2018 ANNUAL REPORT

DCM
THE BRAND
BEHIND YOUR BRAND

Letter to shareholders

Dear Fellow Shareholders,

2018 was an improved year for our Company. Revenues for our fiscal year ended December 31, 2018 were $322.8 million, up $33.2 million, or 11.5%, compared to a year ago. Excluding the effects of adopting IFRS 15, revenues increased $23.1 million, or 8.0%, from last year. Adjusted EBITDA was $22.2 million, an improvement of $6.1 million or 38% compared to fiscal 2017. Excluding the effects of adopting IFRS 9 and 15, adjusted EBITDA was $20.8 million for fiscal 2018.

We reported net income for fiscal 2018 of $2.2 million, compared to a net loss of $6.2 million in 2017, and our adjusted net income grew to $5.7 million, compared to $2.5 million last year.

Revenues for the fourth quarter of 2018 were $81.2 million compared to $76.1 million in the fourth quarter of 2017, an increase of $5.1 million or 6.6%. Excluding the effects of adopting IFRS 15, revenues for the fourth quarter of 2018 increased by $1.5 million or 2.0% relative to the same period last year. Adjusted EBITDA in the fourth quarter of 2018 was $6.5 million compared to $5.6 million in the fourth quarter of 2017, an increase of $0.9 million or 15.9%. Excluding the effects of adopting IFRS 9 and 15, adjusted EBITDA was $6.1 million for the fourth quarter of 2018.

While we don't expect to see these levels of year over year growth in 2019, we believe we can continue to provide improved financial results in the coming year by adhering to five key strategic priorities:

- Focus on our core customers
- Continue to improve gross margins
- Reduce our selling, general and administrative expenses
- Pay down debt
- Make strategic investments to support our future growth

2018 in Review

Clients, revenue and the way we go to market

As noted, our revenues grew by 11.5% over 2017. In large part, our acquisitions delivered the bulk of growth, but our core DCM business grew by 7.5%. In 2018 we took a more focused approach to our top customers, presenting them with a more enhanced product and service offering. Simply put, our focus on our core customers is helping us build better customer relationships, providing them with deeper insights and, as a result, selling more.

In addition to our existing customer focus, new opportunities and markets emerged. In 2018 we experienced a full year of revenue from the major financial services customer we won in the Fall of 2017 and our relationship and scope of service offering continues to grow with this customer.

Another positive impact was from the cannabis market. Few opportunities occur with the stroke of a pen, but on October 17, 2018 the legalization of cannabis consumption in Canada provided a unique market opportunity for your Company. DCM was already a major supplier of labels to retailers, courier companies and other specialty applications; cannabis provided a new market for our capabilities and we capitalized on it. We expect to see the market for specialty labels expand in 2019 and extend to the provision of specialty packaging solutions for these customers.

We also benefited from a one-time increase in volume in the first quarter of 2018 from a long-standing customer. While the customer remains an important one, we don't expect its volumes to recur at the same levels in 2019.

Despite this positive news, we face challenges specifically around three narratives:

1. Material price increases:
   DCM and our competitors are facing price increases (particularly paper) which we haven't seen in some years. Paper mills have been shuttered or redirected to other products (think Amazon and cardboard packaging) and inflationary increases are being experienced on other input costs.

   We are mitigating these increases by in turn passing increases along to our customers, seeking alternate supply sources where possible and by aggressively altering our internal processes in manufacturing to strengthen our margins.

2. Technology replacement of paper:
   This trend has been underway for some years, but the speed of change is increasing. Most of our customers now provide their clients both online digital and offline physical alternatives for their communications.

   DCM is taking a leadership role working with our customers to help them with both on and offline strategies and tools. Our technologies, embedded within our top customers, are critical for our customers' continued transformation to a digital alternative. We too are making the transformation and are being seen as a leader in digital as well as more traditional paper-based solutions for our customers.

3. Customers need ideas not suppliers:
   Our Company has been a trusted supplier for many decades to our blue-chip customer base. Unfortunately, over the past 15 years the products we provide have been commoditized where price and delivery have been driving levers. We have signaled to our shareholders our shift from a commodity driven business to one where we focus on fewer customers. Our strategy is to gain greater wallet share by better understanding our customers' business challenges and providing solutions to their business processes, their brands and their product positioning in the market. This shift commenced in 2017 and accelerated in 2018 with our acquisition of Perennial.

   Our acquisitions of Thistle, Eclipse and Bolder in 2017 gave us core competencies to go after growing markets in retail, large format and sheet feed lithography. However, these are just outcomes if you don't have ideas.

   Perennial gives our customers ideas to help them win in their markets.

   Perennial is a thought leader for many of North America's top brands. Leading brands in Canada and internationally rely on your company to lead with narrative thought and innovative ideas to help their businesses grow!

   We need to accelerate this change from supplier to brand builder for our customers. This extends to our growing markets in government and healthcare; they too have customers and will increasingly require an improved customer first focus.

Our manufacturing and services footprint

At year end, we had 20 locations across North America serving our customers. Some are customer specific such as providing on-demand services in New York and Chicago for a leading financial services customer. Others are highly scaled including Canada's largest on-demand print production facility in Mississauga, Ontario serving national customers.

In 2018 we added Canada's first web-to-print hybrid label press for our growing label business. We expect to see strong growth in this market in 2019, driven primarily from new customers.

In addition to the label press, we invested in a new Heidelberg sheet-fed press for our growing lithography business. This has now been installed in our Thistle location to meet the demands of Thistle's customers and our growing DCM base of retail customers.

While our locations performed exceedingly well with on time deliveries in the 97.8% level, it would be imprudent for your management team not to look at strategic imperatives and continued efficiencies.

We are actively assessing a number of product lines and services and whether our customers - and our shareholders - would be better served if we outsourced or even sold certain non-core business lines.

We are also looking at ways to streamline our national footprint and continue to consolidate operations in the most cost-effective manner.

Our people and culture

In 2019 our Company celebrates 60 years in business! As my dad said when I invested in my first business nearly 40 years ago "Son, there is no trick getting into business - the trick is staying in business."

DCM is being re-built for the long haul. As we look to the future, we require strong & experienced people, a culture of openness and inclusion, and a single-minded purpose.

2018 was a pivotal year for our Company on all three points, but it begins with people. In June 2018, I was given the added role of CEO. The work and focus of Mike Sifton prior to me joining as President in late 2016 was a critical foundation to where we are today; a more focused company on a much stronger financial footing.

Mike's determination to get our ship in financial order has allowed me to strategically pivot the business towards a marketing and communications services bent. I'm pleased we have built a strong bench of experienced management who've put their hands up to take on additional responsibility across all our functions, whether it be in sales & marketing, operations, technology, finance or human resources.

Collectively, we are pushing our teams to have more engaged, idea-generated discussions with both our external and internal clients, and ultimately deliver superior execution for our customers.

2019 Outlook

Helping our core customers win, focusing on our core capabilities while driving improved margins, reducing our cost to serve, paying down debt and investing in technology and solutions that customers request and value. These are our drivers.

We will operate our company as owners, because our leadership team, including your board of directors, are the largest block of shareholders. I believe an ownership mindset gives us an advantage over our competitors. Shareholders care and are willing to make changes, knowing as a shareholder a long-term vision beats a quarterly report any day. Being nimble and agile will serve us well.

I thank all of you for your support. I believe we are just getting started on the next leg of a 60-year legacy.

Yours truly,

Greg Cochrane

Gregory J. Cochrane

President and Chief Executive Officer

DATA Communications Management Corp.

March 2019

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

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM) and its subsidiaries (referred to herein as "DCM" or the "Company") for the years ended December 31, 2018 and 2017. This MD&A should be read in conjunction with audited consolidated financial statements and accompanying notes of DCM for the years ended December 31, 2018 and December 31, 2017. 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 on March 21, 2019. This MD&A reflects information as of March 22, 2019.

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").

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 and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and DCM's investment in the joint venture between Aphria Inc. and Perennial and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; DCM's ability to maintain relationships with its customers; risks relating to future legislative and regulatory developments and other business risks involving the wellness, medical and adult-use marijuana markets in Canada and internationally generally; and risks relating to DCM's ability to access sufficient capital on favourable terms to fund its business plans from internal and external sources.

Additional factors are discussed elsewhere in this MD&A 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 EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of common shares of DCM (basic and diluted) outstanding during the period. In addition to net income (loss), DCM uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

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

Adjusted EBITDA, see Table 3 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 communication solutions partner that adds value for major companies across North America by creating more meaningful connections with their customers. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

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

On February 22, 2017, 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. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

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 1,433 employees in Canada and the United States and had revenues of $322.8 million in 2018. Website: www.datacm.com.

RECENT DEVELOPMENTS

FINALIZATION OF PURCHASE PRICE FOR PERENNIAL ACQUISTION

On October 17, 2018, the vendors of Perennial and DCM finalized the purchase price related to the Perennial acquisition resulting in a $0.1 million post-close working capital adjustment which was paid in cash by DCM to the vendors of Perennial in the fourth quarter of 2018.

RESTRUCTURING

Effective October 19, 2018, DCM closed its corporate engineering department in Drummondville, Québec, which was comprised of a staff of approximately 14 people. The group was primarily responsible for the service and maintenance of DCM's traditional rotary offset and label presses, which have now been consolidated in two facilities in Drummondville and Brampton, Ontario, and led the significant consolidation of DCM's facilities over the past several years. Internal maintenance departments in Drummondville and Brampton are expected to support DCM's forms and label presses going forward, while DCM's other equipment is typically serviced by original equipment manufacturers. DCM included restructuring costs related to the closing of this department of $0.6 million in the fourth quarter of 2018, primarily relating to severances for terminated employees. Total annualized savings from reduced labour and related overhead costs from the elimination of this group are estimated at $1.5 million.

Effective November 13, 2018, DCM reduced its direct sales force by approximately 13 people. DCM included restructuring costs of $0.7 million in the fourth quarter of 2019, primarily relating to severances for terminated employees. Total annualized savings from reduced labour and related overhead costs from the elimination of this group are estimated at approximately $1.4 million.

PERENNIAL JOINT VENTURE WITH APHRIA

On November 7, 2018, DCM announced that Perennial, a wholly owned subsidiary of DCM, and Aphria Inc. ("Aphria"), a leading global cannabis company, had entered into a joint venture agreement (the "JV") for the purpose of the development, production, marketing and sale of non-Aphria branded new products, brands and product categories on the domestic and international adult-use cannabis markets. The JV will initially focus on cannabis-infused products for the wellness, medical and adult-use markets. The JV is owned equally by Perennial and Aphria. It will select specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV agreement includes typical terms related to corporate governance, capital contributions, intellectual property, and other standard matters. As at December 31, 2018 and for the year then ended, the JV did not have any significant balances or transactions.

INVESTMENT IN NEW EQUIPMENT

During the year ended December 31, 2018, DCM secured the new Gallus / Heidelberg hybrid digital label press. This press will support DCM's current demand for cannabis label solutions and provide new opportunities in the wine and spirits markets, offering a unique value proposition for these producers and distributors compared to their current offerings.

The Heidelberg six-colour press has been installed in the Thistle operations during the first quarter of 2019. This new piece of equipment will provide enhanced capabilities, allowing DCM to migrate more sheet fed volumes from tier two suppliers, and will also help in improving operating efficiencies and gross margins as it will replace an older five-colour press.

EXTENSION OF BANK CREDIT FACILITY

On March 5, 2019, DCM entered into a second amendment to its Bank Credit Facility. Significant terms of the amendment made to DCM’s Bank Credit Facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the interest rate payable on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the Bank Credit Facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16 effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the Bank Credit Facility will be completed on substantially the same basis as prior to the adoption of IFRS 16, after giving effect to changes in the accounting treatment of leases related to right-of-use assets. As a result, definitions of certain terms related to IFRS 16 were added to the Bank Credit Facility. The Company’s financial covenant ratio with the Bank remains unchanged.

REVENUE RECOGNITION POLICY

DCM adopted IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) effective January 1, 2018, which replaced IAS *Revenue* (“IAS 18”), IAS 11 *Construction Contracts*, and related interpretations. DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

Under IFRS 15, DCM recognizes revenue when control of the products or services it provides to its customers has been transferred. The following is a description of principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies under IFRS 15:

PRODUCT SALES

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

In some instances, DCM customers obtain the product directly from DCM following completion of production. In other instances, DCM’s contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations related to the sale of product: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable.

WAREHOUSING SERVICES

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

FREIGHT SERVICES

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

MARKETING SERVICES

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

IMPACT ON TRANSITION TO IFRS 15

The primary impact on adoption of IFRS 15 relates to the timing of when revenue is recognized for product sales. Previously, under IAS 18, DCM identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. Upon the adoption of IFRS 15, DCM has identified that product revenue should be recognized upon the completion of production or purchase and induction of product from third-party vendors into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment. Management believes this represents a more accurate reflection of the economics in how DCM conducts business with its customers, especially given all product orders are customized based on specifications pre-approved by the customer, the product is segregated and maintained solely for the customer who placed the order (i.e. cannot be used interchangeably to fill another customer's order), and DCM has a right to payment for the performance obligations it has satisfied.

See "Accounting Policies" for further discussion regarding DCM's revenue recognition policies and the impact of adopting IFRS 15 on DCM's consolidated financial statements as at January 1, 2018 and for the year ended December 31, 2018.

COST OF REVENUES AND EXPENSES

DCM's cost of revenues primarily 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 primarily 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 the closure of certain facilities.

Selected Consolidated Financial Information

The following tables set out the summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for fiscal 2018, 2017 and 2016 have been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2018, these periods do not reflect consistent accounting policies, particularly in relation to revenue recognition and therefore are not directly comparable. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for the 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, 2018, 2017 and 2016 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2018**		January 1 to December 31, 2017		January 1 to December 31, 2016
Revenues [(1)]	**$**	**322,769**	$	289,529	$	278,363
Cost of revenues		**244,571**		220,138		215,295
Gross profit		**78,198**		69,391		63,068
Selling, general and administrative expenses		**66,216**		61,371		55,934
Restructuring expenses		**2,654**		9,457		4,200
Impairment of goodwill		**—**		—		31,066
Acquisition costs		**348**		1,368		68
		69,218		72,196		91,268
Income (loss) before finance costs and income taxes		**8,980**		(2,805)		(28,200)
Finance costs (income)						
Interest expense, net		**4,985**		4,409		3,406
Amortization of transaction costs		**623**		701		578
		5,608		5,110		3,984
Income (loss) before income taxes		**3,372**		(7,915)		(32,184)
Income tax expense (recovery)						
Current		**1,407**		725		1,572
Deferred		**(284)**		(2,435)		(1,649)
		1,123		(1,710)		(77)
Net income (loss) for the year	**$**	**2,249**	$	(6,205)	$	(32,107)
Basic earnings (loss) per share	**$**	**0.11**	$	(0.38)	$	(2.89)
Diluted earnings (loss) per share	**$**	**0.11**	$	(0.38)	$	(2.89)
Weighted average number of common shares outstanding, basic		**20,998,703**		16,330,837		11,125,518
Weighted average number of common shares outstanding, diluted		**21,055,460**		16,330,837		11,125,518

As at December 31, 2018, 2017 and 2016 *(in thousands of Canadian dollars, unaudited)*		**As at December 31, 2018**		As at December 31, 2017		As at As at December 31, 2016
Current assets	**$**	**85,455**	$	82,804	$	68,620
Current liabilities		**64,716**		68,648		58,473
Total assets		**142,231**		131,859		90,910
Total non-current liabilities		**70,003**		68,610		42,372
Shareholders’ equity (deficit)	**$**	**7,512**	$	(5,399)	$	(9,935)

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

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

For the years ended December 31, 2018, 2017 and 2016 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31, 2018**	January 1 to December 31, 2017	January 1 to December 31, 2016
Revenues (1)	**$ 322,769**	$ 289,529	$ 278,363
Gross profit	**$ 78,198**	$ 69,391	$ 63,068
Gross profit, as a percentage of revenues	**24.2%**	24.0%	22.7%
Selling, general and administrative expenses	**$ 66,216**	$ 61,371	$ 55,934
As a percentage of revenues	**20.5%**	21.2%	20.1%
Adjusted EBITDA (see Table 3)	**$ 22,218**	$ 16,104	$ 14,381
As a percentage of revenues	**6.9%**	5.6%	5.2%
Net income (loss) for the year	**$ 2,249**	$ (6,205)	$ (32,107)
Adjusted net income (see Table 4)	**$ 5,584**	$ 2,472	$ 2,944
As a percentage of revenues	**1.7%**	0.9%	1.1%

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

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

EBITDA and Adjusted EBITDA reconciliation

For the years ended December 31, 2018, 2017 and 2016 *(in thousands of Canadian dollars, unaudited)*	**January 1 to December 31, 2018**	January 1 to December 31, 2017	January 1 to December 31, 2016
Net income (loss) for the year (1)	**$ 2,249**	$ (6,205)	$ (32,107)
Interest expense	4,999	4,415	3,414
Interest income	(14)	(6)	(8)
Amortization of transaction costs	623	701	578
Current income tax expense	1,407	725	1,572
Deferred income tax recovery	(284)	(2,435)	(1,649)
Depreciation of property, plant and equipment	4,678	4,143	4,052
Amortization of intangible assets	4,173	3,509	2,092
EBITDA (1)	**$ 17,831**	$ 4,847	$ (22,056)
Restructuring expenses	2,654	9,457	4,200
One-time business reorganization costs (2)	1,385	432	1,103
Impairment of goodwill	—	—	31,066
Acquisition costs	348	1,368	68
Adjusted EBITDA (1)	**$ 22,218**	$ 16,104	$ 14,381

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

(2) One-time business reorganization costs include primarily non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs and a one-time, non-recurring write-off of intangible assets.

