income (see Table 4)	$ 2,472	$ 2,944	$ 5,764
As a percentage of revenues	0.9%	1.1%	1.9%

TABLE 3

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

EBITDA AND ADJUSTED EBITDA RECONCILIATION

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, unaudited)*	**January 1 to December 31 2017**	January 1 to December 31 2016	January 1 to December 31 2015
Net (loss) income for the year	$ (6,205)	$ (32,107)	$ (19,172)
Interest expense	4,415	3,414	5,599
Interest income	(6)	(8)	(11)
Amortization of transaction costs	701	578	468
Current income tax expense	725	1,572	1,191
Deferred income tax recovery	(2,435)	(1,649)	(462)
Depreciation of property, plant and equipment	4,143	4,052	4,754
Amortization of intangible assets	3,509	2,092	1,949
EBITDA	$ 4,847	$ (22,056)	$ (5,684)
Restructuring expenses	9,457	4,200	13,560
One-time business reorganization costs	432	1,103	—
Impairment of goodwill	—	31,066	26,000
Gain on redemption of convertible debentures	—	—	(12,766)
Acquisition costs	1,368	68	—
Adjusted EBITDA	$ 16,104	$ 14,381	$ 21,110

TABLE 4

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

ADJUSTED NET (LOSS) INCOME RECONCILIATION

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31 2017**		January 1 to December 31 2016		January 1 to December 31 2015
Net (loss) income for the year	$	(6,205)	$	(32,107)	$	(19,172)
Restructuring expenses		9,457		4,200		13,560
One-time business reorganization costs		432		1,103		—
Impairment of goodwill		—		31,066		26,000
Gain on redemption of convertible debentures		—		—		(12,766)
Acquisition costs		1,368		68		—
Tax effect of the above adjustments		(2,580)		(1,386)		(1,858)
Adjusted net (loss) income	$	2,472	$	2,944	$	5,764
Adjusted net (loss) income per share, basic	$	0.15	$	0.26	$	12.12
Adjusted net (loss) income per share, diluted	$	0.15	$	0.26	$	12.12
Weighted average number of common shares outstanding, basic		16,330,837		11,125,518		475,382
Weighted average number of common shares outstanding, diluted		16,445,831		11,125,518		475,382
Number of common shares outstanding, basic		20,039,159		11,975,053		9,987,528
Number of common shares outstanding, diluted		20,154,153		12,545,015		9,987,528

RESULTS OF OPERATIONS

REVENUES

For the year ended December 31, 2017, DCM recorded revenues of $289.5 million, an increase of $11.2 million or 4.0% compared with the same period in 2016. The increase in revenues for the year ended December 31, 2017 was primarily due to the additions of revenues from the acquisitions of Eclipse, Thistle and BOLDER Graphics and new customer wins in DCM's core business. This increase in revenue was partially offset by lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and was also due to non-recurring work and timing of orders related to the forms and labels business, from which DCM benefited last year, resulting in the overall increase in revenues compared to 2016.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2017, cost of revenues increased to $220.1 million from $215.3 million for the same period in 2016. Gross profit for the year ended December 31, 2017 was $69.4 million, which represented an increase of $6.3 million or 10.0% from $63.1 million for the same period in 2016. Gross profit as a percentage of revenues increased to 24.0% for the year ended December 31, 2017 compared to 22.7% for

the same period in 2016. The increase in gross profit as a percentage of revenues for the year ended December 31, 2017 was due to higher gross margins attributed to Eclipse, Thistle and BOLDER Graphics, refinement of our pricing discipline, cost reductions realized from prior cost savings initiatives implemented in 2016 and additional process improvement savings implemented in January 2017. The increase in gross profit as a percentage of revenues was partially offset by changes in product mix, and compressed margins on recently negotiated large contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2017 increased $5.4 million or 9.7% to $61.4 million compared to $55.9 million for the same period of 2016. As a percentage of revenues, these costs were 21.2% and 20.1% of revenues for the years ended December 31, 2017 and 2016, respectively. The increase in SG&A expenses for the year ended December 31, 2017 was primarily attributable to the acquisitions of Eclipse, Thistle and BOLDER Graphics. This was partially offset by cost savings initiatives that were implemented in 2017, primarily related to headcount reductions made during the year, in addition to increased professional fees to complete the various acquisitions and related financing arrangements.

RESTRUCTURING EXPENSES

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

For the year ended December 31, 2017, DCM incurred restructuring expenses of $9.5 million compared to $4.2 million in the same period in 2016. $6.8 million of restructuring costs were related to headcount reductions in DCM's indirect labour force, in order to streamline the order-to-production process, in addition to headcount reductions in the sales, general and administrative functions, facility closure costs, and costs to move equipment and inventory from the closed facilities. These restructuring costs were offset by a recovery of $0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DCM also incurred lease exit charges associated with the closures of its facilities in Regina, Saskatchewan, in Mississauga, Ontario, and in Granby, Québec of $0.3 million, $0.3 million and $2.4 million, respectively. For the year ended December 31, 2016, DCM incurred restructuring expenses related to headcount reductions of $4.2 million.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2017, DCM performed its annual review of impairment of goodwill by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. The CGUs were defined as follows: DCM North America, Eclipse, Thistle and BOLDER Graphics.

Given the purchase price accounting for BOLDER Graphics is still being finalized, the goodwill recognized on acquisition was not tested for impairment as of December 31, 2017. Furthermore, DCM recorded a non-cash impairment of goodwill for $31,066 related to the DCM North America CGU during the fourth quarter of 2016, therefore, there was no further goodwill remaining for this CGU in 2017.

The recoverable amounts of all CGU's were determined based on their respective fair value less cost to sell. DCM used the income approach to estimate the recoverable value of each CGU which

is predicated on the value of the future cash flows that a business will generate going forward and converting them into a present value through discounting. Discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on the 2018 budget approved by the Board and projected over a five-year period. For the Eclipse and Thistle CGUs, a conservative growth rate of 1% was applied to revenue for 2019 to 2021, in consideration of the current economic conditions and the specific trends of the printing industry, and a perpetual long-term growth rate of 0% was used thereafter to derive the recoverable amount of these CGUs. Furthermore, a discount rate of 15.0% (2016 – N/A) was used for the Eclipse and Thistle CGUs. As a result of this review, DCM concluded that the fair value of its CGUs were greater than their carrying values and no goodwill impairment charges were required.

ADJUSTED EBITDA

For the year ended December 31, 2017, Adjusted EBITDA was $16.1 million, or 5.6% of revenues, after adjusting EBITDA for the $9.5 million in restructuring charges, $1.4 million related to non-recurring business acquisition costs and $0.4 million of one-time business reorganization costs. Adjusted EBITDA for the year ended December 31, 2017 increased $1.7 million or 12.0% from the same period in the prior year which was 5.2% of revenues in 2016. The increase in Adjusted EBITDA for the year ended December 31, 2017 was attributable to higher gross profit as a result of revenues contributed by the Eclipse, Thistle and BOLDER Graphics acquisitions, improved pricing initiatives implemented part-way through the year, and cost savings from the restructuring efforts carried out in the second half of 2017. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DCM's credit facilities, on outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"), on certain unfavourable lease obligations related to closed facilities, and on DCM's employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $4.4 million for the year ended December 31, 2017 compared to $3.4 million for the same period in 2016. Interest expense for the year ended December 31, 2017 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase prices, settle certain debt assumed and pay for related acquisition costs associated with the Eclipse, Thistle and BOLDER Graphics acquisitions and was favourably impacted by the repayment of DCM's 6.00% Convertible Debentures in June 2017.

INCOME TAXES

DATA reported a loss before income taxes of $7.9 million and a net income tax recovery of $1.7 million for the year ended December 31, 2017 compared to a loss before income taxes of $32.2 million and a net income tax recovery of $0.1 million for the year ended December 31, 2016. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the years ended December 31, 2017 and 2016, respectively. In addition, the current tax expense for the year ended December 31, 2016 included a recovery of taxes paid in a prior period offset by a reclassification from deferred taxes related to an adjustment of a tax filing in a prior year. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the years ended December 31, 2017 and 2016, respectively. The

deferred income tax recovery for the year ended December 31, 2016 included a reclassification to current income taxes related to an adjustment of a tax filing in a prior year.

NET LOSS

Net loss for the year ended December 31, 2017 was $6.2 million compared to a net loss of $32.1 million for the same period in 2016. The increase in comparable profitability for the year ended December 31, 2017 was primarily due to the inclusion of the post-acquisition financial results of Eclipse, Thistle and BOLDER Graphics, in addition to a refined discipline in our pricing strategy. This increase was partially offset by higher SG&A expenses and interest expense, a larger restructuring charge and business acquisition costs during the year ended December 31, 2017. During the year ended December 31, 2016, the net loss included a non-cash impairment of goodwill totaling $31.1 million which did not recur in 2017.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2017 was $2.5 million compared to Adjusted net income of $2.9 million for the same period in 2016. The decrease in comparable profitability for the year ended December 31, 2017, despite higher revenues and gross margin, was primarily due to higher SG&A expenses and, to a lesser extent, higher interest expense in 2017.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

DCM has established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with IAM IV, a loan managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate credit agreements, between DCM and the Bank (as amended, the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Upon closing of the Thistle acquisition, DCM became a co-borrower under an existing credit agreement (the "IAM III Credit Agreement") between Thistle and Integrated Private Debt Fund III LP ("IAM III"), another loan managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the "IAM III Credit Facility"). On November 10, 2017, DCM established a $5.0 million secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the "IAM Credit Agreements") to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenant conditions stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3.5 million ("Bridging Credit Facility"). Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DCM's Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility has a term of one year and can be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM's other senior lenders. The Bridging Credit Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is secured by certain specified equipment together with certain other conventional security. The Bridging Credit Facility

limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5.5 million during any fiscal year. Transaction costs of $0.1 million were capitalized and the unamortized transaction costs as at December 31, 2017 were $0.1 million. These costs are being amortized over the term of the Bridging Credit Facility.

As at December 31, 2017, DCM had outstanding borrowings of $21.7 million and letters of credit granted of $1.4 million under the Bank Credit Facility, outstanding borrowings of $4.8 million under the IAM III Credit Facility, outstanding borrowings of $22.2 million under the IAM IV Credit Facility, borrowings of $4.9 million under the IAM V Credit Facility, and outstanding borrowings of $3.5 million under the Bridging Credit Facility. Under the Bank Credit Facility, DCM had access to $6.6 million of available credit at December 31, 2017.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million and matures on March 31, 2020. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. DCM has capitalized transaction costs of $1.1 million related to the amended Bank Credit Facility, including $0.4 million of additional costs incurred as a result of amendments made to the agreement, and expensed unamortized transaction costs of $0.2 million related to the portion of the Bank Credit Facility paid during the year ended December 31, 2017. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at December 31, 2017, the unamortized transaction costs related to this facility were $0.5 million. As at December 31, 2017, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.95% per annum.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding at any time under the IAM III Credit Facility, amended IAM IV Credit Facility, the IAM V Credit Facility and the amended Bank Credit Facility, calculated on a consolidated basis in accordance with IFRS ("Senior Funded Debt"), is $72.0 million (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over an nine year term ending in October 15, 2022. The principal amount of the amended IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest over a sixty six month term ending in May 15, 2023. As at December 31, 2017, all of DCM's indebtedness outstanding under the IAM III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at December 31, 2017, the unamortized transaction costs related to the IAM III Credit Facility were $30.0 thousand. DCM has capitalized transaction costs of $0.8 million related to the amended IAM IV Credit Facility, including $0.2 million of additional costs incurred as a result of the amendments to this agreement during the year ended December 31, 2017. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. As at December 31, 2017, the unamortized transaction costs related to the amended IAM IV Credit Facility were $0.6 million. DCM has capitalized transaction costs of $0.2 million related to the IAM V Credit Facility and the unamortized balance

of the transaction costs is being amortized over the term of this facility. As at December 31, 2017, the unamortized transaction costs related to the IAM V Credit Facility were $0.2 million.

Each of the amended Bank Credit Agreement, the IAM III Credit Agreement, the amended IAM IV Credit Agreement, the IAM V Credit Agreement and the Bridging Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the Common Shares without the consent of the Bank, IAM III, IAM IV, IAM V and Bridging, as applicable.

Under the terms of the amended Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio would not be less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. The pro forma financial results for DCM's acquisitions completed during the year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations. As at December 31, 2017, the fixed charge coverage ratio was 1.30. As at December 31, 2017, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Senior Funded Debt to EBITDA of not greater than the following levels: from October 1, 2017 to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 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 1.1:1. The pro forma financial results from DCM's acquisitions completed during the year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations.

As at December 31, 2017, the ratio of Senior Funded Debt to EBITDA was 3.05, the debt service coverage ratio was 2.00 and the working capital current ratio was 1.21. As at December 31, 2017, DCM was in compliance with these covenants and it expects to be compliant with these covenants going forward.

A failure by DCM to comply with its obligations under any of the amended Bank Credit Agreement, the IAM Credit Agreements or the Bridging Credit Agreement, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III, IAM IV and IAM V, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DCM will be successful in achieving the results targeted in its 2018 operating plan or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility and the IAM V Credit Facility are secured by conventional security charging all of the property and assets of DCM and its

affiliates. On February 22, 2017, DCM entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle. On June 28, 2017, the inter-creditor agreement was amended to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the inter-creditor agreement was further amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility, the IAM V Credit Facility, the Bridging Credit Facility or other indebtedness of DCM.

As at December 31, 2017, DCM had a bank overdraft of $2.9 million compared to cash and cash equivalents of $1.5 million at December 31, 2016. Under the terms of the amended IAM IV Credit Agreement and IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility and IAM V Credit Facility. As at December 31, 2017, there was a balance of $0.5 million in the blocked account, which is recognized as restricted cash in DCM's consolidated statements of financial position.

In assessing DCM's liquidity requirements, DCM 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 restructuring activities, as well as its ongoing cash needs for its existing operations, will be sufficient to fund its currently projected operating requirements 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, and debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

PENSION FUNDING OBLIGATIONS

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management 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

Communications Management Pension Plan. However, DCM is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Communications Management Pension Plan. Applicable pension legislation requires that the funded status of the defined benefit provision of the DATA Communications Management 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 DCM'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 Communications Management 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, 2017, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 decreased from $1.3 million to $0.6 million. As of December 31, 2017, DCM has exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $0.2 million. This excess funding will be applied to DCM's future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017. The new regulation allows plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months.

DCM has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the DATA Communications Management Pension Plan as at January 1, 2018. DCM expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately $0.4 million, after adjusting for the excess funding from 2017, and for 2019 will be approximately $1.4 million. The January 1, 2018 actuarial valuation report for the

DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DCM's minimum funding requirements for 2018 and forward is not determinable at this time. DCM's final funding obligations for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 and future years will be determined based on the actuarial valuation as at January 1, 2018, which will be completed within the first nine months of 2018. Accordingly, DCM continues to make contributions based on the January 1, 2017 valuation. DCM'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".

DCM 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 DCM facilities located in the Province of Québec. In addition, DCM makes contributions to a number of multi-employer, defined benefit employee pension and non-pension benefit plans which are administered by Unifor Local 591G for the hourly employees of Thistle ("Unifor Pension & Benefit Plans"). The SRDF and Unifor Pension & Benefit Plans provide post-employment benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers and the unions. DCM's obligation to the SRDF and Unifor Pension & Benefit Plans are limited to the amounts agreed to in the respective collective bargaining agreements of each plan. Based upon the terms of those applicable collective bargaining agreements, DCM's estimated annual funding obligation for the SRDF and for the Unifor Pension & Benefit Plans for 2018 are $0.5 million and $0.1 million, respectively. DCM has accounted for these plans 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. DCM's annual funding obligation under the SERP is approximately $0.6 million.

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2017, cash flows generated by operating activities were $3.9 million compared to cash flows generated by operating activities of $10.1 million during the same period in 2016. $13.0 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $12.1 million in 2016. Current period cash flows from operations were positively impacted by the acquisitions of Eclipse, Thistle and BOLDER Graphics, however this was offset by a $5.4 million increase in SG&A expense over the prior year comparative period, in addition to lower revenues from DCM's core business. Changes in working capital during the year ended December 31, 2017 used $0.5 million in cash compared with $7.6 million of cash generated in the prior year primarily due to increases in accounts receivable which was partially offset by increases in accounts payable due to the timing of payments to suppliers for purchases and deferred revenues, respectively. In addition, $7.0 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $7.4 million of payments in 2016. Contributions made to the Company's pension plans were $1.4 million, which decreased from $1.9 million in the prior year.

INVESTING ACTIVITIES

During the year ended December 31, 2017, $11.9 million in cash flows were used for investing activities compared with $2.9 million during the same period in 2016. In 2017, $2.4 million of cash was used to invest in label equipment with digital capabilities, digital press equipment, the

relocation of certain sales offices, certain leasehold improvements as a result of the Multiple Pakfold and Granby facility moves and additional office equipment. In 2017, $3.4 million of cash was used related primarily related to investments in DCM's ERP project. In 2017, $6.8 million of cash was used to acquire the businesses of Eclipse, Thistle and BOLDER Graphics.

FINANCING ACTIVITIES

During the year ended December 31, 2017, cash flow generated by financing activities was $3.7 million compared to cash flow used for financing activities of $6.5 million during the same period in 2016. DCM used net cash received from the issuance of common shares and warrants of $8.1 million and cash from advances under its various credit facilities, totaling $27.4 million to repay a total of $2.4 million to settle the outstanding balance on certain equipment leases that were assumed upon the acquisition of Eclipse, to repay $14.7 million in outstanding principal amounts under its senior term loan facilities, to settle certain debt assumed upon the acquisition of Eclipse, Thistle and BOLDER Graphics, and to repay the 6.00% Convertible Debentures with an outstanding principal amount totaling $11.2 million on June 30, 2017. DCM also paid a total of $1.4 million related to the promissory note issued in connection with the acquisition of Thistle and other loans payable in connection with the acquisitions of Thistle and BOLDER Graphics of $1.1 million. Lastly, DCM incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and costs to establish DCM's additional credit facility during the year ended December 31, 2017.

OUTSTANDING SHARE DATA

At March 8, 2018, December 31, 2017 and December 31, 2016, there were 20,039,159, 20,039,159 and 11,975,053 Common Shares outstanding, respectively.

