2020 ANNUAL REPORT

DCM

THE BRAND
BEHIND YOUR BRAND

Letter to shareholders

Dear Fellow Shareholders,

I am pleased to provide a review of your company's 2020 performance and an outlook for 2021. During the past year, we stayed focused on our five operating initiatives which we established in 2018:

1. Focus on Core Customers
2. Improve Gross Margins
3. Lower SG&A
4. Pay down debt
5. Invest in our future

Focus on Core Customers:

During 2020 total revenue with our top 100 customers grew by 3% versus 2019. Your company provides services and products to 70 of the 100 largest corporations and government entities in Canada. By better understanding these clients' needs, we were able to build deeper relationships with these organizations and provide them with additional products and services beyond our traditional lines of business.

Improve Gross Margins:

The improvement of more than 3 full points of gross margin in 2020 versus 2019 was directly related to the following:

- Improved plant and purchasing efficiencies
- Lowering our "cost to serve" with non-core clients
- Growth in both resales products and cannabis related products and services

We experienced strong growth in our technology resales business, which accounted for 5% of our total revenue. This business complements our more traditional product offerings with automated identification technology solutions serving health care, transportation, and warehousing and distribution applications.

The cannabis sector continues to grow and accounted for approximately 5% of our total revenue in 2020. We see tremendous opportunity to expand this offering both here in Canada and in the United States.

Lower SG&A:

This was a disappointment in 2020. We failed to deliver on our internal objectives of lowering our SG&A to less than 20% of our revenue. A great part of the issue was our lower year over year revenue, a result of reduced performance from our retail and not-for-profit vertical markets, and lower levels of transactional client work, which were all exacerbated by the impact of the pandemic on total revenues.

But that is an excuse; despite reducing our SG&A by over $8 million in 2020, we still didn't tackle our organizational structure and only started to reap the savings benefits from our ERP implementation in mid 2019.

We are addressing these issues with pace in 2021; we declared a $8.5 million savings target this year and we are focused on achieving this metric.

Pay Down Debt:

At the beginning of 2020 our total senior debt balance was $77.1 million.

At the end of March, it had reached $79.3 million. At year end it was $46.1 million. As of February 28, 2021, it is approximately $41.3 million.

Your management focused on paying down our senior debt and our suppliers' need for payment. We used the CEWS monies to keep our employees on the job, and we changed the way we accounted for finished goods billing with many of our top clients, which allowed us to free up over $12 million of cash – this went directly towards paying down debt and reducing payables to our suppliers. We are targeting an additional $5 million in working capital improvement in 2021 from further converting away from our legacy bill as released, or BAR billing practice, and these funds will be used to further reduce our debt.

Invest in our Future:

Our capital spending is focused on two areas:

- Capital to maintain equipment
- Capital to accelerate our digital platform and its capabilities

There is no doubt our clients are looking for suppliers and partners to help in the digital transformation of their organizations. Our digital platform, embedded into 500+ organizations with over 70 third party application integrations, is the future of our business and our relationships with clients.

Expect to see an accelerated focus on this ‘hidden asset’ we have inside DCM.

COVID:

I would be remiss not to address COVID and its impact on our company.

Early into the pandemic, DCM was acknowledged as an ‘Essential Services Provider’ and was permitted to operate under strict COVID protocols.

I want to thank all of our employees who quickly ensured our workplaces were safe, our critical action response protocols were in place, and continued with diligence to follow and adhere to safety guidelines each day.

Secondly, I want to thank our employees’ families and partners. You played an important part in keeping our employees healthy, our company open, and more importantly keeping our country moving ahead. Without DCM providing much needed products and services to our customers, it is not an exaggeration to say they would have had a difficult time operating their businesses.

Thank you.

Outlook for 2021:

We will continue to focus on our five operating imperatives in 2021.

We have recently won several contract renewals with our largest clients. Our retail and not-for-profit clients are starting to show signs of growth for the balance of the year.

We are advancing on plans to further consolidate our footprint and drive costs out of the business by improving our ‘cost to serve’ model and flattening the organization, giving our leaders more autonomy and responsibility.

To lead us through these changes, Richard Kellam has joined us effective March 8, 2021 as President and CEO.

Richard has had an extensive international career with major packaged goods businesses in numerous senior leadership and operating roles. Richard has a deep understanding of the digital transformation we have started and what is required for us to meet the needs of our client base over the next period of DCM’s evolution.

I welcome Richard’s leadership and I know our company is in good hands with his plan for our business.

As this will be my last shareholder letter, I want to thank you for the privilege of being your President and CEO. I will continue to provide transition support to Richard in my new role as Vice Chair of the Board.

For a full description of our financial results for fiscal 2020, please refer to our audited consolidated financial statements for year ended December 31, 2020 and related management’s discussion and analysis, copies of which are available at www.sedar.com

Yours truly,

(Signed) "Gregory J. Cochrane"

Gregory J. Cochrane

Vice Chair of the Board

DATA Communications Management Corp.

March 2021

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, 2020 and 2019. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of DCM for the years ended December 31, 2020 and 2019. 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 22, 2021 This MD&A reflects information as of March 22, 2021.

Basis of presentation

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ending December 31, 2020, as issued and outstanding as of March 22, 2021 the date the Board of Directors ("Board") approved these financial statements.

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: risks relating to the continuing impact of the COVID-19 pandemic, the impact of which could be material on DCM's business, liquidity and results of operations; DCM's enterprise resource planning ("ERP") system interrupted operational transactions during and following the implementation, which has, and may continue to, materially and adversely affect DCM's financial liquidity and operations and results of operations; there is no assurance that management's initiatives for dealing with these events and conditions will be successful and there are risks in the expected timing of resolution thereof and the possible effects of these issues if they are not resolved; DCM's ability to continue as a going concern is dependent upon its ability to comply with its financial covenants for at least the next twelve months which is contingent on management's ability to meet forecast revenue, profitability and cash collection targets; risks relating to DCM's ability to access sufficient capital, including, without limitation, under its existing revolving credit facility, on favourable terms to fund its liquidity and business plans from internal and external sources; the risk that DCM will not be successful in negotiating amendments to the terms of its existing credit facilities including, without limitation, the financial covenants of DCM under these facilities; the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions it has made and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers and suppliers.

Additional factors are discussed elsewhere in this MD&A under the headings "Liquidity and capital resources" and "Risks and Uncertainties" and 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, and one-time business reorganization costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization 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), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print and/or digital formats.

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 mailing patterns of certain customers. Typically, higher revenues and profit are generated in the first 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 1,100 employees in Canada and the United States and had revenues of $259.3 million in 2020. Website: www.datacm.com.

RECENT DEVELOPMENTS

SENIOR MANAGEMENT CHANGES

Effective February 23, 2021, DCM announced the departure of Michael J. Coté, President of DCM.

Effective March 8, 2021, DCM's Board of Directors announced the appointment of Richard Kellam as President and CEO of the Company, effective immediately. Richard Kellam is replacing Gregory J. Cochrane who has been appointed Vice Chairman of DCM.

Effective March 9, 2021, DCM announced the departure of the Chief Innovation Officer, Chief Brand Officer, Chief Operations Officer and Senior Vice President, Finance. The positions will not be replaced.

The Company has incurred a total of $3.9 million in restructuring expenses in the first quarter of 2021, through the date hereof, relating to the recently announced departure of certain executives, along with other ongoing restructuring initiatives.

Effective March 11, 2021, DCM announced an internal candidate for the role of Vice President, Operations.

“As we accelerate our company’s evolution into a leading marketing and business solutions provider, it’s important we create the right organizational structure to empower our teams, drive change, and create opportunities for growth within our strong internal talent pool,” added Kellam. “While I’ve been with DCM for only a short period, I’ve had the opportunity to meet many talented people, across all functions and levels. In my experience, flat organizations have proven to be more agile, efficient and ultimately successful.”

COVID-19 GLOBAL PANDEMIC

Management of DCM has been closely monitoring developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where it operates. While safeguarding the well-being of individuals is the Company’s principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to ensure continued operation were implemented, including temporary layoffs of up to 182 employees, shift reductions, reductions in non-essential spending and deferral of other expenses and payments where practical and application for certain government programs and the Company continues to evaluate and assess further actions.

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

GOVERNMENT GRANTS

DCM qualified for approximately $10.7 million in 2020 under the CEWS. Of the total CEWS grant received, $1.6 million of that amount was attributable to the first quarter of 2020, $4.5 million was attributable to the second quarter of 2020, $2.8 million was attributable to the third quarter of 2020 and $1.8 million was attributable to the fourth quarter of 2020.

REVENUE RECOGNITION POLICY

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

PRODUCT SALES

DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase product from third-party vendors and resell that to its customers. DCM recognizes revenue upon the completion of production or when product is purchased from a third-party vendor and inducted into its 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 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, 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. DCM recognizes product revenues when control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses. For bundled pricing arrangements, DCM allocates the transaction price to each performance obligation based on their relative stand alone selling prices. Management applied significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations.