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

Adjusted net income (loss) reconciliation

For the years ended December 31, 2018, 2017 and 2016 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2018**		January 1 to December 31, 2017		January 1 to December 31, 2016
Net income (loss) for the year (1)	**$**	**2,249**	$	(6,205)	$	(32,107)
Restructuring expenses		2,654		9,457		4,200
One-time business reorganization costs (2)		1,385		432		1,103
Impairment of goodwill		—		—		31,066
Acquisition costs		348		1,368		68
Tax effect of the above adjustments		(1,052)		(2,580)		(1,386)
Adjusted net income (1)	**$**	**5,584**	$	2,472	$	2,944
Adjusted net income per share, basic	**$**	**0.27**	$	0.15	$	0.26
Adjusted net income per share, diluted	**$**	**0.27**	$	0.15	$	0.26
Weighted average number of common shares outstanding, basic		**20,998,703**		16,330,837		11,125,518
Weighted average number of common shares outstanding, diluted		**21,055,460**		16,445,831		11,125,518
Number of common shares outstanding, basic		**21,523,515**		20,039,159		11,975,053
Number of common shares outstanding, diluted		**21,580,272**		20,154,153		12,545,015

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

(2) One-time business reorganization costs primarily include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs and a one-time non-recurring write-off of intangible assets.

Results of operations

REVENUES

For the year ended December 31, 2018, DCM recorded revenues of $322.8 million, an increase of $33.2 million or 11.5% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the year ended December 31, 2018, revenues were $23.1 million, or 8.0%, higher than the same period last year. The increase in revenues for the year ended December 31, 2018 was primarily due to additional revenues from the full year results of the previous acquisitions of Eclipse, Thistle, and BOLDER Graphics, the acquisition of Perennial in 2018, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017, increased volumes in labels work for existing and new retailer customers, increased volume from existing customers in the lotto industry, increased pricing for certain products and a one-time increase in volume from a long-standing customer which generated $8.9 million in higher revenues in the first quarter of 2018. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business, non-recurring work and the timing of orders. Overall, DCM continues to benefit from the growth initiatives it effected throughout the years 2017 and 2018 which helped to offset some of the secular declines experienced by the industry.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2018, cost of revenues increased to $244.6 million from $220.1 million for the same period in 2017, resulting in a $24.5 million or 11.1% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $15.7 million or 7.1% relative to the same period last year.

Gross profit for the year ended December 31, 2018 was $78.2 million, which represented an increase of $8.8 million or 12.7% from $69.4 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by $7.4 million or 10.6% relative to the same period last year. Gross profit as a percentage of revenues increased to 24.2% for the year ended December 31, 2018 compared to 24.0% for the same period in 2017, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.6% for the year ended December 31, 2018. The increase in gross profit as a percentage of revenues for the year ended December 31, 2018 was positively impacted by higher gross margins attributed to Eclipse, Thistle, BOLDER Graphics and Perennial, and due to the refinement of DCM's pricing discipline and the implementation of cost reductions realized from prior cost savings initiatives. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the year ended December 31, 2018 increased $4.8 million or 7.9% to $66.2 million compared to $61.4 million for the same period of 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $4.8 million higher for the year ended December 31, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 20.5% (or 21.2% before the effects of adopting IFRS 9 and 15) and 21.2% of revenues for the year ended December 31, 2018 and 2017, respectively. The increase in SG&A expenses for the year ended

December 31, 2018 was primarily attributable to the full year results of the prior acquisitions of Eclipse, Thistle, and BOLDER Graphics, and the acquisition of Perennial in 2018, one time business reorganization costs of $1.4 million relating to non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs and a one-time, non-recurring write-off of intangible assets, additional professional fees and higher sales commission costs commensurate with the increase in revenues and gross margin and was partially offset by the benefits from the cost savings initiatives implemented in early 2018 and in 2017.

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 in its traditional business, a trend being faced by the traditional printing industry for several years now.

For the year ended December 31, 2018, DCM incurred net restructuring expenses of $2.7 million compared to $9.5 million in the same period in 2017. In 2018, DCM incurred $3.8 million of restructuring costs related to 1) headcount reductions in indirect labour due to plant consolidations completed during the year, as well as reductions in the sales and administrative functions, and 2) costs incurred to facilitate the closure and consolidation of Multiple Pakfold, BOLDER Graphics and the Granby, Québec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Quebec facilities, respectively. Total restructuring costs were offset by a recovery of $1.1 million related to the termination of DCM's lease agreement for its Granby, Québec facility.

For the year ended December 31, 2017, DCM incurred restructuring expenses of $9.5 million. A total of $6.8 million of restructuring costs related to headcount reductions in DCM's indirect labour force due to the streamlining of DCM's order-to-production process as well as 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 a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan, in Mississauga, Ontario, and in Granby, Québec of $0.3 million, $0.3 million and $2.4 million, respectively.

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

GOODWILL ANALYSIS

During the fourth quarter of 2018, 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, Eclipse, Thistle, and Perennial.

The recoverable amounts of all the CGUs 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 predicted 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 2019 budget approved by the Board and projected over a five-year period. For the Eclipse, Thistle and Perennial CGUs, a conservative growth rate of 1% (2017 – 1%), and 0% (2017 - N/A) for DCM CGU was applied to revenue for 2020 to 2023, in consideration of the current economic conditions and the specific trends of the printing industry, and a perpetual long-term growth rate of 0% (2017 – 0%) was used thereafter to derive the recoverable amount of these CGUs.

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

ADJUSTED EBITDA

For the year ended December 31, 2018, Adjusted EBITDA was $22.2 million, or 6.9% of revenues, after adjusting EBITDA for the $2.7 million in restructuring charges, $0.3 million of acquisition costs and $1.4 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $20.8 million or 6.6% of revenues for the year ended December 31, 2018 compared with an Adjusted EBITDA of $16.1 million or 5.6% for the same period last year. The $6.1 million increase or 38.0% in Adjusted EBITDA for the year ended December 31, 2018 over the same period last year was attributable to higher gross profit as a result of revenues contributed by DCM's core business, in addition to the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions, improved pricing initiatives implemented part-way through the prior year, favourable product mix, and cost savings from the restructuring efforts carried out in the second half of 2017 and early 2018. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense including interest on debt outstanding under DCM's credit facilities, on certain unfavourable lease obligations related to closed facilities and interest accretion expense related to certain debt obligations recorded at fair value, was $5.0 million for the year ended December 31, 2018 compared to $4.4 million for the same period in 2017. Interest expense for the year ended December 31, 2018 was higher than the same period in the prior year primarily due to the increase in interest expense relating to the new Crown Facility and the issuance of an unsecured non-interest bearing vendor take back note to fund the Perennial acquisition, full year interest expense for the vendor take back notes for the previous year acquisitions, including Eclipse, Thistle and BOLDER Graphics and higher transaction costs for the new Crown Facility which are being amortized to interest expense.

INCOME TAXES

DCM reported income before income taxes of $3.4 million and a net income tax expense of $1.1 million for the year ended December 31, 2018 compared to 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. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was $0.8 million for the year ended December 31, 2018. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the year ended December 31, 2018. The deferred income tax recovery for the year ended December 31, 2018 primarily relates to changes in estimates of future reversals of temporary differences, primarily representing adjustments due to the adoption of IFRS 15 including the full utilization of loss carryforwards and new temporary differences that arose for the year ended December 31, 2018.

NET INCOME

Net income for the year ended December 31, 2018 was $2.2 million compared to a net loss of $6.2 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the year ended December 31, 2018 was $1.2 million. The increase in comparable profitability for the year ended December 31, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, a refined discipline in DCM's pricing strategy, lower restructuring expenses and acquisition costs, and cost reductions as a result of the restructuring efforts. This increase was partially offset by increases in the cost of raw materials and compressed margins on contracted customers, and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2018 was $5.6 million compared to Adjusted net income of $2.5 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the year ended December 31, 2018 was $5.1 million. The increase in comparable profitability for the year ended December 31, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

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 Integrated Private Debt Fund IV LP (“IAM IV"), a fund managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate amended and restated 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 in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund 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 covenants 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 were repayable on demand and bore 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 had a term of one year and could 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. As at December 31, 2018, DCM had no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released.

On May 8, 2018, DCM established a $12.0 million non-revolving term loan facility with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which approximately $8.2 million was used to fund the up-front cash component of the Perennial acquisition and $3.5 million was used to repay in full the outstanding balance of the Bridging Credit Facility. The balance of the Crown Facility was used for general working capital purposes. The Crown Facility was made available in one advance, with an effective date of May 7, 2018, and bears interest at a rate equal to 10% per annum, calculated daily and payable in arrears on a quarterly basis. The loan facility has a five (5) year term beginning on May 7, 2018 and can be repaid at any time after twenty-four (24) months, subject to a prepayment fee, upon ten (10) days prior written notice to Crown. The Crown 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 a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants were issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of $12.0 million was apportioned to the debt instrument and the warrant option based on their respective fair values of $11.5 million and $0.5 million, respectively. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $11.5 million to $12.0 million over the term of the loan. As at December 31, 2018 the accreted debt instrument was valued at $11.5 million including total accretion expense of $0.1 million. The Crown Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5.0 million during any fiscal year. DCM has capitalized transaction costs of $0.7 million related to the Crown Facility and the related unamortized balance of these transaction cost was $0.6 million as at December 31, 2018. The unamortized balance of the transaction costs of the Crown Facility is being amortized over the remaining term of the facility.

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately $2.4 million ("Bank Lease Facility"). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the year ended December 31, 2018 of 2018 was $33 thousand. The Bank Lease Facility is expected to begin in the second quarter of 2019 and will have monthly payments of approximately $37 thousand per month over a five-year term.

On July 31, 2018, the Bank Credit Agreement was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed $3.0 million. The Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of $35.0 million and has added a cross collateralization condition to include the equipment leased as collateral under Bank Credit Facility and Bank Lease Facility.

As at December 31, 2018, DCM had outstanding borrowings of $20.8 million and letters of credit granted of $0.9 million under the Bank Credit Facility, outstanding borrowings of $3.9 million under the IAM III Credit Facility, outstanding borrowings of $18.6 million under the IAM IV Credit Facility, borrowings of $4.2 million under the IAM V Credit Facility, and outstanding borrowings of $12.0 million under the Crown Facility. Under the Bank Credit Facility, DCM had access to $9.3 million of available credit at December 31, 2018. The bank overdraft balance of $4.0 million on the statement of consolidated position as at December 31, 2018, represents outstanding cheques which, when cashed, would be a draw over the Bank Credit Facility.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million and the Bank Credit Facility 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%. Subsequent to year end on March 5, 2019, the Bank Credit Facility maturity date was extended from March 31, 2020 to January 31, 2023, and the prime rate margin was adjusted from 0.75% to 0.60%.

As at December 31, 2018, DCM has capitalized transaction costs of $0.9 million related to the amended Bank Credit Facility. The unamortized transaction costs related to the credit facility as at December 31, 2018 was $0.4 million. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at December 31, 2018, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 4.7% per annum. As at December 31, 2018, DCM had access to $9.3 million of available credit under the Bank Credit Facility.

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, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with IFRS ("Total Funded Debt"), is $72.0 million (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over a nine year term ending 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, 2018, 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. 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, 2018, 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.

As at December 31, 2018, DCM has capitalized transaction costs of $nil, $0.9 million, and $0.2 million related to the IAM III Credit Facility, IAM IV Credit Facility and IAM V Credit Facility, and the unamortized transaction costs were $26.0 thousand, $0.4 million, and $0.2 million, respectively, amortized over the remaining term of each facility.

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 Crown Facility 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 of DCM without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, 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 must 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 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, 2018, the fixed charge coverage ratio was 1.42. As at December 31, 2018, 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 Total 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 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. In addition, the IAM Credit Agreements permit cash payments in respect of the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below) provided the debt service coverage ratio for the four most recently completed fiscal quarter is greater than 2.00 to 1 and there is no default or event of default. The excess cash flow is calculated by taking EBITDA less payments for (i) cash taxes; (ii) capital expenditures; (iii) principal and interest on the Bank Credit Facility, IAM Credit Agreements and the Crown Facility and (iv) interest on capital leases for the two most recently completed fiscal quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year (the "Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at September 30, 2018, the conditions required to permit excess cash flow payments were met and the Excess Cash Flow was sufficient to cover the payments required to the VTB Noteholders (as defined below) for the next six months. As at December 31, 2018, the ratio of Total Funded Debt to EBITDA was 2.58, the debt service coverage ratio was 2.07 and the working capital current ratio was 1.32. On October 26, 2018, DCM received a waiver with regards to the IAM Credit Agreements for the purpose of determining DCM's Excess Cash Flow, whereby the requirement to maintain a debt service coverage ratio of 2.0 times was waived as long as DCM maintains a debit service coverage ratio of at least 1.85 times for next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM is required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions in addition to any other distributions to shareholders and/or related parties. As at December 31, 2018, DCM was in compliance with these covenants and it expects to be compliant with these covenants going forward.

Under the terms of the Crown Facility agreement, DCM must maintain (i) a fixed charge ratio, at the end of each quarter, of no less than (a)1.1 to 1.0 for the fiscal quarter ending June 30, 2018, (b) 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and (c) 1.4 to 1.0 for each fiscal quarter thereafter; and (ii) a net debt to EBITDA ratio, of not greater than 4.0 to 1.0 for each quarter up until December 31, 2019 and 3.0 to 1.0 for each quarter thereafter. On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet a fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. Subsequent to year-end on February 8, 2019, DCM received a waiver on the Crown Facility regarding the requirement to meet the fixed charge coverage ratio of 1.4 to 1.0 for the quarter ending June 30, 2019. As at December 31, 2018, the fixed charge coverage ratio was 1.40 and the net debt to EBITDA ratio was 2.99. As at December 31, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant 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 Crown Facility 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 operating plans 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, the IAM V Credit Facility, and the Crown 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 (the "Original Inter-Creditor Agreement"). On June 28, 2017, a second inter-creditor agreement was entered into in order 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 Original Inter-Creditor Agreement was 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. Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement (the “Second A&R ICA”) between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

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 Crown Facility, as amended, or other indebtedness of DCM.