On November 10, 2017, a total of 704,424 Common Shares were issued to the vendors as partial consideration for the purchase of the shares of BOLDER Graphics. Each of those vendors have entered into a lock-up agreement with DCM pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to the BOLDER Graphics transaction until November 10, 2018.

On June 28, 2017, DCM completed a Private Placement and issued 2,690,604 Units, with each Unit consisting of one Common Share and one-half of a Warrant at a price per Unit of $1.40 for gross proceeds of $3.8 million. Among this, 550,650 Units were issued to directors and officers of DCM for total proceeds of $0.8 million. Each full Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of $1.75 for a period of two years from the closing of the Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the relative rights of the existing shareholders of Common Shares and the Warrant holders. In addition, if the volume- weighted average price of the Common Shares on the TSX equals or exceeds $2.75 for 20 consecutive trading days, DCM has the right (the "Acceleration Right") to accelerate the expiry date of the Warrants to a date that is 30 days from the date on which DCM notifies the Warrant holders of its intent to exercise the Acceleration Right. DCM did not exercise any of its Acceleration Rights during 2017. The Common Shares, Warrants and Warrant Shares are subject to a statutory hold period expiring four months and one day after the closing of the Private Placement.
DCM issued a total of 2,690,604 Common Shares pursuant to the Private Placement (before giving effect to the exercise of any Warrants) and 1,345,300 Warrants pursuant to the Private Placement. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of $3.8 million by the relative fair values of each component on

closing of the Private Placement. The fair value of the Warrants issued was estimated to be $0.3 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.04%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period. The fair value of the Common Shares issued was $3.4 million, based on the closing market price of the shares on closing of the Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $3.4 million and the proceeds allocated to the Warrants was $0.3 million, net of transaction costs totaling $0.1 million. All of these transaction costs were allocated to the Common Shares. The value of the Common Shares were increased by a deferred income tax asset of $23.0 thousand.

On July 13, 2017, DCM completed a second closing of the Private Placement to a director of DCM for 71,500 Units, raising additional gross proceeds of $100.0 thousand. The value of the 71,500 Common Shares and 35,750 Warrants issued were $72.0 thousand and $7.0 thousand, respectively, based on an allocation of the gross proceeds of $100.0 thousand by the relative fair values of each component of the second closing of the Private Placement, net of transaction costs totaling $21.0 thousand. All of these transaction costs were allocated to the Common Shares. The value of the Common Shares were increased by a deferred income tax asset of $6.0 thousand.

On June 23, 2017, DCM completed a Rights Offering which was conducted by way of a rights offering circular ("Circular"). Under the offering, DCM issued 3,312,368 Common Shares at a price of $1.40 per share for gross proceeds of $4.6 million. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DCM for total gross proceeds of $1.5 million. Under the terms of the Rights Offering, each eligible shareholder ("Eligible Holder") on record as of May 31, 2017 (the "Record Date") received one right ("Right") for each Common Share held as of the Record Date. Every two Rights entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $1.40 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $0.3 million which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $0.1 million.

On May 5, 2017, 6,502 Common Shares were issued in connection with the net settlement of 19,505 stock options at an exercise price of $1.50 per Common Share and the net amount was recorded in contributed surplus in DCM's consolidated statement of changes in equity (deficit).

On February 22, 2017, a total of 1,278,708 Common Shares were issued to the vendors as partial consideration for the purchase of the assets of Eclipse and the purchase of the shares of Thistle. Each of those vendors have entered into a lock-up agreement with DCM, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to those sale transactions until February 22, 2018.

On July 4, 2016, DCM completed the Share Consolidation and consolidated its issued and outstanding Common Shares on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares.

On May 31, 2016, DCM completed a portion of a non-brokered private placement and issued a total of 1,678,567 Common Shares at a price of $1.40 per Common Share, of which 357,150 were purchased by the CEO of DCM. On July 4, 2016, following receipt of disinterested shareholder approval at the annual and special meeting of DCM's shareholders held on June 30, 2016, DCM completed the remaining portion of the private placement and issued an additional 308,958 Common Shares to a minority interest shareholder (the "Minority Shareholder") at a price of $1.40 per Common

Share pursuant to the exercise of anti-dilution rights held by the Minority Shareholder. The total number of Common Shares issued as a result of the private placement was 1,987,525 or approximately 19.9% of the current number of outstanding Common Shares on May 27, 2016.

At March 8, 2018 and December 31, 2017, there were options outstanding to purchase up to 791,957 Common Shares and options outstanding to purchase up to 804,961 Common Shares, respectively. During the year ended December 31, 2016, the Board approved awards of options to purchase up to 987,011 Common Shares to the executive management team of DCM pursuant to the terms of DCM's existing long-term incentive plan. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.50 per share, representing the fair value of the Common Shares on the date of grant. A total of 499,377 options were awarded to DCM's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DCM's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016. During the year ended December 31, 2016, options to purchase 39,011 Common Shares were forfeited. During the year ended December 31, 2017, options to purchase 123,534 Common Shares were forfeited and 19,505 options were exercised. Subsequent to the year ended December 31, 2017, options to purchase 13,004 Common Shares were forfeited.

During 2015, the Board approved the award of options to purchase up to 11,745 Common Shares to the CEO of DCM pursuant to the terms of DCM's existing long-term incentive plan which were granted on April 16, 2015 with an exercise price of $75 per share. During the year ended December 31, 2017, all of these options were forfeited.

At March 8, 2018 and December 31, 2017, there were Warrants outstanding to purchase up to 1,381,050 Common Shares outstanding, respectively.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

DCM's financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, loan payable, bonuses payable, credit facilities, promissory notes, restricted share units and convertible debentures, as indicated in DCM's statements of consolidated financial position as at December 31, 2017 and December 31, 2016, respectively. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

DCM's non-derivative financial instruments are comprised of cash and cash equivalents, trade receivables, restricted cash, bank overdraft, trade payables and accrued liabilities, loan payable, bonuses payable, credit facilities, promissory notes restricted share units and convertible debentures. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial instruments at fair value through the profit and loss include restricted share units which are recorded as a liability at fair value on the grant date and are subsequently adjusted for changes in the price of DCM's common shares through the consolidated statements of operations.

The fair value for other non-derivative financial instruments such as cash and cash equivalents, trade receivables, bank overdraft, trade payables and accrued liabilities, and loan payable approximates their carrying value because of the short-term maturity of these instruments. The fair value of restricted cash approximates its carrying value because it is a deposit held with a Canadian chartered bank. Credit facilities, bonuses payable

and promissory notes are initially recognized as the amount required to be paid less a discount to derive its fair value and are then measured at amortized costs using the effective interest method, less any impairment losses. DCM's convertible debentures contained a host contract and an embedded derivative. The host contract (the debt portion of the convertible debenture) was 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.

CREDIT RISK

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

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

DCM grants credit to customers in the normal course of business. DCM typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit terms when warranted and periodically thereafter. Normal credit terms for amounts due from customers call for payment within 0 to 90 days.

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

Based on historical experience, DCM 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 DCM'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, 2017, 7.0% (or $2.9 million), of trade receivables were more than 90 days old, an increase from 3.7% (or $1.1 million), of trade receivables that were more than 90 days old at December 31, 2016.

LIQUIDITY RISK

Liquidity risk is the risk that DCM may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DCM believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing restructuring initiatives will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance capital expenditures, and interest and scheduled repayments of borrowings under its credit facilities and scheduled repayments of promissory notes. See "Contractual obligations" section below which

contains additional information on the contractual undiscounted cash flows of DCM's significant financial liabilities and the future commitments of the Company.

As at December 31, 2017, DCM had access to $8.0 million of additional available credit less letters of credit granted of $1.4 million under the Bank Credit Facility.

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. DCM's interest rate risk arises from credit facilities issuances at floating interest rates. As at December 31, 2017, $25.2 million of DCM's indebtedness outstanding was subject to floating interest rates of 3.95% per annum and of 13.50% per annum, $32.0 million of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum and of 6.95% per annum. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1.2 million was subject to a fixed rate of 6.0% per annum.

CURRENCY RISK

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

Note 17 to the audited consolidated financial statements of DCM for the year ended December 31, 2017 contains additional information on DCM's financial instruments.

CONTRACTUAL OBLIGATIONS

DCM believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2017. 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.

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

TABLE 6

The following table sets out DCM's significant contractual obligations and commitments as of December 31, 2017.

(in thousands of Canadian dollars, unaudited)

	Total	2018	2019	2020	2021	2022	2023 and thereafter
Pension funding contributions [1]	$ 10,627	$ 1,176	$ 1,876	$ 1,889	$ 1,900	$ 1,893	$ 1,893
Bonuses payable [2]	$ 1,133	400	400	333	—	—	—
Long-term debt [3]	$ 65,462	11,911	8,176	29,206	7,317	7,123	1,729
Promissory notes [4]	$ 7,639	4,561	3,078	—	—	—	—
Operating leases	$ 71,338	12,078	10,747	9,544	8,124	6,596	24,249
Total	$ 156,199	$ 30,126	$ 24,277	$ 40,972	$ 17,341	$ 15,612	$ 27,871

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

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

(3) Long-term debt at December 31, 2017 subject to floating interest rates consisting of the Bank Credit Facility, expiring on March 31, 2020 and the Bridging Credit Facility expiring on June 28, 2018. As at December 31, 2017, the outstanding balances totaled $25,247 and bore interest at an average floating rate of 3.95% per annum and of 13.50% per annum. The amounts at December 31, 2017 include estimated interest totaling $1,095 for 2018, $859 for 2019 and $143 for 2020. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2016. Long-term debt at December 31, 2017 subject to fixed interest rates consisting of the IAM III Credit Facility, expiring on October 15, 2022, the IAM IV Credit Facility, expiring on March 10, 2023 and the IAM V Credit Facility expiring on May 15, 2023. As at December 31, 2017, the outstanding balances totaled $31,992 and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum and of 6.95% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively.

(4) Promissory notes related to the acquisitions completed during the year. Non interest bearing promissory notes related to the acquisition of Eclipse totaling $4,566 and payable in two installments of $2,283 due on February 28, 2018 and February 28, 2019, respectively, and related to the acquisition of Thistle totaling $1,913 and payable in monthly installments of $137 ending February 28, 2019. Interest bearing promissory notes related to the acquisition of BOLDER totaling $1,160 and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $58, beginning February 28, 2018 and ending September 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

DCM's off-balance sheet arrangements are operating leases. DCM leases real estate, printing equipment 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, 2017, there were regular intercompany activities between DCM and its subsidiary during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DCM. Related parties are defined as individuals who can influence the direction or management of DCM or any of its subsidiaries and therefore the directors and officers of DCM's subsidiaries are considered related parties.

CORPORATE INSURANCE POLICIES

Effective June 23, 2015, DCM appointed an insurance company as its broker of record for its corporate insurance policies and subsequently entered into new general corporate insurance policies, including the renewal of its directors and officers liability insurance later in the year. The insurance company continues as DCM's broker of record and earns fees based on a percentage of the insurance expense paid by DCM. During the fiscal year, DCM recorded an insurance expense of $0.3 million (2016 – $0.5 million) related to these policies. As at December 31, 2017, prepaid expenses and other current assets included prepaid insurance to the insurance company of $0.3 million (2016 – $0.3 million). The insurance company is a related party whereby the Chair of the Board and the President of DCM each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them.

RIGHTS OFFERING AND PRIVATE PLACEMENT OF COMMON SHARES

During the year ended December 31, 2017, directors, officers and related parties of DCM participated in a rights offering and a private placement of common shares (see "Outstanding share data" above), purchasing 1,712,877 common shares (or 28.2% of the 6,074,472 common shares issued as a result of the rights offering and private placement) for consideration of $2.3 million.

OFFICE LEASE

On December 21, 2016, DCM entered into a new agreement to lease approximately 2,000 square feet of office space in Toronto, Ontario from a company that the Chair of the Board and the President are Directors of. Under the lease agreement, the lease commences March 1, 2017, runs month-to-month and can be terminated by either party with reasonable notice. The monthly expense is $7 thousand per month.

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

OPERATING RESULTS FOR THE FORTH QUARTER OF 2017 AND 2016

TABLE 7

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

(in thousands of Canadian dollars, except share and per share amounts, unaudited)		October 1 to December 31 2017		October 1 to December 31 2016
Revenues	$	76,125	$	68,191
Cost of revenues		57,771		54,950
Gross profit		18,354		13,241
Selling, general and administrative expenses		15,263		13,394
Restructuring expenses		4,453		1,721
Impairment of goodwill		—		31,066
Acquisition costs		381		68
Loss before finance costs and income taxes		(1,743)		(33,008)
Finance costs (income)				
Interest expense		1,149		839
Interest income		(6)		—
Amortization of transaction costs		324		111
		1,467		950
Loss before income taxes		(3,210)		(33,958)
Income tax (recovery) expense				
Current		221		194
Deferred		(972)		(1,037)
		(751)		(843)
Net loss for the period	$	(2,459)	$	(33,115)
Net (loss) income attributable to common shareholders	$	(2,459)	$	(33,115)
Adjusted EBITDA (see Table 8)	$	5,643	$	2,217
Adjusted net income (see Table 9)	$	1,533	$	25
Adjusted net income per share, basic and diluted	$	0.08	$	0.00
Weighted average number of common shares outstanding, basic and diluted		19,732,888		11,975,053
Number of common shares outstanding, basic		20,039,159		11,975,053
Number of common shares outstanding, diluted		20,039,159		12,464,343

TABLE 8

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

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31 2017**		**October 1 to December 31 2016**
Net loss for the period	$	(2,459)	$	(33,115)
Interest expense		1,149		839
Interest income		(6)		—
Amortization of transaction costs		324		111
Current income tax expense		221		194
Deferred income tax (recovery)		(972)		(1,037)
Depreciation of property, plant and equipment		1,116		815
Amortization of intangible assets		1,004		560
EBITDA	$	377	$	(31,633)
Restructuring expenses		4,453		1,721
One-time business reorganization costs		432		995
Impairment of goodwill		—		31,066
Acquisition costs		381		68
Adjusted EBITDA	$	5,643	$	2,217

TABLE 9

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

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31 2017**		**October 1 to December 31 2016**
Net loss for the period	$	(2,459)	$	(33,115)
Restructuring expenses		4,453		1,721
One-time business reorganization costs		432		995
Impairment of goodwill		—		31,066
Acquisition costs		381		68
Tax effect of above adjustments		(1,274)		(710)
Adjusted net income	$	1,533	$	25

REVENUES

For the quarter ended December 31, 2017, DCM recorded revenues of $76.1 million, an increase of $7.9 million or 11.6% compared with the same period in 2016. The increase in revenues for the quarter ended December 31, 2017 was primarily due to the inclusion of the financial results for Eclipse, Thistle and BOLDER and new customer wins. The increase in revenue was partially offset by lower revenues in DCM's core business due to (i) lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and (ii) non-recurring work and the timing of orders related to forms for certain government agencies and labels for a major retailer, respectively.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2017, cost of revenues increased to $57.8 million from $55.0 million for the same period in 2016. Gross profit for the quarter ended December 31, 2017 was $18.4 million, which represented an increase of $5.1 million or 38.6% from $13.2 million for the same period in 2016. Gross profit as a percentage of revenues increased to 24.1% for the quarter ended December 31, 2017 compared to 19.4% for the same period in 2016. The increase in gross profit as a percentage of revenues for the quarter ended December 31, 2017 was due to higher gross margins attributed to Eclipse, Thistle and BOLDER Graphics and cost reductions realized from prior cost savings initiatives implemented early on in the year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2017 increased $1.9 million or 14.0% to $15.3 million compared to $13.4 million in the same period in 2016. As a percentage of revenues, these costs were 20.0% of revenues for the quarter ended December 31, 2017 compared to 19.6% of revenues for the same period in 2016. The increase in SG&A expenses for the quarter ended December 31, 2017 was primarily attributable to the acquisitions of Eclipse, Thistle and BOLDER Graphics.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2017, DCM incurred restructuring expenses of $4.5 million compared to $1.7 million in the same period in 2016. $1.7 million of restructuring costs were related to facility closure costs, costs to move equipment and inventory from the closed facilities, and headcount reductions across all areas of DCM's operations including sales, general and administrative functions. DCM also incurred lease exit charges associated with the closures of its facilities in Mississauga, Ontario, and in Granby, Québec of $0.3 million and $2.4 million,respectively. For the quarter ended December 31, 2016, DCM incurred restructuring expenses of $1.7 million primarily to related headcount reductions associated with the closure of its large Edmonton, Alberta manufacturing facility, in addition to headcount reductions across other functions of the business.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2017, DCM performed its annual review for impairment of goodwill by comparing the fair value of its CGUs to their respective carrying values. As a result of this review, no impairment charges were recorded.

During the fourth quarter of 2016, DCM performed its annual review for impairment of goodwill, which resulted in DCM recognizing a non-cash impairment of goodwill charge of $31.1 million related to the DCM North America CGU. There was no further goodwill remaining for this CGU in 2017.

ADJUSTED EBITDA

For the quarter ended December 31, 2017, Adjusted EBITDA was $5.6 million, or 7.4% of revenues, after adjusting EBITDA for the $4.5 million in restructuring charges, adding back $0.4 million

related to business acquisition costs and $0.4 million of one-time business reorganization costs. Adjusted EBITDA for the quarter ended December 31, 2017 increased $3.4 million or 154.5% from the same period in the prior year and Adjusted EBITDA margin for the quarter, as a percentage of revenues, increased from 3.3% of revenues in 2016 to 7.4% of revenues in 2017. The increase in Adjusted EBITDA for the quarter ended December 31, 2017 was due to higher gross profit as a result of the additional revenues at higher gross margins contributed by the acquisitions of Eclipse, Thistle and BOLDER Graphics. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DCM's credit facilities, the 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities, and on DCM's employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $1.1 million for the quarter ended December 31, 2017 compared to $0.8 million for the same period in 2016. Interest expense for the quarter ended December 31, 2017 was higher than the same period in the prior year primarily due to the increase in debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase price, settle certain debt assumed and pay for related acquisition costs associated with the BOLDER acquisition.