WAREHOUSING SERVICES

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

FREIGHT SERVICES

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

MARKETING SERVICES

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

COST OF REVENUES AND OTHER EXPENSES

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

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

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for each of Fiscal 2020, Fiscal 2019 and Fiscal 2018 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2019, these periods do not reflect consistent accounting policies, particularly in relation to leases, and therefore are not directly comparable. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

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

For the years ended December 31, 2020, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2020**		January 1 to December 31, 2019		January 1 to December 31, 2018
Revenues	**$**	**259,314**	$	282,876	$	322,769
Cost of revenues		**186,372**		213,611		244,571
Gross profit		**72,942**		69,265		78,198
Selling, general and administrative expenses		**58,884**		67,090		66,216
Restructuring expenses		**2,821**		7,489		2,654
Acquisition costs		**—**		—		348
		61,705		74,579		69,218
Income (loss) before finance costs, other income, and income taxes		**11,237**		(5,314)		8,980
Finance costs						
Interest expense, net		**6,076**		8,916		4,985
Debt modification losses		**703**		3,858		—
Amortization of transaction costs		**553**		465		623
		7,332		13,239		5,608
Other Income						
Government grant income		**10,708**		—		—
Income (loss) before income taxes		**14,613**		(18,553)		3,372
Income tax expense (recovery)						
Current		**(491)**		(105)		1,407
Deferred		**3,598**		(4,461)		(284)
		3,107		(4,566)		1,123
Net income (loss) for the year	**$**	**11,506**	$	(13,987)	$	2,249
Basic earnings (loss) per share	**$**	**0.27**	$	(0.65)	$	0.11
Diluted earnings (loss) per share	**$**	**0.27**	$	(0.65)	$	0.11
Weighted average number of common shares outstanding, basic		**43,146,866**		21,757,467		20,998,703
Weighted average number of common shares outstanding, diluted		**43,316,630**		21,757,467		21,055,460

As at December 31, 2020, 2019 and 2018 *(in thousands of Canadian dollars, unaudited)*		**As at December 31, 2020**		As at December 31, 2019		As at December 31, 2018
Current assets	**$**	**75,903**	$	101,642	$	85,455
Current liabilities	**$**	**60,949**		73,554		64,716
Total assets	**$**	**163,921**		214,372		142,231
Total non-current liabilities	**$**	**93,013**		141,859		70,003
Shareholders' equity (deficit)	**$**	**9,959**	$	(1,041)		7,512

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, 2020, 2019 and 2018 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31, 2020**	January 1 to December 31, 2019	January 1 to December 31, 2018
Revenues	**$ 259,314**	$ 282,876	$ 322,769
Gross profit	**$ 72,942**	$ 69,265	$ 78,198
Gross profit, as a percentage of revenues	**28.1 %**	24.5 %	24.2 %
Selling, general and administrative expenses	**$ 58,884**	$ 67,090	$ 66,216
As a percentage of revenues	**22.7 %**	23.7 %	20.5 %
Adjusted EBITDA (see Table 3)	**$ 41,476**	$ 20,056	$ 22,218
As a percentage of revenues	**16.0 %**	7.1 %	6.9 %
Net income (loss) for the year	**$ 11,506**	$ (13,987)	$ 2,249
Adjusted net income (loss) (see Table 4)	**$ 13,973**	$ (7,421)	$ 5,584
As a percentage of revenues	**5.4 %**	(2.6)%	1.7 %

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, 2020, 2019 and 2018 *(in thousands of Canadian dollars, unaudited)*		**January 1 to December 31, 2020**		January 1 to December 31, 2019		January 1 to December 31, 2018
Net income (loss) for the year	**$**	**11,506**	$	(13,987)	$	2,249
Interest expense, net		**6,076**		8,916		4,985
Debt modification losses		**703**		3,858		—
Amortization of transaction costs		**553**		465		623
Current income tax (recovery) expense		**(491)**		(105)		1,407
Deferred income tax expense (recovery)		**3,598**		(4,461)		(284)
Depreciation of property, plant and equipment		**3,541**		3,959		4,678
Amortization of intangible assets		**4,279**		3,962		4,173
Depreciation of the ROU Asset		**8,399**		8,940		—
EBITDA	**$**	**38,164**	$	11,547	$	17,831
Restructuring expenses		**2,821**		7,489		2,654
One-time business reorganization costs (1)		**491**		1,020		1,385
Acquisition costs		**—**		—		348
Adjusted EBITDA	**$**	**41,476**	$	20,056	$	22,218

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

TABLE 4 The following table provides reconciliations of net income (loss) to Adjusted net income (loss) 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, 2020, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to December 31, 2020**	January 1 to December 31, 2019	January 1 to December 31, 2018
Net income (loss) for the year	**$ 11,506**	$ (13,987)	$ 2,249
Restructuring expenses	**2,821**	7,489	2,654
One-time business reorganization costs (1)	**491**	1,020	1,385
Acquisition costs	—	—	348
Tax effect of the above adjustments	**(845)**	(1,943)	(1,052)
Adjusted net income (loss) for the year	**$ 13,973**	$ (7,421)	$ 5,584
Adjusted net income (loss) per share, basic	**$ 0.32**	$ (0.34)	$ 0.27
Adjusted net income (loss) per share, diluted	**$ 0.32**	$ (0.34)	$ 0.27
Weighted average number of common shares outstanding, basic	**43,146,866**	21,582,483	20,998,703
Weighted average number of common shares outstanding, diluted	**43,316,630**	21,582,483	21,055,460
Number of common shares outstanding, basic	**43,867,030**	43,047,030	21,523,515
Number of common shares outstanding, diluted	**44,036,795**	43,047,030	21,580,272

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

Results of operations

REVENUES

For the year ended December 31, 2020, DCM recorded revenues of $259.3 million, a decrease of $23.6 million or 8.3% compared with the same period in 2019. The decrease in revenues was primarily attributable to lower demand resulting from the impact of the COVID-19 pandemic in the second, third and fourth quarters of 2020. The decline in revenues was partially offset by strong performance in our financial services, public sector and healthcare vertical markets, growth of cannabis label business, one-time COVID-19 related wins in the second and third quarters of 2020, and a new digital workflow management contract. As the COVID-19 restrictions are lifted, DCM expects some level of rebound in revenues to pre-COVID levels. Given the dynamics of the current environment, the work may flow differently throughout the year than it did in 2020.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2020, DCM recorded cost of revenues of $186.4 million, a decrease of $27.2 million or 12.8% from $213.6 million for the same period in 2019.

Gross profit for the year ended December 31, 2020 was $72.9 million, an increase of $3.7 million or 5.3% from $69.3 million for the same period in 2019. Gross profit as a percentage of revenues increased to 28.1% for the year ended December 31, 2020, compared to 24.5% for the same period in 2019. Gross profit as a percentage of revenues for the year ended December 31, 2020 was positively impacted by (i) realizing the full benefits from the cost saving initiatives implemented particularly in the second and third quarters of 2019, resulting in a reduction in salaries and wages, (ii) additional cost saving initiatives implemented throughout 2020, and other temporary lay-offs, reduction in casual labour and other cost saving measures in reaction to the impact of COVID-19 on the business, (iii) improved management of purchasing inventory and other direct costs, (iv) and continued discipline to improve pricing with customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2020 was $58.9 million, or 22.7% of total revenues, a decrease of $8.2 million or 12.2%, from $67.1 million, or 23.7% of total revenues, for the same period in 2019.

SG&A expenses for the year ended December 31, 2020 benefited from a reduction in both general and administrative expenses of $1.7 million and selling, commissions and expenses by $6.5 million. The decrease in selling, commissions and expenses was primarily attributable to lower sales commission costs commensurate with the decrease in revenues due to the impact of COVID-19, reduction in salaries and wages realized from the full benefits from the cost saving initiatives implemented in the second and third quarters of 2019, additional cost saving initiatives implemented during 2020, and other temporary lay-offs and reduction in casual labour in reaction to the impact of COVID-19 on the business. The decrease in general and administrative expenses was primarily attributable to a reduction in salaries and wages realized from the full benefits from the cost saving initiatives implemented in the second and third quarters of 2019, additional cost saving initiatives implemented during 2020, and temporary lay-offs, reduction in casual labour, lower compensation and lower discretionary spending in response to the impact of COVID-19. The reduction was offset by an increase in professional services relating to the remediation of the ERP system, increased salaries and wages for employees that have resumed normal responsibilities following the launch of the ERP system and who no longer have their salaries and wages capitalized and an increase in amortization costs related to the ERP intangible asset which commenced in June 2019. The costs relating to the remediation efforts of the ERP system are non-recurring, and DCM expects a reduction in associated spend throughout 2021.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM 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, 2020, DCM incurred restructuring expenses of $2.8 million compared to $7.5 million in the same period in 2019. Restructuring costs for the year ended December 31, 2020 related to headcount reductions from the billings and credit/collections departments to integrate the groups into one team to achieve greater synergies across the cash management process, headcount reductions to direct labour to mitigate the impact of COVID-19, and other various headcount reductions to indirect labour as cost savings initiatives to improve gross margin. Restructuring costs for the year ended December 31, 2019 related to headcount reductions from the closure of its Brossard, Quebec facility which was announced in March 2019, the sale of our loose-leaf binders and index tab business in May 2019, process improvements in manufacturing to improve efficiencies and gross margins leading to lower labour requirements, and process improvements in its SG&A functions to reduce labour costs and enhance productivity.

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.

OTHER INCOME

Other income includes government grant income received from the CEWS (see note 27 of the consolidated financial statements). DCM has to date qualified for approximately $10.7 million under the CEWS in 2020. Of the total grant received, $1.6 million was attributable to the first quarter of 2020, $4.5 million for the second quarter of 2020, $2.8 million for the third quarter of 2020 and $1.8 million for the fourth quarter of 2020.