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

During the year ended December 31, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the DATA Communications Management Pension Plan had improved since the previous valuation. Based upon the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 remained unchanged at $0.6 million when compared to the actuarial report as at January 1, 2017. The annual minimum funding obligation will decrease from $1.4 million based on the actuarial report as at January 1, 2017 to $0.5 million for 2019 and 2020.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $0.2 million. During the year ended December 31, 2018, DCM made all the required payments related to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying $0.2 million of the excess funding from 2017. The remaining excess funding from 2017 of $11 thousand will be applied to DCM's 2019 minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

DCM makes contributions to the Québec Graphics Communications 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 Quebec members in collective bargaining. Based upon the terms of those applicable collective agreements, DCM's estimated 2019 funding obligation for the SRDF is $0.6 million. DCM has accounted for the SRDF on a defined contribution basis.

Under Québec pension legislation for negotiated contribution defined benefit multi-employer pension plans:

- Employers' contributions are limited to those amounts specified in the applicable collective agreements;
- Reduction of accrued benefits while the plan is ongoing or upon plan termination is allowed, if the plan is insufficiently funded; and
- The responsibility of participating employers to fund their prorated share of the solvency deficit upon withdrawal from the plan or termination of the plan, except if withdrawal from the plan or termination of the plan occurs prior to April 2, 2020, is removed.

The most recent funding actuarial report for the SRDF (as at December 31, 2017), which takes into account the 2016 restructuring of the plan, disclosed that:

- Total employers' contributions determined pursuant to collective agreements cover the minimum total contributions required under applicable Québec pension legislation;
- The plan has a going concern funding surplus with a ratio of 105%; and
- While the plan has a solvency deficiency with a solvency funded ratio of 80%, Quebec pension legislation does not require the solvency deficit be funded.

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2018, cash flows generated by operating activities were $17.3 million compared to cash flows generated by operating activities of $3.9 million during the same period in 2017. A total of $16.5 million of the current period cash flows resulted from operations, after adjusting for non-cash items, compared with $13.0 million for the same period last year. Current period cash flows from operations were positively impacted by the increase in revenues, better gross margins from improved pricing discipline and higher margins earned through the acquisitions of BOLDER Graphics and Perennial, however this was slightly offset by an increase in the cost of paper combined with compressed gross margin for customers with contract pricing, and an increase in SG&A expenses from the acquisitions made, one-time, non-recurring business reorganization costs, professional fees and higher sales commissions corresponding with the increase in revenues over the prior year comparative period. Changes in working capital during the year ended December 31, 2018 generated $7.8 million in cash compared with $0.5 million of cash used in the prior year. There was an increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs as a result of higher revenues during the year ended December 31, 2018 as well as extending the payment terms to DCM's suppliers to better align the timing of payments with collections on outstanding receivables from DCM's customers. In addition, during the year ended December 31, 2018, $4.9 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $7.0 million of payments in 2017. Contributions made to the Company's pension plans were $1.0 million, which decreased from $1.4 million in the prior year while income tax payments increased to $1.2 million for the year ended December 31, 2018 from $0.2 million during the prior year.

INVESTING ACTIVITIES

For the year ended December 31, 2018, $14.9 million in cash flows were used for investing activities compared with $11.9 million during the same period in 2017. In 2018, $2.7 million of cash was used to invest in IT equipment to support the new Enterprise Resource Planning ("ERP") system and printing equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Multiple Pakfold, Granby, Québec and BOLDER Graphics facilities into DCM's Brampton, Ontario, Drummondville, Québec and Calgary, Alberta locations, respectively. Furthermore, $5.1 million of cash was used to further invest in the development of DCM's new ERP system. In 2018, $7.3 million of net cash was used to acquire the business of Perennial.

FINANCING ACTIVITIES

For the year ended December 31, 2018, cash flow used for financing activities was $3.5 million compared to cash flow generated by financing activities of $3.7 million during the same period in 2017. DCM received $0.7 million in cash from the issuance of common shares and warrants and $13 million in cash from advances under its credit facilities including the establishment of the new Crown Facility. A total of $11.2 million in outstanding principal amounts under its various credit facilities were repaid during the year and a total of $4.6 million was repaid related to the vendor take-back promissory notes issued in connection with the acquisitions of Eclipse, Thistle and BOLDER Graphics. DCM also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of the new Crown Facility.

Outstanding share data

At March 22, 2019 and December 31, 2018, there were 21,523,515 common shares of DCM (“Common Shares”) outstanding, respectively. At December 31, 2017, there were 20,039,159 Common Shares outstanding.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of 89,500 warrants.

On May 8, 2018, a total of 1,394,856 Common Shares were issued to one of the vendors as partial consideration for the purchase of the shares of Perennial. That vendor 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 Perennial transaction until May 8, 2019.

At March 22, 2019 and December 31, 2018, there were options outstanding to purchase up to 1,991,957 Common Shares and at December 31, 2017, there were options outstanding to purchase up to 804,961 Common Shares. During the year ended December 31, 2018, the Board approved awards of options to purchase up to 1,200,000 Common Shares. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the Common Shares on March 13, 2018. A total of 40,000 options were awarded to DCM's CEO and a total of 1,160,000 options were awarded to the other members of DCM's executive management team and the Board. All options vest at a rate of 1/36th per month beginning on March 14, 2018. The fair value of the options issued was estimated to be $0.8 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.88%, a weighted average life of seven years, a dividend yield of nil, an expected volatility of 40% and a forfeiture rate of 10%. During the year ended December 31, 2018, options to purchase 13,004 Common Shares were forfeited.

At March 22, 2019 and December 31, 2018, there were warrants outstanding to purchase up to 2,251,550 Common Shares. At December 31, 2017, there were warrants outstanding to purchase up to 1,381,050 Common Shares, respectively. On June 11, 2018, 89,500 warrants were exercised, and DCM received cash proceeds of $0.2 million. On April 30, 2018, Crown was granted a total of 960,000 warrants in connection with the Crown Facility used to finance the acquisition of Perennial. Each warrant entitles the holder to acquire one Common Share of DCM at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The fair value of the warrants issued was estimated to be $0.6 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 2.16%, a weighted average life of five years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs. The total credit facility amount of $12.0 million was then apportioned between the host debt and the warrant option based on relative fair values. The 960,000 warrants were recorded at a carrying value of $0.5 million.

Financial instruments and Risk management

DCM’s financial instruments consist of cash, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, bonuses payable, credit facilities, promissory notes, and restricted share units, as indicated in DCM’s statements of consolidated financial position as at December 31, 2018 and December 31, 2017, respectively. All of DCM's financial instruments are non-derivative in nature. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

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

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

CREDIT RISK

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

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

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

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

On that basis, the loss allowance as at December 31, 2018 was determined using default rates under the provision matrix for an amount of $0.8 million, of which $0.5 million relates to unbilled receivables. The following table represents the provision matrix as at December 31, 2018:

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

December 31, 2018 (in thousands)	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**	**Over 120 days**
Default rates		0.01%	0.03%	0.06%	0.10%	55.40%
Billed receivables balance	**44,352**	23,243	14,246	5,370	896	597
Billed receivables ECL	**$342**	$3	$4	$3	$1	$331

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

December 31, 2018 (in thousands)	Total	Current period	Over 30 days	Over 60 days	Over 90 days	Over 120 days
Default rates		0.20%	0.39%	0.97%	1.50%	2.93%
Unbilled receivables balance	**29,567**	5,427	5,928	3,912	2,672	11,628
Unbilled receivables ECL	**$453**	$11	$23	$38	$40	$341

At the end of each reporting period, management re-assesses the default rates. Default rates are applied to the billed and unbilled receivable balances to calculate the credit default reserve. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. When collection efforts have been reasonably exhausted, specific balances are written off.

LIQUIDITY RISK

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

As at December 31, 2018, DCM had access to $10.2 million of additional available credit less letters of credit granted of $0.9 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. DCM’s interest rate risk arises from credit facilities issuances at floating interest rates. As at December 31, 2018, $20.8 million of DCM’s indebtedness outstanding was subject to floating interest rates of 4.7% per annum, $38.2 million of DCM’s indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum and of 6.95% per annum, and $12.0 million on indebtedness outstanding was subject to a fixed rate of 10.0% 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 21 to the audited consolidated financial statements of DCM for the year ended December 31, 2018 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, 2018. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition.

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

TABLE 5

The following table sets out DCM's significant contractual obligations and commitments as of December 31, 2018.

(in thousands of Canadian dollars, unaudited)	Total	2019	2020	2021	2022	2023	2024 and thereafter
Pension funding contributions (1)	$ 10,537	$ 1,056	$ 1,895	$ 1,905	$ 1,899	$ 1,891	$ 1,891
Bonuses payable (2)	$ 733	400	333	—	—	—	—
Long-term debt (3)	$ 69,958	9,495	29,478	8,517	8,323	14,145	—
Promissory notes (4)	$ 5,578	4,078	1,000	500	—	—	—
Operating leases (5)	$ 59,925	11,998	11,361	9,536	6,892	6,463	13,675
Total	$ 146,731	$ 27,027	$ 44,067	$ 20,458	$ 17,114	$ 22,499	$ 15,566

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

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

(3) Long-term debt at December 31, 2018 subject to floating interest rates consists of the Bank Credit Facility, expiring on March 31, 2020. As at December 31, 2018, the outstanding balances totaled $20.8 million and bore interest at an average floating rate of 4.7% per annum. The amounts at December 31, 2018 include estimated interest totaling $1.0 million for 2019 and $0.2 million 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, 2017. Long-term debt at December 31, 2018 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, IAM V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring May 7, 2023. As at December 31, 2018, the outstanding balances totaled $38.7 million and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, 6.95% per annum and 10.00% , respectively. Monthly blended principal and interest payments of $96.0 thousand, of $0.4 million and of

$0.1 million, are made for the IAM III Credit Facility, the IAM IV Credit Facility and the IAM V Credit Facility, respectively. Annual interest payment on the Crown Facility totals $1.2 million.

(4) Promissory notes related to the acquisitions completed during the year. Non interest bearing promissory notes related to the acquisition of Eclipse totaling $4.6 million and payable in two installments of $2.3 million due on February 28, 2018 and February 28, 2019, respectively. Additional non interest bearing promissory notes related to the Thistle acquisition totaling $1.9 million which payable in monthly installments of $0.1 million ending February 28, 2019, and the Perennial acquisition totaling $2.5 million payable in three installments of $1.0 million, $1.0 million and $0.5 million due on May 8, 2019, May 8, 2020 and May 8, 2021, respectively. Interest bearing promissory notes related to the acquisition of BOLDER totaling $1.2 million and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $0.1 million, beginning February 28, 2018 and ending September 30, 2019.

(5) Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

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, 2018, there were regular intercompany activities between DCM and its subsidiaries during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DCM. Related parties are defined as individuals who can influence the direction or management of DCM or any of its subsidiaries and therefore, the directors and officers of DCM's subsidiaries are considered related parties.

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 $0.5 million (2017 – $0.3 million) related to these policies. As at December 31, 2018, prepaid expenses and other current assets included prepaid insurance to the insurance company of $0.3 million (2017 – $0.3 million). The insurance company was a related party whereby the Chair of the Board and the President of DCM each were Directors and indirectly held a minority interest in the insurance company, through companies controlled by them. Subsequent to year-end on January 9, 2019, the Chair of the Board and the CEO and President of DCM disposed of their minority interest in the insurance company, and resigned their positions as Directors.

For 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, 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. During the year ended December 31, 2018, 89,500 common shares were issued pursuant to the exercise of warrants. The additional share issue caused an increase in common shares by $0.2 million. The increase consisted of cash proceeds of $0.2

million thousand as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of $18 thousand.

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 CEO and 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 $9 thousand (2017 - $7 thousand) per month.

Effective July 1, 2018, Perennial entered into a new agreement with Perennial Designs International Private Limited, a company 100% owned by a key management personnel for creative design and development of technology. During the year ended, total consulting fees totaled $0.3 million (2017 - nil).

On March 15, 2018, DCM entered into a 5-year loan agreement with a key member of management for a total of $0.1 million to finance the purchase of Common Shares. Interest will accrue at a rate of 3% per annum on the unpaid balance. As at December 31, 2018, the balance owing $0.1 million (2017 - nil) and was included in trade payables and accrued liabilities on the statement of financial position.

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

Operating results for the fourth quarter of 2018 and 2017

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

(in thousands of Canadian dollars, except share and per share amounts, unaudited)		**October 1 to December 31, 2018**		October 1 to December 31, 2017
Revenues (1)	**$**	**81,152**	$	76,125
Cost of revenues		**61,279**		57,771
Gross profit		**19,873**		18,354
Selling, general and administrative expenses		**15,247**		15,263
Restructuring expenses		**1,845**		4,453
Acquisition costs		**29**		381
Amortization of intangible assets		**—**		—
		17,121		20,097
Income (loss) before finance costs and income taxes		**2,752**		(1,743)
Finance costs				
Interest expense, net		**1,321**		1,143
Amortization of transaction costs		**154**		324
		1,475		1,467
Income (loss) before income taxes		**1,277**		(3,210)
Income tax (recovery) expense				
Current		**422**		221
Deferred		**13**		(972)
		435		(751)
Net income (loss) for the period	**$**	**842**	$	(2,459)
Net income (loss) attributable to common shareholders	**$**	**842**	$	(2,459)
Adjusted EBITDA (see Table 7)	**$**	**6,538**	$	5,643
Adjusted net income (see Table 8)	**$**	**2,280**	$	1,533
Adjusted net income per share, basic and diluted	**$**	**0.11**	$	0.08
Weighted average number of common shares outstanding, basic and diluted		**21,523,515**		19,732,888
Number of common shares outstanding, basic and diluted		**21,523,515**		20,039,159

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

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

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2018**		October 1 to December 31, 2017
Net income (loss) for the period	**$**	**842**	$	(2,459)
Interest expense		**1,330**		1,149
Interest income		**(9)**		(6)
Amortization of transaction costs		**154**		324
Current income tax expense		**422**		221
Deferred income tax expense		**13**		(972)
Depreciation of property, plant and equipment		**1,192**		1,116
Amortization of intangible assets		**659**		1,004
EBITDA	**$**	**4,603**	$	377
Restructuring expenses		**1,845**		4,453
One-time business reorganization costs		**61**		432
Acquisition costs		**29**		381
Adjusted EBITDA (1)	**$**	**6,538**	$	5,643

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

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

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2018**		October 1 to December 31, 2017
Net income (loss) for the period	**$**	**842**	$	(2,459)
Restructuring expenses		**1,845**		4,453
One-time business reorganization costs		**61**		432
Acquisition costs		**29**		381
Tax effect of above adjustments		**(497)**		(1,274)
Adjusted net income (1)	**$**	**2,280**	$	1,533

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

REVENUES

For the quarter ended December 31, 2018, DCM recorded IFRS 15 adjusted revenues of $81.2 million, an increase of $5.0 million or 6.6% compared with the same period in 2017. Excluding the effects of the adjustments upon adoption of IFRS 15, revenues increased by $1.5 million or 2.0% relative to the same period last year. The increase in revenues for the quarter ended December 31, 2018 was primarily due to the inclusion of the full year financial results of BOLDER Graphics, the acquisition of Perennial in 2018, new customer wins within the financial services and Cannabis industries, improved pricing of existing contracts, and increased volume from existing customers in the lotto industry. 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 and labels for certain government agencies and major retailers.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2018, cost of revenues increased to $61.3 million from $57.8 million for the same period in 2017. Gross profit for the quarter ended December 31, 2018 was $19.9 million, which represented an increase of $1.5 million or 8.3% from $18.4 million for the same period in 2017. Gross profit as a percentage of revenues increased to 24.5% for the quarter ended December 31, 2018 compared to 24.1% for the same period in 2017. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $0.2 million or 0.4%, and gross profit as a percentage of revenue remained consistent at 24.1% relative to the same period last year. The increase in gross profit as a percentage of revenues for the quarter ended December 31, 2018 was primarily due to higher revenues, increased pricing for certain products and favourable product mix, with lower levels of lower margin thermal products production than the comparable period replaced with higher margin products, higher gross margins attributed to Perennial, as well as cost reductions realized from prior cost savings initiatives implemented early on in the year. Gross profit was also negatively impacted by increases in the cost of paper and the timing of passing through increases to customers, particularly certain large contracted customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2018 decreased $0.1 million or 0.1% to $15.2 million compared to $15.3 million in the same period in 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were consistent when compared to the same period last year. As a percentage of revenues, these costs were 18.8% of revenues for the quarter ended December 31, 2018 compared to 20.0% of revenues for the same period in 2017. SG&A expenses increased for the quarter ended December 31, 2018, which is primarily attributable to the acquisition of Perennial and increase in one-time business reorganization costs includes non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs and a one-time non-recurring write-off of intangible assets, however this was offset by the benefits from cost saving initiatives including headcount reductions resulting in a consistent balance with the prior period.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2018, DCM incurred restructuring expenses of $1.8 million compared to $4.5 million in the same period in 2017. For the quarter ended December 31, 2018, DCM incurred restructuring expense of $1.8 million primarily related to headcount reductions across DCM's operations. For the quarter ended December 31, 2017, DCM incurred restructuring expenses of $1.7 million primarily to related headcount reductions associated facility closure costs, costs to move equipment and inventory from the closed facilities, and headcount reduction 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, in the quarter ended December 31, 2017.