INCOME TAXES

DCM reported a loss before income taxes of $3.2 million, a current income tax expense of $0.2 million and a deferred income tax recovery of $1.0 million for the quarter ended December 31, 2017 compared to a loss before income taxes of $34.0 million, a current income tax expense of $0.2 million and a deferred income tax recovery of $1.0 million for the quarter ended December 31, 2016. The current tax expense was primarily related to the income tax payable on DCM's estimated taxable income for the quarters ended December 31, 2017 and 2016. The deferred income tax recovery primarily related to changes in estimates of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2017 and 2016, respectively.

NET LOSS

Net loss for the quarter ended December 31, 2017 was $2.5 million compared to net loss of $33.1 million for the quarter ended December 31, 2016. The increase in comparable profitability for the quarter ended December 31, 2017 was primarily due to higher gross profit contributed by the additional revenue at higher gross margins from the acquisitions of Eclipse, Thistle and BOLDER Graphics. This was partially offset by higher SG&A expenses and interest expense, a larger restructuring charge incurred during the quarter ended December 31, 2017. The net loss for the quarter ended December 31, 2016 included a non-cash impairment of goodwill totaling $31.1 million which did not recur in 2017.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended December 31, 2017 was $1.5 million compared to Adjusted net income of $25.0 thousand for the same period in 2016. The increase in comparable profitability for the quarter ended December 31, 2017 was attributable primarily due to higher SG&A expenses and higher interest expense in 2017.

SUMMARY OF EIGHT QUARTER RESULTS

TABLE 5

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

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

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$ 76,125	$ 70,212	$ 73,066	$ 70,126	$ 68,191	$ 65,842	$ 69,716	$ 74,614
Net income (loss) attributable to shareholders	(2,459)	(1,068)	(581)	(2,097)	(33,115)	(1,865)	991	1,882
Basic earnings (loss) per share	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)	0.09	0.19
Diluted earnings (loss) per share	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)	0.09	0.19

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2017 can be attributed to several principal factors: the acquisitions of Eclipse, Thistle and BOLDER Graphics, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DCM's key plants, lower interest expense during 2016 as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DCM's net loss for the fourth quarter of 2017 included operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of $4.5 million, $0.4 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.4 million. DCM's net loss for the fourth quarter of 2016 included restructuring expenses of $1.7 million and $1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of $31.1 million related to its DCM North America CGU.

DCM's net loss for the third quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.4 million related to its cost reduction initiatives. There were $1.8 million of restructuring expenses in the third quarter of 2016.

DCM's net loss for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of $1.7 million related to its cost reduction initiatives. DCM's net income for the second quarter of 2016 included $0.4 million of restructuring expense related to its cost reduction initiatives.

DCM's net loss for the first quarter of 2017 included operating results of Eclipse and Thistle post-acquisition (after February 22, 2017), restructuring expenses of $1.9 million related to its cost reduction initiatives and business acquisition costs of $1.0 million. DCM incurred $0.3 million of restructuring expenses in the first quarter of 2016.

ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DCM for the year ended December 31, 2017. DCM adopt the following new accounting policies:

(i) On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on DCM's consolidated financial statements as a result of the amendments.

(ii) On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of the amendment resulted in additional disclosure in DCM's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

DCM has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing.

(i) 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. It further introduces a single, forward looking 'expected loss' impairment model for financial assets. 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. The new standard is not expected to have a significant impact on the consolidated financial statements of DCM.

(ii) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DCM does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) IFRS 15 Revenue from *Contracts with Customers* was issued in May 2014. This new standard outlines a single comprehensive model for companies to use when accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition standards, including IAS 18 *Revenues* and related and related interpretations. The core principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, 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

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard. DCM intends to use the modified retrospective approach. The IASB published final clarifications to IFRS 15 in April 2016, which do not change the underlying principles of the standard yet clarify how the principles should be applied.

DCM has undertaken a comprehensive review of its significant contracts in accordance with the five-step model in IFRS 15 to determine the impact on the timing and measurement on its revenue recognition. Based on management's preliminary assessment, the adoption of IFRS 15 may have an impact on the timing of recognition of revenues to an earlier stage for certain manufactured products, in addition to earlier recognition of related production and commission costs. There will also be enhanced disclosures in the consolidated financial statements of DCM. Management is in the process of finalizing its analysis.

(iv) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DCM does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee

to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to adopt IFRS 16 for the annual period beginning on January 1, 2019.

(vi) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, is an interpretation paper issued by the IASB in December 2016. This interpretation paper clarifies that the foreign exchange rate applicable to transactions involving advance consideration paid or received is the rate at the date that the advance consideration is paid or received and a non-monetary asset or liability is recorded, and not the later date at which the related asset or liability is recognized in the financial statements. This interpretation is applicable for annual periods beginning on or after January 1, 2018, and can be applied either prospectively or retrospectively, at the option of the entity. IFRIC 22 is not expected to have a significant impact on the consolidated financial statements of DCM.

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that are not readily apparent from other sources about the carrying amounts of assets and liabilities, and reporting of income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be

relevant. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by DCM, and contingent considerations, on the acquisition date.

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

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

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

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

Property, Plant and Equipment

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

Intangible Assets

The fair value of trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets were based on the depreciated replacement cost approach which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Inventories

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

Financial Liabilities

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

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 DCM'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 ithe result of DCM's impairment analysis.

INCOME TAXES

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

UNCERTAIN TAX POSITIONS

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

PENSION OBLIGATIONS

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

PROVISIONS

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when DCM has a present legal or constructive obligation arising from past events, when it is probable that an outflow of funds will be required to

settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is DCM's best estimate of the present obligation at the end of the reporting period. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. DCM's main provisions are related to restructuring costs and onerous contracts. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

AGGREGATION OF OPERATING SEGMENTS

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

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

With the supervision and participation of DCM's senior management team, the Chief Executive Officer and the Chief Financial Officer of DCM have evaluated the effectiveness of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of DCM as of December 31, 2017. Based on that evaluation, those officers have concluded that, as of December 31, 2017, such disclosure controls and procedures were sufficiently effective to provide reasonable assurance that (i) material information relating to DCM was made known to management and (ii) information required to be disclosed by DCM in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the supervision and participation of DCM's senior management team, the Chief Executive Officer and the Chief Financial Officer of DCM have evaluated the effectiveness of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of DCM as of December 31, 2017.

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, 2017, such internal controls over financial reporting were sufficiently effective to provide reasonable assurance regarding the reliability of DCM's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

DCM's management has determined that there were no changes in the internal controls over financial reporting of DCM during the year ended December 31, 2017 reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DCM.

OUTLOOK

2017 was a pivotal year in DCM's pursuit to transform the business and create greater value for its shareholders. This was initiated with changes in the company's senior leadership team with the introduction of Gregory J. Cochrane as President late in 2016. With his leadership, DCM established a new and refreshed growth strategy which included refining the company's pricing model, realigning its sales force to specialize in vertical markets, highlighting the online and offline capabilities DCM has to offer to its customers, and the successful completion of three business acquisitions (Eclipse, Thistle and BOLDER Graphics) during the year, which have each expanded the package of solutions DCM furnishes to its long-standing and newly acquired customers. In the fall of 2017, DCM achieved a milestone win with the addition of a leading North American financial institution to its roster of customers.

On the operational side of the business, DCM made further progress restructuring to achieve greater operational efficiencies and cost savings through improved processes, further plant consolidations and additional headcount reductions.

From a financing perspective, DCM was able to further deleverage its balance sheet by raising additional equity (approximately $8.1 million) to partially facilitate the payout of the 6.0% convertible debentures ($11.5 million of principal and interest) which matured in June of 2017. In addition to this, a total of approximately $12.5 million in debt commitments were repaid during the year. DCM expects to pay down approximately $13.0 million of its fixed payment debt in 2018, including required principal payments on its senior debt, subordinated debt and promissory note payments related to its acquisitions. Management is committed to deleveraging its capital structure with a long-term target net debt to Adjusted EBITDA range of between 1 and 2 times.

Lastly, DCM has been working hard to revitalize its internal operating systems with the development of a new ERP system which is expected to go-live in the latter part of 2018. It is expected that the ERP system will further improve DCM's processes and bring additional cost savings.

DCM finished 2017 with a strong fourth quarter as it began to realize the benefits of the initiatives effected during 2017. Management is confident that DCM will continue to experience the benefits of these initiatives in the forth-coming year. The Company is confirming its previously announced guidance for 2018:

REVENUES

DCM anticipates total revenues of between $295.0 million and $310.0 million, representing growth of approximately 2% to 7% compared to revenues of approximately $289.5 million in fiscal 2017.

ADJUSTED EBITDA

Adjusted EBITDA for fiscal 2018 is estimated to be between $22.0 million and $25.0 million, compared to Adjusted EBITDA in fiscal 2017 of approximately $16.1 million.

CAPITAL EXPENDITURES

For fiscal 2018, DCM expects to spend approximately $2.5 million on capital expenditures, in line with approximately $2.4 million recorded in fiscal 2017. In addition to capital expenditures, DCM incurred approximately $3.4 million in intangible asset purchases in 2017, substantially all of which related to the company's ERP project investment. DCM expects to incur approximately $1.5 million in intangible asset purchases in 2018 and most of those capitalizable costs relating to the project will be incurred through the first half of 2018.

As part of establishing the above guidance, DCM made the following assumptions:

- New customer wins and sales initiatives focused on capturing greater wallet share from DCM's existing customer base, including increasingly capitalizing on its technology-enabled value-added services provided to customers, will offset continued expected declines in Company's core business communications market;
- DCM will benefit from the full-year results of the acquisitions of Eclipse, Thistle and BOLDER Graphics and continue to experience growth rates in each of those businesses consistent with the past year;
- The three acquisitions DCM completed in 2017 will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company;
- DCM will be able to translate its sales pipeline into new customer acquisitions;
- Improved year over year margins will be achieved through the strategic initiatives implemented in the fourth quarter of fiscal 2017, including from the consolidation of facilities, headcount reductions and continuing efforts by management to drive improved profitability and also from the relocation of BOLDER Graphics into DCM's Calgary facility which was completed in February 2018;
- The Company continues to explore additional strategic acquisition opportunities, and, while there can be no certainty that any such opportunities will be completed, such acquisitions could impact the outlook provided;
- Economic conditions in North America will not deteriorate; and
- The above guidance is based on the accounting policies applied in the consolidated financial statements of DCM for 2017 and IFRS in effect for the year ending December 31, 2017.

DCM cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, as is qualified by, the section Forward-looking Statements beginning on page 1 of the March 8, 2018 MD&A.

RISKS AND UNCERTAINTIES

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

FINANCIAL STATEMENTS

FINANCIAL REPORTING RESPONSIBILITY OF MANAGEMENT

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

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

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

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

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

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

(Signed) "Michael G. Sifton"

Michael G. Sifton
Chief Executive Officer
DATA Communications Management Corp.

(Signed) "James E. Lorimer"

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

Brampton, Ontario. March 8, 2018

March 8, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DATA COMMUNICATIONS MANAGEMENT CORP.

We have audited the accompanying consolidated financial statements of DATA Communications Management Corp, and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations, comprehensive loss, changes in equity (deficit) 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 audit 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 Communications Management Corp. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "Pricewaterhourse Coopers LLP"

Chartered Professional Accountants,
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	**December 31, 2017**	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ —	$ 1,544
Trade receivables (note 5)	41,193	29,157
Inventories (note 6)	36,519	33,252
Prepaid expenses and other current assets	5,092	4,667
	82,804	68,620
NON-CURRENT ASSETS		
Deferred income tax assets (note 13)	6,108	3,839
Restricted cash (note 11)	515	425
Property, plant and equipment (notes 4 and 7)	18,831	12,483
Pension assets (note 15)	760	1,589
Intangible assets (notes 4 and 8)	14,473	3,954
Goodwill (notes 4 and 9)	8,368	—
	$ 131,859	$ 90,910
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	$ 2,868	$ —
Trade payables and accrued liabilities	34,306	27,304
Current portion of credit facilities (note 11)	8,725	5,886
Convertible debentures (note 12)	—	11,082
Current portion of promissory notes (note 4)	4,374	—
Provisions (note 10)	3,950	3,305
Income taxes payable	3,188	2,231
Deferred revenue	11,237	8,665
	68,648	58,473
NON-CURRENT LIABILITIES		
Provisions (note 10)	2,702	675
Credit facilities (note 11)	47,207	29,156
Promissory notes (note 4)	2,829	—
Deferred income tax liabilities (note 13)	1,295	—
Other non-current liabilities (note 14)	3,413	1,691
Pension obligations (note 15)	8,133	8,340
Other post-employment benefit plans (note 16)	3,031	2,510
	$ 137,258	$ 100,845
EQUITY		
SHAREHOLDERS' DEFICIT		
Shares (note 18)	$ 248,996	$ 237,432
Warrants (note 18)	287	—
Conversion options	—	128
Contributed surplus (note 18)	1,368	1,164
Accumulated other comprehensive income	183	258
Deficit	(256,233)	(248,917)
	$ (5,399)	$ (9,935)
	$ 131,859	$ 90,910

Approved by Board of Directors:

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

(Signed) "J.R. Kingsley Ward"

J.R. Kingsley Ward
Director

(Signed) "Michael G. Sifton"

Michael G. Sifton
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts)	**For the year ended December 31, 2017**	For the year ended December 31, 2016
REVENUES	$ 289,529	$ 278,363
COST OF REVENUES	220,138	215,295
GROSS PROFIT	69,391	63,068
EXPENSES		
Selling, commissions and expenses	33,992	31,376
General and administration expenses	27,379	24,558
Restructuring expenses (note 10)	9,457	4,200
Impairment of goodwill (note 9)	—	31,066
Acquisition costs (note 4)	1,368	68
	72,196	91,268
LOSS BEFORE FINANCE COSTS AND INCOME TAXES	(2,805)	(28,200)
FINANCE COSTS (INCOME)		
Interest expense	4,415	3,414
Interest income	(6)	(8)
Amortization of transaction costs	701	578
	5,110	3,984
LOSS BEFORE INCOME TAXES	(7,915)	(32,184)
INCOME TAX (RECOVERY) EXPENSE		
Current (note 13)	725	1,572
Deferred (note 13)	(2,435)	(1,649)
	(1,710)	(77)
NET LOSS FOR THE YEAR	$ (6,205)	$ (32,107)
BASIC LOSS PER SHARE (note 19)	$ (0.38)	$ (2.89)
DILUTED LOSS PER SHARE (note 19)	$ (0.38)	$ (2.89)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)	**For the year ended December 31, 2017**	For the year ended December 31, 2016
NET LOSS FOR THE YEAR	$ (6,205)	$ (32,107)
OTHER COMPREHENSIVE LOSS:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS		
Foreign currency translation	(75)	(48)
	(75)	(48)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS		
Re-measurements of post-employment benefit obligations	(1,501)	(309)
Taxes related to post-employment adjustment above (note 13)	390	81
	(1,111)	(228)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	$ (1,186)	$ (276)
COMPREHENSIVE LOSS FOR THE YEAR	$ (7,391)	$ (32,383)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(in thousands of Canadian dollars)

	Shares	Warrants	Conversion options	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity (deficit)
BALANCE AS AT DECEMBER 31, 2015	$ 234,782	$ —	$ 128	$ 385	$ 306	$ (216,582)	$ 19,019
Net loss for the year	—	—	—	—	—	(32,107)	(32,107)
Other comprehensive loss for the year	—	—	—	—	(48)	(228)	(276)
Total comprehensive loss for the year	—	—	—	—	(48)	(32,335)	(32,383)
Issuance of common shares (note 18)	2,650	—	—	—	—	—	2,650
Share-based compensation expense	—	—	—	779	—	—	779
BALANCE AS AT DECEMBER 31, 2016	$ 237,432	$ —	$ 128	$ 1,164	$ 258	$ (248,917)	$ (9,935)
BALANCE AS AT DECEMBER 31, 2016	$ 237,432	$ —	$ 128	$ 1,164	$ 258	$ (248,917)	$ (9,935)
Net loss for the year	—	—	—	—	—	(6,205)	(6,205)
Other comprehensive income (loss) for the year	—	—	—	—	(75)	(1,111)	(1,186)
Total comprehensive loss for the year	—	—	—	—	(75)	(7,316)	(7,391)
Cancellation of convertible debentures (note 12)	—	—	(128)	128	—	—	—
Issuance of common shares and warrants, net (note 18)	11,564	287	—	(15)	—	—	11,836
Share-based compensation expense	—	—	—	91	—	—	91
BALANCE AS AT DECEMBER 31, 2017	$ 248,996	$ 287	$ —	$ 1,368	$ 183	$ (256,233)	$ (5,399)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	**For the year ended December 31, 2017**	For the year ended December 31, 2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	$ (6,205)	$ (32,107)
Adjustments to net loss		
Depreciation of property, plant and equipment (note 7)	4,143	4,052
Amortization of intangible assets (note 8)	3,509	2,092
Share-based compensation expense	91	779
Pension expense (note 15)	526	589
Loss on disposal of property, plant and equipment	312	358
Impairment of goodwill (note 9)	—	31,066
Write-off of intangible assets	57	—
Provisions (note 10)	9,457	4,200
Amortization of transaction costs	701	578
Accretion of convertible debentures and non-current liabilities	692	85
Other non-current liabilities	1,043	469
Other post-employment benefit plans, net	531	94
Tax credits recognized	(125)	(124)
Income taxes recovery	(1,710)	(77)
	13,022	12,054
Changes in working capital (note 20)	(537)	7,619
Contributions made to pension plans (note 15)	(1,415)	(1,878)
Provisions paid (note 10)	(6,995)	(7,426)
Income taxes paid	(168)	(223)
	3,907	10,146
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,398)	(2,653)
Purchase of intangible assets	(3,375)	(432)
Proceeds on disposal of property, plant and equipment	638	167
Cash consideration for acquisition of businesses (note 4)	(6,796)	—
	(11,931)	(2,918)
FINANCING ACTIVITIES		
Increase in restricted cash	(90)	(425)
Issuance of common shares and warrants, net (note 18)	8,125	2,650
Proceeds from credit facilities (note 11)	27,393	49,532
Repayment of credit facilities (note 11)	(14,709)	(56,737)
Repayment of convertible debentures (note 12)	(11,175)	—
Repayment of loans payable	(1,091)	(191)
Repayment of promissory notes (note 4)	(1,421)	—
Finance and transaction costs (note 11)	(925)	(1,341)
Finance lease payments	(2,430)	(18)
	3,677	(6,530)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(4,347)	698
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	$ 1,544	$ 871
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	(65)	(25)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – END OF YEAR	$ (2,868)	$ 1,544

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

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

DATA Communications Management Corp. ("DCM") is a leading provider of business communication solutions, bringing value and collaboration to marketing and operation teams in companies across North America. DCM helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications management processes. DCM derives its revenues from the following core capabilities: direct marketing, commercial print services, labels and automated identification solutions, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. DCM is strategically located across Canada to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

These consolidated financial statements were approved by the Board of Directors ("Board") of DATA Communications Management Corp., on March 8, 2018.