ADJUSTED EBITDA

For the year ended December 31, 2020, Adjusted EBITDA was $41.5 million or 16.0% of revenues, after adjusting EBITDA for the $2.8 million in restructuring charges and $0.5 million of one-time business reorganization costs, compared to $20.1 million or 7.1% of revenues for the same period in 2019.

The increase in Adjusted EBITDA for the year ended December 31, 2020 over the prior year comparative period was primarily attributed to (i) improved gross margins and reductions in SG&A realized from the full benefits of cost savings initiatives implemented in the second and third quarter of 2019 (ii) improved gross margins from continued discipline to improve pricing with customers, (iii) and more normalized level of operations and margins following remediation of the ERP system challenges experienced in June 2019. The improvements in EBITDA were offset by a reduction in revenue due to lower demand resulting from the impact of COVID-19. Temporary lay-offs and reductions in compensation and discretionary spending in response to the impact of COVID-19 on the business, and receipt of the CEWS grant income mitigated the impact on our financial performance.

FINANCE COSTS

Finance costs include interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16. For the year ended December 31, 2020, DCM incurred $7.3 million of finance costs compared to $13.2 million for the same period in 2019. Interest expense for the year ended December 31, 2020 decreased due to the reduction in the prime rates during the first quarter of 2020 and prime rate margins during the second quarter of 2020, and reduction in levels drawn under the Bank Credit Facility during the third and fourth quarters of 2020, thereby reducing the interest expense on the Credit Facility. In the fourth quarter of 2019 and first quarter of 2020, DCM recorded debt premiums on the Credit Facility and Crown Facility, which resulted in recognition of accretion income, netted against interest expense, during 2020. This decrease was offset by an increase in interest expense on the (i) Crown Facility as an additional $7.0 million loan obtained from Crown in the third quarter of 2019 alongside an increase in the interest rate for the Crown Facility by 200 basis points per annum effective December 19, 2019, and (ii) Perennial acquisition VTB, now bearing a 10% interest rate per annum effective in the second quarter of 2020, which was previously non-interest bearing.

INCOME TAXES

DCM reported income before income taxes of $14.6 million and a net income tax expense of $3.1 million for the year ended December 31, 2020 compared to a loss before income taxes of $18.6 million and a net income tax recovery of $4.6 million for the same period in 2019. The change from a net income tax recovery position to an income tax expense was due to an increase in DCM's estimated taxable income from a previously reported loss for the year ended December 31, 2020. The deferred income tax recovery for the year ended December 31, 2020 was adjusted for any changes in estimates of future reversals of temporary differences.

NET INCOME (LOSS)

Net income for the year ended December 31, 2020 was $11.5 million compared to a net loss of $14.0 million for the same period in 2019.

The increase in comparable profitability for the year ended December 31, 2020 was primarily attributed to (i) improved gross margins and reductions in SG&A realized from the full benefits of cost savings initiatives implemented in the second and third quarter of 2019, (ii) improved gross margins from continued discipline to improve pricing with customers, (iii) more normalized level of operations and margins following remediation of the ERP system challenges experienced in June 2019, (iv) reduction in restructuring initiatives, and (v) reduction in interest expense. The improvements in net income were offset by (i) one-time debt modification losses of $0.7 million, and (ii) a reduction in revenue due to lower demand resulting from the impact of COVID-19, which was mitigated by temporary lay-offs, reductions in compensation and discretionary spending and receipt of the CEWS grant income.

ADJUSTED NET INCOME (LOSS)

Adjusted net income for the year ended December 31, 2020 was $14.0 million compared to adjusted net loss of $7.4 million for the same period in 2019.

The increase in comparable profitability for the year ended December 31, 2020 to (i) improved gross margins and reductions in SG&A realized from the full benefits of cost savings initiatives implemented in the second and third quarter of 2019, (ii) improved gross margins from continued discipline to improve pricing with customers, (iii) more normalized level of operations and margins following remediation of the ERP system challenges experienced in June 2019, and (iv) reduction in interest expense. The improvements in adjusted net income were offset by (i) one-time debt modification losses of $0.7 million, and (ii) a reduction in revenue due to lower demand resulting from the impact of COVID-19, which was mitigated by temporary lay-offs, reductions in compensation and discretionary spending and receipt of the CEWS grant income.

Liquidity and capital resources

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”). Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million (see Amendments to Credit Facilities) and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $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 1.35%. For the year ended December 31, 2020, DCM capitalized transaction costs of $0.2 million related to the Bank Credit Facility. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at December 31, 2020, the unamortized transaction costs related to the Bank Credit Facility was $0.5 million. As at December 31, 2020, there were outstanding borrowings of $5.7 million under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $0.6 million. As at December 31, 2020, all of DCM’s indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 3.80% per annum. As at December 31, 2020, DCM had access to $13.1 million of available credit under the Bank Credit Facility. The cash and cash equivalents balance of $0.6 million shown on the consolidated statement of financial position as at December 31, 2020 represents outstanding deposits which when cashed would be a deposit on the Bank Credit Facility. As at December 31, 2020, the carrying value of the debt instrument was $5.5 million. The carrying value includes the outstanding borrowings of $5.7 million, unamortized premium of $0.3 million less the unamortized transaction cost of $0.5 million.

FPD FACILITIES

DCM established an amortizing term loan facility (the “FPD IV Credit Facility”) with Fiera Private Debt Fund IV L.P. ("FPD IV") (formerly, Integrated Private Debt Fund IV LP) a fund managed by Fiera Private Debt Fund GP Inc. ("FPD") (formerly, Integrated Asset Management Corp.) pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the “Bank Credit Agreement”) and FPD (as amended, the “FPD IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “FPD III Credit Agreement”) between Thistle and Fiera Private Debt Fund III L.P. ("FPD III") (formerly, Integrated Private Debt Fund III LP), another fund managed by FPD, pursuant to which FPD III has advanced to Thistle a term loan facility (the “FPD III Credit Facility”). On November 10, 2017, DCM established a $28,000 secured, non-revolving senior credit facility (the "FPD V Credit Facility") with Fiera Private Debt V L.P. ("FPD V") (formerly, Integrated Private Debt Fund V LP), a fund managed by FPD (the "FPD V Credit Agreement" and, together with the FPD III Credit Agreement and the FPD IV Credit Agreement, the “FPD Credit Agreements”) to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The FPD III Credit Facility and the FPD V Credit Facility are subject to the same covenants stipulated under the FPD IV Credit Agreement and are reported on a consolidated basis.

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

The principal amount of the amended FPD III Credit Facility amortizes in blended equal monthly repayments of principal and interest of $0.1 million over a nine year term ending October 15, 2022. The principal amount of the FPD IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $0.4 million over a seven year term ending March 10, 2023. The principal amount of the FPD V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $0.1 million over a sixty six month term ending May 15, 2023. The FPD III Credit Facility, FPD IV Credit Facility and FPD IV Credit Facility were amended on July 25, 2019 to defer principal payments for the months of August through December 2019 (see Amendments to Credit Facilities). As at December 31, 2020, all of DCM’s indebtedness outstanding under the FPD III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM’s indebtedness outstanding under the amended FPD IV Credit Facility and under the FPD V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at December 31, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD III Credit Facility were $13 thousand and $2.8 million, respectively. As at December 31, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD IV Credit Facility were $0.2 million and $13.7 million, respectively. As at December 31, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD V Credit Facility were $0.1 million and $3.1 million, respectively. The unamortized balance of the transaction costs for FPD III Credit Facility, FPD IV Credit Facility and the FPD V Credit Facility are being amortized over the remaining term of each respective facility. For the year ended December 31, 2020, DCM capitalized transaction costs of $16 thousand.

CROWN FACILITY

On May 8, 2018, DCM established a $12.0 million non-revolving term loan facility ("Crown Tranche One Loan") with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"). On August 16, 2019, DCM entered into a third amendment to its Crown Facility whereby Crown advanced a second non revolving term loan in the principal amount of $7.0 million ("Crown Tranche Two Loan"), for total advances in the principal amount of $19.0 million that are repayable on maturity on May 7, 2023. These loans bore interest at 10% per annum which increased to 12% per annum on January 1, 2020 under the Crown Fourth Amendment. Interest is payable quarterly. In connection with this third amendment, DCM recognized a loss on modification of debt of $0.4 million which is included in finance costs in the consolidated statement of operations. In connection with the fifth amendment interest on outstanding borrowings under the Crown Credit Agreement of $1.9 million for the first ten months of 2020 was deferred and capitalized to DCM's outstanding principal obligations under the Crown Credit Agreement increasing the total advances to $20.9 million. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and secured by a conventional security on all of the assets of DCM and its subsidiaries.

A total of 960,000 warrants were issued to Crown in connection with the Crown Tranche One Loan. 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 Tranche One Loan of $12.0 million was apportioned to $11.5 million to the debt instrument and $0.5 million to the warrant option based on their relative fair values The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host is being accreted from $11.5 million to $12.0 million over the term of the loan. A total of 550,000 warrants were issued to Crown in connection with the Crown Tranche Two Loan. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.7 years, commencing on August 16, 2019. The Crown Tranche Two Loan was apportioned to $6.9 million to the debt instrument and $0.1 million to the warrant option based on the relative fair values. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host is being accreted from $6.9 million to $7.0 million over the term of the loan.