GOODWILL ANALYSIS

During the fourth quarter of 2018, DCM performed its annual review for impairment of goodwill by comparing the fair value of its CGUs to their respective carrying values. As a result of this review, no impairment charges were recorded.

Similarly, during the fourth quarter of 2017, DCM performed its annual review for impairment of goodwill, which resulted in no impairment charge.

ADJUSTED EBITDA

For the quarter ended December 31, 2018, Adjusted EBITDA was $6.5 million, or 8.1% of revenues, after adjusting EBITDA for the $1.8 million in restructuring charges, adding back $29 thousand related to business acquisition costs and $0.1 million of one-time business reorganization costs. Adjusted EBITDA for the quarter ended December 31, 2018 increased $0.9 million or 15.9% from the same period in the prior year and Adjusted EBITDA margin for the quarter, as a percentage of revenues, increased from 7.4% of revenues in 2017 to 8.1% of revenues in 2018. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $6.1 million or 7.8% of revenues for the year ended December 31, 2018. The increase in Adjusted EBITDA for the quarter ended December 31, 2018 was primarily attributable to higher gross profit as a result of higher revenues contributed by DCM's core business, higher margins related to the Perennial acquisition, favourable product mix and improved pricing discipline and costs savings from the restructuring and plant consolidations carried out in the second half of 2017 and early 2018.

INTEREST EXPENSE

Interest expense including interest on debt outstanding under DCM's credit facilities, on certain unfavourable lease obligations related to closed facilities and interest accretion expense related to certain debt obligations recorded at fair value, was $1.3 million for the quarter ended December 31, 2018 compared to $1.1 million for the same period in 2017. Interest expense for the quarter ended December 31, 2018 was higher when compared to the same period in the prior year primarily due to the increase in debt outstanding under DCM's new Crown Facility.

INCOME TAXES

DCM reported income before income taxes of $1.3 million, a current income tax expense of $0.4 million and a deferred income tax expense of $13 thousand for the quarter ended December 31, 2018 compared to 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. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was $0.3 million for the year ended December 31, 2018. The current tax expense was primarily related to the income tax payable on DCM's estimated taxable income for the quarters ended December 31, 2018 and 2017. 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, 2018 and 2017, respectively.

NET INCOME (LOSS)

Net income for the quarter ended December 31, 2018 was $0.8 million compared to net loss of $2.5 million for the quarter ended December 31, 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the year ended December 31, 2018 was $0.6 million. The increase in comparable profitability for the quarter ended December 31, 2018 was primarily due to higher gross profit as a percentage of revenue, higher revenues which included the post-acquisition financial results of Perennial, increased pricing for certain products, favourable product mix, cost savings and lower restructuring and acquisition expenses. The net loss for the quarter ended December 31, 2017 included a non-cash impairment of goodwill totaling $31.1 million which did not recur in 2018.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended December 31, 2018 was $2.3 million compared to Adjusted net income of $1.5 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the year ended December 31, 2018 was $2.5 million. The increase in comparable profitability for the quarter ended December 31, 2018 was primarily due to higher gross profit as a percentage of revenue, lower volumes of lower margin product, higher revenues and the refined discipline in DCM's pricing strategy and cost savings.

Summary of eight quarter results

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

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

	2018				2017			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$ 81,152**	**$ 74,925**	**$ 78,176**	**$ 88,516**	$ 76,125	$ 70,212	$ 73,066	$ 70,126
Net income (loss) attributable to shareholders	**842**	**838**	**(1,194)**	**1,763**	(2,459)	(1,068)	(581)	(2,097)
Basic earnings (loss) per share	**0.04**	**0.04**	**(0.06)**	**0.09**	(0.12)	(0.06)	(0.04)	(0.17)
Diluted earnings (loss) per share	**0.04**	**0.04**	**(0.06)**	**0.09**	(0.12)	(0.06)	(0.04)	(0.17)

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

DCM's net income for the fourth quarter of 2018 included the impact on adoption of IFRS 9 and 15, and the operating results of Perennial and BOLDER Graphics for the full quarter of 2018, restructuring expenses of $1.8 million related to its cost reduction initiatives. 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 income for the third quarter of 2018 included the impact on adoption of IFRS 9 and 15, and the operating results of Perennial for the full quarter of 2018. DCM's net loss for the third quarter of 2017 included operating results of Eclipse and Thistle as well as restructuring cost initiatives of $1.4 million related to its cost reduction initiatives.

DCM's net income for the second quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of BOLDER Graphics for the full quarter of 2018, partial operating results of Perennial, restructuring expenses of $0.7 million related to its cost reduction initiatives, $0.8 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.3 million. DCM's net loss for the 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 first quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of Eclipse, Thistle and BOLDER Graphics for the full quarter of 2018 and net restructuring expenses of $0.1 million related to its cost reduction initiatives. DCM's net loss in the first quarter of 2017 included the operating results of Eclipse and Thistle post-acquisition (after February 22, 2017), restructuring expenses of $1.9 million and business acquisition costs of $1.0 million.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2018 which are outlined in notes 2 and 3 of the Notes to the consolidated financial statements of DCM for the year ended December 31, 2018.

On January 1, 2018, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The impact of the implementation of these standards on DCM's consolidated financial statements are described below.

IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), replacing IAS 18 Revenue ("IAS 18"), IAS 11 Construction Contracts, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

PRACTICAL EXPEDIENT (ON TRANSITION)	DESCRIPTION
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

PRACTICAL EXPEDIENTS (ONGOING)	DESCRIPTION
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: 1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and 2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: 1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date. 2) Warehouse and marketing revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.

The details of the new significant accounting policies are set out below and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out on pages 39 - 42.

REVENUE RECOGNITION

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

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

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

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

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

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

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

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

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

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

VARIABLE CONSIDERATION

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

CONTRACT COSTS

Contract costs represent incremental costs incurred, such as sales commissions for sales made to certain customers. Contract costs are amortized over their estimated useful lives. Contract costs are carried at cost less accumulated amortization. For the year ended December 31, 2018, DCM did not have any significant balances or transactions.

FINANCIAL INSTRUMENTS

In 2014, the IASB issued IFRS 9 Financial Instruments ("IFRS 9") replacing IAS 39 Financial Instruments: Recognition and Measurement and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 Financial Instruments: Disclosures.

CLASSIFICATION AND MEASUREMENT

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

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

The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities (1)	Other liabilities	Amortized cost
Other non-current liabilities (2)	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes 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. RSUs and DSUs payables are also excluded as they are measured at fair value through profit and loss.)*

(2) *Includes bonuses payable*

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

DERECOGNITION

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

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

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars)	**January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**January 1, 2018 after the adoption of IFRS 9 and IFRS 15**
Trade receivables	$ 41,193	$ (505)	$ 28,671	$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse at which time revenue was recorded. DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

An adjustment of $8.3 million, net of tax, was made to recognize product revenue, net of costs, upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $24.4 million, increase to billed portion of trades receivable of $3.4 million, a decrease in finished goods inventory of $25.4 million and a decrease to deferred revenue of $9.1 million.

b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of $0.9 million, to the opening deficit, net of tax, was made to recognize revenue, net of costs, related to warehousing services completed bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $0.9 million and a decrease to deferred revenue of $0.2 million.

c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of $0.4 million, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding decrease to the unbilled portion of trade receivables of $0.5 million in the consolidated statement of financial position as at January 1, 2018.

(in thousands of Canadian dollars)	**TRADE RECEIVABLES Lifetime expected credit losses**	**UNBILLED RECEIVABLES Lifetime expected credit losses**	**Total**
Allowances as at December 31, 2017	$ (206)	N/A (1)	$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	**$ (206)**	**$ (505)**	**$ (711)**

(1) Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at January 1, 2018

d) Under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of $0.3 million, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $0.4 million in the consolidated statement of financial position as at January 1, 2018.

e) Under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

   An adjustment of $0.2 million, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $0.3 million in the consolidated statement of financial position as at January 1, 2018.

f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of $2.9 million and increase to deferred income tax liabilities of $0.1 million in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the year ended December 31, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the year ended December 31, 2018:

g) As noted in the accounting policies, DCM serves as a principal when contracting freight services it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs, in cost of revenues. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the year ended December 31, 2018, DCM recognized $12.6 million of freight revenue in the consolidated statement of operations

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the year ended December 31, 2018:

(in thousands of Canadian dollars, unaudited)	**For the twelve months ended December 31, 2018 prior to the adoption of IFRS 9 and IFRS 15**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**For the twelve months ended December 31, 2018 as reported**
Revenues	$ 312,627	$ —	$ 10,142	$ 322,769
Cost of Revenues	235,866	—	8,705	244,571
Gross profit	76,761	—	1,437	78,198
Selling, commissions and expenses	36,155	—	121	36,276
General and administration expenses	29,992	(52)	—	29,940
Current income tax expense	939	(118)	586	1,407
Deferred income tax expense (recovery)	(172)	132	(244)	(284)
Net income	1,237	38	974	2,249

The adjustments on adoption of IFRS 15 and 9 had the following effect on the basic and diluted earnings (loss) per share:

Basic earnings (loss) per share	0.06	—	0.05	0.11
Diluted earnings (loss) per share	0.06	—	0.05	0.11

(in thousands of Canadian dollars)	**December 31, 2018 prior to the adoption of IFRS 9 and IFRS**	**Impact of adopting IFRS 9**	**Impact of adopting IFRS 15**	**December 31, 2018 as reported**
Trade receivables	$ 39,865	$ (453)	$ 33,712	$ 73,124
Inventories	34,751	—	(25,939)	8,812
Deferred income tax assets	6,272	—	(2,844)	3,428
Trade payables and accrued liabilities	42,718	—	779	43,497
Income taxes payable	2,684	(118)	586	3,152
Deferred revenue	7,641	—	(6,164)	1,477
Deficit	(255,987)	(335)	9,728	(246,594)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the year ended December 31, 2018.

h) As at December 31, 2018, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

(in thousands of Canadian dollars)	**For the year ended December 31, 2018**
Product sales	**$ 289,719**
Warehousing revenue	**9,424**
Freight services	**12,565**
Marketing and other services	**11,061**
	$ 322,769

IFRS 2 - SHARE-BASED PAYMENT

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. This amendment did not have an impact on the consolidated financial statements of DCM.

IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the consolidated financial statements of DCM.

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.

IFRS 16 - LEASES

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.

Based on management's preliminary assessment, DCM anticipates the adoption of this standard will have a material impact on the consolidated statement of financial position. DCM has identified lease contracts that are currently accounted for as operating leases, primarily for building and equipment rentals, for which recognition will change under IFRS 16. This will result in the recognition of the present value of unavoidable future lease payments as leased assets and lease liabilities on the statement of financial position, with a corresponding increase to income from operations. Depreciation expense and finance costs will be charged to the consolidated statement of operations related to the leased assets and lease liabilities recognized post adoption of IFRS 16.

DCM has (a) completed an inventory of all leases to be considered under this new standard and (b) reviewed contract details to capture all necessary information. In addition, DCM has substantially completed the configuration of a SaaS based solution to manage the accounting of its leases more effectively, including uploading lease data compiled to date and testing the integrity of the output generated from the system. DCM is currently in the process of quantifying the impacts on adoption, with finalization of documentation and evaluation of financial reporting implications to be completed for its first quarter financial statements. In addition, management is in the process of reviewing the impact that IFRS 16 will have on all of its financial covenants with its lenders and amending its credit agreements, as appropriate, for any changes required to its respective covenant calculations that will be applicable for 2019 and forward. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019. Management expects to adopt IFRS 16 using the modified retrospective transition method. Further, DCM currently expects to apply the following practical expedients: (i) grandfather the assessment of which transactions are leases; (ii) recognition exemption of short-term leases; and (iii) recognition exemption leases of low-value items

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. 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.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. 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.

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

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

INCOME TAXES

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

UNCERTAIN TAX POSITIONS

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

PENSION OBLIGATIONS

Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DCM's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DCM's defined benefit obligations. See notes 15 and 16 for the sensitivity of key assumptions.

PROVISIONS

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

AGGREGATION OF OPERATING SEGMENTS

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

REVENUE RECOGNITION

a) Product sales

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

b) Marketing services

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

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

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, 2018. Based on that evaluation, those officers have concluded that, as of December 31, 2018, 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, 2018.

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, 2018, 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.

During the period covered by this report, other than as listed below, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

DCM adopted the new revenue guidance under IFRS 15 on January 1, 2018. The adoption of this guidance required the implementation of new accounting processes and procedures, which required DCM to update the internal controls over accounting for revenue recognition, including the adjustments to accumulated deficit required under the modified retrospective method of adoption, and the related disclosures required under the new guidance. As a result, DCM implemented new internal controls designed to mitigate the risks associated with these new processes and to provide assurance at a reasonable level of the fair presentation of the consolidated financial statements and related disclosures.

Outlook

2018 was an improved year for DCM. DCM reported the second consecutive year in a row of revenue growth, after many years of continued declines. Importantly, it also showed improvements in gross profit and gross profit margin, SG&A as percent of revenue, adjusted EBITDA, adjusted EBITDA margin, net income and adjusted net income. Revenue growth, along with these other improved financial metrics, was largely supported by the acquisitions DCM made in 2017 and 2018 together with some stability in its core DCM business.

DCM's core business was supported by the onboarding of a major financial services customer. It also benefited from a one-time increase in volume in the first quarter of 2018 from a long-standing customer. While the customer remains an important one, it does not expect its volumes to recur at the same levels in 2019. However, in the last half of 2018, DCM began to serve an emerging new market, providing specialty label solutions to the cannabis market.

While its core traditional business continues to face secular challenges, DCM remains optimistic that opportunities to continue to gain increased wallet share from its top customers will offset secular declines in certain parts of its business and continue to experience growth in other markets, including those served by its recent acquisitions.

In February 2019, DCM completed payments of the final promissory note balances owing to the Eclipse and Thistle vendors. The final payments to the BOLDER vendors will be completed later this year. In aggregate, DCM will pay down approximately $4.1 million of promissory notes related to the Eclipse, Thistle, BOLDER and Perennial acquisitions in fiscal 2019. In addition, DCM will repay approximately $5.7 million of fixed term debt, related to its three IAM credit facilities in 2019. The scheduled IAM term debt payments continue to amortize and be repaid monthly, and will be fully repaid through their respective terms in early 2023. DCM recently extended the term of the Bank Credit Facility by three years to March 31, 2023. This balance drawn on this facility at the end of 2018 was approximately $20.8 million, and, with up to $35 million of total availability, subject to eligible provisions, provides DCM with working capital flexibility for its business.

While DCM does not expect to experience the year over year growth in 2019 that it did last year, it remains focused on driving improved financial results in the coming year by adhering to five key strategic priorities:

- Focus on its core customers
- Continue to improve gross margins
- Reduce its selling, general and administrative expenses
- Pay down debt
- Make strategic investments to support its future growth

Risks and uncertainties

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

Financial reporting responsibility of management

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

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

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

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

The Board of Directors has appointed an Audit Committee composed of 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.