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, DCM takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share based-payments*, International Accounting Standards ("IAS") 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of assets*.

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

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

PRINCIPLES OF CONSOLIDATION

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

(a) Subsidiaries

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

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

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

(c) Disposal of subsidiaries

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

BUSINESS COMBINATIONS

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each entity within DCM are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is DCM's functional currency. The functional currency of DCM's United States operations is U.S. dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

Monetary assets and liabilities denominated in foreign currencies are translated into 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 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 DCM 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 DCM 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, DCM 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 ("FVTPL"):* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations and are included in finance costs. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

(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. 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) *Financial liabilities which are measured at amortized cost:* Financial liabilities measured at amortized cost are initially recognized at the amount required to be paid less, if applicable, a discount to reduce the payables to fair value. Subsequently, these financial liabilities are measured 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:* DCM 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, 2017 and 2016, DCM had not entered into any interest rate swap agreements.

IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is assessed at the end of each reporting period to determine whether it is impaired, based on objective evidence indicating that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence used by the company to assess impairment of financial assets includes quoted market prices for similar financial assets and historical collection rates for loans and receivables.

An impairment loss with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statement of comprehensive loss.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The reversal of the previously recognized impairment is recognized in the statement of comprehensive loss.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and 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 DCM and the cost can be measured reliably. The carrying value of a replaced asset is derecognized when replaced. Maintenance and repairs are expensed as incurred. Depreciation is computed using the methods and rates based on the estimated useful lives of the property, plant and equipment as outlined below:

	Basis	Rate
Leasehold improvements	straight-line	Shorter of life or lease term
Office furniture and equipment	straight-line	5 years
Presses and printing equipment	straight-line	3 to 10 years
Computer hardware and software	straight-line	1 to 5 years
Vehicles	straight-line	3 years

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

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

INTANGIBLE ASSETS

Intangible assets that are acquired are measured at cost and are carried at cost less accumulated amortization. These assets include customer relationships, existing software and technology, trademarks, trade names and non-compete agreements.

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

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

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

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

	Basis	Rate
Customer relationships	straight-line	3 to 12 years
Software and technology	straight-line	1 to 7 years
Computer software development costs	straight-line	5 years
Trademarks, trade names and non-compete agreements	straight-line	2 to 9 years

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

GOODWILL

Goodwill represents the excess of the aggregate of consideration transferred in a business combination and the non-controlling interest in the acquired business over the 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. DCM evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

SHARE-BASED COMPENSATION

DCM has share-based compensation plans as part of DCM's long-term incentive plan, as described in note 18. All transactions involving share-based payments are recognized as an expense in the statement of operations over the vesting period.

Equity-settled share-based payment transactions, such as stock option awards, are measured at the grant date at the fair value of employee services received in exchange for the grant of options or share awards and, for non-employee transactions, at the fair value of the goods or services received at the date on which the entity recognizes the goods or services. The total amount of the expense recognized in the statement of operations is determined by reference to the fair value of the share awards or options granted, which factors in the number of options expected to vest. Equity-settled share-based payment

transactions are not remeasured once the grant date fair value has been determined.

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

EMPLOYEE BENEFITS

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

DCM also contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Drummondville and Granby plants. During the fourth quarter of 2017, the Granby employees were relocated to the Drummondville plant in Québec. In addition, DCM sponsors a number of multi-employer, defined benefit employee pension and non-pension benefit plans which are administered by Unifor Local 591G for the hourly employees of Thistle Printing Limited ("Unifor Pension & Benefit Plans"). The SRDF and Unifor Pension & Benefit Plans provide post-employment benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers and the unions.

DCM's obligation to the SRDF and Unifor Pension & Benefit Plans are limited to the amounts agreed to in the respective collective bargaining agreements of each plan.

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

(a) Defined contribution plan

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

(b) Defined benefit plans

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

DCM. An economic benefit is available to DCM if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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

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

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

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

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

The SERP is unfunded.

The SRDF and the Unifor Pension & Benefit Plans are negotiated contribution, defined benefit multi-employer plans, however, the trustees of these plans are not able to provide sufficient information for DCM to account for these plans as a defined benefit plan. DCM has accounted for these plans on a defined contribution basis as DCM does not believe there is sufficient information to recognize participation on a defined benefit basis. See note 21 for additional information related to the SRDF.

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

DCM provides non-pension post-employment benefits, including health care and life insurance benefits on retirement to certain former employees, their beneficiaries and covered dependents ("DCM OPEB Plans"). DCM's net obligation in respect of its DCM OPEB Plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed using the projected unit credit method. Any actuarial gains and losses related to non-pension post-employment benefit plans

are recognized in other comprehensive loss in the period in which they arise and will not be reclassified to statement of operations.

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

The discount rate is the yield at the reporting date on yields on high quality corporate bonds that have maturity dates approximating the terms of DCM's obligations. The non-pension post-employment benefit plan and other long-term employee benefit plan are funded on a pay-as-you-go basis.

PROVISIONS

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

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

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

(iii) *Off-market leases:* DCM performs evaluations to identify off-market lease arrangements and, where applicable, records provisions against such lease agreements.

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 loss, in which case the current and/or deferred tax is also recognized directly in equity or other comprehensive loss.

Current income taxes is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years that are expected to be paid. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. DCM establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured on a non-discounted basis at the tax rates that are expected to be applied to temporary differences

when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

LEASES

Leases are classified as financing or operating depending on the terms and conditions of the contracts. Lease agreements where DCM assumes substantially all the risks and rewards of ownership 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 DCM'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 AND WARRANTS

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

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 their 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, administration 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 will flow to DCM and the costs associated with these services can be reliably measured. If warehousing, administration and marketing 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 any options granted.

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 judgments made by management.

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

Goodwill, intangible and non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, annually at the end of each fiscal year. The determination of the impairment of goodwill, intangible and non-current assets are impacted by estimates of the 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 DCM'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 ithe result of DCM's impairment analysis.

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

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

Property, Plant and Equipment

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

Intangible Assets

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

approach which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Inventories

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

Financial Liabilities

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

INCOME TAXES

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

UNCERTAIN TAX POSITIONS

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

PENSION OBLIGATIONS

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

PROVISIONS

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when DCM has a present legal or constructive obligation arising from past events, when it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is DCM's best estimate of the present obligation at the end of the reporting period. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. DCM's main

provisions are related to restructuring costs and onerous contracts. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

AGGREGATION OF OPERATING SEGMENTS

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

3. CHANGE IN ACCOUNTING POLICIES

(a) New and amended standards adopted

(i) On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on DCM's consolidated financial statements as a result of the amendments.

(ii) On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of the amendment resulted in additional disclosure in DCM's consolidated financial statements. See (note 11).

(b) Future accounting standards not yet adopted

(i) 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. It further introduces a single, forward looking 'expected loss' impairment model for financial assets. 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. The new standard is not expected to have a significant impact on the consolidated financial statements of DCM.

(ii) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DCM does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014. This new standard outlines a single comprehensive model for companies to use when accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition standards, including IAS 18 *Revenues* and related and related interpretations. The core principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, 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

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard. DCM intends to use the modified retrospective approach. The IASB published final clarifications to IFRS 15 in April 2016, which do not change the underlying principles of the standard yet clarify how the principles should be applied.

DCM has undertaken a comprehensive review of its significant contracts in accordance with the five-step model in IFRS 15 to determine the impact on the timing and measurement on its revenue recognition. Based on management's preliminary assessment, the adoption of IFRS 15 may have an impact on the timing of recognition of revenues to an earlier stage for certain manufactured products, in addition to earlier recognition of related production and commission costs. There will also be enhanced disclosures in the consolidated financial statements of DCM. Management is in the process of finalizing its analysis.

(iv) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DCM does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to adopt IFRS 16 for the annual period beginning on January 1, 2019.

(vi) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, is an interpretation paper issued by the IASB in December 2016. This interpretation paper clarifies that the foreign exchange rate applicable to transactions involving advance consideration paid or received is the rate at the date that the advance consideration is paid or received and a non-monetary asset or liability is recorded, and not the later date at which the related asset or liability is recognized in the financial statements. This interpretation is applicable for annual periods beginning on or after January 1, 2018, and can be applied either prospectively or retrospectively, at the option of the entity. IFRIC 22 is not expected to have a significant impact on the consolidated financial statements of DCM.

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

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

4. BUSINESS ACQUISITIONS

ECLIPSE COLOUR AND IMAGING CORP.

On February 22, 2017 (the "Closing Date"), DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company, with approximately 100 employees operating in an 80,000 square foot facility located in Burlington, Ontario. The acquisition of Eclipse has added significantly expanded wide format, large format, and grand format printing capabilities to DCM's portfolio of products and services, with Eclipse having a product mix focused on in-store print, outdoor, transit, display, packaging, kitting and fulfilment capabilities.

DCM acquired the assets of Eclipse for a purchase price of $8,914 before giving effect to post-closing adjustments for changes in working capital and bank indebtedness, net of cash, based on the final statement of financial position as of the Closing Date. The purchase price was satisfied as follows on the Closing Date: $3,534 in cash, $1,418 through the issuance of 634,263 common shares of DCM ("Common Shares"), and $3,962 through the issuance of a secured, non-interest bearing vendor take-back promissory note, which is payable in two equal instalments on each of the first and second anniversaries of the Closing Date. During the three months ended June 30, 2017, the total post-closing adjustments to the purchase price were finalized and paid in cash to the vendor in the amount of $550.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Closing Date of $2.63 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Closing Date. The fair value of the vendor take-back promissory note was determined by present valuing the future cash flows using a discount rate of 10% which represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

On the Closing Date, DCM also advanced $3,220 to settle Eclipse's bank indebtedness, equipment leases and amounts payable to the former owners pre-acquisition, in addition to paying $311 for related transaction costs.

Total cash advanced on the Closing Date was $7,065, which was used to finance the up-front cash component of the acquisition, settle the above noted debt and pay for related transaction costs, and was funded with the increased availability under DCM's existing bank credit facilities (see note 11 for further details related to DCM's bank credit facilities).

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

Recognized amounts of identifiable assets acquired and liabilities assumed		**Amount**
Cash and cash equivalents	$	632
Trade receivables		4,641
Inventories		972
Prepaid expenses and other assets		145
Property, plant and equipment		5,245
Intangible assets		3,700
Trade payables and accrued liabilities		(3,352)
Deferred revenue		(45)
Unfavorable lease obligation		(210)
Credit facilities		(668)
Capital lease obligations		(2,421)
Other non-current liabilities		(11)
Total identifiable net assets		8,628
Goodwill		836
Total	$	9,464

Purchase price consideration		**Amount**
Cash	$	4,084
Common shares		1,418
Promissory notes		3,962
Total	**$**	9,464

The fair value of trade receivables was $4,641. The gross contractual amount of trade receivables due was $4,656 of which $15 was deemed uncollectible.

The identifiable intangible assets acquired for $3,700 primarily relate to customer relationships which will be amortized over an expected useful life of seven years.

Goodwill of $836 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is tax deductible.

Total acquisition-related costs incurred were $562 of which $537 and $25 was charged to the consolidated statement of operations for the year ended December 31, 2017 and December 31, 2016, respectively.

The revenues and net income contributed by Eclipse and included in the consolidated statement

of operations for the period between the Closing Date and December 31, 2017 were $21,843 and $2,100, respectively. If the acquisition had occurred on January 1, 2017, the estimated revenues and net income contributed by Eclipse to DCM's operating results for the year ended December 31, 2017 would have been approximately $25,401 and $2,381, respectively, adjusting net income for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2017.

THISTLE PRINTING LIMITED

On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company with approximately 65 employees operating in a 42,000 square foot facility located in Toronto, Ontario, from Capri Media Group Inc. ("Capri"). Capri is a related party of DCM by virtue of the fact that companies controlled by the President of DCM and the Chair of the Board of DCM, respectively, control Capri. The acquisition of Thistle provides DCM with a full service commercial print facility in Eastern Canada and enables DCM to expand its margins by insourcing commercial printing capabilities which it has historically outsourced to local tier two suppliers. This acquisition adds expertise in commercial printing, design, prepress and bindery services to DCM's portfolio, and complements DCM's current capabilities in direct mail, fulfilment and data management.

DCM acquired the shares of Thistle for a purchase price of $5,327 which included the estimated post-closing adjustments for changes in working capital of $412, based on the final statement of financial position as of the Closing Date. The purchase price was satisfied as follows on the Closing Date: $1,104 in cash, $1,440 through the issuance of 644,445 Common Shares, and $2,783 through the issuance of a secured, non-interest bearing vendor take-back promissory note, which is payable in 24 equal monthly payments from the Closing Date. During the three months ended September 30, 2017, the total post-closing adjustments were finalized and the purchase price was decreased by $181 and has been reflected as a reduction in the principal amount of the vendor take-back promissory note.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Closing Date of $2.63 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Closing Date. The fair value of the vendor take-back promissory note was determined by present valuing the future cash flows using a discount rate of 10% which represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

On the Closing Date, DCM also advanced $1,942 to settle Thistle's bank indebtedness and amounts payable to the former owners of Thistle.

Total cash advanced on the Closing Date was $3,046, which was used to finance the up-front cash component of the acquisition and settle the above noted debt, and was funded with the increased availability under DCM's existing bank credit facilities.

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

Recognized amounts of identifiable assets acquired and liabilities assumed	Preliminary	Adjusted	Change
Cash and cash equivalents	$ 37	$ 42	$ 5
Trade receivables	2,569	2,506	(63)
Inventories	885	1,791	906
Prepaid expenses and other assets	890	868	(22)
Property, plant and equipment	1,743	1,743	—
Intangible assets	5,871	5,899	28
Trade payables and accrued liabilities	(2,460)	(2,311)	149
Income taxes payable	(647)	(686)	(39)
Deferred revenue	(459)	(1,261)	(802)
Deferred income tax liabilities	(1,464)	(1,572)	(108)
Credit facilities	(7,130)	(7,097)	33
Capital lease obligations	(60)	(34)	26
Other non-current liabilities	(933)	(933)	—
Total identifiable net liabilities	(1,158)	(1,045)	113
Goodwill	6,485	6,603	118
Total	$ 5,327	$ 5,558	$ 231

Purchase price consideration	Preliminary	Adjusted	Change
Cash	$ 1,104	$ 1,104	$ —
Common shares	1,440	1,440	—
Promissory note	2,783	3,014	231
Total	$ 5,327	$ 5,558	$ 231

The fair value of trade receivables was $2,506. The gross contractual amount of trade receivables due was $2,531 of which $25 was deemed to be uncollectible.

The identifiable intangible assets acquired of $5,899 primarily relate to customer relationships which will be amortized over an expected useful life of seven years.

Goodwill of $6,603 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is not tax deductible.

Total acquisition-related costs incurred were $496 of which $453 and $43 was charged to the consolidated statement of operations for the year ended December 31, 2017 and December 31, 2016, respectively.

The revenues and net income contributed by Thistle and included in the consolidated statement of operations for the period between the Closing

Date and December 31, 2017 were $15,112 and $761, respectively. If the acquisition had occurred on January 1, 2017, the estimated revenues and net income contributed by Thistle to DCM's operating results for the year ended December 31, 2017 would have been approximately $17,423 and $1,074, respectively, adjusting net income for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2017.

BOLDER GRAPHICS

On November 10, 2017, (the "BOLDER Closing Date") DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. The company has approximately 40 employees operating in a 59,000 square foot facility located in Calgary, Alberta. This acquisition strengthens DCM's large and wide format printing capabilities in western Canada and complements its significantly expanded large format capabilities obtained through the acquisition of Eclipse in eastern Canada earlier this year.

BOLDER Graphics was acquired for a total purchase price of approximately $3,448 before giving effect to post-closing adjustments for changes in working capital and bank indebtedness, based on the final statement of financial position as of the BOLDER Closing Date. The purchase price was satisfied as follows on the BOLDER Closing Date: $1,608 in cash, $754 through the issuance of 704,424 Common Shares, and $1,086 in the form of subordinated, unsecured, 6.0% interest bearing vendor take-back promissory notes, which are payable in twenty equal monthly blended payments of principal and interest commencing on February 28, 2018 and ending on September 30, 2019. The post-closing adjustment to the purchase purchase of $88 was finalized subsequent to year-end and will be settled in cash. Accordingly, this amount has been included in trade payables and accrued liabilities in the consolidated statement of financial position as at December 31, 2017.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the BOLDER Closing Date of $1.26 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the BOLDER Closing Date. A fair value adjustment to the value of the vendor take-back promissory note was not necessary as the interest rate of 6.0% represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

On the BOLDER Closing Date, DCM also advanced $1,339 to settle BOLDER Graphics' bank indebtedness and amounts payable to the former owners of the company.

Total cash advanced on the BOLDER Graphics Closing Date was $2,947, which was used to finance the up-front cash component of the acquisition and settle the above noted debt. $2,000 of this was financed with the proceeds received from the IAM V Credit Facility (as defined in note 11) and $947 was financed using DCM's Bank Credit Facility (as defined in note 11).

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

Recognized amounts of identifiable assets acquired and liabilities assumed		Amount
Cash and cash equivalents	$	198
Trade receivables		927
Inventories		830
Prepaid expenses and other assets		206
Property, plant and equipment		2,065
Intangible assets		1,111
Trade payables and accrued liabilities		(748)
Income taxes payable		(8)
Deferred revenue		(185)
Deferred income tax liabilities		(488)
Credit facilities		(909)
Other non-current liabilities		(392)
Total identifiable net assets		2,607
Goodwill		929
Total	$	3,536

Purchase price consideration		Amount
Cash	$	1,696
Common shares		754
Promissory notes		1,086
Total	**$**	3,536

The fair value and gross contractual amount of trade receivables was $927 of which $Nil was deemed to be uncollectible.