As at December 31, 2020, the carrying value of the Crown debt instrument was $21.0 million. This carrying value includes the loan principal balance of $20.9 million, unamortized premiums/discounts of $0.6 million less unamortized transaction costs of $0.6 million. For the year ended December 31, 2020, DCM capitalized transaction costs of $0.1 million related to the Crown Facility. The unamortized transaction costs of $0.6 million is being amortized over the remaining term of this facility.

AMENDMENTS TO CREDIT FACILITIES

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

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

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

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

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

On July 31, 2019, DCM entered into a third amendment to increase the revolving commitment on its Bank A&R Credit Facility from an aggregate outstanding principal amount of up to $35.0 million to up to $42.0 million between July 31 and December 31, 2019. In addition, the amendment includes the Bank's consent to the amendments to the FPD A&R Credit Facilities on July 25, 2019.

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

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

On December 19, 2019 DCM entered into a waiver and amendment agreement (the “FPD Amendment”) with respect to the FPD Credit Agreements. The FPD Amendment suspends DCM’s obligation to comply with its Total Funded Debt to EBITDA Ratio covenant for the quarter ending December 31, 2019 and establishes a new Total Funded Debt to EBITDA Ratio covenant of no more than 4.5 to 1.0 that will apply for the second quarter of 2020, after which the original covenant of no greater than 3.0 to 1.0 will apply. In addition, during this period EBITDA for the purposes of such covenant will be calculated on an annualized basis starting with actual EBITDA achieved for the quarter ending December 31, 2019. The FPD Amendment also revised DCM’s Debt Service Coverage Ratio (“DSCR”) covenant, such that DCM’s minimum DSCR will be 0.75 to 1.0 for the quarters ending December 31, 2019 and March 31, 2020 and 1.00 to 1.0 for the quarter ending June 30, 2020. Thereafter, the original DSCR covenant of at least 1.50 to 1.0 will apply. The FPD Amendment also confirms that the monthly principal payments of the loans under the FPD Credit Agreements will recommence at the originally scheduled rate in January 2020. The FPD Amendment also increased DCM’s maximum Total Funded Debt to $93.0 million. The FPD Amendment also added a new financial covenant requiring DCM to maintain a minimum monthly EBITDA of $1.0 million during for the first seven months of 2020.

On December 19, 2019 DCM entered into a fourth amending agreement (the “Crown Fourth Amendment”) in connection with the Crown Credit Agreement. Under the Crown Fourth Amendment, the calculation of DCM’s Net Debt to EBITDA Ratio covenant was modified such that EBITDA is calculated on an annualized basis for the first three quarters of 2020, commencing with EBITDA for the quarter ending March 31, 2020. The Net Debt to EBITDA Ratio covenant was further modified such that DCM is required to maintain a maximum Net Debt to EBITDA Ratio of

5.0 to 1.0 for the quarters ending March 31, 2020 and June 30, 2020, a maximum of 4.5 to 1.0 for the quarters ending September 30, 2020 and December 31, 2020 and a maximum of 3.0 to 1.0 for each quarter thereafter. The FCCR covenant under the Crown Credit Agreement was also modified such that DCM must maintain an FCCR of at least 1.1 to 1.0 for the quarter ending September 30, 2020, at least 1.15 to 1.0 for the quarter ending December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter. The FCCR will not apply for the quarters ending December 31, 2019, March 31, 2020 and June 30, 2020. The Crown Fourth Amendment also added a new financial covenant requiring DCM to have EBITDA of not less than $4.0 million for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8 million for the six-month period ending June 30, 2020. The Crown Fourth Amendment increased the interest rate on the Crown Credit Agreement from 10% per annum to 12% per annum on January 1, 2020, with the incremental 200 basis points per annum being accrued and payable at the earlier of maturity of the Crown Credit Agreement or, pursuant to its prepayment terms, prepayment in full. In connection with this amendment, DCM recognized a loss on modification of debt of $1.0 million, which is included in finance costs in the consolidated statement of operations.

In connection with the Crown Fourth Amendment on December 19, 2019, the Company agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from $1.75 to $0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from $1.08 to $0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020. The increased value of the warrants arising from the debt modification was $0.1 million which was recorded as a transaction cost and applied against the carrying value of the debt.

On February 21, 2020, DCM entered into a sixth amendment to its Bank Credit Facility (the “Bank Sixth Amendment”). Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $50 million and a fixed percentage of DCM’s aggregate accounts receivables and inventory (less certain reserve amounts). This amendment permits DCM: (i) for the period from January 1, 2020 to April 30, 2020, to add up to $6.0 million on an unmargined basis (the “Unmargined Amount”) when calculating that borrowing base, and (ii) for the period from January 15, 2020 to May 14, 2020, to remove from the calculation of that borrowing base, up to $2.8 million of reserves (the “Excluded Pension Reserve Amount”) on account of DCM’s deficit in respect of its defined benefit pension plan. The Unmargined Amount of the borrowing base will reduce at the rate of $1.0 million per month commencing on May 1, 2020 until the Unmargined Amount is fully removed from the borrowing base. DCM will be required to reinstate the Excluded Pension Reserve Amount in the calculation of its borrowing base by adding $1.0 million and $2.0 million of that amount respectively in each of May and June, 2020, and by including all of the Excluded Pension Reserve Amount in July 2020 and thereafter. In addition to the financial covenants in the Bank Credit Agreement, the Bank Sixth Amendment added a new financial covenant that requires DCM to meet a Minimum Cash Flow Requirement (as defined in the Bank Sixth Amendment). In the event that DCM’s borrowing base exceeds total borrowings under the Bank Credit Facility by less than $1.5 million, tested on a bi-weekly basis, the Minimum Cash Flow Requirement requires DCM to demonstrate, in that circumstance, that net cash flows for the Company for the preceding four weeks do not vary negatively from its forecasted cash flows by more than $3.0 million.

The Bank Sixth Amendment also restricts DCM from making payments and distributions to non-arm’s length parties without the Bank’s consent, subject to certain exceptions, and increases the interest rate on DCM’s borrowings under the Bank Credit Facility by 0.50% for the period from January 1, 2020 to September 30, 2020. In addition, a total of 500,000 warrants have been issued in connection with the Bank Sixth Amendment. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $0.185 for a period of 24 months, commencing on June 18, 2020 . In connection with this amendment, DCM recognized a loss on modification of debt of $0.4 million which is included in finance costs in the consolidated statement of operations.

On February 21, 2020, DCM entered into an agreement with each of FPD III, FPD IV and FPD V to defer the payment of regularly scheduled principal payments owing to each of them under the applicable FPD Loan Agreement commencing February 1, 2020 with scheduled principal payments resuming June 15, 2020. The deferred principal payments will be added to the amounts due at maturity of the respective FPD Loan Agreements.

On February 21, 2020, DCM entered into a fifth amendment (the “Crown Fifth Amendment”) to the Crown Credit Agreement. Under the Crown Fifth Amendment, for the period from January 1, 2020 to October 1, 2020, the interest on outstanding borrowings under the Crown Credit Agreement of $1.9 million was deferred and capitalized to DCM’s outstanding principal obligations under the Crown Credit Agreement. In connection with this amendment, DCM recognized a loss on modification of $0.5 million, which is included in finance costs in the consolidated statement of operations.

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

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

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

On June 23, 2020, in connection with the anticipated continued negative impact of COVID-19 on its second and third quarter results in particular, DCM entered into an additional waiver and amendment agreement with each of FPD III, FPD IV and FPD V, with respect to the FPD Credit Agreements. FPD has agreed to waive the financial covenant to maintain a minimum monthly EBITDA of $1.0 million for the month of July 2020. In addition, FPD also agreed to amend the Total Funded Debt to EBITDA Ratio covenant for the quarter ending September 30, 2020 from no greater than 3.0 to 1.0 to no greater than 3.75 to 1.0, and for the quarter ending December 31, 2020, from no greater than 3.0 to 1.0 to no greater than 3.25 to 1.0.

On November 2, 2020, DCM entered into an eighth amendment to its Bank Credit Facility (the "Bank Eighth Amendment") under which the Bank reduced its interest rate on DCM's borrowings under the Bank Credit Facility by 25 basis points effective September 24, 2020. At the Company's request the Bank also agreed to accelerate reduction of the maximum principal amount available under the Bank Credit Facility to $35.0 million. As part of the Bank Sixth Amendment, the interest rate on DCM's borrowings under the Bank Credit Facility was increased by 0.5% between January 1 to September 30, 2020. Effective October 1, 2020, the interest rate was reduced by an additional 0.5% for a total floating interest rate of 3.8% at such time. In connection with this amendment, DCM recognized a gain on modification of $0.2 million, which is included in finance costs in the consolidated statement of operations.

COVENANT REQUIREMENTS

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

Under the terms of the Bank Credit Agreement, DCM's requirement to maintain a fixed charge coverage ratio was waived for September to November 2019, and the first six months of 2020, however DCM was required to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for the twelve month period ended July 31, 2020, not less than 1.05 to 1.0 for the twelve month period ended August 31, 2020 and is required to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 for each twelve month period ending thereafter, commencing with the month ending September 30, 2020. The fixed charge coverage ratio is 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. DCM is also required to collect an agreed minimum percentage of its outstanding accounts receivables during 2020, however this requirement was waived for the months of March, April, May, June, August, September, November and December absent which the Company would have been breach of this covenant. Each covenant is calculated and reported on a monthly basis. As at December 31, 2020, DCM was in compliance with the fixed charge coverage ratio covenant.