Gregory J. Cochrane
President and Chief Executive Officer
DATA Communications Management Corp.

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

March 22, 2019
Brampton, Ontario

Independent auditor's report

To the Shareholders of DATA Communications Management Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of DATA Communications Management Corp. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the CEO's Letter to Shareholders and the information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

pwc

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 22, 2019

Consolidated statements of financial position

(in thousands of Canadian dollars)	**December 31, 2018**	December 31, 2017
ASSETS		
CURRENT ASSETS		
Trade receivables (note 5)	**$ 73,124**	$ 41,193
Inventories (note 6)	**8,812**	36,519
Prepaid expenses and other current assets	**3,519**	5,092
	85,455	82,804
NON-CURRENT ASSETS		
Other non-current assets	**827**	—
Deferred income tax assets (note 13)	**3,428**	6,108
Restricted cash (note 11)	**515**	515
Property, plant and equipment (note 7)	**16,804**	18,831
Pension assets (note 15)	**—**	760
Intangible assets (note 8)	**18,164**	14,473
Goodwill (note 9)	**17,038**	8,368
	$ 142,231	$ 131,859
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	**$ 3,999**	$ 2,868
Trade payables and accrued liabilities	**43,497**	34,306
Current portion of credit facilities (note 11)	**5,670**	8,725
Current portion of promissory notes (note 12)	**4,013**	4,374
Provisions (note 10)	**2,908**	3,950
Income taxes payable	**3,152**	3,188
Deferred revenue	**1,477**	11,237
	64,716	68,648
NON-CURRENT LIABILITIES		
Provisions (note 10)	**540**	2,702
Credit facilities (note 11)	**51,751**	47,207
Promissory notes (note 12)	**1,363**	2,829
Deferred income tax liabilities (note 13)	**1,753**	1,295
Other non-current liabilities (note 14)	**3,272**	3,413
Pension obligations (note 15)	**8,346**	8,133
Other post-employment benefit plans (note 16)	**2,978**	3,031
	$ 134,719	$ 137,258
EQUITY		
SHAREHOLDERS' EQUITY / (DEFICIT)		
Shares (note 17)	**$ 251,217**	$ 248,996
Warrants (note 17)	**806**	287
Contributed surplus (note 17)	**1,841**	1,368
Translation reserve	**242**	183
Deficit	**(246,594)**	(256,233)
	$ 7,512	$ (5,399)
	$ 142,231	$ 131,859

Commitments and Contingencies (note 20); Subsequent Event (note 26)

Approved by Board of Directors

K Wheel.
Director

Greg Cochrane
Director

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts)		**For the year ended December 31, 2018**		For the year ended December 31, 2017
REVENUES (note 3)	**$**	**322,769**	$	289,529
COST OF REVENUES		**244,571**		220,138
GROSS PROFIT		**78,198**		69,391
EXPENSES				
Selling, commissions and expenses		**36,276**		33,992
General and administration expenses		**29,940**		27,379
Restructuring expenses (note 10)		**2,654**		9,457
Acquisition costs (note 4)		**348**		1,368
		69,218		72,196
INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES		**8,980**		(2,805)
FINANCE COSTS (INCOME)				
Interest expense, net		**4,985**		4,409
Amortization of transaction costs		**623**		701
		5,608		5,110
INCOME (LOSS) BEFORE INCOME TAXES		**3,372**		(7,915)
INCOME TAX EXPENSE (RECOVERY)				
Current (note 13)		**1,407**		725
Deferred (note 13)		**(284)**		(2,435)
		1,123		(1,710)
NET INCOME (LOSS) FOR THE YEAR	**$**	**2,249**	$	(6,205)
BASIC EARNINGS (LOSS) PER SHARE (note 18)	**$**	**0.11**	$	(0.38)
DILUTED EARNINGS (LOSS) PER SHARE (note 18)	**$**	**0.11**	$	(0.38)

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars)		**For the year ended December 31, 2018**		For the year ended December 31, 2017
NET INCOME (LOSS) FOR THE YEAR	**$**	**2,249**	$	(6,205)
OTHER COMPREHENSIVE INCOME (LOSS):				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)				
Foreign currency translation		**59**		(75)
		59		(75)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)				
Re-measurements of pension and other post-employment benefit obligations (notes 15 and 16)		**(1,318)**		(1,501)
Taxes related to pension and other post-employment benefit adjustment above (note 13)		**343**		390
		(975)		(1,111)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**$**	**(916)**	$	(1,186)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$**	**1,333**	$	(7,391)

Consolidated statements of changes in shareholders' equity (deficit)

(in thousands of Canadian dollars)	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity (deficit)
Balance as at December 31, 2016	$ 237,432	$ —	$ 128	$ 1,164	$ 258	$ (248,917)	$ (9,935)
Net loss for the period	—	—	—	—	—	(6,205)	(6,205)
Other comprehensive loss for the period	—	—	—	—	(75)	(1,111)	(1,186)
Total comprehensive loss for the period	—	—	—	—	(75)	(7,316)	(7,391)
Shares issued on the redemption of convertible debentures (note 17)	—	—	(128)	128	—	—	—
Issuance of common shares (note 17)	11,564	287	—	(15)	—	—	11,836
Share-based compensation expense (note 17)	—	—	—	91	—	—	91
Balance as at December 31, 2017	$ 248,996	$ 287	$ —	$ 1,368	$ 183	$ (256,233)	$ (5,399)
BALANCE AS AT DECEMBER 31, 2017	**$ 248,996**	**$ 287**	**$ —**	**$ 1,368**	**$ 183**	**$ (256,233)**	**$ (5,399)**
Impact of change in accounting policy, net of tax (note 3)	**—**	**—**	**—**	**—**	**—**	**8,365**	**8,365**
	$ 248,996	**$ 287**	**$ —**	**$ 1,368**	**$ 183**	**$ (247,868)**	**$ 2,966**
Net income for the period	**—**	**—**	**—**	**—**	**—**	**2,249**	**2,249**
Other comprehensive income (loss) for the period	**—**	**—**	**—**	**—**	**59**	**(975)**	**(916)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**59**	**1,274**	**1,333**
Issuance of common shares and warrants, net (note 17)	**2,221**	**519**	**—**	**—**	**—**	**—**	**2,740**
Share-based compensation expense (note 17)	**—**	**—**	**—**	**473**	**—**	**—**	**473**
BALANCE AS AT DECEMBER 31, 2018	**$ 251,217**	**$ 806**	**$ —**	**$ 1,841**	**$ 242**	**$ (246,594)**	**$ 7,512**

Consolidated statements of cash flows

(in thousands of Canadian dollars)		**For the year ended December 31, 2018**		For the year ended December 31, 2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the year	**$**	**2,249**	$	(6,205)
Adjustments to net income (loss)				
Depreciation of property, plant and equipment		**4,678**		4,143
Amortization of intangible assets		**4,173**		3,509
Share-based compensation expense		**473**		91
Pension expense (note 15)		**560**		526
(Gain) loss on disposal of property, plant and equipment		**(10)**		312
Write-off of intangible assets		**242**		57
Provisions (note 10)		**1,665**		9,457
Amortization of transaction costs (note 11)		**623**		701
Accretion of non-current liabilities and related interest expense		**617**		692
Other non-current liabilities		**192**		1,043
Other post-employment benefit plans, net		**1**		531
Tax credits recognized		**(111)**		(125)
Income tax expense (recovery)		**1,123**		(1,710)
		16,475		13,022
Changes in working capital (note 19)		**7,827**		(537)
Contributions made to pension plans (note 15)		**(959)**		(1,415)
Provisions paid (note 10)		**(4,869)**		(6,995)
Income taxes paid		**(1,211)**		(168)
		17,263		3,907
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(2,694)**		(2,398)
Purchase of intangible assets		**(5,111)**		(3,375)
Proceeds on disposal of property, plant and equipment		**180**		638
Net cash consideration for acquisition of businesses (note 4)		**(7,320)**		(6,796)
		(14,945)		(11,931)
FINANCING ACTIVITIES				
Increase in restricted cash		**—**		(90)
Issuance of common shares and warrants, net (note 17)		**685**		8,125
Proceeds from credit facilities (note 11)		**12,951**		27,393
Repayment of credit facilities (note 11)		**(11,238)**		(14,709)
Repayment of convertible debentures		**—**		(11,175)
Repayment of other liabilities		**(400)**		(1,091)
Repayment of promissory notes (note 12)		**(4,561)**		(1,421)
Transaction costs (note 11)		**(900)**		(925)
Finance lease payments		**(20)**		(2,430)
		(3,483)		3,677
INCREASE IN (BANK OVERDRAFT) / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(1,165)**		(4,347)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	**$**	**(2,868)**	$	1,544
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**34**		(65)
BANK OVERDRAFT – END OF YEAR	**$**	**(3,999)**	$	(2,868)

1 General Information

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

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

On February 22, 2017, 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. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On January 1, 2019, Thistle was amalgamated into DCM. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a company focused on large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

On November 7, 2018, DCM announced that Perennial, a wholly owned subsidiary of DCM, and Aphria Inc. ("Aphria"), a leading global cannabis company, had entered into a joint venture agreement (the "JV") for the purpose of the development, production, marketing and sale of non-Aphria branded new products, brands and product categories on the domestic and international adult-use cannabis markets. The JV will initially focus on cannabis-infused products for the wellness, medical and adult-use markets. The JV is owned equally by Perennial and Aphria. It will select specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV agreement includes typical terms related to corporate governance, capital contributions, intellectual property, and other standard matters. As at December 31, 2018 and for the year then ended, the JV did not have any significant balances or transactions.

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". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario.

2 Basis of presentation and significant accounting policies

BASIS OF PRESENTATION

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

These consolidated financial statements were approved by the Board of Directors ("Board") of DATA Communications Management Corp., on March 21, 2019.

SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF MEASUREMENT

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

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

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

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

PRINCIPLES OF CONSOLIDATION

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

(a) Subsidiaries

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

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

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

(c) Disposal of subsidiaries

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

BUSINESS COMBINATIONS

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

INTANGIBLE ASSETS

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

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

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

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

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

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

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

GOODWILL

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

Goodwill is evaluated for impairment annually or more frequently if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is charged to income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

SHARE-BASED COMPENSATION

DCM has share-based compensation plans as part of DCM's long-term incentive plan, as described in note 17. All transactions involving share-based payments are recognized as an expense in the statement of operations over the vesting period.

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

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

EMPLOYEE BENEFITS

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

DCM also contributes to the 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 costs (income) in the statement of operations.

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

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

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

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

The SERP is unfunded.

The 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 20 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 DCM OPEB Plans and DCM OPEB LTD Plan are funded on a pay-as-you-go basis.

PROVISIONS

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

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

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

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

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

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

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

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

LEASES

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.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting net income (loss) and weighted average number of shares outstanding during the period for the effects of dilutive potential shares, which includes any options granted.

REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

VARIABLE CONSIDERATION

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

CONTRACT COSTS

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

FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

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

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

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

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

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

DCM determines the classification of financial assets and liabilities at initial recognition. The classification of DCM's financial assets and liabilities is disclosed in note 21.

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

DERECOGNITION

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

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

USE OF ESTIMATES, MEASUREMENT UNCERTAINTY AND JUDGMENTS

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

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

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

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

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

Property, Plant and Equipment

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

Intangible Assets

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

Inventories

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

Financial Liabilities

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

INCOME TAXES

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

UNCERTAIN TAX POSITIONS

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

PENSION OBLIGATIONS

Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DCM's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DCM's defined benefit obligations. See notes 15 and 16 for the sensitivity of key assumptions.

PROVISIONS

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

AGGREGATION OF OPERATING SEGMENTS

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

REVENUE RECOGNITION

a) Product sales

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

b) Marketing services

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

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

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

3 Change in accounting policies

(a) New and amended standards adopted

On January 1, 2018, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the implementation of these standards on DCM's consolidated financial statements are described below.

IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

PRACTICAL EXPEDIENT (ON TRANSITION)	DESCRIPTION
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

PRACTICAL EXPEDIENTS (ONGOING)	DESCRIPTION
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: 1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and 2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: 1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date. 2) Warehouse and marketing revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.

IFRS 9 - FINANCIAL INSTRUMENTS

In 2014, the IASB issued IFRS 9 *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

IFRS 9 contains a new classification and measurement approach for financial assets reflecting the business model in which assets are managed and their cash flow characteristics. The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities (1)	Other liabilities	Amortized cost
Other non-current liabilities (2)	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes 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. RSUs and DSUs payables are also excluded as they are measured at fair value through profit and loss.)*

(2) *Includes bonuses payable*

The details of the new significant accounting policies are set out in note 2 and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out in note 3.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars)	January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	January 1, 2018 after the adoption of IFRS 9 and IFRS 15
Trade receivables	$ 41,193	$ (505)	$ 28,671	$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse at which time revenue was recorded. DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

   An adjustment of $8,320, net of tax, was made to recognize product revenue, net of costs, upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $24,366, increase to billed portion of trades receivable of $3,388, a decrease in finished goods inventory of $25,639 and a decrease to deferred revenue of $9,147.

b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of $861, to the opening deficit, net of tax, was made to recognize revenue, net of costs, related to warehousing services completed bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of $917 and a decrease to deferred revenue of $248.

c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of $373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding decrease to the unbilled portion of trade receivables of $505 in the consolidated statement of financial position as at January 1, 2018.

The following default rates are used to calculate the ECLs on billed receivables as at January 1, 2018.

(in thousands of Canadian dollars)	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**	**Over 120 days**
Default rates		0.05%	0.13%	0.40%	9.22%	1.06%
Billed receivables balance	**44,787**	26,037	12,762	4,088	1,900	—
Billed receivables ECL	**$206**	$14	$17	$16	$159	$—

The following default rates are used to calculate the ECLs on unbilled receivables as at January 1, 2018.

(in thousands of Canadian dollars)	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**	**Over 120 days**
Default rates		0.23%	0.49%	1.63%	2.28%	3.42%
Unbilled receivables balance	**25,283**	4,316	4,552	3,547	2,166	10,702
Unbilled receivables ECL	**$505**	$10	$22	$58	$49	$366

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

	TRADE RECEIVABLES	UNBILLED RECEIVABLES	
(in thousands of Canadian dollars)	Lifetime expected credit losses	Lifetime expected credit losses	Total
Allowances as at December 31, 2017	$ (206)	N/A (1)	$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	**$ (206)**	**$ (505)**	**$ (711)**

(1) Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at January 1, 2018

d) Under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of $259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $350 in the consolidated statement of financial position as at January 1, 2018.

e) Under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

An adjustment of $184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of $250 in the consolidated statement of financial position as at January 1, 2018.

f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of $2,874 and increase to deferred income tax liabilities of $83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the for the year ended December 31, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the year ended December 31, 2018:

g) As noted in the accounting policies, DCM serves as a principal when contracting freight services it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs, in cost of revenues. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the year ended December 31, 2018, DCM recognized $12,565 of freight revenue in the consolidated statement of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the year ended December 31, 2018:

(in thousands of Canadian dollars)	For the year ended December 31, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the year ended December 31, 2018 as reported
Revenues	$ 312,627	$ —	$ 10,142	$ 322,769
Cost of Revenues	235,866	—	8,705	244,571
Gross profit	76,761	—	1,437	78,198
Selling, commissions and expenses	36,155	—	121	36,276
General and administration expenses	29,992	(52)	—	29,940
Current income tax expense	939	(118)	586	1,407
Deferred income tax expense (recovery)	(172)	132	(244)	(284)
Net income	1,237	38	974	2,249
The adjustments on adoption of IFRS 15 and 9 had the following effect on the basic and diluted earnings (loss) per share:				
Basic earnings (loss) per share	0.06	—	0.05	0.11
Diluted earnings (loss) per share	0.06	—	0.05	0.11

(in thousands of Canadian dollars)	December 31, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	December 31, 2018 as reported
Trade receivables	$ 39,865	(453)	$ 33,712	$ 73,124
Inventories	34,751	—	(25,939)	8,812
Deferred income tax assets	6,272	—	(2,844)	3,428
Trade payables and accrued liabilities	42,718	—	779	43,497
Income taxes payable	2,684	(118)	586	3,152
Deferred revenue	7,641	—	(6,164)	1,477
Deficit	(255,987)	(335)	9,728	(246,594)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the year ended December 31, 2018.

h) As at December 31, 2018, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

(in thousands of Canadian dollars)		**For the year ended December 31, 2018**
Product sales	**$**	**289,719**
Warehousing revenue		**9,424**
Freight services		**12,565**
Marketing and other services		**11,061**
	$	**322,769**

IFRS 2 - SHARE-BASED PAYMENT

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. This amendment did not have an impact on the consolidated financial statements of DCM.

IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the consolidated financial statements of DCM.

(b) Future accounting standards not yet adopted.

IFRS 16 - LEASES

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.

Based on management's preliminary assessment, DCM anticipates the adoption of this standard will have a material impact on the consolidated statement of financial position. DCM has identified lease contracts that are currently accounted for as operating leases, primarily for building and equipment rentals, for which recognition will change under IFRS 16. This will result in the recognition of the present value of unavoidable future lease payments as leased assets and lease liabilities on the statement of financial position, with a corresponding increase to income from operations. Depreciation expense and finance costs will be charged to the consolidated statement of operations related to the leased assets and lease liabilities recognized post adoption of IFRS 16.

DCM has (a) completed an inventory of all leases to be considered under this new standard and (b) reviewed contract details to capture all necessary information. In addition, DCM has substantially completed the configuration of a SaaS based solution to manage the accounting of its leases more effectively, including uploading lease data compiled to date and testing the integrity of the output generated from the system. DCM is currently in the process of quantifying the impacts on adoption, with finalization of documentation and evaluation of financial reporting implications to be completed for its first quarter financial statements. In addition, management is in the process of reviewing the impact that IFRS 16 will have on all of its financial covenants with its lenders and amending its credit agreements, as appropriate, for any changes required to its respective covenant calculations that will be applicable for 2019 and forward. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019. Management expects to adopt IFRS 16 using the modified retrospective transition method. Further, DCM currently expects to apply the following practical expedients: (i) grandfather the assessment of which transactions are leases; (ii) recognition exemption of short-term leases; and (iii) recognition exemption leases of low-value items.

IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. 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.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. 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

ACQUISITION OF PERENNIAL GROUP OF COMPANIES

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

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

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

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

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

Recognized amounts of identifiable assets acquired and liabilities assumed	**Preliminary**	**Adjusted**	**Change**
Cash and cash equivalents	$ 661	$ 906	$ 245
Trade receivables	1,085	1,012	(73)
Prepaid expenses and other assets	252	287	35
Property, plant and equipment	123	115	(8)
Intangible assets	3,105	2,995	(110)
Trade payables and accrued liabilities	(224)	(388)	(164)
Income taxes payable	(28)	(28)	—
Deferred revenue	(115)	(115)	—
Deferred income tax liabilities	(936)	(924)	12
Total identifiable net assets	**3,923**	**3,860**	**(63)**
Goodwill	**8,547**	**8,670**	**123**
Total	**$ 12,470**	**$ 12,530**	**$ 60**

Purchase price consideration	**Preliminary**	**Adjusted**	**Change**
Cash	$ 8,166	$ 8,226	$ 60
Common shares	2,051	2,051	—
Promissory note (note 12)	2,253	2,253	—
Total	**$ 12,470**	**$ 12,530**	**$ 60**

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

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

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

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

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

During the year ended December 31, 2018, the valuation report and the post-closing adjustments were finalized, and therefore, no changes are expected to the purchase price allocations.

ECLIPSE COLOUR AND IMAGING CORP.

On February 22, 2017 (the "Eclipse Closing Date"), DCM acquired substantially all of the assets of Eclipse, 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 $9,464. The purchase price was satisfied as follows on the Eclipse Closing Date: $4,084 in cash, $1,418 through the issuance of 634,263 common shares of DCM, and $3,962 through the issuance of a secured, non-interest bearing vendor take-back promissory note ("Eclipse VTB"), which is payable in two equal instalments on each of the first and second anniversaries of the Eclipse Closing Date.

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 Eclipse 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 Eclipse Closing Date. The fair value of the Eclipse VTB 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 Eclipse 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 Eclipse 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).

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

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 Eclipse 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 Eclipse 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 ("Thistle Closing Date"), DCM acquired 100% of the outstanding common shares of Thistle Printing Limited (“Thistle”), a 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 CEO and 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 $5,558. The purchase price was satisfied as follows on the Thistle Closing Date: $1,104 in cash, $1,440 through the issuance of 644,445 Common Shares, and $3,014 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 ("Thistle VTB").

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 Thistle 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 Thistle Closing Date. The fair value of the Thistle VTB 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 Thistle 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 Thistle 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.

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

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 Thistle Closing Date were as follows:

Recognized amounts of identifiable assets acquired and liabilities assumed		Amount
Cash and cash equivalents	$	42
Trade receivables		2,506
Inventories		1,791
Prepaid expenses and other assets		868
Property, plant and equipment		1,743
Intangible assets		5,899
Trade payables and accrued liabilities		(2,311)
Income taxes payable		(686)
Deferred revenue		(1,261)
Deferred income tax liabilities		(1,572)
Credit facilities		(7,097)
Capital lease obligations		(34)
Other non-current liabilities		(933)
Total identifiable net liabilities		**(1,045)**
Goodwill		**6,603**
Total	**$**	**5,558**

Purchase price consideration		Amount
Cash	$	1,104
Common shares		1,440
Promissory note		3,014
Total	**$**	**5,558**

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 Thistle 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 BOLDER Graphics, a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. 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 $3,536. The purchase price was satisfied as follows on the BOLDER Closing Date: $1,696 in cash (of which $88 was unpaid as of December 31, 2017), $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 ("Bolder VTB"). Accordingly, this amount was 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 Bolder VTB 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:

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

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 $54 for the year ended December 31, 2018 ($378 for the for the year ended December 31, 2017) which was charged to the consolidated statement of operations.

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.

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

5 Trade receivables

		December 31, 2018		December 31, 2017
Trade receivables	**$**	**73,919**	$	41,399
Provision for doubtful accounts [1]		**(795)**		(206)
	$	**73,124**	$	41,193

(1) Under IAS 39 DCM had a provision for doubtful accounts for the year ended December 31, 2017. Under IFRS 9 DCM has an expected credit loss allowance for lifetime credit losses, which is a simplified approach that is permissible for trade receivables which do not have a significant financing component.

As at December 31, 2018, trade receivables include unbilled receivables of $29,114, net of an expected credit loss allowance of $453. Unbilled receivables and the related expected credit loss allowance were recognized upon the adoption of IFRS 9 and IFRS 15 (see note 3 for further discussion related to the impact on adoption of these standards).

6 Inventories

		December 31, 2018		December 31, 2017
Raw materials	**$**	**4,779**	$	6,235
Work-in-progress		**2,810**		4,164
Finished goods		**1,223**		26,120
	$	**8,812**	$	36,519

Raw materials inventory amount is net of obsolescence reserves of $250 (2017 – Raw materials and finished goods inventory amounts are net of obsolescence reserves of $586). Finished goods at December 31, 2018 consist of base stock items. The cost of inventories recognized as an expense within cost of revenues for the year ended December 31, 2018 was $221,221 (2017 – $211,867).

See note 3 for impact of change on adoption of IFRS 15.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

7 Property, plant and equipment

The following tables present changes in property, plant and equipment for the years ended December 31, 2018 and 2017:

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

	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

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

8 Intangible assets

The following tables present changes in intangible assets for the years ended December 31, 2018 and 2017:

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

	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

The remaining useful lives of the customer relationships are between 1 and 5 years as at December 31, 2018.

DCM incurred costs mainly related to development and implementation of new Enterprise Resource Planning ("ERP") system. During the year ended December 31, 2018, these costs of $5,105 (December 31, 2017 - $3,215) were included in construction in progress and were not amortized during the year.

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

9 Goodwill

		December 31, 2018		December 31, 2017
Opening balance	**$**	**8,368**	$	—
Acquisition of Eclipse (note 4)		**—**		836
Acquisition of Thistle (note 4)		**—**		6,603
Acquisition of BOLDER (note 4)		**—**		929
Acquisition of Perennial (note 4)		**8,670**		—
Ending balance	**$**	**17,038**	$	8,368

		December 31, 2018		December 31, 2017
Cost	**$**	**177,763**	$	169,093
Accumulated impairment losses		**(160,725)**		(160,725)
Net carrying value	**$**	**17,038**	$	8,368

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

As at January 1, 2017, there was no goodwill in the DCM CGU. However, given the finalization of the purchase price accounting for the acquisitions of Thistle Printing, Eclipse Imaging and BOLDER Graphics in the year 2017, DCM recognized goodwill of $6,303, $836 and $929, respectively.

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

During the fourth quarter of 2018, DCM performed its annual review for impairment of goodwill by comparing the fair value of each of its CGUs to its respective carrying values. BOLDER Graphics amalgamated with DCM effective January 1, 2018. BOLDER Graphics compliments DCM's existing operations and operates from the same location, therefore management concluded that BOLDER Graphics forms a part of the DCM CGU. DCM did not make any other 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 2019 budget approved by the Board and projected over a five-year period. A conservative growth rate of 1% (2017 – 1%) was applied to revenue for Eclipse, Thistle and Perennial CGUs, and 0% (2017 - N/A) for DCM CGU for 2020 to 2023, taking into consideration the current economic conditions and the specific trends of the printing industry. A perpetual long-term growth rate of 0% (2017 – 0%) was used thereafter to derive the recoverable amount of these CGUs.

Furthermore, DCM derived a post-tax discount rate to calculate the present value of the projected cash flows using a weighted average cost of capital (“WACC”) for the DCM, Eclipse, Thistle and Perennial CGUs. This represents an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of these CGUs. A discount rate of 14.0% (2017 – 15.0%) was used for the DCM, Eclipse, Thistle and Perennial CGUs reflecting management's judgment that sales channels and the size of its CGU's would affect the volatility of each CGU's cash flows.

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

DCM projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DCM used a tax rate of 26.50% (2017 – 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 DCM, Eclipse, Thistle and Perennial CGUs. The estimated recoverable amount of the DCM, Eclipse, Thistle and Perennial CGUs exceeded their carrying values by approximately $53,024, $14,279, $11,260 and $6,374 respectively. The recoverable amount of the DCM, Eclipse, Thistle and Perennial CGUs would equal their carrying values if the discount rate was increased to 31.8%, 38.6%, 30.7% and 22.5%, respectively.

10 Provisions

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

		Termination provisions		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 year	$	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

TERMINATION PROVISIONS

For the year ended December 31, 2018, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2018, these initiatives resulted in $2,654 of additional restructuring expenses due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations. For the year ended December 31, 2017, total restructuring initiatives resulted in costs incurred of $6,778.

For the year ended December 31, 2018, cash payments of $3,541 (2017 - $6,083) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $2,581 at December 31, 2018 are expected to be paid in the year 2019 and 2020.

ONEROUS CONTRACTS

During the year ended December 31, 2017, DCM recorded additional costs of $2,679. This was mainly due to the closing of the 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, 2018, DCM entered into an agreement with the landlord of the property to terminate the existing lease. DCM agreed to make payments of approximately $1,116 to the landlord. The termination resulted in DCM recording a recovery of $1,123 during the year ended December 31, 2018 related to this lease exist charge recorded as at December 31, 2017.

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. As at December 31, 2018, the remaining lease exit accrual is nil.

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, 2018, DCM made payments of $1,212 to the landlords of the facilities DCM exited from (2017 - $898). The remaining lease exit accruals of $653 for the year ended December 31, 2018 are expected to be paid by 2021.

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.

During the year ended December 31, 2018, DCM determined that an additional charge of $134 (2017 - $nil) was required in connection with a contract with a former employee.

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

11 Credit facilities

		December 31, 2018		December 31, 2017
Term loans				
- floating rate debt, maturing June 28, 2018, (Bridging Facility)		**—**		3,500
- 6.10% term debt, maturing October 15, 2022, (IAM III Credit Facility)		**3,947**		4,834
- 6.95% term debt, maturing March 10, 2023, (IAM IV Credit Facility)		**18,589**		22,220
- 6.95% term debt, maturing May 15, 2023, (IAM V Credit Facility)		**4,160**		4,938
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)		**11,511**		—
Revolving facilities				
- floating rate debt, maturing March 31, 2020, (Bank Credit Facility)		**20,799**		21,747
Credit facilities		**59,006**		57,239
Unamortized transaction costs		**(1,585)**		(1,307)
	$	**57,421**	$	55,932
Less: Current portion of Credit facilities		**(5,670)**		(8,725)
Credit facilities	**$**	**51,751**	$	47,207

CREDIT AGREEMENTS

BANK AND IAM FACILITIES

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 Integrated Private Debt Fund IV LP ("IAM IV") a fund managed by Integrated Asset Management Corp. ("IAM") pursuant to separate amended and restated 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 in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another fund 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 $5,000 secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a fund 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 covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35,000 and the Bank Credit Facility matures on March 31, 2020. Advances under the 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). 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%. Subsequent to year end, the Bank Credit Facility was amended (note 26). DCM has capitalized transaction costs of $937 related to the Bank Credit Facility. For the year-ended December 31, 2018, DCM capitalized additional transaction costs of $167. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at December 31, 2018, the unamortized transaction costs related to the Bank Credit Facility was $384. As at December 31, 2018 there were outstanding borrowings of $20,799 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $861. As at December 31, 2018, all of DCM’s indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.7% per annum. As at December 31, 2018, DCM had access to $9,341 of available credit under the Bank Credit Facility. The bank overdraft of $3,999 on the statement of consolidated financial position as at December 31, 2018 includes outstanding cheques which when cashed, would be a draw on the Bank Credit Facility.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis in accordance with generally accepted accounting principles (“Total Funded Debt”), cannot exceed $72,000 (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest of $96 over a nine year term ending October 15, 2022. The principal amount of the IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $422 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 of $91 over a sixty six month term ending in May 15, 2023. As at December 31, 2018, 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, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM III Credit Facility were $26 and $3,947, respectively. DCM incurred no additional capitalized transaction costs for the year ended December 31, 2018 for IAM III Credit Facility. As at December 31, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM IV Credit Facility were $434 and $18,589, respectively. For the year ended December 31, 2018, DCM capitalized transaction costs of $29 related to the IAM IV Credit Facility. As at December 31, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM V Credit Facility were $154 and $4,160, respectively. For the year ended December 31, 2018 , DCM capitalized additional transaction costs of $52, related to the IAM V Credit Facility. The unamortized balance of the transaction costs for IAM III Credit Facility, IAM IV Credit Facility and the IAM V Credit Facility are being amortized over the remaining term of each respective facility.

BRIDGING CREDIT FACILITY

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3,500 ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand with 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 had a term of one year and could 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 was 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 was secured by certain specified equipment together with certain other conventional security. DCM has no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released. Additionally, transaction costs of $146 were previously capitalized. A total of $125 of these transaction cost were amortized as May 8, 2018 and the remaining balance of $21 was written off due to the early repayment.

CROWN FACILITY

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

The Crown Facility was made available in one advance on the funding date of May 8, 2018 and bears interest at a fixed rate of 10% per annum, payable quarterly, and the principal amount of the loan is due at maturity, which is 60 months from closing. DCM’s obligations under the Crown Facility are subordinated to its other senior credit facilities and is secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of $12,000 was apportioned to $11,458 to the debt instrument and $542 to the warrant option based on their relative fair values (note 17). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $11,458 to $12,000 over the term of the loan. As at December 31, 2018 the accreted debt instrument was valued at $11,511 including total accretion expense of $53.

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

For the year ended December 31, 2018, DCM capitalized transaction costs of $653 related to the Crown Facility. The unamortized transaction costs and outstanding borrowings related to the Crown Facility were $587 and $11,511, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility.