The identifiable intangible assets acquired of $1,111 primarily relate to customer relationships which will be amortized over an expected useful life of six years, a non-compete agreement which will be amortized over an expected useful life of two years, and computer software which will be amortized over an expected useful life of one year.

Goodwill of $929 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is not tax deductible.

Total acquisition-related costs incurred were $378 was charged to the consolidated statement of operations for the year ended December 31, 2017.

The revenues and net loss contributed by BOLDER Graphics and included in the consolidated statement of operations for the period between the BOLDER Closing Date and December 31, 2017 were $998 and $112, respectively. If the acquisition had occurred on January 1, 2017, the estimated revenues and net loss contributed by BOLDER Graphics to DCM's operating results for the year ended December 31, 2017 would have been approximately $6,868 and $814, respectively, adjusting net loss for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2017.

The valuation report for BOLDER Graphics acquisition is still in progress and therefore the purchase price allocation is preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material.

The changes in promissory notes from the respective Closing dates of each acquisition to December 31, 2017 and their presentation in the consolidated statement of financial position as at December 31, 2017 are as follows:

		Eclipse acquisition		Thistle acquisition		BOLDER Graphics acquisition		Total
Balance - February 22, 2017 (Preliminary)	$	3,962	$	2,783	$	—	$	6,745
Post-closing adjustment		—		231		—		231
Balance - February 22, 2017 (Final)	$	3,962	$	3,014	$	—	$	6,976
Addition on November 10, 2017		—		—		1,086		1,086
Unwinding of discount and interest expense		347		206		9		562
Payment		—		(1,421)		—		(1,421)
Balance - End of year	$	4,309	$	1,799	$	1,095	$	7,203
Less: Current portion of promissory notes		(2,253)		(1,529)		(592)		(4,374)
As at December 31, 2017	$	2,056	$	270	$	503	$	2,829

Subsequent to the year end, DCM made a payment of $2,283 related to the Eclipse acquisition promissory note that was due on February 22, 2018.

5. TRADE RECEIVABLES

		December 31 2017		December 31 2016
Trade receivables	$	41,399	$	29,597
Provision for doubtful accounts		(206)		(440)
	$	41,193	$	29,157

6. INVENTORIES

		December 31 2017		December 31 2016
Raw materials	$	6,235	$	3,774
Work-in-progress		4,164		2,940
Finished goods		26,120		26,538
	$	36,519	$	33,252

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $586 (2016 – $360). The cost of inventories recognized as an expense within cost of revenues for the year ended December 31, 2017 was $211,867 (2016 – $202,539).

7. PROPERTY, PLANT AND EQUIPMENT

The following tables present changes in property, plant and equipment for the years ended December 31, 2017 and 2016:

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Vehicles	Construction in progress	Total
Year ended December 31, 2017							
Opening net book value	$ 5,228	$ 293	$ 6,176	$ 299	$ —	$ 487	$ 12,483
Additions	224	239	1,367	284	—	284	2,398
Acquisitions during the year (note 4)	229	222	8,212	311	79	—	9,053
Effect of movement in exchange rates	1	—	(9)	(2)	—	—	(10)
Disposals	(66)	(22)	(856)	(6)	—	—	(950)
Depreciation for the year	(1,095)	(159)	(2,528)	(353)	(8)	—	(4,143)
Closing net book value	$ 4,521	$ 573	$ 12,362	$ 533	$ 71	$ 771	$ 18,831
At December 31, 2017							
Cost	$ 11,076	$ 1,687	$ 44,949	$ 3,938	$ 79	$ 771	$ 62,500
Accumulated depreciation	(6,555)	(1,114)	(32,587)	(3,405)	(8)	—	(43,669)
Net book value	$ 4,521	$ 573	$ 12,362	$ 533	$ 71	$ 771	$ 18,831
Year ended December 31, 2016							
Opening net book value	$ 6,249	$ 368	$ 7,294	$ 511	$ —	$ —	$ 14,422
Additions	621	107	1,366	72	—	487	2,653
Effect of movement in exchange rates	(2)	—	(6)	(7)	—	—	(15)
Disposals	(126)	(41)	(301)	(57)	—	—	(525)
Depreciation for the year	(1,514)	(141)	(2,177)	(220)	—	—	(4,052)
Closing net book value	$ 5,228	$ 293	$ 6,176	$ 299	$ —	$ 487	$ 12,483
At December 31, 2016							
Cost	$ 12,869	$ 1,951	$ 44,810	$ 5,233	$ —	$ 487	$ 65,350
Accumulated depreciation	(7,641)	(1,658)	(38,634)	(4,934)	—	—	(52,867)
Net book value	$ 5,228	$ 293	$ 6,176	$ 299	$ —	$ 487	$ 12,483

8. INTANGIBLE ASSETS

The following tables present changes in intangible assets for the years ended December 31, 2017 and 2016:

	Customer relationships	Software and technology	Trademarks, trade names and non-compete agreements	Construction in progress	Total
Year ended December 31, 2017					
Opening net book value	$ 3,391	$ 439	$ —	$ 124	$ 3,954
Additions	—	160	—	3,215	3,375
Acquisitions during the year (note 4)	9,730	533	447	—	10,710
Write off during the year	—	(57)	—	—	(57)
Amortization for the year	(3,122)	(316)	(71)	—	(3,509)
Closing net book value	$ 9,999	$ 759	$ 376	$ 3,339	$ 14,473
At December 31, 2017					
Cost	$ 85,353	$ 11,668	$ 8,147	$ 3,339	$ 108,507
Accumulated amortization	(75,354)	(10,909)	(7,771)	—	(94,034)
Net book value	$ 9,999	$ 759	$ 376	$ 3,339	$ 14,473
Year ended December 31, 2016					
Opening net book value	$ 5,260	$ 354	$ —	$ —	$ 5,614
Additions	—	308	—	124	432
Amortization for the year	(1,869)	(223)	—	—	(2,092)
Closing net book value	$ 3,391	$ 439	$ —	$ 124	$ 3,954
At December 31, 2016					
Cost	$ 75,623	$ 11,032	$ 7,700	$ 124	$ 94,479
Accumulated amortization	(72,232)	(10,593)	(7,700)	—	(90,525)
Net book value	$ 3,391	$ 439	$ —	$ 124	$ 3,954

The remaining useful lives of the customer relationships are between 1 and 6 years. During the year ended December 31, 2017, DCM incurred costs mainly related to the development and implementation of new Enterprise Resource Planning ("ERP") software. These costs of $3,215 were included in construction in progress and were not amortized during the year.

9. GOODWILL

	December 31 2017	December 31 2016
Opening balance	$ —	$ 31,066
Acquisition of Eclipse	836	—
Acquisition of Thistle	6,603	—
Acquisition of BOLDER Graphics	929	—
Impairment of goodwill	—	(31,066)
Ending balance	$ 8,368	$ —

	December 31 2017	December 31 2016
Cost	$ 169,093	$ 160,725
Accumulated impairment losses	(160,725)	(160,725)
Net carrying value	$ 8,368	$ —

DCM performed its annual impairment analysis of goodwill at the CGU level. The CGUs were defined as follows: DCM North America, Eclipse, Thistle and BOLDER Graphics. The classification of CGUs is consistent with the operating segments identified in note 24.

During the fourth quarter of 2016, DCM recorded a non-cash impairment of goodwill for $31,066 related to the DCM North America CGU. There was no further goodwill remaining for this CGU in 2017. In addition, given the purchase price accounting for BOLDER Graphics is still being finalized, the goodwill recognized on acquisition was not tested for impairment as of December 31, 2017.

During the fourth quarter of 2017, DCM performed its annual review for impairment of goodwill by comparing the fair value of each of its CGUs to its respective carrying values. DCM did not make any significant changes to the valuation methodology used to assess for impairment since its last annual impairment test. The recoverable amounts of all CGUs have been determined based on the fair value less cost to sell. DCM uses the income approach to estimate the recoverable value of each CGU. The income approach is predicated on the value of the future cash flows that a business will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value through discounting. The discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on the 2018 budget approved by the Board and projected over a five-year period. For the Eclipse and Thistle CGUs, a conservative growth rate of 1% (2016 – N/A) was applied to revenue for 2019 to 2021, in consideration of the current economic conditions and the specific trends of the printing industry, and a perpetual long-term growth rate of 0% (2016 – N/A) was used thereafter to derive the recoverable amount of these CGUs.

Furthermore, DCM derived a pre-tax discount rate to calculate the present value of the projected cash flows using a weighted average cost of capital ("WACC") for both the Eclipse and Thistle CGUs, adjusted for tax. This represents an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of these CGUs. A discount rate of 15.0% (2016 – N/A) was used for the Eclipse and Thistle CGUs reflecting management's judgment that sales channels and the size of its CGU's would affect the volatility of each CGU's cash flows.

DCM projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DCM used a tax rate of 26.25% (2016 – 26.25%). Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

As a result of this annual test, it was concluded that there was no impairment of goodwill for the Eclipse and Thistle CGUs. The estimated recoverable amount of the Eclipse and Thistle CGUs exceeded their carrying values by approximately $19,300 and $5,570, respectively. The recoverable amount of the Eclipse and Thistle CGUs would equal their carrying values if the discount rate was increased by 30.5% to 45.5% and 8% to 23%, respectively.

10. PROVISIONS

2017	**Restructuring**	**Onerous contracts**	**Other**	**Total**
Balance – Beginning of year	$ 2,773	$ 1,207	$ —	$ 3,980
Additional charge during the year	6,778	2,679	—	9,457
Charge related to an acquisition	—	—	210	210
Utilized during the year	(6,083)	(898)	(14)	(6,995)
Balance – End of period	$ 3,468	$ 2,988	$ 196	$ 6,652
Less: Current portion of provisions	(2,856)	(1,078)	(16)	(3,950)
As at December 31, 2017	$ 612	$ 1,910	$ 180	$ 2,702

2016	Restructuring	Onerous contracts	Other	Total
Balance – Beginning of year	$ 4,614	$ 2,592	$ —	$ 7,206
Additional charge during the year	3,771	429	—	4,200
Utilized during the year	(5,612)	(1,814)	—	(7,426)
Balance – End of year	$ 2,773	$ 1,207	$ —	$ 3,980
Less: Current portion of provisions	(2,571)	(734)	—	(3,305)
As at December 31, 2016	$ 202	$ 473	$ —	$ 675

RESTRUCTURING

During the year ended December 31, 2017, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2017, these initiatives resulted in $6,778 of additional restructuring expenses in the consolidated statement of operations due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations and comprehensive loss. During the year ended December 31, 2016, these initiatives resulted in $3,771 of restructuring expenses in the consolidated statement of operations due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations and comprehensive income (loss).

For the year ended December 31, 2017, cash payments of $6,083 (2016 – $5,612) were made to former employees for severance and other restructuring costs. The remaining severance and restructuring accruals of $3,468 at December 31, 2017 are expected to be substantially paid throughout 2018 and 2019.

ONEROUS CONTRACTS

During the year ended December 31, 2017, DCM closed a Mississauga, Ontario facility. A lease exit charge of $317, representing the liability for remaining lease costs under the lease agreement and building maintenance costs was recorded and is expected to be paid in March of 2018.

During the year ended December 31, 2017, DCM closed a Granby, Québec facility. A lease exit charge of $2,393 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 2021.

During the year ended December 31, 2017, DCM closed a Regina, Saskatchewan facility. A lease exit charge of $269, representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and would have been paid over the remaining term of the lease, expiring in 2018. In November 2017, DCM entered into an agreement with the landlord of this property to terminate this lease. DCM made a payment of $110 to the landlord and recorded a recovery of $184 related to this lease exit charge.

During the year ended December 31, 2016, DCM closed a Richmond Hill, Ontario facility. A lease exit charge of $429, 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 2019. During the year ended December 31, 2017, DCM entered into a sub-lease for this facility for the remainder of the term of the lease agreement and recorded a recovery of $300.

OTHER

In connection with the acquisition of Eclipse, on February 22, 2017, DCM assumed the lease for its Burlington, Ontario facility with rent payments that exceeded the fair market value and as a result an unfavourable lease obligation for $210 was recorded based on discounting the rent payments in excess of the fair market value lease rates using a discount rate of 7%. The unfavourable lease obligation is being amortized as a reduction of rent expense in the consolidated statement of operations over the lease term, expiring in 2026.

11. CREDIT FACILITIES

	December 31 2017	December 31 2016
Term loans		
floating rate debt, maturing May 31, 2018	$ —	$ 2,920
floating rate debt, maturing June 28, 2018	3,500	—
6.10% term debt, maturing October 15, 2022	4,834	—
6.95% term debt, maturing March 10, 2023	22,220	25,611
6.95% term debt, maturing May 15, 2023	4,938	—
Revolving facilities		
floating rate debt, maturing March 31, 2020	21,747	7,514
Credit facilities	57,239	36,045
Unamortized transaction costs	(1,307)	(1,003)
	$ 55,932	$ 35,042
Less: Current portion of Credit facilities	(8,725)	(5,886)
Credit facilities	$ 47,207	$ 29,156

In March 2016, DCM established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with Integrated Private Debt Fund IV LP ("IAM IV") a loan managed by Integrated Asset Management Corp. ("IAM") pursuant to separate credit agreements, each dated March 10, 2016, between DCM and the Bank (the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Approximately $43,250 of the total principal amount available to DCM under the IAM IV Credit Agreement and the Bank Credit Agreement was used to fully repay indebtedness owing by it under the senior credit facilities previously maintained by DCM with a syndicate of Canadian chartered banks.

During the quarter ended June 30, 2016, DCM amended the terms of the IAM IV Credit Agreement to adjust the calculation of the working capital ratio ("First Amended IAM IV Credit Agreement"). In connection with the acquisitions of Eclipse and Thistle, on January 31, 2017 DCM amended its IAM IV Credit Agreement (the "Second Amended IAM IV Credit Agreement"). On August 4, 2017, the IAM IV Credit Agreement was amended to adjust the working capital current ratio (the "Third Amended IAM IV Credit Agreement") and on September 29, 2017, the IAM IV Credit Agreement was further amended to adjust the calculation and ratio applicable to the Senior Funded Debt to EBITDA covenant (as defined below) and amend the calculation of the debt service coverage ratio (the "Fourth Amended IAM IV Credit Agreement").

In connection with the acquisitions of Eclipse and Thistle, on January 31, 2017 DCM amended its Bank Credit Agreement (the "First Amended Bank Credit Agreement"). On May 30, 2017, the Bank Credit

Agreement was amended to adjust the fixed charge coverage ratio (the "Second Amended Bank Credit Agreement") and on June 28, 2017, the Bank Credit Agreement was amended in connection with the establishment of a new credit facility (the "Bridging Credit Agreement") with Bridging Finance Inc. ("Bridging"), as described in further detail below (the "Third Amended Bank Credit Agreement"). On September 29, 2017 and October 20, 2017, the Bank Credit Agreement was further amended to adjust the fixed charge coverage ratio (the "Fourth Amended Bank Credit Agreement" and "Fifth Amended Bank Credit Agreement", respectively). On November 10, 2017, the Bank Credit Agreement was further amended for matters related to the acquisition of BOLDER Graphics including the additional financing arrangements related to that acquisition (the "Sixth Amended Bank Credit Agreement").

Pursuant to the First Amended Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility increased from up to $25,000 to up to $35,000. The increased availability was used in part, together with the additional availability under the amended Bank Term Facility (as described below), to finance the up-front cash components and settle certain debt assumed related to the Eclipse and Thistle acquisitions, pay for related acquisition costs and also provide DCM with additional flexibility to continue to pursue its strategic growth objectives. The term on the Bank Credit Facility originally had a maturity on the earlier of March 10, 2019 and the date on which the facility is terminated pursuant to the Bank Credit Agreement. This was extended by one year, to March 31, 2020 per the First Amended Bank Credit Agreement. A portion of the Bank Credit Facility consists of a non-revolving term credit facility (the "Bank Term Facility") 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. As per the First Amendment Agreement, the principal amount available under the Bank Term Facility was increased to $7,000, an increase from $5,000 under the original sub facility. The maturity on the Bank Term Facility originally was the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the Bank Credit Agreement, with monthly principal repayments of $208. Pursuant to the First Amended Bank Credit Agreement, beginning March 31, 2017 through until March 31, 2020, the Bank Term Facility would be amortized in equal monthly payments of $194, however pursuant to the Third Amended Bank Credit Agreement, the amortization period was subsequently adjusted to equal monthly instalments of $400 being paid beginning July 31, 2017 until May 31, 2018. On June 28, 2017, DCM repaid $2,000 of the outstanding borrowings under the Bank Term Facility. On November 10, 2017, DCM repaid the total remaining outstanding borrowings of $2,622 under the Bank Term Facility and expensed unamortized transaction costs of $179 related to the Bank Term Facility.

Principal payments made on the Bank Term Facility did not reduce the total available principal amount under the Bank Credit Facility. Advances under the amended Bank Credit Facility may not, at any time, exceed the lesser of $35,000 and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). The Bank Term Facility was a sub facility of the amended Bank Credit Facility and was available by way of a single advance and its availability was not based on DCM's accounts receivable or inventories. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. Pursuant to the Third Amended Bank Credit Agreement, the interest on the Bank Term Facility was amended to a rate based upon the Canadian prime rate plus an applicable margin of 2.25%. DCM has capitalized transaction costs of $1,068 related to the Bank Credit Facility, including $443 of new costs incurred as a result of the Second, Third, Fourth and Sixth Amended Bank Credit

Agreements, respectively, during the year ended December 31, 2017. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at December 31, 2017, the unamortized transaction costs related to the amended Bank Credit Facility was $490. As at December 31, 2017 there were outstanding borrowings of $21,747 under the revolving facilities portion of the amended Bank Credit Facility and letters of credit granted of $1,426. As at December 31, 2017, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.95% per annum. DCM had access to $6,555 of available credit under the amended Bank Credit Facility at December 31, 2017.