Under the terms of the FPD Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than 3.0 to 1.0 (except for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019, respectively when the covenant was revised to be no greater than 3.25 to 1.0). The covenant was amended on December 19, 2019 to be no greater than 4.5 to 1.0 for the second quarter of 2020, 3.75 to 1.0 for the third quarter of 2020, 3.25 to 1.0 for the fourth quarter of 2020 and 3.0 to 1.0 thereafter. FPD waived the requirement to comply with this covenant for the quarters ended June 2019 through June 2020; (ii) a debt service coverage ratio of not less than 1.50 to 1.0, reducing to 0.75 to 1.0 for the quarters ended December 31, 2019 and March 31, 2020, respectively, increasing to 1.00 to 1.0 for the quarter ended June 30, 2020 and thereafter a ratio of 1.50 to 1.0 will apply. FPD waived the requirement to comply with this covenant for the quarter ended September 30, 2019, (iii) a working capital current ratio of not less than 1.10 to 1.0, and (iv) total funded debt of not more than $72.0 million up until the quarter ended June 30, 2019, $80.0 million for the quarter ended September 30, 2019 (which FPD waived) and $93.0 million commencing with the quarter ended December 31, 2019. Each covenant is calculated and reported on a quarterly basis. Monthly EBITDA levels must be greater than $1.0 million during the first seven months of 2020. During the first quarter of 2020, the Company monthly EBITDA levels were waived for the months of March to June 2020. During the second quarter of 2020, the monthly EBITDA level was waived for the month of July 2020. At December 31, 2020, DCM was in compliance with these amendment covenants.

In addition, the FPD Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.0 to 1.0, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the A&R Bank Credit Facility, the FPD A&R Credit Facilities and the Crown Facility and (iv) interest on leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at December 31, 2020, DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

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

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

In addition, under the terms of the FPD IV Credit Agreement and the FPD V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $0.4 million and of $0.1 million to be used for repayments of principal and interest of indebtedness outstanding under the FPD IV A&R Credit Facility and indebtedness outstanding under the FPD V A&R Credit Facility, respectively. As at December 31, 2020, there was a balance of $0.5 million in the blocked account related to the FPD IV A&R Credit Facility and FPD V A&R Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders on the present and after acquired property of DCM and its subsidiaries.

LIQUIDITY

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

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended

Bank Credit Facility, the Amended FPD A&R Credit Facilities, the Crown Facility, as amended, or other indebtedness of DCM.

The Company's liquidity position and financial results have improved over the past year, due to: (i) improving margins from cost containment initiatives, (ii) the support of the Federal government's CEWS program, (iii) better matching of the timing of production and invoicing by converting clients from a legacy billing practice of billing on shipment (known as "bill as released" or BAR) to billing on production, and (iv) improvement in aged collections, billing accuracies and cash flow management, all of which have contributed to a reduction in outstanding credit facility balances. In addition, the ability to weather the COVID storm in 2020 through new business opportunities, cost containment and cash flow management, has given the Company additional confidence and financial strength to sustain through the extended pandemic. However, there continues to be significant uncertainty as to the length and long-term impact that the current COVID-19 pandemic could have on the Company's financial performance including the amount of further government financial support that could be available to the Company, and accordingly its ability to meet its future financial covenants, as there is no forecasted headroom in certain financial covenants over the next twelve months if sales do not recover from the levels experienced since the COVID pandemic began, in the event that the Company does not take additional actions. These factors may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The continued ability to comply with financial covenants on the Company's credit facilities for at least the next twelve months is contingent on management's ability to meet budgeted revenue and profitability targets and take actions to address operating and financial challenges resulting from COVID-19. The estimate of future cash flows in the Company's 2021 budget include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins, which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions (for example, if gross margins do not improve and were to remain in line with the current year and revenues do not increase from post COVID-19 levels, all other assumptions aside, the Company may be offside with certain of its existing financial covenants in the third quarter of 2021). The ongoing impact of the COVID-19 pandemic is difficult to project with respect to the Company's business and financial results. Collectively, these factors could materially affect the business and operating results and DCM's ability to comply with the financial covenants for 2021. Failure to obtain adequate financing if required and/ or on satisfactory terms and further covenant waivers as necessary could have a material adverse effect on the Company's results of operations and financial condition.

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2020, cash flows generated by operating activities were $47.6 million compared to cash flows used in operating activities of $0.8 million during the same period in 2019. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of $31.7 million compared with $6.3 million for the same period last year. Current period cash flows from operations were positively impacted primarily due to an increase in net income which stems from improved gross margins, reduction in SG&A realized from the full benefits of cost savings initiatives implemented in the second and third quarter of 2019, more normalized level of operations following remediation of the ERP system challenges, and temporary cost saving measures related to COVID-19 in the second and third quarter of 2020, including temporary layoffs and receipt of CEWS grant income. Contributions to defined benefit pension plans stayed consistent compared to the same period last year. However, payments for severances related to DCMs restructuring initiatives were lower by $0.9 million and income tax payments were lower by $1.1 million compared to the same period last year.

Changes in working capital during the year ended December 31, 2020 generated $15.9 million in cash compared with $7.1 million of cash used in the prior year. In the prior comparable period there was a significant increase in trade receivables of $13.4 million given the challenges encountered with issuing accurate and timely billings as a result of the ERP transition in June 2019. This resulted in liquidity constraints in the prior comparable period whereby the Company was required to obtain additional financing in 2019 and manage payments to suppliers to maintain cash for working capital requirements. Billing volumes progressively increased throughout the following quarters as the Company began catching up on its backlog of orders, with continued efforts into 2020. Furthermore, DCM initiated clean-up efforts in 2020 to address the inaccurate billings previously issued, thereby constraining the invoicing team and causing further delay in timely billings and deterioration of collection efforts. Progressively throughout 2020, DCM started to see an inflow of cash from its billing efforts resulting in a decrease in trade receivables of $21.0 million. Furthermore, the conversion of BAR clients to bill and hold warehousing arrangements has resulted in the receipt of more than $12 million in client payments. Collectively, these efforts have resulted in an improvement in the cash position, which has also allowed DCM to increase payments to vendors resulting in a cash outflow of $11.4 million. DCM has also improved its' inventory management process resulting in an improvement in cash flow of $4.1 million.

INVESTING ACTIVITIES

For the year ended December 31, 2020, $0.8 million in cash flows were used for investing activities compared with $3.9 million during the same period in 2019. This represents a reduction of $3.1 million over the same period last year. For the the year ended December 31, 2020, $0.6 million related to investment in digital innovation projects. For the comparable period in 2019, $1.0 million of cash was primarily used to invest in IT equipment related to the implementation of the new ERP system and costs related to leasehold improvements to set up new production equipment, including the Gallus/Heidelberg hybrid digital label press at its Brampton, Ontario facility and the Heidelberg six-colour press at its Toronto, Ontario facility, $3.9 million of cash was used to further invest in the development of DCM's new ERP system and $0.7 million in cash proceeds were received upon the sale of its loose-leaf and index tab business in May 2019.

FINANCING ACTIVITIES

For the year ended December 31, 2020, cash flow used in financing activities was $45.1 million compared with $7.7 million generated during the same period in 2019.

A total of $32.9 million was repaid in the year ended December 31, 2020 on DCM's credit facilities compared to net proceeds drawn of $17.6 million during the comparative period. Of this amount, $29.0 million was repaid on the Credit Facility with the Bank during 2020. In the comparative period, the draw on the Credit Facility was to fund working capital requirements and manage cash flow to compensate for the slow-down in the collection process as a result of the ERP disruptions. In the current period, as working capital improved, DCM started to repay the additional financing drawn on the Credit Facility throughout 2020. The remaining repayment relates to $3.9 million repaid on the credit facilities related to FPD Credit Facilities, compared to $8.5 million in 2019. The reduction in payments on the FPD Credit Facilities relates to the deferral of principal payments from July 2019 to June 2020.

A total of $0.5 million was repaid during the period related to the vendor take-back promissory note issued in connection with the acquisition of Perennial compared with $3.9 million in the prior comparative period in connection with the DCM Burlington and Thistle VTBs, which were fully repaid in the first quarter of 2019, and BOLDER Graphics VTB and Perennial VTB, of which $0.3 million and $1 million, respectively, was repaid.

A total of $1.0 million of proceeds were received in connection with the Related Party Promissory Notes in third quarter of 2019. Finance lease payments increased by $0.4 million from the prior period due to an increase in rent payments.

PENSION FUNDING OBLIGATIONS

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

During the year ended December 31, 2020, 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, 2020, 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, 2020 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2020 is $0.6 million and 2021 is $0.4 million.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $227 thousand. During the year ended December 31, 2018, DCM applied $216 thousand of the excess funding from 2017 to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan. During the year ended December 31, 2019, DCM's required payments related to its 2019 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying the remaining excess funding from 2017 of $11 thousand was $0.5 million. The December 2019 payment of $44 thousand, related to DCM's funding requirement, was received by the DATA Communications Management Pension Plan during the first week of January 2020. During the year ended December 31, 2020, DCM's made all its required payments related to its 2020 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

DCM makes contributions to the Québec Graphic Communication Pension Plan (the “GCPP”), based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DCM facilities located in the Province of Québec.