BANK LEASE FACILITY

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately $2,400 (“Bank Lease Facility”). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the year ended December 31, 2018 of 2018 was $33. Subsequent to year-end on January 16, 2019, DCM entered into an amendment to extend the interim funding period to March 31, 2019. DCM expects to enter into a five year lease agreement with the Bank in the second quarter of 2019 at which time the leased asset and obligation will be recorded and monthly repayments will be approximately $37 per month over the lease term.

AMENDMENTS TO CREDIT FACILITIES

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

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

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

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

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

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the IAM Credit Agreements and the Crown Facility contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, 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 Bank Credit Facility, IAM Credit Agreements and the Crown Facility limit spending on capital expenditures by DCM to an aggregate amount not to exceed $5,500, $5,000 and $5,000, respectively during any fiscal year.

Under the terms of the Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio of no less than the following levels: 0.90 to 1 from July 1, 2017 to December 31, 2017; 1.00 to 1 from January 1, 2018 to March 31, 2018 and 1.10 to 1 on and after March 31, 2018, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. Each covenant is calculated and reported on a quarterly basis. As at December 31, 2018, DCM was in compliance with this covenant.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than the following levels: 3.50 to 1 from October 1, 2017 up to December 31, 2017; 3.25 to 1 from January 1, 2018 up to March 31, 2018 and 3.00 to 1 on and after April 1, 2018; (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 1.10 to 1. Each covenant is calculated and reported on a quarterly basis. As at December 31, 2018, DCM was in compliance with these covenants.

In addition, the IAM Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.00 to 1, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the Bank Credit Facility, the IAM Credit Agreements and the Crown Facility and (iv) interest on capital leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at December 31, 2018, the conditions required to permit excess cash flow payments were met and the Excess Cash Flow was sufficient to cover the payments required in respect of the vendor take-back promissory notes for six months.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 from June 30, 2018 to December 31, 2018 and 3.00 to 1 thereafter; (ii) a fixed charge coverage ratio no less than the following levels: 1.10 to 1 as at June 30, 2018, 1.25 to 1 from July 1, 2018 to September 30, 2018 and 1.40 to 1 for each quarter thereafter, for which a waiver for the quarter ended December 31, 2018 and ending March 31, 2019 and June 30, 2019 has been obtained as noted above. Each covenant is calculated and reported on a quarterly basis. As at December 31, 2018, DCM was in compliance with these covenants.

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

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to 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 operating plans or in complying with its covenants over the next twelve months.

In addition, under the terms of the IAM IV Credit Agreement and the IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $425 and of $90 to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility and indebtedness outstanding under the IAM V Credit Facility, respectively. As at December 31, 2018, 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.

INTER-CREDITOR AGREEMENT

DCM's obligations under the Bank Credit Facility, the IAM V Credit facility, the 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 (the "Original Inter-Creditor Agreement").

On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include 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.

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

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

The movement in credit facilities during the year ended December 31, 2018 and 2017 is as follows:

		December 31, 2018		December 31, 2017
Balance - Beginning of year, net of transaction costs	**$**	**55,932**	$	35,042
Changes from financing cash flows				
Proceeds from credit facilities		**12,951**		27,393
Repayment of credit facilities		**(11,238)**		(14,709)
Transactions cost		**(900)**		(925)
Total change from financing cash flows		**56,745**		46,801
Non-cash movements				
Acquisitions		**—**		8,476
Amortization of transaction costs		**623**		655
Accretion of discount		**53**		—
Balance - End of year	**$**	**57,421**	$	55,932

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

	December 31, 2018
2019	**5,670**
2020	**26,869**
2021	**6,494**
2022	**6,757**
2023	**13,705**
	$ 59,495

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

12 Promissory notes

The movement in the promissory note balances during the year ended December 31, 2018 and 2017 is as follows:

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

2017	Eclipse acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial 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	347	206	—	—	553
Interest expense	—	—	9	—	9
Payments during the year	—	(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, the Eclipse VTB for $2,283 was paid in full on February 22, 2019, and the Thistle VTB for $137 was paid in full on February 28, 2019.

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

13 Income taxes

Significant components of DCM's deferred income tax assets and liabilities as of December 31, 2018 and 2017 are as follows:

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

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

As at December 31, 2018, DCM recorded net deferred income tax assets of $3,428 (2017 – $6,108) and net deferred income tax liabilities of $1,753 (2017 – $1,295) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

Changes in deferred income tax assets and liabilities during the years ended December 31, 2018 and 2017 are as follows:

	Balance at January 1, 2018	Other	Acquired in business combinations	Recognized in statement operations	Recognized in comprehensive income	Balance at December 31, 2018
Pension obligations and other post-employment benefit plans	$ 2,712	$ —	$ —	$ (111)	$ 343	$ 2,944
Unfavourable lease obligation	282	—	—	(46)	—	236
Lease escalation	492	—	—	94	—	586
Benefit of income tax loss and other carry-forwards	2,108	—	—	(2,108)	—	—
Deferred finance fees	299	5	—	(87)	—	217
Deductible reserves	1,581	—	(42)	(805)	—	734
Tax credit carry-forwards	348	111	—	(459)	—	—
	$ 7,822	$ 116	$ (42)	$ (3,522)	$ 343	$ 4,717
Property, plant and equipment	$ (1,349)	$ —	$ (7)	$ (135)	$ —	$ (1,491)
Intangible assets	(1,552)	—	(793)	997	—	(1,348)
Promissory notes	(97)	—	(65)	112	—	(50)
Tax related to tax credit carry-forwards	—	—	—	(121)	—	(121)
Other	(11)	(2,957)	(17)	2,953	—	(32)
	$ (3,009)	$ (2,957)	$ (882)	$ 3,806	$ —	$ (3,042)
Deferred income tax assets (liabilities), net	$ 4,813	$ (2,841)	$ (924)	$ 284	$ 343	$ 1,675

The impact of adopting IFRS 9 and IFRS 15 on DCM's deferred income tax assets and liabilities as at January 1, 2018 totaled $2,957 (see note 3).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

	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

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, 2018, DCM has non-capital tax loss carry-forwards of $nil (2017 – $8,404).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

The major components of income tax expense (recovery) for the years ended December 31, 2018 and 2017 are set out below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current income tax expense:		
Current tax on profits for the year	**$ 1,407**	$ 725
Total current income tax expense	**1,407**	725
Deferred income tax recovery:		
Origination and reversal of temporary differences described above	**(284)**	(2,435)
Total deferred income tax recovery	**(284)**	(2,435)
Total income tax expense (recovery) for the year	**$ 1,123**	$ (1,710)

For the year ended December 31, 2018, deferred income tax recovery on the recognition of actuarial gains (losses) related to DCM's defined benefit plans of $343 (2017 – $390) were recognized in the statements of comprehensive income (loss).

The following are reconciliations of income tax expense (recovery) calculated at the statutory rate of Canadian corporate income taxes below for the years ended December 31, 2018 and 2017.

	For the year ended December 31, 2018	For the year ended December 31, 2017
Income (loss) before income taxes	**$ 3,372**	$ (7,915)
Expected income tax expense (recovery) calculated at statutory income tax rate (1)	**879**	(2,065)
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	**(18)**	116
Non-deductible expenses and other items	**262**	239
Total income tax expense (recovery) for the year	**$ 1,123**	$ (1,710)

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 26.06% (2017 – 26.09%).

The current tax rate for the current year is 0.03% lower than 2017 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 26.07% (2017 – 26.21%) based on the tax rates in years when the temporary differences are expected to reverse.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

14 Other non-current liabilities

		December 31, 2018		December 31, 2017
Deferred lease inducement	**$**	**908**	$	1,082
Lease escalation liabilities		**2,254**		1,888
Bonuses payable		**668**		983
	$	**3,830**	$	3,953
Less: Current portion of other non-current liabilities		**(558)**		(540)
	$	**3,272**	$	3,413

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 carrying amount of the liability at December 31, 2018 was $668, of which $348 (2017 - $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 2019 to 2028.

15 Pension obligations, assets and expenses

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

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.

During the year ended December 31, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the defined benefit provision of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the defined benefit provision of the DATA Communications Management Pension Plan had improved since the previous valuation. Based upon the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 remained unchanged at $647 when compared to the actuarial report as at January 1, 2017. The annual minimum funding obligation decreased from $1,353 based on the actuarial report as at January 1, 2017 to $527 for 2019 and 2020 per the latest actuarial valuation report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $227. During the year ended December 31, 2018, DCM made all the required payments related to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying $216 of the excess funding from 2017. The remaining excess funding from 2017 of $11 will be applied to DCM's 2019 minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

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, 2018		December 31, 2017
Present value of funded obligations	**$**	**60,073**	$	62,638
Less: Fair value of plan assets		**(59,448)**		(63,398)
Deficit (Surplus) of funded plans		**625**		(760)
Present value of unfunded obligations		**7,721**		8,133
Pension obligations, net	**$**	**8,346**	$	7,373

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

		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
- Gain 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

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

	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
Refund of over contribution	—	—	—
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

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

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, 2018		For the year ended December 31, 2017	
	Quoted	**Percentage of plan assets**	Quoted	Percentage of plan assets
Domestic equities	**$ 3,673**		$ 4,413	
Foreign equities	**4,610**		5,185	
Equity instruments	**$ 8,283**	**14%**	$ 9,598	15%
Short and mid-term bonds	**$ 11,102**		$ 7,438	
Long-term bonds	**39,555**		42,937	
Commercial mortgages	**—**		3,196	
Debt instruments	**$ 50,657**	**85%**	$ 53,571	84%
Cash and cash equivalents	**$ 508**	**1%**	$ 229	1%
Total	**$ 59,448**	**100%**	$ 63,398	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, 2018**
Administration expenses	**$ 300**	**$ —**	**$ 300**
Interest expense	**2,161**	**268**	**2,429**
Interest income	**(2,169)**	**—**	**(2,169)**
Total net interest expense	**(8)**	**268**	**260**
Defined benefit expense recognized	**$ 292**	**$ 268**	**$ 560**

	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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

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

	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 recovery recognized	$ 1,089	$ 27	$ 1,116

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, 2018	December 31, 2017
DATA Communications Management Pension Plan		
Discount rate	3.80 %	3.50 %
Rate of compensation increase	3.00 %	3.00 %
SERP		
Discount rate	3.70 %	3.40 %

DCM increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2018 to reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2018.

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

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, 2018	December 31, 2017
Retiring at the end of the reporting period:		
Male	21.8	21.7
Female	24.2	24.1
Retiring in 25 years after the end of the reporting period:		
Male	23.1	23.0
Female	25.4	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 14% equities and 85% bonds. Given the new funding rules for Ontario registered pension plans, the investment strategy shifted from a solvency focus to an ongoing focus. This lead to a bond portfolio structure change in 2018 that moved from cash flow matching to duration matching using pooled funds. The equity and bond target allocations and the equity portfolio structure did not change relative to the previous year.

CHANGES IN BOND YIELDS

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

SALARY RISK

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

LIFE EXPECTANCY

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

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

The sensitivity of the defined benefit pension obligations for the DATA Communications Management Pension Plan and SERP to changes in assumptions at December 31, 2018 and at December 31, 2017 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, 2018		
	Impact on defined benefit obligations		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (2,096)**	**$ 2,207**
Salary growth rate	**0.25%**	**464**	**(419)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		$ 1,849	$ (1,883)

	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)

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 is12.7 years (2017 – 13.6 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, 2018	$ 3,202	$ 6,655	$ 6,940	$ 19,048
At December 31, 2017	$ 3,118	$ 6,566	$ 6,847	$ 18,650

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.

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

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

		For the year ended December 31, 2018		For the year ended December 31, 2017
Defined contribution plan	$	1,346	$	1,349
Defined benefit multi-employer plans	$	596	$	670

DCM expects that, in 2019, contributions to the defined benefit provision of the DATA Communications Management Pension Plan will be approximately $516, contributions to the defined contribution provision of the DATA Communications Management Pension Plan will be approximately $1,370, contributions to the SERP will be approximately $529, contributions to the SRDF will be approximately $610 and contributions to the Unifor Pension & Benefit Plans will be approximately $80.

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, 2018		December 31, 2017
Balance – Beginning of year	$	3,031	$	2,510
Current service cost		293		250
Interest expense		111		103
Benefits paid		(272)		(220)
Re-measurements:				
- Loss from change in demographic assumptions		—		299
- (Gain) Loss from change in financial assumptions		(52)		89
- Experience gains		(133)		—
Balance – End of year	$	2,978	$	3,031

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, 2018		December 31, 2017
Current service cost	$	293	$	250
Interest expense		111		103
Re-measurements:				
- Loss from change in demographic assumptions		—		299
- (Gain) Loss from change in financial assumptions		(33)		53
- Experience (gains) losses		(98)		46
Benefit expense recognized	$	273	$	751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

AMOUNTS RECOGNIZED IN THE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

		December 31, 2018		December 31, 2017
Re-measurements:				
- (Gain) loss from change in financial assumptions	**$**	**(19)**	$	36
- Experience (gains) losses		**(35)**		(46)
		(54)		(10)
Deferred income tax effect		**14**		5
Benefit recovery recognized	**$**	**(40)**	$	(5)

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

DCM OPEB Plans	December 31, 2018	December 31, 2017
Discount rate	**3.80%**	3.50 %
Health care cost trend rate – Initial	**6.16%**	6.48 %
Health care cost trend rate declines by 2040 (2017 – 2028)	**4.00%**	4.50 %

DCM OPEB LTD Plan	December 31, 2018	December 31, 2017
Discount rate	**3.80%**	3.50 %
Health care cost trend rate – Initial	**5.62%**	5.86 %
Health care cost trend rate declines by 2040 (2017 – 2028)	**4.00%**	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, 2018	**Change in assumption**		**Increase in assumption**		**Decrease in assumption**
Discount rate	**0.25%**	**$**	**(52)**	**$**	**54**
Health care cost trend rates	**1.00%**		**207**		**(186)**
			Increase by 1 year in assumption		**Decrease by 1 year in assumption**
Life expectancy		**$**	**70**	**$**	**(68)**

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

	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)

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, 2018	**$ 326**	**$ 605**	**$ 556**	**$ 1,013**
At December 31, 2017	$ 307	$ 555	$ 517	$ 994

DCM expects that, in 2019, contributions to its DCM OPEB Plans and DCM OPEB LTD Plan will be approximately $326.

17 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 be 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

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, 2018	**20,039,159**	**$**	**248,996**
Shares issued - May 8, 2018 (note 4)	**1,394,856**		**2,046**
Shares issued - June 11, 2018 (note 25)	**89,500**		**175**
Balance – December 31, 2018	**21,523,515**	**$**	**251,217**

	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

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

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

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% based on comparable companies. 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% based on comparable companies. 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.

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

WARRANTS

A summary of warrant activities for the year ended December 31, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Number of Warrants	**Weighted average Exercise Price**	Number of Warrants	Weighted average Exercise Price
Warrants outstanding - beginning of year	**1,381,050**	**$ 1.75**	—	$ —
Granted	**960,000**	**1.75**	1,381,050	1.75
Exercised	**(89,500)**	**1.75**	—	—
Warrants outstanding - end of year	**2,251,550**	**$ 1.75**	1,381,050	$ 1.75

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

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 2,152,352 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 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 granted are performance and non-performance based. The performance component is based on Company specific financial targets approved by the Board and the non-performance component is based on continued employment. RSUs generally vest within three years, requires continued employment with the Company for the duration of the vesting period and settles in cash upon final vesting.

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

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

	December 31, 2018	December 31, 2017
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**177,869**	29,538
Units granted	**740,432**	150,192
Units forfeited	**(387,344)**	(1,514)
Units paid out	**(505)**	(347)
Balance - end of period/year	**530,452**	177,869

During the year ended December 31, 2018, the former CEO and current CEO and President of DCM were granted 299,021 RSUs (2017 – 104,548 RSUs) and a total of 441,411 RSUs (2017 – 45,644 RSUs) were awarded to other key members of DCM's management.