Integrated Private Debt Fund III LP ("IAM III"), another loan managed by IAM, was a senior secured lender to Thistle. An existing term loan in an original principal amount of $8,000 was being amortized in equal monthly payments of $96 over a nine year term ending on October 15, 2022, with a fixed interest rate of 6.1% per annum ("IAM III Credit Facility"). In connection with the Thistle acquisition, on February 22, 2017, an amendment was made to the IAM III Credit Facility whereby DCM became a co-borrower with Thistle, pursuant to which the covenants were amended to match those of DCM under its IAM IV Credit Facility and reported on a consolidated basis. There were no other changes to the terms of the IAM III Credit Facility. As at February 22, 2017 and December 31, 2017, Thistle had outstanding borrowings of $5,533 and $4,834 under the IAM III Credit Facility, respectively. As at December 31, 2017, the unamortized transaction costs related to the IAM III Credit Facility were $30.

On November 10, 2017, DCM established a $5,000 secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the "IAM Credit Agreements"). The IAM V Credit Facility may be drawn by way of a single advance, bears interest at a fixed rate of 6.95% per annum, calculated and payable monthly, and shall be repaid in sixty six equal monthly payments of $91 beginning on December 15, 2017 and through to May 15, 2023, consistent with the maturity of the IAM IV Credit Facility. The IAM V Credit Facility can be repaid in full at any time prior to maturity upon thirty days prior written notice to IAM and is subject to an early repayment fee equal to the difference between i) the present value of the remaining payments from the prepayment date discounted at a rate based on yields earned on Government of Canada Bonds with a comparable term; and ii) the face value of the remaining payments on the prepayment date. Under the terms of the IAM V Credit Agreement, DCM is required to deposit and hold cash of $90 in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM V Credit Facility. In addition, the IAM V Credit Facility is subject to the same covenant conditions stipulated under the amended IAM IV Credit Agreement and will be reported on a consolidated basis. The consolidated covenant conditions also include the pro forma financial results of BOLDER Graphics on a trailing twelve month basis effective as of the BOLDER Closing Date. The IAM V Credit Facility was used to fund a portion of the up-front cash component of the BOLDER Graphics acquisition of $2,000 on the closing of the BOLDER Graphics acquisition, repay the remaining outstanding balance of the Bank Term Facility of $2,622 and the balance was used for general working capital purposes. DCM has capitalized transaction costs of $162 related to the IAM V Credit Facility and these transaction costs are being amortized over the term the IAM V Credit Facility. As at December 31, 2017, the unamortized transaction costs and outstanding borrowings related to this facility were $155 and $4,938, respectively.

Pursuant to the Second Amended IAM IV Credit Agreement, the maximum aggregate principal amount which may be outstanding under the IAM IV Credit Facility, the IAM III Credit Facility and the amended Bank Credit Facility, calculated on a consolidated basis in accordance with generally accepted accounting principles ("Senior Funded Debt"), can not exceed $72,000 (after giving effect to the provisions of the inter-creditor agreement described below). This was an increase from $50,000 under the original term loan facility dated March 10, 2016. The aggregate principal amount outstanding under the IAM V Credit Facility is included as part of Senior Funded Debt for the purposes of the covenant calculation. The IAM IV Credit Facility matures on March 10, 2023 and has a maximum available principal amount of $28,000. Indebtedness outstanding under the IAM IV Credit Facility bears interest at a fixed rate equal to 6.95% per annum. Under the terms of the Second Amended IAM IV Credit Agreement, which remain unchanged per the original term loan facility dated March 10, 2016, DCM is required to make mandatory blended equal monthly repayments of principal and interest for $422 such that, on maturity, advances under the IAM IV Credit Facility and applicable interest on those advances will have been fully repaid. In addition, under the terms of the IAM IV Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $425 to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility. This requirement did not change as a result of the Second Amended IAM IV Credit Agreement. As at December 31, 2017, there was a balance of $515 in the blocked account related to the IAM IV Credit Facility and IAM V Credit Facility which is recognized as restricted cash on the consolidated statement of financial position. Furthermore, DCM has capitalized transaction costs of $838, including $173 of additional costs incurred during the year ended December 31, 2017 as a result of the Third and Fourth Amended IAM IV Credit Agreements which is being amortized over the term of the IAM IV Credit Facility. As at December 31, 2017, the unamortized transaction costs and outstanding borrowings related to this facility were $560 and $22,220, respectively.

Each of the amended Bank Credit Agreement and the amended IAM Credit Agreements contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, IAM III, IAM IV and IAM V, as applicable. Under the terms of the IAM Credit Agreements, DCM has agreed that it will not, without the prior written consent of IAM III, IAM IV and IAM V, change (or permit any change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DCM, or if any such person has either died or is disabled and can therefore no longer carry on his or her duties of such office, DCM will have 60 days to replace such officer, such replacement officer to be satisfactory to IAM III, IAM IV and IAM V, acting reasonably. The amended Bank Credit Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5,500 during any fiscal year, and the IAM Credit Agreements limits the incurrence of capital expenditures to no more than $5,000 in any fiscal year.

Under the terms of the original IAM IV Credit Agreement, and before giving effect to the amendments described below, DCM was required to maintain (i) a ratio of Senior Funded Debt to EBITDA (as defined below) 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. Pursuant to the First Amended IAM IV Credit Agreement, during the quarter ended June 30, 2016, the terms of the IAM IV Credit Agreement were

amended to exclude the aggregate principal amount of the 6.00% Convertible Debentures from current liabilities for the purposes of calculating the working capital ratio for the period from June 29, 2016 to June 30, 2017. Furthermore, as a result of the Second Amended IAM IV Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle were included on a trailing twelve and eighteen month basis, as applicable, effective as of the Closing Date for the purposes of DCM's covenant calculations. Pursuant to the Third Amended IAM IV Agreement, the working capital current ratio was changed to 1.1 to 1 effective June 30, 2017.

On March 9, 2017, IAM consented, effective the quarter ending March 31, 2017, to modify the calculation of the debt service coverage ratio under the provisions of the amended IAM IV Credit Agreement to include EBITDA for the six most recently completed fiscal quarters (previously four most recently completed quarters) less income taxes actually paid in cash and the amount of capital expenditures actually incurred or paid during such period up to the amount permitted under this agreement, divided by the aggregate of i) scheduled principal plus interest payments on the IAM IV Credit Facility and IAM III Credit Facility (as described above) and ii) projected interest payments on the amended Bank Credit Facility for the next six quarters (previously the four most recently completed quarters). In addition, on May 11, 2017, DCM received consent from IAM, effective the quarter ending June 30, 2017, to modify the calculation of the Senior Funded Debt to EBITDA ratio under the provisions of the amended IAM IV Credit Agreement and the IAM III Credit Agreement to include EBITDA for the six most recently completed fiscal quarters multiplied by 2/3 (previously the four most recently completed quarters). Pursuant to the Fourth Amended IAM IV Credit Agreement on September 29, 2017, the calculation of the debt service coverage ratio and the Senior Funded Debt to EBITDA ratio were amended to i) restore the inclusion of EBITDA to the four most recently completed fiscal quarters effective the quarter ended September 30, 2017; ii) include the Bridging Credit Facility as defined below, as part of Senior Funded Debt effective the quarter ended September 30, 2017; iii) include projected interest payments on the Bridging Credit Facility over the next four quarters for the purposes of calculating the debt service coverage ratio; and iv) revise the Senior Funded Debt to EBITDA ratio such that DCM must maintain the following levels: from July 1, 2017 up to September 30, 2017 – 4.00 to 1; October 1, 2017 up to December 31, 2017 – 3.50 to 1; from January 1, 2018 up to March 31, 2018 – 3.25 to 1; and on and after April 1, 2018 – 3.00 to 1. As at December 31, 2017, DCM was in compliance with these covenants.

For purposes of the Bank Credit Agreement and the IAM Credit Agreements, "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, and before giving effect to the amendments described below, DCM was required to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing twelve month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. As a result of the First Amended Bank Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle were included on a trailing twelve month basis effective as of the Closing Date for the purposes of DCM's covenant calculations. Pursuant to the Second, Fourth and Fifth Amended Bank Credit Agreements on May 30, 2017, September 29, 2017, and October 20, 2017, respectively, the fixed charge coverage ratio was amended such that i) for the period commencing April 30, 2017 and ending June 30, 2017, the ratio would not be less than 1.0 to 1.0; ii) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; and iii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, on a consolidated basis, in respect of any particular trailing twelve month period. Pursuant to the Sixth Amended Bank Credit Agreement, the pro forma financial results for BOLDER Graphics on a trailing twelve month basis and the monthly blended payments of principal and interest for the IPD V Credit Facility were included effective as of the BOLDER Closing Date for the purposes of DCM's covenant calculations. As at December 31, 2017, DCM was in compliance with this covenant.

On June 28, 2017, DCM established a non-revolving credit facility with Bridging for $3,500 (the "Bridging Credit Facility") in conjunction with the net proceeds of certain equity issuances to enable the Company to repay the convertible debentures (note 12). Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DCM's Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility has a term of one year and can be repaid at any time without any repayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM's other senior lenders. The Bridging Credit Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the amended Bank Credit Agreement and the amended IAM Credit Agreements and is secured by certain specified equipment together with certain other conventional security. The Bridging Credit Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5,500 during any fiscal year. Transaction costs of $146 were capitalized and the unamortized transaction costs as at December 31, 2017 were $72. These costs are being amortized over the term of the Bridging Credit Facility.

A failure by DCM to comply with its obligations under the amended Bank Credit Agreement, the amended IAM Credit Agreements or the Bridging Credit Agreement, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DCM will be successful in achieving the results targeted in its 2018 operating plan or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM V Credit facility, the amended

IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates (the "Inter-creditor Agreement"). On February 22, 2017, DCM entered into an amended Inter-creditor Agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle. On June 28, 2017, the Inter-creditor Agreement was further amended to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the inter-creditor agreement was further amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

The movement in credit facilities during the year are as follows:

		December 31 2017
Balance - Beginning of year, net of transaction costs	$	35,042
Changes from financing cash flows		
Proceeds from credit facilities	$	27,393
Repayment of credit facilities		(14,709)
Finance costs		(925)
Total change from financing cash flows	$	46,801
Non-cash movements		
Acquisitions (note 4)	$	8,476
Amortization of transaction costs		655
Balance - End of year	$	55,932

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

	December 31 2017
2018	$ 8,797
2019	5,671
2020	27,815
2021	6,494
2022	6,757
2023 and thereafter	1,705
	$ 57,239

12. CONVERTIBLE DEBENTURES

	December 31 2017	December 31 2016
6.00% Convertible Debentures, maturing June 30, 2017, interest payable in June and December, convertible at 0.841 common shares per $1,000 of debenture	$ —	$ 11,129
Unamortized transaction costs	—	(47)
	$ —	$ 11,082
Less: Current portion of Convertible debentures	—	11,082
Convertible debentures	$ —	$ —

Upon maturity on June 30, 2017, DCM settled the 6.00% Convertible Debentures with a cash payment of $11,175 plus interest of $335 which was financed with the net proceeds received from the Rights Offering (as described in further detail in Note 18 – Shares and warrants), the Private Placement (as described in further detail in Note 18 – Shares and warrants) and the Bridging Credit Facility (as described in further detail in Note 11 – Credit facilities).

The 6.00% Convertible Debentures with an aggregate principal amount of $11,175 (2016 – $11,175) bore 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 were convertible into common shares of DCM ("Common Shares") at the option of the holder prior to maturity or redemption at a conversion price of $1,220 per common share (prior to the Rights Offering, as defined in Note 18 – Shares and warrants). As described in greater detail in DCM's Annual Information Form for the year ended December 31, 2016 the conversion price was subject to adjustment with the occurrence of certain events, of which the issuance of Rights (as defined in Note 18 – Shares and warrants) to shareholders to acquire Common Shares at less than 95% of the then current market price, defined

as the volume-weighted average trading price per Common Share for the 20 consecutive trading days ending five days prior to the event (the "Current Market Price"), was included. Upon closing of the Rights Offering, the conversion price was adjusted to $1,189 per common share. The holders forwent the conversion option into Common Shares of DCM.

On redemption or at maturity, DCM had, at its option, and subject to regulatory approval and certain other conditions, the ability 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 Common 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 Common Shares on the date fixed for redemption or the maturity date. DCM forewent the redemption option into Common Shares.

DCM capitalized transaction costs of $2,266 related to this issuance and the amortization of these costs which was recognized over the term of the 6.00% Convertible Debentures. As at December 31, 2017, $nil (2016 – $47) of these transaction costs remain unamortized.

13. INCOME TAXES

Significant components of DCM's deferred income tax assets and liabilities as of December 31, 2017 and 2016 are as follows:

December 31, 2017		**Assets**		**Liabilities**		**Net**
Pension obligations and other post-employment benefit plans	$	2,712	$	—	$	2,712
Unfavourable lease obligation		282		—		282
Lease escalation		492		—		492
Benefit of income tax loss and other carry-forwards		2,108		—		2,108
Deferred finance fees		299		—		299
Deductible reserves		1,581		—		1,581
Tax credit carry-forwards		348		—		348
Property, plant and equipment		—		(1,349)		(1,349)
Intangible assets		—		(1,552)		(1,552)
Promissory notes		—		(97)		(97)
Other		—		(11)		(11)
Total deferred income tax assets (liabilities)	$	7,822	$	(3,009)	$	4,813

December 31, 2016		Assets		Liabilities		Net
Pension obligations and other post-employment benefit plans	$	2,414	$	—	$	2,414
Unfavourable lease obligation		207		—		207
Lease escalation		344		—		344
Benefit of income tax loss and other carry-forwards		1,619		—		1,619
Deferred finance fees		149		—		149
Deductible reserves		607		—		607
Tax credit carry-forwards		238		—		238
Convertible debentures		—		(12)		(12)
Property, plant and equipment		—		(840)		(840)
Intangible assets		—		(867)		(867)
Other		—		(20)		(20)
Total deferred income tax assets (liabilities)	$	5,578	$	(1,739)	$	3,839

As at December 31, 2017, DCM recorded net deferred income tax assets of $6,108 (2016 – $3,839) and net deferred income tax liabilities of $1,295 (2016 – $Nil) in its consolidated statements of financial position. The deferred income tax assets have not been offset against the deferred income tax liabilities as DCM does not have a legally enforceable right to offset these amounts and the deferred income tax assets and deferred income tax liabilities are not related to income taxes levied by the same taxation authority.

Changes in deferred income tax assets and liabilities during the years ended December 31, 2017 and 2016 are as follows:

	Balance at January 1, 2017	Other	Acquired in business combinations	Recognized in statement operations	Recognized in comprehensive loss	Balance at December 31, 2017
Pension obligations and other post-employment benefit plans	$ 2,414	$ —	$ —	$ (92)	$ 390	$ 2,712
Unfavourable lease obligation	207	—	—	75	—	282
Lease escalation	344	—	—	148	—	492
Benefit of income tax loss and other carry-forwards	1,619	—	8	481	—	2,108
Deferred finance fees	149	99	—	51	—	299
Deductible reserves	607	—	397	577	—	1,581
Tax credit carry-forwards	238	110	—	—	—	348
	$ 5,578	$ 209	$ 405	$ 1,240	$ 390	$ 7,822
Convertible debentures	$ (12)	$ —	$ —	$ 12	$ —	$ —
Property, plant and equipment	(840)	—	(587)	78	—	(1,349)
Intangible assets	(867)	—	(1,794)	1,109	—	(1,552)
Promissory notes	—	—	(84)	(13)	—	(97)
Other	(20)	—	—	9	—	(11)
	$ (1,739)	$ —	$ (2,465)	$ 1,195	$ —	$ (3,009)
Deferred income tax assets (liabilities), net	$ 3,839	$ 209	$ (2,060)	$ 2,435	$ 390	$ 4,813

	Balance at January 1, 2016	Other	Recognized in statement operations	Recognized in comprehensive loss	Balance at December 31, 2016
Pension obligations and other post-employment benefit plans	$ 2,649	$ —	$ (316)	$ 81	$ 2,414
Unfavourable lease obligation	216	—	(9)	—	207
Lease escalation	200	—	144	—	344
Benefit of income tax loss and other carry-forwards	—	—	1,619	—	1,619
Deferred finance fees	130	—	19	—	149
Deductible reserves	1,166	—	(559)	—	607
Tax credit carry-forwards	125	113	—	—	238
	$ 4,486	$ 113	$ 898	$ 81	$ 5,578
Convertible debentures	$ (34)	$ —	$ 22	$ —	$ (12)
Property, plant and equipment	(1,083)	—	243	—	(840)
Intangible assets	(1,321)	—	454	—	(867)
Benefit of other carry-forwards	(33)	—	33	—	—
Other	(21)	2	(1)	—	(20)
	$ (2,492)	$ 2	$ 751	$ —	$ (1,739)
Deferred income tax assets (liabilities), net	$ 1,994	$ 115	$ 1,649	$ 81	$ 3,839

The realization of the deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Based on management's projections of future taxable income and tax planning strategies, management expects to realize these net deferred income tax assets in advance of expiry. As at December 31, 2017, DCM has non-capital tax loss carry-forwards of $8,404 (2016 – $6,434). The non-capital tax loss carry-forwards expire in varying amounts from 2033 to 2037.

In the ordinary course of business, DCM 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 (recovery) expense for the years ended December 31, 2017 and 2016 are set out below:

	For the year ended December 31 2017	For the year ended December 31 2016
Current income tax expense:		
Current tax on profits for the year	$ 725	$ 397
Recovery of taxes for prior periods	—	(195)
Adjustment to current income tax on filing	—	1,370
Total current income tax expense	$ 725	$ 1,572
Deferred income tax recovery:		
Origination and reversal of temporary differences described above	$ (2,435)	$ (279)
Adjustment to deferred income tax on filing	—	(1,370)
Total deferred income tax recovery	$ (2,435)	$ (1,649)
Total income tax recovery for the year	$ (1,710)	$ (77)

For the year ended December 31, 2017, deferred income tax recovery on the recognition of actuarial gains (losses) related to DCM's defined benefit plans of $390 (2016 – $81) were recognized in the statements of comprehensive loss.

The following are reconciliations of income tax (recovery) expense calculated at the statutory rate of Canadian corporate income taxes below for the years ended December 31, 2017 and 2016.