The GCPP is a negotiated contribution defined benefit multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The GCPP is administered by a joint Board of Trustees composed of representatives of participating employers and of the unions representing plan members in collective bargaining. Based upon the terms of those applicable collective agreements, DCM’s estimated annual negotiated contribution to the GCPP for 2021 is $0.5 million.

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

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

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund deficiencies;
- require the Board of Trustees to develop and implement a recovery plan when the negotiated contributions are not sufficient to fund the plan, including the reduction of accrued benefits of all members; and

During the year ended December 31, 2020, DCM did not receive any other information on the GCPP.

Outstanding share data

At March 22, 2021 and December 31, 2020, there were 43,867,030 common shares of DCM (“Common Shares”) outstanding. At December 31, 2019, there were 43,047,030 Common Shares outstanding.

On December 31, 2019, DCM completed a rights offering (“Rights Offering”) which was conducted by way of a rights offering circular (“Circular”). Under the offering, DCM issued 21,523,515 Common Shares at a price of $0.23 per share for gross proceeds of $5.0 million. Among this, 11,341,310 Common Shares were issued to directors, officers and related parties of DCM for total gross proceeds of $2.6 million. The gross proceeds were used to reduce DCM outstanding indebtedness, by repaying amounts drawn under the revolving facilities portion of its Bank Credit Facility. Under the terms of the Rights Offering, each eligible shareholder (“Eligible Holder”) on record as of December 3, 2019 (the “Record Date”) received one right (“Right”) for each Common Share held as of the Record Date. Every Right entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $0.23 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $0.2 million which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $42.9 thousand.

On May 12, 2020, the Board approved the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share-based compensation grants and DCM warrants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019. The option and warrant exercise prices were adjusted by a factor of 1:0.917 and the number of options, RSUs, DSUs and warrants were adjusted by a factor of 1:1.09.

At March 22, 2021 and December 31, 2020, there were options outstanding to purchase up to 4,087,486 and 1,587,486 Common Shares, respectively. At December 31, 2019, there were options outstanding to purchase up to 1,456,409 Common Shares.

On March 8, 2021, DCM's new President & CEO, has been awarded a total of 2,500,000 options, with 1,000,000 options having vested immediately upon his date of hire, 500,000 options vesting on the first anniversary, 500,000 options vesting on the second anniversary of his hire date, and 500,000 vesting on the third anniversary of his hire date, with the vesting of the 1,500,000 options dependent on continued employment with DCM at such time. The options have an exercise price of $0.69 and a term of 7 years.

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

In connection with the anti-dilution adjustments, of the total outstanding options at as at December 31, 2019, 1,456,409 options were affected by those anti-dilution adjustments and were adjusted to 1,587,486 options during the second quarter of 2020.

At March 22, 2021 and at December 31, 2020, there were warrants outstanding to purchase up to 1,920,092 Common Shares. At December 31, 2019, there were warrants outstanding to purchase up to 1,688,571 Common Shares.

In June 2020, DCM issued warrants to purchase, for a period of 24 months, up to 500,000 common shares of the Company to the Bank at an exercise price of $0.185. During the fourth quarter of 2020, the 500,000 warrants were exercised at a price of $0.185 for gross proceeds of $93 thousand.

In June 2020, DCM issued warrants to purchase, for a period of 24 months, up to 215,450 common shares of the Company under the Perennial acquisition VTB at an exercise price of $0.185.

On July 31, 2019, DCM issued warrants to purchase, for a period of 3.8 years, up to 78,571 common shares of the Company in connection with the issuance of the Related Party Promissory Notes at an exercise price of $1.08 .

On August 16, 2019, DCM entered into an amendment with Crown and issued warrants to purchase, for a period of 3.7 years, up to 550,000 warrants as part of this financing, at an exercise price of $1.08.

On August 31, 2019, DCM issued warrants to purchase, for a period of 2.0 years, up to 100,000 common shares in connection with an agreement for advisory services, at an exercise price of $1.08 .

In connection with the anti-dilution adjustments, of the total outstanding as at December 31, 2019, 178,571 warrants outstanding with an exercise price of $1.08, were adjusted to 194,642 warrants outstanding with an exercise price of $0.99.

Financial instruments and Risk management

DCM's financial instruments consist of cash, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, credit facilities, promissory notes and lease liabilities, as indicated in DCM's statements of consolidated financial position as at December 31, 2020 and December 31, 2019, 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, promissory notes and lease liabilities are initially recognized at the discounted present value of the amounts required to be paid 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, restricted 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, 2020 was determined using default rates under the provision matrix for an amount of $0.7 million (2019 – $1.8 million), of which $0.3 million (2019 – $0.4 million) relates to unbilled receivables. The following tables represents the provision matrix as at December 31, 2020 and December 31, 2019, respectively:

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2020 and December 31, 2019, respectively:

December 31, 2020 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		0.17%	0.33%	0.35%	3.47%
Billed receivables balance	**$46,747**	$22,933	$10,607	$5,763	$7,444
Billed receivables ECL	**$352**	$39	$35	$20	$258

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

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2020 and December 31, 2019, respectively:

December 31, 2020 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Unbilled receivables		0.18%	0.40%	0.80%	2.86%
Unbilled receivables balance	**19,195**	6,556	2,125	1,018	9,496
Unbilled receivables ECL	**$301**	$12	$9	$8	$272

December 31, 2019 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.16%	0.31%	0.78%	2.51%
Unbilled receivables balance	$32,754	$11,317	$4,835	$3,464	$13,138
Unbilled receivables ECL	$390	$18	$15	$27	$330

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. During 2019, the Company underwent a transformation of its operational and financial reporting systems, implementing a new cloud based ERP system company-wide (excluding DCM Burlington, Thistle and Perennial) which affected its ability to generate accurate and timely billings to its customers. As a result of these billing issues, the aging of the Company's billed receivables deteriorated following the ERP implementation and at December 31, 2020 the Company has $7.4 million (16%) of its billed receivables that are over 90 days old (2019 - $12.2 million or 22%).

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, 2020, DCM had access to $13.1 million of available credit 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. At December 31, 2020, $2.8 million of DCM’s indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum, $16.8 million was subject to a fixed rate of interest of 6.95% per annum and $20.9 million was subject to a fixed interest rate of 12.0% per annum. The Related Party Promissory Notes, in the aggregate principal amount of $1.0 million was subject to a fixed rate of 12.0% 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 23 to the audited consolidated financial statements of DCM for the year ended December 31, 2020 contains additional information on DCM's financial instruments.

Contractual obligations

DCM believes it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2020. 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, 2020.

(in thousands of Canadian dollars, unaudited)	**Total**	**Less than a year**	**1 to 3 years**	**4 years and greater**
Pension funding contributions [(1)]	**$ 3,186**	**$ 1,055**	**$ 1,068**	**$ 1,063**
Lease liabilities [(2)]	**$ 67,572**	**11,044**	**20,492**	**36,036**
Long-term debt [(3)]	**$ 52,791**	**9,444**	**43,347**	**—**
Promissory notes [(4)]	**$ 2,483**	**1,321**	**1,162**	**—**
Total	**$ 126,032**	**$ 22,864**	**$ 66,069**	**$ 37,099**

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

(3) Credit facilities at December 31, 2020 subject to floating interest rates consisting of the Bank Credit Facility, expiring on January 31, 2023*. As at December 31, 2020, the outstanding balances totaled $5,687 and bore interest at a floating rate of 3.80% per annum. The amounts at December 31, 2020 include estimated interest totaling $312 for 2021, $216 for 2022, and $54 for 2023. The estimated interest was calculated based on the total borrowings outstanding during the period and the annual floating interest rate in effect as at December 31, 2020. Credit facilities at December 31, 2020 subject to fixed interest rates consisting of the FPD III Credit Facility, expiring on October 15, 2022, the FPD IV Credit Facility, expiring on March 10, 2023, the FPD V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring on May 7, 2023. As at December 31, 2020, the outstanding balances totaled $40,458 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, including payment in kind, on the Crown*

Facility totals $2,537 for 2021, $2,617 for 2022, and 931 for 2023. Credit facilities at December 31, 2019 subject to floating interest rates consisting of the Bank Credit Facility, expiring on January 31, 2023.

(4) Promissory notes related to loans provided by key members of management and related to the acquisitions completed during prior years. On July 31, 2019, DCM issued the Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of $1,000. The Related Party Promissory Notes bear interest at the rate of 12% per annum (previously 10% per annum, amended effective November 10, 2020), payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. A non-interest bearing promissory note related to the acquisition of Perennial totaling $2,253 and payable in three installments of $1,000 due on May 8, 2019, $1,000 due on May 8, 2020 and $500 due on May 8, 2021. Promissory notes related to the acquisitions completed during 2017 and 2018 included a non interest bearing promissory notes related to the acquisition of DCM Burlington totaling $4,566 and payable in two installments of $2,283 due on February 28, 2018 and February 28, 2019, respectively, and related to the acquisition of Thistle totaling $1,913 and payable in monthly installments of $137 ending February 28, 2019. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1,160 and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $58, beginning February 28, 2018 and ending September 30, 2019. As a result of amendments to its credit agreements, DCM suspended its payments on vendor take-back promissory notes on June 30, 2019. Resumption of payments on vendor take-back promissory notes will require prior approval from its lenders. DCM received approval from its lenders and made a $530 payment towards the promissory note related to the Perennial acquisition on February 28, 2020.