Of the total outstanding RSUs at December 31, 2018, 26,634 (2017 – Nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2018 was $400 (2017 – $90).

During the year ended December 31, 2018, compensation expense of $312 (2017 – $73) was recognized in the consolidated statement of operations related to RSUs granted.

(b) Options ("Options")

A summary of Options activities for the year ended December 31, 2018 and the year ended December 31, 2017 is as follows:

	2018			2017		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of period / year	**804,961**	**$**	**1.50**	959,745	$	2.41
Granted	**1,200,000**		**1.41**	—		—
Forfeited	**(13,004)**		**1.50**	(135,279)		7.88
Exercised	**—**		**—**	(19,505)		1.50
Options outstanding - end of period / year	**1,991,957**	**$**	**1.45**	804,961	$	1.50
Exercisable	**1,125,281**	**$**	**1.50**	744,006	$	1.50

The outstanding Options had an exercise price range as follows:

	December 31, 2018	December 31, 2017
	Number of Options	Number of Options
$1.41	**1,200,000**	—
$1.50	**791,957**	804,961
Options outstanding	**1,991,957**	804,961

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

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

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

During the year ended December 31, 2018, options to purchase up to 1,200,000 common shares were awarded to DCM's Board of Directors and executive management team, including a total of 240,000 options awarded to the CEO and President. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 14, 2018. During the year ended December 31, 2018, a total of 13,004 options awarded were forfeited.

During the year ended December 31, 2018, compensation expense of $473 (2017 – $91) was recognized in the consolidated statement of operations related to options granted.

*(c) Deferred share unit ("DS*U")

On March 14, 2018, each director was given the option to elect to receive all or part of his or her compensation (the "Director Fees") in DSUs.

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

During the year ended December 31, 2018, 86,924 DSUs (2017 – Nil DSUs) were granted. The carrying amount of the liability relating to the DSUs at December 31, 2018 was $116 (2017 – $Nil).

During the year ended December 31, 2018, an expense of $116 (2017 – $Nil) was recognized in the consolidated statement of operations related to DSUs granted.

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

18 Earnings (loss) per share

		For the year ended December 31, 2018		For the year ended December 31, 2017
BASIC EARNINGS (LOSS) PER SHARE				
Net income (loss) for the year attributable to common shareholders	**$**	**2,249**	$	(6,205)
Weighted average number of shares		**20,998,703**		16,330,837
Basic earnings (loss) per share	**$**	**0.11**	$	(0.38)
DILUTED EARNINGS (LOSS) PER SHARE				
Net income (loss) for the year attributable to common shareholders	**$**	**2,249**	$	(6,205)
Weighted average number of shares		**21,055,460**		16,330,837
Diluted earnings (loss) per share	**$**	**0.11**	$	(0.38)

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

During the year ended December 31, 2017, DCM's 6.00% Convertible Unsecured Subordinated Debentures were settled by a cash payment. The cash payment was made on June 30, 2017 and as such, the debentures were excluded from the computation of diluted earnings per share. Options to purchase up to 811,463 common shares and warrants to purchase up to 1,381,050 common shares where the average market price of the common shares was higher than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

19 Changes in working capital

		For the year ended December 31, 2018		For the year ended December 31, 2017
Trade receivables	**$**	**(2,668)**	$	(3,983)
Inventories		**2,070**		290
Prepaid expenses and other current assets		**788**		508
Trade and accrued liabilities		**8,118**		1,560
Deferred revenue		**(481)**		1,088
	$	**7,827**	$	(537)

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

20 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, 2018
2019	$	**11,998**
2020		**11,361**
2021		**9,536**
2022		**6,892**
2023		**6,463**
2024 and thereafter		**13,675**
	$	**59,925**

Total lease expense for the year ended December 31, 2018 was $9,136 (2017 - $9,551).

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 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 Quebec members in collective bargaining. Based upon the terms of those applicable collective agreements, DCM's estimated 2019 funding obligation for the SRDF is $610. DCM has accounted for the SRDF on a defined contribution basis.

Under Québec pension legislation for negotiated contribution defined benefit multi-employer pension plans:

- Employers' contributions are limited to those amounts specified in the applicable collective agreements;
- Reduction of accrued benefits while the plan is ongoing or upon plan termination is allowed, if the plan is insufficiently funded; and
- The responsibility of participating employers to fund their prorated share of the solvency deficit upon withdrawal from the plan or termination of the plan, except if withdrawal from the plan or termination of the plan occurs prior to April 2, 2020, is removed.

The most recent funding actuarial report for the SRDF (as at December 31, 2017), which takes into account the 2016 restructuring of the plan, disclosed that:

- Total employers' contributions determined pursuant to collective agreements cover the minimum total contributions required under applicable Québec pension legislation;
- The plan has a going concern funding surplus with a ratio of 105%; and
- While the plan has a solvency deficiency with a solvency funded ratio of 80%, Quebec pension legislation does not require the solvency deficit be funded.

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

21 Financial instruments

DCM's financial instruments consist of cash, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, bonuses payable, credit facilities, promissory notes, and restricted share units, as indicated in DCM's statements of consolidated financial position as at December 31, 2018 and 2017. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values and the fair values of DCM's financial instruments are classified into the categories listed below in accordance with IFRS 9 and IAS 39 as at December 31, 2018 and as at December 31, 2017 respectively. The carrying amounts did not change as a result of the adoption of IFRS 9.

December 31, 2018	**Carrying Value**	**Fair Value**
Financial assets at amortized cost (1)	**$ 73,639**	**$ 73,639**
Financial liabilities at amortized cost (2)	**108,856**	**110,441**
Financial liabilities FVTPL (3)	**516**	**516**

December 31, 2017	Carrying Value	Fair Value
Financial assets at amortized cost (IAS 39 - Loans and receivables) (1)	$ 41,708	$ 41,708
Financial liabilities at amortized cost (2)	99,504	100,811
Financial liabilities FVTPL(3)	90	90

(1) Includes restricted cash and trade receivables.

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

(3) Includes RSUs and DSUs.

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

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

RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

CREDIT RISK

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

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

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

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

On that basis, the loss allowance as at December 31, 2018 was determined using default rates under the provision matrix for an amount of $795, of which $453 relates to unbilled receivables.

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

December 31, 2018	Total	Current period	Over 30 days	*Over 60 days*	Over 90 days	Over 120 days
Default rates		0.01%	0.03%	0.06%	0.10%	55.40%
Billed receivables balance	**44,352**	23,243	14,246	5,370	896	597
Billed receivables ECL	**$342**	$3	$4	$3	$1	$331

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

December 31, 2018	Total	Current period	Over 30 days	Over 60 days	Over 90 days	Over 120 days
Default rates		0.20%	0.39%	0.97%	1.50%	2.93%
Unbilled receivables balance	**29,567**	5,427	5,928	3,912	2,672	11,628
Unbilled receivables ECL	**$453**	$11	$23	$38	$40	$341

At the end of each reporting period, management re-assesses the default rates. Default rates are applied to the billed and unbilled receivable balances to calculate the credit default reserve. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. When collection efforts have been reasonably exhausted, specific balances are written off.

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

The movement in DCM's allowance for doubtful accounts for 2018 and 2017 are as follows:

		For the year ended December 31, 2018		For the year ended December 31, 2017
Balance – Beginning of period	**$**	**206**	$	440
Additional loss allowance for unbilled receivables (note 3)		**505**		—
Provisions and revisions		**84**		(234)
Balance – End of period	**$**	**795**	$	206

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, 2018, DCM had access to $10,205 of additional available credit less letters of credit granted of $861 under the Bank Credit Facility.

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

December 31, 2018		**Less than a year**		**1 to 3 years**		**4 years and greater**		**Total**
Bank overdraft	**$**	**3,999**	**$**	**—**	**$**	**—**	**$**	**3,999**
Trade payables and accrued liabilities		**43,497**		**—**		**—**		**43,497**
Bonuses payable (1)		**400**		**333**		**—**		**733**
Credit facilities (2)		**9,495**		**46,318**		**14,145**		**69,958**
Promissory notes (3)		**4,078**		**1,500**		**—**		**5,578**
Total	**$**	**61,469**	**$**	**48,151**	**$**	**14,145**	**$**	**123,765**

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

(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, 2018 subject to floating interest rates consisting of the Bank Credit Facility, expiring on March 31, 2020. The Bank Credit Facility was subsequently amended (note 26). As at December 31, 2018, the outstanding balances totaled $20,799 and bore interest at an average floating rate of 4.7% per annum . The amounts at December 31, 2018 include estimated interest totaling $978 for 2019, and $163 for 2020. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2018. Credit facilities at December 31, 2018 subject to fixed interest rates consisting of the IAM III Credit Facility, expiring on October 15, 2022, the IAM IV Credit Facility, expiring on March 10, 2023, the IAM V Credit Facility expiring on May 15, 2023 and Crown Facility expiring on May 7, 2023. As at December 31, 2018, the outstanding balances totaled $38,207 and bore interest at a fixed rate of 6.1% per annum, of *6.95% per*

annum, of 6.95% per annum, and of 10.00% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively. Annual interest payment on the Crown Capital Credit Facility totals $1,200. 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 balance 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, 2017. Credit facilities at December 31, 2017 subject to fixed interest rates consisting of the IAM III Credit Facility expiring on October 15, 2022, 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 balance 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.*

(3) Promissory notes related to the acquisition completed during the year ended December 31, 2018 include a non-interest bearing promissory note related to the acquisition of Perennial totaling $2,253 and payable in three installments of $1,000 due on May 8, 2019, $1,000 due on May 8, 2020 and $500 due on May 8, 2021. Promissory notes related to the acquisitions completed during the year ended December 31, 2017 included a 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.*

DCM also has significant contractual obligations in the form of operating leases (note 20), as well as contingent obligations in the form of letters of credit. DCM believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing restructuring initiatives will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance or investment in new capital expenditures, and interest and scheduled repayments of borrowings under its credit facilities and scheduled repayments of promissory notes. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

MARKET RISK

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. DCM's interest rate risk arises from credit facilities issuances at floating interest rates.

At December 31, 2018, $20,799 of DCM's indebtedness outstanding was subject to floating interest rates of 4.7% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit or loss and comprehensive loss by $203 for the year ended December 31, 2018 (2017 – $217), respectively. At December 31, 2018, $38,207 of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum, of 6.95% per annum and of 10.00% per annum. 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.

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

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.

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, 2018		December 31, 2017
Credit facilities	**$**	**57,421**	$	55,932
Total long-term debt	**$**	**57,421**	$	55,932
Total equity (deficit)	**$**	**7,512**	$	(5,399)

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

23 Expenses by nature

	For the year ended December 31, 2018	For the year ended December 31, 2017
Raw materials and other purchases	**$ 160,824**	$ 141,327
Wages and benefits	**109,029**	101,108
Pension and other post-employment expenses	**2,275**	3,011
Occupancy costs	**16,316**	17,008
Restructuring expenses	**2,654**	9,457
Depreciation, amortization and impairments	**9,093**	7,709
Other expenses	**13,598**	12,714
Total cost of revenues and operating expenses	**$ 313,789**	$ 292,334

24 Segmented information

The CEO and President 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.

Given many of DCM's customers operate and run marketing campaigns on a national scale, DCM utilizes its print capabilities, logistics and fulfilment services, and digital communications solutions from its operating segments to service its customers. These operating segments have been aggregated as one reportable segment as they have similar economic characteristics, they offer a portfolio of similar products and services, they have alike customers, and their production processes and distribution methods are similar based on the aggregation criteria in IFRS 8. This includes BOLDER graphics which was amalgamated with DCM effective January 1, 2018, and formed one operating segment with DCM.

Perennial is considered a separate operating segment. Perennial is a design firm focused on creating and delivering design strategies for major retail brands. Perennial's business is separate from the core DCM business and cannot be aggregated based on the criteria in IFRS 8. For the purposes of segment disclosure, Perennial does not meet the quantitative thresholds stipulated under IFRS 8, and because it is not significant, this segment is not disclosed separately.

Management evaluates the performance of the reportable segments based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segment.

All significant external sales are to customers located in Canada. DCM established operations in Niles and Chicago, Illinois and New York, New York in order to service the U.S. operations of a large customer and is seeking to grow its U.S. sales, however at December 31, 2018, U.S. sales were not significant to disclose separately.

Warehousing revenues were approximately 3% (2017 - 6%) of total consolidated revenues for the year ended December 31, 2018. Freight revenues were approximately 4% (2017 - 0%) of total consolidated revenues for the year ended December 31, 2018. Marketing and other services were approximately 3% (2017 - 0%) of total consolidated revenues for the year ended December 31, 2018.

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 $542 (2017 – $306) related to these policies. As at December 31, 2018, prepaid expenses and other current assets included prepaid insurance to the insurance company of $277 (2017 – $260). The insurance company is a related party whereby the Chair of the Board and the CEO and President of DCM each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them. Subsequent to year-end on January 9, 2019, the Chair of the Board and the CEO and President of DCM resigned their positions as Directors and disposed of their minority interest in the insurance company.

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

For the year end December 31, 2017 , directors, officers and related parties of DCM participated in a rights offering and a private placement of Common Shares (see note 17), 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.

During the year ended December 31, 2018, 89,500 Common Shares were issued to the CEO and President of DCM pursuant to the exercise of warrants. The additional share issue caused an increase in Common Shares by $175. The increase consisted of cash proceeds of $157 as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of $18.

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 CEO and 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 $9 per month.

Effective July 1, 2018, Perennial entered into a new agreement with Perennial Designs International Private Limited, a company 100% owned by a key member of management for creative design and development of technology. During the year ended, total consulting fees totaled $289 (2017 - nil).

On March 15, 2018, DCM entered into a 5 year loan agreement with a key member of management for a total of $107 to finance the purchase of Common Shares. Interest will accrue at a rate of 3% per annum on the unpaid balance. As at December 31, 2018, the balance owing was $109 (2017 - nil) was included within other non-current assets and accrued liabilities on the statement of financial position.

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

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be the former CEO, current CEO and 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, 2018		For the year ended December 31, 2017
Salaries and other short-term employee benefits	**$**	**3,141**	$	2,743
Post-employment benefits		**31**		16
Share-based compensation expense		**651**		157
Total	**$**	**3,823**	$	2,916

During the year ended December 31, 2018, key management personnel were granted 536,626 RSUs (2017 – 132,749 RSUs), and 261,312 RSUs (2017 – 1,514 RSUs) were forfeited. Key management personnel were also granted options to purchase up to 1,000,000 Common Shares (2017 – nil Common Shares) and nil Common Shares (2017 – 11,745 Common Shares) were forfeited during the year ended December 31, 2018 (see note 17). During the year ended December 31, 2018, DCM's general and administration expenses include a charge of $651 (2017 – $157) for these share-based compensation awards.

During the year ended December 31, 2018, DCM's general and administration expenses include a charge of $234 (2017 – $287) for the duties performed by DCM's Board, of which $116 relates to DSU expense (note 17). The Board was also granted options to purchase up to 200,000 Common shares (2017 - nil Common Shares) during the year ended December 31, 2018 (see note 17). During the year ended December 31, 2018, DCM's general and administration expenses include a charge of $78 (2017 – nil) for these share-based compensation awards.

26 Subsequent event

On March 5, 2019, DCM entered into a second amendment to its Bank Credit Facility. Significant terms of the amendment made to DCM's Bank Credit Facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the interest rate payable on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the Bank Credit Facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16 effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the Bank Credit Facility will be completed on substantially the same basis as prior to the adoption of IFRS 16, after giving effect to changes in the accounting treatment of leases related to right-of-use assets. As a result, definitions of certain terms related to IFRS 16 were added to the Bank Credit Facility. The Company's financial covenant ratio with the Bank remains unchanged.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

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

William Albino [1,2,3]
Director

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

Derek J. Watchorn [1,2]
Director

Michael G. Sifton
Director

Merri L. Jones [3]
Director

Gregory J. Cochrane
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

EXECUTIVE TEAM

Gregory J. Cochrane
President & Chief Executive Officer

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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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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