	For the year ended December 31 2017	For the year ended December 31 2016
Loss before income taxes	$ (7,915)	$ (32,184)
Expected income tax recovery calculated at statutory income tax rate [1]	(2,065)	(8,413)
Adjustment to income taxes resulting from:		
Difference between Canadian rates and rates applicable to subsidiary in another country or rates applicable to wholly owned Canadian subsidiaries	116	124
Impairment of goodwill	—	8,122
Non-deductible expenses and other items	239	90
Total income tax recovery for the year	$ (1,710)	$ (77)

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 26.09% (2016 – 26.14%).

The current tax rate for the current year is 0.05% lower than 2016 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.21% (2016 – 25.28%) based on the tax rates in years when the temporary differences are expected to reverse.

14. OTHER NON-CURRENT LIABILITIES

	December 31 2017	December 31 2016
Deferred lease inducement	$ 1,082	$ 793
Lease escalation liabilities	1,888	1,321
Bonuses payable	983	—
Loan payable	—	151
	$ 3,953	$ 2,265
Less: Current portion of other non-current liabilities	(540)	(574)
	$ 3,413	$ 1,691

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

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of the company which will be paid in equal monthly payments until the end of October 2020. The liability was recorded at fair value based on discounting using a discount rate of 10%. The fair value of the future payments of $33 per month as of the closing date was $1,226 of which $293 was classified as current liabilities in trade payables and accrued liabilities.

DCM's operations are conducted in leased properties. DCM's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Payments made under operating leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2018 to 2028.

During the year ended December 31, 2015, DCM entered into a loan payable agreement for licensed software in the amount of $368. The loan had an interest rate of 2.90% and repayments of $19 per month were made over 20 months ending in August 2017. As at December 31, 2017, there was no remaining amount outstanding.

15. PENSION OBLIGATIONS, ASSETS AND EXPENSES

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Communications Management Pension Plan. Annual actuarial valuations are required on the defined benefit provision of the DATA Communications Management 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 Communications Management Pension Plan are dependent on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others. Under applicable pension regulations, the plan's solvency deficiency can be funded over a maximum period of five years.

During the year ended December 31, 2017, DCM engaged actuaries to complete an updated actuarial valuation of the defined benefit provision of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the defined benefit provision of the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 decreased from $1,311 to $647. As of December 31, 2017, DCM has exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $227. This excess funding will be applied to DCM's future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017. The new regulation allows plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months.

DCM has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the defined benefit provision of the DATA Communications Management Pension Plan as at January 1, 2018. DCM expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately $420, after adjusting for the excess funding from 2017, and for 2019 will be approximately $1,353. The January 1, 2018 actuarial valuation report for the defined benefit provision of the DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DCM's minimum funding requirements for 2018 and forward is not determinable at this time.

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

	December 31 2017	December 31 2016
Present value of funded obligations	$ 62,638	$ 60,559
Less: Fair value of plan assets	(63,398)	(62,148)
Surplus of funded plans	(760)	(1,589)
Present value of unfunded obligations	8,133	8,340
Pension obligations, net	$ 7,373	$ 6,751

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

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

	Funded	Unfunded	December 31 2017
Balance – Beginning of year	$ 60,559	$ 8,340	$ 68,899
Interest expense	2,293	297	2,590
Benefits paid	(3,661)	(541)	(4,202)
Re-measurements:			
– Loss from change in demographic assumptions	265	—	265
– Loss from change in financial assumptions	3,376	237	3,613
– Experience (gains) losses	(194)	(200)	(394)
Balance – End of year	$ 62,638	$ 8,133	$ 70,771

	Funded	Unfunded	December 31 2016
Balance – Beginning of year	$ 59,929	$ 8,354	$ 68,283
Interest expense	2,412	315	2,727
Benefits paid	(3,531)	(567)	(4,098)
Re-measurements:			
– Gain from change in financial assumptions	1,776	162	1,938
– Experience (gains) losses	(27)	76	49
Balance – End of year	$ 60,559	$ 8,340	$ 68,899

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

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

	Funded	**Unfunded**	**December 31 2017**
Balance – Beginning of year	$ 62,148	$ —	$ 62,148
Interest income	2,364	—	2,364
Employer contributions	874	541	1,415
Benefits paid	(3,661)	(541)	(4,202)
Administrative expenses paid from plan assets	(300)	—	(300)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest income	1,973	—	1,973
Balance – End of year	$ 63,398	$ —	$ 63,398

	Funded	Unfunded	December 31 2016
Balance – Beginning of year	$ 60,699	$ —	$ 60,699
Interest income	2,463	—	2,463
Employer contributions	1,311	567	1,878
Refund of over contribution	—	—	—
Benefits paid	(3,531)	(567)	(4,098)
Administrative expenses paid from plan assets	(325)	—	(325)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest income	1,531	—	1,531
Balance – End of year	$ 62,148	$ —	$ 62,148

DATA COMMUNICATIONS MANAGEMENT PENSION PLAN ASSET COMPOSITION

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

	For the year ended December 31, 2017			For the year ended December 31, 2016		
		Quoted	Percentage of plan assets		Quoted	Percentage of plan assets
Domestic equities	$	4,413		$	4,660	
Foreign equities		5,185			5,591	
Equity instruments	$	9,598	15%	$	10,251	16%
Short and mid-term bonds	$	7,438		$	9,652	
Long-term bonds		42,937			38,208	
Commercial mortgages		3,196			3,443	
Debt instruments	$	53,571	84%	$	51,303	83%
Cash and cash equivalents	$	229	1%	$	594	1%
Total	$	63,398	100%	$	62,148	100%

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

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

		Funded		Unfunded		December 31 2017
Administration expenses	$	300	$	—	$	300
Interest expense		2,293		297		2,590
Interest income		(2,364)		—		(2,364)
Total net interest expense		(71)		297		226
Defined benefit expense recognized	$	229	$	297	$	526

		Funded		Unfunded		December 31 2016
Administration expenses	$	325	$	—	$	325
Interest expense		2,412		315		2,727
Interest income		(2,463)		—		(2,463)
Total net interest expense		(51)		315		264
Defined benefit expense recognized	$	274	$	315	$	589

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE LOSS

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

	Funded	Unfunded	December 31 2017
Re-measurements:			
– Loss from change in demographic assumptions	$ 265	$ —	$ 265
– Loss from change in financial assumptions	3,376	237	3,613
– Experience (gains) losses	(194)	(200)	(394)
– Return on plan assets, excluding amounts included in interest income	(1,973)	—	(1,973)
	1,474	37	1,511
Deferred income tax effect	(385)	(10)	(395)
Defined benefit expense recognized	$ 1,089	$ 27	$ 1,116

	Funded	Unfunded	December 31 2016
Re-measurements:			
– Gain from change in financial assumptions	$ 1,776	$ 162	$ 1,938
– Experience (gains) losses	(27)	76	49
– Return on plan assets, excluding amounts included in interest income	(1,531)	—	(1,531)
	218	238	456
Deferred income tax effect	(57)	(62)	(119)
Defined benefit recovery recognized	$ 161	$ 176	$ 337

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

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

	December 31 2017	December 31 2016
DATA Communications Management Pension Plan		
Discount rate	3.50%	3.90%
Rate of compensation increase	3.00%	3.00%
SERP		
Discount rate	3.40%	3.70%

DCM decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2017 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2017.

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 2017	December 31 2016
Retiring at the end of the reporting period:		
Male	21.7	21.6
Female	24.1	24.1
Retiring in 25 years after the end of the reporting period:		
Male	23.0	22.3
Female	25.3	25.3

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

ASSET VOLATILITY

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

The defined benefit provision of the DATA Communications Management Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. In

2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Communications Management Pension Plan. With a significant improvement in the financial position, the defined benefit provision of the DATA Communications Management Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics. There were no significant changes in the investment strategy during 2017.

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 pension obligations for the DATA Communications Management Pension Plan and SERP to changes in assumptions at December 31, 2017 and at December 31, 2016 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, 2017 Impact on defined benefit obligations	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	$ (2,343)	$ 2,470
Salary growth rate	0.25%	486	(572)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 1,834	$ (1,869)

		December 31, 2016 Impact on defined benefit obligations	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (2,410)	$ 2,545
Salary growth rate	0.25%	754	(775)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 1,816	$ (1,857)

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

The weighted average duration of the defined benefit obligations is 13.6 years (2016 – 14.4 years).

Expected maturity analysis of undiscounted pension benefits:

		Less than a year		Between 1 to 2 years		Between 2 to 5 years		Between 5 to 10 years
At December 31, 2017	$	3,118	$	6,566	$	6,847	$	18,650
At December 31, 2016	$	2,893	$	6,106	$	6,762	$	18,684

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

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

		For the year ended December 31 2017		For the year ended December 31 2016
Defined contribution plan	$	1,349	$	1,493
Defined benefit multi-employer plans	$	670	$	570

DCM expects that, in 2018, contributions to the defined benefit provision of the DATA Communications Management Pension Plan will be approximately $647, contributions to the defined contribution provision of the DATA Communications Management Pension Plan will be approximately $1,306, contributions to the SERP will be approximately $529, contributions to the SRDF will be approximately $535 and contributions to the Unifor Pension & Benefit Plans will be approximately $121.

16. OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

	December 31 2017	December 31 2016
Balance – Beginning of year	$ 2,510	$ 2,563
Current service cost	250	289
Interest expense	103	99
Benefits paid	(220)	(203)
Re-measurements:		
– Loss (gain) from change in demographic assumptions	299	(250)
– Loss from change in financial assumptions	89	58
– Experience gains	—	(46)
Balance – End of year	$ 3,031	$ 2,510

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

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

	December 31 2017	December 31 2016
Current service cost	$ 250	$ 289
Interest expense	103	99
Re-measurements:		
– Experience gains	398	(91)
Benefit expense recognized	$ 751	$ 297

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE LOSS

The following summarizes the amounts recognized in the statement of comprehensive loss related to the DCM OPEB Plans and DCM OPEB LTD Plan:

		December 31 2017		December 31 2016
Re-measurements:				
– Gain from change in demographic assumptions	$	—	$	(207)
– Loss from change in financial assumptions		36		40
– Experience (gains) losses		(46)		20
		(10)		(147)
Deferred income tax effect		5		38
Benefit recovery recognized	$	(5)	$	(109)

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

DCM OPEB Plans	**December 31 2017**	December 31 2016
Discount rate	3.50%	3.90%
Health care cost trend rate – Initial	6.48%	6.61%
Health care cost trend rate declines by 2028 (2016 – 2028)	4.50%	4.50%

DCM OPEB LTD Plan	**December 31 2017**	December 31 2016
Discount rate	3.50%	3.90%
Health care cost trend rate – Initial	5.86%	6.00%
Health care cost trend rate declines by 2028 (2016 – 2028)	4.50%	4.50%

SENSITIVITY ANALYSIS ON OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

		Impact on other post-employment benefit obligations	
At December 31, 2017	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	$ (56)	$ 58
Health care cost trend rates	1.00%	208	(184)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 70	$ (67)

		Impact on other post-employment benefit obligations	
At December 31, 2016	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (46)	$ 49
Health care cost trend rates	1.00%	165	(145)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 62	$ (61)

Expected maturity analysis of undiscounted other post-employment benefits:

	Less than a year	**Between 1 to 2 years**	**Between 2 to 5 years**	**Between 5 to 10 years**
At December 31, 2017	$ 307	$ 555	$ 517	$ 994
At December 31, 2016	$ 267	$ 450	$ 427	$ 887

DCM expects that, in 2018, contributions to its DCM OPEB Plans and DCM OPEB LTD Plan will be approximately $307.

17. FINANCIAL INSTRUMENTS

DCM's financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, loan payable, bonuses payable, credit facilities, promissory notes, restricted share units and convertible debentures, as indicated in DCM's statements of consolidated financial position as at December 31, 2017 and 2016. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

DCM's non-derivative financial instruments are comprised of cash and cash equivalents, trade receivables, restricted cash, bank overdraft, trade payables and accrued liabilities, loan payable, bonuses payable, credit facilities, promissory notes restricted share units and convertible debentures. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial instruments at fair value through the profit and loss include restricted share units which are recorded as a liability at fair value on the grant date and are subsequently adjusted for changes in the price of DCM's common shares through the consolidated statements of operations.

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

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values and the fair values of DCM's financial instruments are classified into the categories listed below as at December 31, 2017 and as at December 31, 2016.

December 31, 2017		**Carrying Value**		**Fair Value**
Loans and receivables [(1)]	$	41,708	$	41,708
Financial liabilities at amortized cost [(2)]		99,504		99,504
Financial liabilities FVTPL [(3)]		90		90

December 31, 2016		Carrying Value		Fair Value
Loans and receivables [(1)]	$	31,126	$	31,126
Financial liabilities at amortized cost [(2)]		71,427		70,914
Financial liabilities FVTPL [(3)]		17		17

(1) *Includes cash and cash equivalents, restricted cash and trade receivables.*

(2) *Includes bank overdraft, trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities), loan payable, bonuses payable, credit facilities, promissory notes and convertible debentures.*

(3) *Includes restricted share units.*

Bonuses payable, credit facilities, promissory notes, convertible debentures and restricted share units are categorized as level 2 inputs in the fair value hierarchy given their valuations include inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. There were no transfers between levels 1, 2 or 3 during the year.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

DCM is exposed to various risks as it relates to financial instruments. These risks and the processes for managing the risk are set out below.

CREDIT RISK

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

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

DCM grants credit to customers in the normal course of business. DCM typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit terms when warranted and periodically thereafter. Normal credit terms for amounts due from customers call for payment within 0 to 90 days.

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

Based on historical experience, DCM 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 DCM'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, 2017, 7.0% (or $2,911), of trade receivables were more than 90 days old, an increase from 3.7% (or $1,102), of trade receivables that were more than 90 days old at December 31, 2016. The movement in DCM's allowance for doubtful accounts for 2017 and 2016 are as follows:

	For the year ended December 31 2017	For the year ended December 31 2016
Balance – Beginning of period	$ 440	$ 526
Provisions and revisions	(234)	(86)
Balance – End of period	$ 206	$ 440

LIQUIDITY RISK

Liquidity risk is the risk that DCM may encounter difficulties in meeting obligations associated with financial liabilities as they become due. As at December 31, 2017, DCM had access to $7,981 of additional available credit less letters of credit granted of $1,426 under the Bank Credit Facility.

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

December 31, 2017	**Less than a year**	**1 to 3 years**	**4 years and greater**	**Total**
Bank overdraft	$ 2,868	$ —	$ —	$ 2,868
Trade payables and accrued liabilities	34,306	—	—	34,306
Bonuses payable [1]	400	733	—	1,133
Credit facilities [2]	11,911	44,699	8,852	65,462
Promissory notes [3]	4,561	3,078	—	7,639
Total	$ 54,046	$ 48,510	$ 8,852	$ 111,408

December 31, 2016	Less than a year	1 to 3 years	4 years and greater	Total
Trade payables and accrued liabilities	$ 27,304	$ —	$ —	$ 27,304
Loan payable	151	—	—	151
Credit facilities [2]	7,866	23,407	11,952	43,225
Convertible debentures [4]	11,510	—	—	11,510
Total	$ 46,831	$ 23,407	$ 11,952	$ 82,190

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

(2) Credit facilities at December 31, 2017 subject to floating interest rates consisting of the Bank Credit Facility, expiring on March 31, 2020 and the Bridging Credit Facility expiring on June 28, 2018. As at December 31, 2017, the outstanding balances totaled $25,247 and bore interest at an average floating rate of 3.95% per annum and of 13.50% per annum. The amounts at December 31, 2017 include estimated interest totaling $1,095 for 2018, $859 for 2019 and $143 for 2020. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2016. Credit facilities at December 31, 2017 subject to fixed interest rates consisting of the IAM III Credit Facility, expiring on October 15, 2022, the IAM IV Credit Facility, expiring on March 10, 2023 and the IAM V Credit Facility expiring on May 15, 2023. As at December 31, 2017, the outstanding balances totaled $31,992 and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum and of 6.95% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively. Credit facilities at December 31, 2016 subject to floating interest rates consisting of the Bank Credit Facility, expiring on March 10, 2019. As at December 31, 2016, the outstanding balance totaled $10,434 and bore interest at an average floating rate of 3.45% per annum. The outstanding balance will be reduced by monthly principal repayments of $208 ending February 1, 2018, a principal payment of $8 on May 31, 2018 and principal repayment of $7,514 on March 10, 2019. The amounts at December 31, 2016 include estimated interest totaling $320 for 2017, $261 for 2018 and $44 for 2019. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2016. Credit facilities at December 31, 2016 subject to fixed interest rates consisting of the IAM IV Credit Facility, expiring on March 10, 2023. As at December 31, 2016, the outstanding balance totaled $25,611 and bore interest at a fixed rate of 6.95% per annum. Monthly blended principal and interest payments of $422.

(3) Promissory notes related to the acquisitions completed during the year. Non interest bearing promissory notes related to the acquisition of Eclipse totaling $4,566 and payable in two installments of $2,283 due on February 28, 2018 and February 28, 2019, respectively, and related to the acquisition of Thistle totaling $1,913 and payable in monthly installments of $137 ending February 28, 2019. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1,160 and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $58, beginning February 28, 2018 and ending September 30, 2019.

(4) 6.00% Convertible Debentures, matured on June 30, 2017, convertible at 0.8196 common shares per $1,000 of debenture. The aggregate principal amount totaled $11,175 as at December 31, 2016. The amounts at December 31, 2016 include interest totaling $335 for 2017.

DCM also has significant contractual obligations in the form of operating leases (note 21), as well as contingent obligations in the form of letters of credit. DCM believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing restructuring initiatives will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance capital expenditures, and interest and scheduled repayments of borrowings under its credit facilities and scheduled repayments of promissory notes.

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. DCM's interest rate risk arises from credit facilities issuances at floating interest rates.

At December 31, 2017, $25,247 of DCM's indebtedness outstanding was subject to floating interest rates of 3.95% per annum and 13.50% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit or loss and comprehensive loss by $217 for the year ended December 31, 2017 (2016 – $171), respectively. At December 31, 2017, $31,992 of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum and of 6.95% per annum. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1.2 million was subject to a fixed rate of 6.0% per annum.