Transactions with related parties

During the year ended December 31, 2020, there were regular intercompany activities between DCM and its subsidiaries during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DCM. Related parties are defined as individuals who can influence the direction or management of DCM or any of its subsidiaries and therefore, the directors and officers of DCM's subsidiaries are considered related parties.

On January 4, 2021, DCM entered into an agreement with Perennial Brands Inc. ("PBI"), an arms' length third party and former subsidiary of DCM, pursuant to which DCM agreed to terminate an option to purchase an equity interest in PBI acquired by DCM in connection with the prior disposition of PBI. DCM received total gross proceeds of $1,200 as consideration for terminating the option..

On July 31, 2019, DCM issued Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of $1.0 million. In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes.

During the year ended December 31, 2019, directors, officers and related parties of DCM participated in a rights offering of Common Shares, purchasing 11,341,310 Common Shares (or 52.7% of the 21,523,515 common shares issued as a result of the rights offering) for consideration of $2.6 million.

During the year ended December 31, 2019, 89,500 Common Shares were issued to the CEO of DCM pursuant to the exercise of warrants. The additional share issue caused an increase in Common Shares by $175. The increase consisted of cash proceeds of $0.2 million as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of $18 thousand.

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 $0.7 million (2019 – $0.7 million).

On March 15, 2018, DCM entered into a 5 year loan agreement with a key member of management for a total of $0.1 million to finance the purchase of Common Shares. Interest will accrue at a rate of 3% per annum on the unpaid balance. As at December 31, 2020, the balance owing was $0.1 million (2019 – $0.1 million) was included within other non-current assets in the statement of financial position.

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

Operating results for the fourth quarter of 2020 and 2019

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, 2020**	October 1 to December 31, 2019
Revenues	**$ 60,589**	$ 71,489
Cost of revenues	**45,581**	53,959
Gross profit	**15,008**	17,530
Selling, general and administrative expenses	**12,976**	16,665
Restructuring expenses	**748**	(139)
	13,724	16,526
Income before finance costs, other income and income taxes	**1,284**	1,004
Finance costs		
Interest expense, net	**260**	2,449
Debt modification losses	**78**	3,789
Amortization of transaction costs	**146**	117
	484	6,355
Other Income		
Government grant income	**1,780**	—
Income (loss) before income taxes	**2,580**	(5,351)
Income tax (recovery) expense		
Current	**(754)**	(26)
Deferred	**409**	(1,312)
	(345)	(1,338)
Net income (loss) for the period	**$ 2,925**	$ (4,013)
Adjusted EBITDA (see Table 7)	**$ 7,387**	$ 5,524
Adjusted net income (loss) (see Table 8)	**$ 3,497**	$ (3,700)
Adjusted net income (loss) per share, basic and diluted	**$ 0.08**	$ (0.17)
Weighted average number of common shares outstanding, basic	**43,442,668**	21,757,467
Weighted average number of common shares outstanding, diluted	**44,258,933**	21,757,467
Number of common shares outstanding, basic	**43,867,030**	43,047,030
Number of common shares outstanding, diluted	**44,683,295**	43,047,030

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, 2020**		October 1 to December 31, 2019
Net income (loss) for the period	**$**	**2,925**	$	(4,013)
Interest expense, net		**260**		2,449
Debt modification losses		**78**		3,789
Amortization of transaction costs		**146**		117
Current income tax (recovery)		**(754)**		(26)
Deferred income tax expense (recovery)		**409**		(1,312)
Depreciation of property, plant and equipment		**762**		956
Amortization of intangible assets		**1,123**		1,184
Depreciation of the ROU Asset		**1,674**		2,377
EBITDA	**$**	**6,623**	$	5,521
Restructuring expenses		**748**		(139)
One-time business reorganization costs (1)		**16**		142
Adjusted EBITDA	**$**	**7,387**	$	5,524

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

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

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2020**		October 1 to December 31, 2019
Net income (loss) for the year	**$**	**2,925**	$	(4,013)
Restructuring expenses		**748**		(139)
One-time business reorganization costs (1)		**16**		142
Tax effect of above adjustments		**(192)**		310
Adjusted net income (loss)	**$**	**3,497**		(3,700)

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

REVENUES

For the quarter ended December 31, 2020, DCM recorded revenues of $60.6 million, a decrease of $10.9 million or 15.2% compared with the same period in 2019. The decrease in revenues for the quarter ended December 31, 2020 was due the impact of the COVID-19 pandemic as sales had not yet normalized during the fourth quarter of 2020. The decline in revenues was partially offset by a new digital workflow management contract.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2020, DCM recorded cost of revenues of $45.6 million, a decrease of $8.4 million or 15.5% from $54.0 million for the same period in 2019.

Gross profit for the quarter ended December 31, 2020 was $15.0 million, a decrease of $2.5 million or 14.4% from $17.5 million for the same period in 2019. Gross profit as a percentage of revenues for the quarter ended December 31, 2020 was 24.8%, which remained consistent with the prior year in 2019 of 24.5%. Gross profit as a percentage of revenues for the quarter ended December 31, 2020 was positively impacted by (i) realizing the full benefits from the cost saving initiatives implemented particularly in the second and third quarters of 2019, resulting in a reduction in salaries and wages, (ii) additional cost saving initiatives implemented throughout 2020, and other temporary lay-offs, reduction in casual labour and other cost saving measures in reaction to the impact of COVID-19 on the business, and (iii) improved management of purchasing inventory and other direct costs. However due to softness in sales, this resulted in weaker absorption of fixed overhead costs, especially in the month of December which adversely impacted gross profit and left it unchanged from prior year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2020 decreased $3.7 million or 22% to $13.0 million or 21.4% of total revenues, compared to $16.7 million, or 23.3% of total revenues, in the same period in 2019. The decrease in SG&A expenses for the quarter ended December 31, 2020, is due to a decrease in general and administrative expenses of $2.3 million and a decrease in selling, commissions and expenses by $1.4 million. The decrease in selling, commissions and expenses was primarily attributable to lower sales commission costs commensurate with the decrease in revenues due to the impact of COVID-19, additional cost saving initiatives implemented during 2020, and other temporary lay-offs and reduction in casual labour in reaction to the impact of COVID-19 on the business. The decrease in general and administrative expenses was attributable to additional cost saving initiatives implemented during 2020, and temporary lay-offs, reduction in casual labour, lower compensation and lower discretionary spending in response to the impact of COVID-19.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2020, DCM incurred a net restructuring expense of $0.7 million compared to restructuring recovery of $0.1 million in the same period in 2019. For the quarter ended December 31, 2020, DCM incurred a net restructuring recovery of $0.7 million primarily related to headcount reductions to direct labour to mitigate the impact of COVID-19, and other various headcount reductions to indirect labour as cost savings initiatives to improve gross margin.

ADJUSTED EBITDA

For the quarter ended December 31, 2020, Adjusted EBITDA was $7.4 million, or 12.2% of revenues, after adjusting EBITDA for the $0.7 million in restructuring expense, compared with an Adjusted EBITDA of $5.5 million or 7.7% of revenues for the same period in 2019. The increase in Adjusted EBITDA, for the quarter ended December 31, 2020 was primarily attributable to improved gross margins from continued discipline to improve pricing with customers, and more normalized level of operations and margins following remediation of the ERP system challenges experienced in June 2019. The improvements in EBITDA were offset by a reduction in revenue due to lower demand resulting from the impact of COVID-19. Temporary lay-offs and reductions in compensation and discretionary spending in response to the impact of COVID-19 on the business, and receipt of the CEWS grant income mitigated the impact on our financial performance.

FINANCE COSTS

Finance costs include interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16. For the quarter ended December 31, 2020, finance costs were $0.5 million compared to $6.4 million for the same period in 2019. Interest expense for the quarter ended December 31, 2020 decreased from the prior year due to reduction in the prime rates during the first quarter of 2020 and prime rate margins during the second quarter of 2020 and reduction in levels drawn under the Bank Credit Facility during the third and fourth quarters of 2020, thereby reducing the interest expense on the Credit Facility. The reduction in the Credit Facility resulted in acceleration of accretion income, which netted against the interest expense during the fourth quarter of 2020. This decrease was offset by an increase in the interest rate for the Crown Facility by 200 basis points per annum effective December 19, 2019, and modification of the Perennial acquisition VTB, now bearing a 10% interest rate per annum effective in the second quarter of 2020, which was previously non-interest bearing.

INCOME TAXES

DCM reported an income before income taxes of $2.6 million and a net income tax recovery of $0.3 million for the quarter ended December 31, 2020 compared to a loss before income taxes of $5.4 million and a net income tax recovery of $1.3 million for the quarter ended December 31, 2019.

NET INCOME (LOSS)

Net income for the quarter ended December 31, 2020 was $2.9 million compared to net loss of $4.0 million for the quarter ended December 31, 2019. The increase in comparable profitability for the quarter ended December 31, 2020 was primarily due to improved gross margins, more normalized level of operations and margins following remediation of the ERP system challenges experienced in June 2019, and reduction in interest expense. The improvements in net income were offset by a reduction in revenue due to lower demand resulting from the impact of COVID-19, which was mitigated by temporary lay-offs, reductions in compensation and discretionary spending and receipt of the CEWS grant income.