CURRENCY RISK

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

18. SHARES AND WARRANTS

DCM is authorized to issue an unlimited number of common shares. The common shares have a stated capital of one dollar. Each common share is entitled to one vote at any meeting of shareholders. Each holder of the common shares will be entitled to receive dividends if, as and when declared by the Board. In the event of the liquidation, dissolution, winding up of DCM or other distribution of assets of DCM among its shareholders for the purpose of winding up its affairs, the holders of the common shares will, subject to the rights of the holders of any other class of shares of DCM entitled to receive assets of DCM 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 July 4, 2016, DCM consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for each 100 pre-consolidation common shares (the "Share Consolidation"). As a result, the total number of DCM's issued and outstanding common shares were consolidated to 11,975,053 on that date. No fractional common shares were issued, and any fractional share entitlements resulting from the Share Consolidation were rounded up to the nearest whole number of common shares. All references to common shares, restricted share units and stock options in these consolidated financial statements reflect the Share Consolidation, unless specified otherwise.

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

	Number of Common shares		Amount
Balance – January 1, 2017	11,975,053	$	237,432
Shares issued - February 22, 2017 (note 4)	1,278,708		2,850
Shares issued - May 5, 2017	6,502		15
Shares issued - June 23, 2017	3,312,368		4,452
Shares issued - June 28, 2017	2,690,604		3,421
Shares issued - July 13, 2017	71,500		78
Shares issued - November 10, 2017 (note 4)	704,424		748
Balance – December 31, 2017	20,039,159	$	248,996

	Number of Common shares		Amount
Balance – January 1, 2016	9,987,528	$	234,782
Shares issued - May 31, 2016	1,678,567		2,280
Shares issued - July 4, 2016	308,958		370
Balance – December 31, 2016	11,975,053	$	237,432

In connection with the acquisition of Thistle and Eclipse on February 22, 2017, DCM issued a total of 1,278,708 Common Shares to the vendors of the companies as partial consideration for the fair value of the net assets acquired on the Closing Date for $2,858, net of $11 in issuance costs and increased by a deferred income tax asset of $3.

On May 5, 2017, 6,502 Common Shares were issued in connection with the net settlement of 19,505 stock options at an exercise price of $1.50 per Common Share. The net amount of $15 was recorded in contributed surplus in the consolidated statement of changes in equity (deficit).

On June 23, 2017, DCM completed a rights offering ("Rights Offering") which was conducted by way of a rights offering circular ("Circular"). Under the offering, DCM issued 3,312,368 Common Shares at a price of $1.40 per share for gross proceeds of $4,637. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DCM for total gross proceeds of $1,527. The gross proceeds were used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017. Under the terms of the Rights Offering, each eligible shareholder ("Eligible Holder") on record as of May 31, 2017 (the "Record Date") received one right ("Right") for each Common Share held as of the Record Date. Every two Rights entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $1.40 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $250 which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $65.

On June 28, 2017, DCM completed a non-brokered private placement offering ("First Private Placement"). Pursuant to the First Private Placement, DCM issued 2,690,604 units ("Units"), with each Unit consisting of one Common Share

and one-half of a Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant") at a price per Unit of $1.40 for gross proceeds of $3,766. Among this, 550,650 Units were issued to directors and officers of DCM for total proceeds of $771. Each full Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of $1.75 for a period of two years from the closing of the First Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the relative rights of the existing shareholders of Common Shares and the Warrant holders. In addition, if the volume-weighted average price of the Common Shares on the TSX equals or exceeds $2.75 for 20 consecutive trading days, DCM has the right (the "Acceleration Right") to accelerate the expiry date of the Warrants to a date that is 30 days from the date on which DCM notifies the Warrant holders of its intent to exercise the Acceleration Right. DCM did not exercise any of its Acceleration Rights during 2017. The Common Shares, Warrants and Warrant Shares are subject to a statutory hold period expiring four months and one day after the closing of the First Private Placement. DCM issued a total of 2,690,604 additional Common Shares (before giving effect to the exercise of any Warrants) and 1,345,300 Warrants pursuant to the First Private Placement all of which were also outstanding as of December 31, 2017. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of $3,766 by the relative fair values of each component on closing of the First Private Placement. The fair value of the Warrants issued was estimated to be $294 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.04%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period. The fair value of the Common Shares issued was $3,655, based on the closing market price of the shares on closing of the First Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $3,398 and the proceeds allocated to the Warrants was $280, net of transaction costs totaling $88. All of these transaction costs were allocated to the Common Shares. The gross proceeds of $3,766 were also used to finance, in part, the settlement of the 6.00% Convertible Debentures which matured on June 30, 2017. The value of the Common Shares were increased by a deferred income tax asset of $23.

On July 13, 2017, DCM completed a second closing of the private placement ("Second Private Placement"), consistent with the terms and conditions of the First Private Placement, to a director of DCM for 71,500 Units, raising additional gross proceeds of $100. 71,500 Common Shares and 35,750 Warrants were issued as a result of the Second Private Placement. As of December 31, 2017, 35,750 Warrants pursuant to the Second Private Placement were outstanding. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of $100 by the relative fair values of each component on closing of the Second Private Placement. The fair value of the Warrants issued was estimated to be $6 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.22%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. The fair value of the Common Shares issued was $91 based on the closing market price of the shares on closing of the Second Private Placement. The fair value of the Common Shares and Warrants were each adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $72 and the proceeds allocated to the Warrants was $7, net of transaction costs totaling $21. All of these

transaction costs were allocated to the Common Shares. The gross proceeds of $100 were used to finance the general working capital requirements of DCM. The value of the Common Shares were increased by a deferred income tax asset of $6.

In connection with the acquisition of BOLDER Graphics on November 10, 2017, DCM issued a total of 704,424 Common Shares to the vendors as partial consideration for the fair value of the net assets acquired on the BOLDER Closing Date for $754, net of $8 in issuance costs and increased by deferred income tax asset of $2.

SHARE-BASED COMPENSATION

DCM has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DCM; and, align the interests of Participants with those of the shareholders of DCM. Awards to Participants are primarily based on the financial results of DCM and services provided. The aggregate maximum number of common shares available for issuance from DCM's treasury under the LTIP is 2,003,916 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

DCM's share-based compensation plan consists of five types of awards: restricted share unit ("RSUs"), options, deferred share unit ("DSUs"), restricted shares or stock appreciation right ("SARs") awards. No 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 DCM 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 costs of revenues, selling, commissions and expenses, and general and administration expenses. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	December 31 2017 Number of RSUs	December 31 2016 Number of RSUs
Balance – beginning of period/year	29,538	2,366
Units granted	150,192	452,371
Units forfeited	(1,514)	(425,199)
Units paid	(347)	—
Balance – end of period/year	177,869	29,538

During the year ended December 31, 2017, the chief executive officer ("CEO") of DCM and President of DCM were granted 104,548 RSUs (2016 – 145,566 RSUs were issued to the CEO) and a total of 45,644 RSUs (2016 – 304,722 RSUs) were awarded to other key members of DCM's management. During the year ended December 31, 2017, 1,514 RSUs were forfeited by the CEO.

Of the total outstanding RSUs at December 31, 2017, $nil (2016 – $234) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2017 was $90 (2016 – $17).

During the year ended December 31, 2017, compensation expense of $73 (2016 – $17) was recognized in the consolidated statement of operations related to RSUs granted.

(b) Option ("Option")

A summary of Option activities for the year ended December 31, 2017 and the year ended December 31, 2016 is as follows:

	2017			**2016**		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding – beginning of period/year	959,745	$	2.41	11,745	$	75.00
Granted	—		—	987,011		1.50
Forfeited	(135,279)		7.88	(39,011)		1.50
Exercised	(19,505)		1.50	—		—
Options outstanding – end of period/year	804,961	$	1.50	959,745	$	2.41
Exercisable	744,006	$	1.50	641,603	$	1.50

The outstanding options had an exercise price range as follows:

	December 31, 2017 Number of Options	December 31, 2016 Number of Options
$75.00	—	11,745
$1.50	804,961	948,000
Options outstanding	804,961	959,745

During the year ended December 31, 2017, a total of 135,279 options awarded were forfeited, including 11,745 options awarded to the CEO and 19,505 options awarded were exercised.

During the year ended December 31, 2017, compensation expense of $91 (2016 – $779) was recognized in the consolidated statement of operations related to options granted.

19. LOSS PER SHARE

		For the year ended December 31, 2017		For the year ended December 31, 2016
BASIC LOSS PER SHARE				
Net loss for the year attributable to common shareholders	$	(6,205)	$	(32,107)
Weighted average number of shares		16,330,837		11,125,518
Basic loss per share	$	(0.38)	$	(2.89)
DILUTED LOSS PER SHARE				
Net loss for the year attributable to common shareholders	$	(6,205)	$	(32,107)
Weighted average number of shares		16,330,837		11,125,518
Diluted loss per share	$	(0.38)	$	(2.89)

DCM's 6.00% Convertible Debentures were settled on June 30, 2017 and therefore were excluded from the computation of diluted earnings per share. Options to purchase up to 804,961 common shares and warrants to purchase up to 1,381,050 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of December 31, 2017.

The prior year loss per share calculations have been retroactively adjusted to reflect the Share Consolidation. See note 18.

20. CHANGES IN WORKING CAPITAL

		For the year ended December 31, 2017		For the year ended December 31, 2016
Trade receivables	$	(3,983)	$	8,879
Inventories		290		3,782
Prepaid expenses and other current assets		508		(520)
Trade and accrued liabilities		1,560		(2,378)
Deferred revenue		1,088		(2,144)
	$	(537)	$	7,619

21. COMMITMENTS AND CONTINGENCIES

DCM 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 2017
2018	$	12,078
2019		10,747
2020		9,544
2021		8,124
2022		6,596
2023 and thereafter		24,249
	$	71,338

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

DCM makes contributions to the Québec 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 DCM 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, DCM's estimated annual funding obligation for the SRDF for 2018 is $579. 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, DCM would have been required to fund any outstanding solvency deficiency in respect of its employees, pensioners and vested deferred members if DCM 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, another consequence of Bill 34 will be to require the administrator of the SRDF to propose and seek consensus on a "Recovery Plan". On October 31, 2016, DCM received a letter from the Board of Trustees administering the SRDF and was advised that a form of Recovery Plan was filed with the Quebec pension regulatory authorities in August 2016 and that plan members will be sent a personalised statement indicating the effect that the proposed plan will have on their respective pension entitlements. DCM understands that the Recovery Plan was approved in December 2016 and has been advised that employers' obligations to fund any solvency deficiency have been eliminated in accordance with Bill 34. All participating employers will be receiving a copy of the decisions in the near future. During the year ended December 31, 2017, DCM did not receive any updated information on the SRDF.

22. CAPITAL STRUCTURE

DCM's objectives when managing its capital structure are:

- To seek to ensure sufficient liquidity to safeguard DCM's ability to continue as a going concern;
- To maintain a strong capital base so as to maintain shareholders', creditors', customers', suppliers' and market confidence; and
- To deploy capital to provide an appropriate investment return to its shareholders

DCM's capital structure consists of long-term debt (including the current portion) and shareholders' equity. DCM's primary uses of capital are to finance increases in working capital, make payments towards its long-term obligations, and fund investments in capital expenditures and business acquisitions.

DCM manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, in line with its present strategic plan, the company may issue new shares. Management anticipates that any major acquisition or significant growth initiatives would be financed in part with additional equity and debt.

DCM is not subject to any externally imposed capital requirements other than the covenants and restrictions under the terms of its Credit Facilities including the requirement to meet certain financial ratios and financial conditions pertaining to permitted investments, acquisitions, lease agreements, dividends and subordinated debt (see note 11).

DCM's capital structure is as follows:

		December 31 2017		December 31 2016
Credit facilities	$	55,932	$	35,042
Convertible debentures		—		11,082
Total long-term debt	$	55,932	$	46,124
Total equity (deficit)	$	(5,399)	$	(9,935)

23. EXPENSES BY NATURE

	For the year ended December 31, 2017	For the year ended December 31, 2016
Raw materials and other purchases	$ 141,327	$ 140,691
Wages and benefits	101,108	94,297
Pension and other post-employment expenses	3,011	2,587
Occupancy costs	17,008	16,273
Restructuring expenses	9,457	4,200
Depreciation, amortization and impairments	7,709	37,210
Other expenses	12,714	11,305
Total cost of revenues and operating expenses	$ 292,334	$ 306,563

24. SEGMENTED INFORMATION

DCM considers itself to have one reportable segment for purposes of segment reporting which consists of four operating segments that are aggregated based on the aggregation criteria In IFRS 8. Given many of DCM's customers operate and run marketing campaigns on a national scale, DCM utilizes its print capabilities, logistics and fulfilment services, and digital communications solutions from its combined operating segments to service its customers. These operating segments have been aggregated as one reportable segment as they have similar economic characteristics, they offer a portfolio of similar products and services, they have alike customers, and their production processes and distribution methods are similar.

The chief executive officer of DCM is the chief operating decision maker ("CODM"). The CODM reviews and assesses the company's performance and makes decisions about resources to be allocated for each operating segment which have been described below:

The core DCM business has a number of operating facilities across Canada and one in the U.S. (collectively the "DCM North America" operating segment) which focus on the production and delivery of various marketing and business communications solutions. This includes: printing of labels, forms, stationary, lottery and point-of-sale rolls, event tickets, direct mail, marketing collateral, loyalty cards, large-format signage and banners, bindery and kitting services, in addition to digital communications and data analytics services. DCM North America also provides logistics and fulfillment solutions including warehousing, distribution and inventory management services.

Eclipse represents a separate operating segment that provides significantly expanded wide format, large format and grand format printing capabilities to DCM's portfolio of products and services in eastern Canada. This includes: in-store print, outdoor signage, transit graphics, packaging, kitting and fulfilment capabilities.

BOLDER Graphics strengthens DCM's large and wide format printing capabilities in western Canada and complements its significantly expanded large format capabilities obtained through the acquisition of Eclipse in eastern Canada. BOLDER Graphics specializes in large-format digital printing, point-of-sale signage, corporate packaging,

outdoor signage and vehicle graphics, in addition to loose-leaf bindery, stationery and other commercial print capabilities.

Thistle is a full service commercial printing company in eastern Canada which adds expertise in commercial printing, design, pre-press and bindery services to DCM's portfolio, and complements DCM's current capabilities in direct mail, fulfilment and data management.

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. DCM 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, 2017, U.S. sales were not significant to disclose separately.

Warehousing revenues were approximately 6% of total consolidated revenues for the year ended December 31, 2017 and were approximately 6% of total consolidated revenues for the year ended December 31, 2016.

25. RELATED PARTY TRANSACTIONS

Effective June 23, 2015, DCM appointed an insurance company as its broker of record for its corporate insurance policies and subsequently entered into new general corporate insurance policies, including the renewal of its directors and officers liability insurance later in the year. The insurance company continues as DCM's broker of record and earns fees based on a percentage of the insurance expense paid by DCM. During the fiscal year, DCM recorded an insurance expense of $306 (2016 – $480) related to these policies. As at December 31, 2017, prepaid expenses and other current assets included prepaid insurance to the insurance company of $260 (2016 – $259). The insurance company is a related party whereby the Chair of the Board and the President of DCM each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them.

During the year ended December 31, 2017, directors, officers and related parties of DCM participated in a rights offering and a private placement of common shares (see note 18), purchasing 1,712,877 common shares (or 28.2% of the 6,074,472 common shares issued as a result of the rights offering and private placement) for consideration of $2,298.

On December 21, 2016, DCM entered into a new agreement to lease approximately 2,000 square feet of office space in Toronto, Ontario from a company that the Chair of the Board and the President are Directors of. Under the lease agreement, the lease commences March 1, 2017, runs month-to-month and can be terminated by either party with reasonable notice. The monthly expense is $7 per month.

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

COMPENSATION OF KEY MANAGEMENT

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Salaries and other short-term employee benefits	$ 2,743	$ 2,599
Post-employment benefits	16	20
Share-based compensation expense	157	779
Total	$ 2,916	$ 3,398

During the year ended December 31, 2017, key management personnel were granted 132,744 RSUs (2016 – 277,379 RSUs), and 1,514 RSUs (2016 – 250,207 RSUs) were forfeited. Key management personnel were also granted options to purchase up to Nil Common Shares (2016 – 791,957 Common Shares) and options to purchase up to 11,745 Common Shares (2016 – Nil Common Shares) were forfeited during the year ended December 31, 2017 (see note 18).

During the year ended December 31, 2017, DCM's general and administration expenses include a charge of $157 (2016 – $779) for these share-based compensation awards.

During the year ended December 31, 2017, DCM's general and administration expenses include a charge of $287 (2016 – $372) for the duties performed by DCM's Board.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

J.R. Kingsley Ward [3]
Chairman, Director

William Albino [1,2,3]
Director

James J. Murray O.Ont., SIOR [1,2]
Director

Derek J. Watchorn [1,2,3]
Director

Michael G. Sifton
Director & Officer
Chief Executive Offier

James E. Lorimer
Officer
Chief Financial Officer & Corporate Secretary

EXECUTIVE TEAM

Michael G. Sifton
Chief Executive Officer

Gregory J. Cochrane
President

James E. Lorimer
Chief Financial Officer

Alan Roberts
Senior Vice-President, Operations

Michael Coté
Senior Vice-President, Chief Commercial Officer

Judy Holcomb-Williams
Senior Vice-President, Chief Culture Officer

CORPORATE INFORMATION

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Transfer Agent
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Corporate Counsel
McCarthy Tétrault LLP

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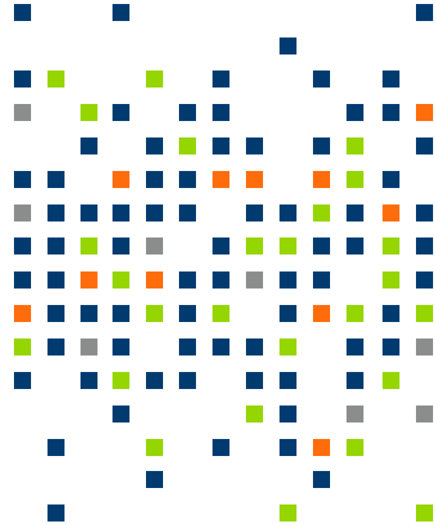
Website
datacm.com

Toronto Stock Exchange Symbol
DCM

[1] Member, Audit Comittee
(Chairperson is William Albino)

[2] Member, Corporate Governance Committee
(Chairperson is Derek J. Watchorn)

[3] Member, Human Resources & Compensation Committee
(Chairperson is J.R. Kingsley Ward)



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