ADJUSTED NET (INCOME) LOSS

Adjusted net income for the quarter ended December 31, 2020 was $3.5 million compared to adjusted net loss of $3.7 million for the same period in 2019. The increase in comparable profitability for the quarter ended December 31, 2020 was primarily due to improved gross margins, more normalized level of operations and margins following remediation of the ERP system challenges experienced in June 2019, and reduction in interest expense. The improvements in net income were offset by a reduction in revenue due to lower demand resulting from the impact of COVID-19, which was mitigated by temporary lay-offs, reductions in compensation and discretionary spending and receipt of the CEWS grant income.

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)

	2020				**2019**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	**$ 60,589**	**$ 57,374**	**$ 63,936**	**$ 77,415**	$ 71,489	$ 63,215	$ 69,623	$ 78,549
Net income (loss) attributable to shareholders	**2,925**	**2,139**	**4,232**	**2,210**	(4,013)	(5,897)	(3,754)	(323)
Basic earnings (loss) per share	**0.07**	**0.05**	**0.10**	**0.05**	(0.18)	(0.27)	(0.17)	(0.02)
Diluted earnings (loss) per share	**0.07**	**0.05**	**0.10**	**0.05**	(0.18)	(0.27)	(0.17)	(0.02)

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2020 can be attributed to several principal factors: the impact of COVID-19 in the second, third and fourth quarters of 2020, the ERP launch impacting the third quarter of 2019, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, refinement of DCM's pricing discipline, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers, debt modification losses, and restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives.

DCM's net income for the fourth quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of $1.8 million, and restructuring expenses of $0.7 million. DCM's net loss for the fourth quarter of 2019 included reduction in revenue and higher costs due to disruptions caused by the transition to the new ERP system, restructuring recovery of $0.1 million related to its cost reduction initiatives and debt modification losses totaling $3.8 million as a result of the amendments to its senior credit facilities.

DCM's net income for the third quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of $2.8 million, restructuring expenses of $1.1 million, and $0.1 million of one-time business reorganization costs that did not qualify as a restructuring expense. DCM's net loss for the third quarter of 2019 included higher costs due to disruptions caused by the transition to the new ERP system and restructuring expenses of $2.8 million related to its cost reduction initiatives.

DCM's net income for the second quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of $4.5 million, restructuring expenses of $0.3 million, and $0.3 million of one-time business reorganization costs that did not qualify as a restructuring expense. DCM's net loss for the second quarter of 2019 included reduction in revenue due to a disruption of production and shipments to customers caused by DCM's transition to a new ERP and softness in spend from certain retailers, restructuring expenses of $3.2 million related to its cost reduction initiatives, and $0.5 million of one-time business reorganization costs that did not qualify as a restructuring expense.

DCM's net income for the first quarter of 2020 included improved margins due to restructuring initiatives from the third and fourth quarter of 2019, and restructuring expenses of $0.7 million related to its cost reduction initiatives. DCM's net loss for the first quarter of 2019 included $1.7 million related to its cost reduction initiatives, and $0.4 million of one-time business reorganization costs that did not qualify as a restructuring expense.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are outlined in notes 2 and 3 of the Notes to the consolidated financial statements of DCM for the year ended December 31, 2020.

EXISTING STANDARDS ADOPTED

IAS 20 GOVERNMENT GRANTS

Grants from the government are recognized at their fair value when there is reasonable assurance that the grant will be received and DCM will comply with all attached conditions. The Company has elected to present government grants related to income as "other income" in the consolidated statement of operations. DCM has applied this policy to the Canada Emergency Wage Subsidy.

NEW AND AMENDED STANDARDS ADOPTED

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

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

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

In October 2012, the IASB issued *Definition of Material (Amendments to IAS 1 and IAS 8)* to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after January 1, 2020. The adoption of this amendment did not have an impact on its consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of this amendment did not have an impact on its consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

IBOR REFORM

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that such rates will be based on liquid underlying market transactions. With this reform, the IASB have provided amendments to IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition and Measurement. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. These changes may impact the fair value of liabilities and financial instruments. The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. DCM is currently evaluating the impact of this amendment.

IFRS 16 COVID-19-RELATED RENT CONCESSIONS

In May 2020, the IASB issued an amendment to IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The mandatory effective date would be annual periods beginning on or after June 1, 2020, with early adoption permitted. The amended standard is not expected to have an impact on the consolidated financial statements.

IFRS 3 REFERENCE TO CONCEPTUAL FRAMEWORK

In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the consolidated financial statements.

IAS 37 ONEROUS CONTRACTS: COST OF FULFILLING A CONTRACT

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS: FEES IN THE '10 PER-CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018 - 2020. This amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The mandatory effective date would be for annual periods beginning on or after January 1, 2022 with early application permitted. The amended standard is not expected to have a significant impact on the 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 significant 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 or more frequently if events or changes in circumstances indicate there may be impairment. 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. The recoverable amounts of the CGUs were determined based on their estimated fair value less cost of disposal using a discounted cash flow method. Management applied considerable judgment in estimating the recoverable amounts of the CGUs, which included the use of significant assumptions relating to revenue growth rates, gross margins and discount rates. Changing the assumptions selected by management, in particular the projected revenue growth rates, gross margins, and discount rate assumptions used in the cash flow projections, could significantly affect the result of DCM's impairment analysis.

GOING CONCERN

The assessment of events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern involves considerable judgment as there continues to be significant uncertainty as to the duration and impact that the current COVID-19 pandemic could have on the Company's financial performance, and accordingly its ability to achieve its forecasted business results and meet its future financial covenants over the next twelve months.

REVENUE RECOGNITION

a) Allocating the transaction price to separate performance obligations on bundled contracts

Certain of the Company’s contracts with customers include the provision of warehousing, shipment, marketing and other services, in addition to manufacturing or purchase of third-party products. For bundled pricing arrangements, the Company allocates the transaction price to each performance obligation based on their relative stand-alone selling prices. This requires significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations.

b) Measurement of revenues and trade receivables

When determining the amount of revenue to record from contracts with customers, IFRS 15 requires the Company to reduce the transaction price for any price concessions expected to be provided to customers, as revenue can only be recognized to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In addition in accordance with IFRS 9, DCM applies the simplified approach to determine expected lifetime credit losses ("ECLs") on its billed trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking information of economic and other factors (such as potential impacts from the COVID-19 pandemic) affecting the ability of customers to settle the billed trade receivables.

During 2019, the Company underwent a transformation of its operational and financial reporting systems, implementing a new cloud based ERP system company-wide (excluding DCM Burlington, Thistle and Perennial) which has affected its ability to generate accurate and timely billings to its customers. As a result of these billing issues, the aging of the Company's billed trade receivables deteriorated following the ERP implementation and at December 31, 2020 the Company has $7.4 million (16%) of its billed trade receivables that are over 90 days old.

As a result considerable judgment by management is required to determine how the deterioration in aging of its billed trade receivables impacts both recorded revenues and gross billed trade receivables for price concessions that may need to be given to encourage customers to settle older amounts promptly as a result of billing issues, and ECL provisions required to reflect impairments of its billed trade receivable.

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

Management’s report on internal controls over financial reporting

DISCLOSURE CONTROLS AND PROCEDURES

DCM maintains a set of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) designed to provide reasonable assurance that information required to be disclosed in its public filings or otherwise under securities legislation is recorded, processed, summarized and reported on a timely basis and that such controls and procedures are designed to ensure that information required to be so disclosed is accumulated and communicated to its management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. With the supervision and participation of DCM’s senior management team, the Chief Executive Officer of DCM and the Chief Financial Officer ("CFO") of DCM have evaluated the effectiveness of disclosure controls and procedures of DCM as of December 31, 2020. Based on that evaluation, those officers have concluded that, as of December 31, 2020, such disclosure controls and procedures were 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.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Multilateral Instrument 52-109 requires the CEO and CFO to certify they are responsible for establishing and maintaining internal control over financial reporting (“ICFR”) for the Company and that ICFR has been designed and is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company’s internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. DCM’s internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, or persons performing similar functions, and effected by DCM's Board of Directors, management and other personnel. DCM’s internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of DCM's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company’s management, under the supervision of and with the participation of its CEO and CFO, assessed the effectiveness of DCM's internal control over financial reporting as of December 31, 2020 using the criteria set forth by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission in Internal Control-Integrated Framework (2013).

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

As a result of this management concluded that control deficiencies related to invoicing and production revenue recognition represented a material weakness, and that the Company’s internal control over financial reporting was not effective as of December 31, 2019.

REMEDIATION PLAN AND ACTIVITIES

During 2020 management implemented a remediation plan to ensure that control deficiencies contributing to the material weakness were remediated, such that these controls are designed, implemented, and operating effectively. The actions taken by DCM included:

a. continued enhancements to DCM's company-wide risk assessment processes;
b. additional training of responsible staff; supplemented with third-party consultants as needed;
c. implementation of additional business processes and system controls to ensure invoice accuracy, particularly with regards to oversight of order entry, including verification of pricing to customer trade agreements and purchase orders, and appropriate units of measure related to pricing and quantity;
d. reinforcing policies around customer purchase order review, retention and accessibility, credit and rebilling procedures, production revenue reconciliations, and monthly cut-off processes;
e. clearly identifying and communicating individual employees their responsibilities; and
f. implementing new reporting tools to ensure the completeness and accuracy of customer invoicing including additional manual controls.

Based on management’s assessment, DCM's CEO and CFO have certified that, based on their knowledge, the Company's internal controls over financial reporting are effective and the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the year ended December 31, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As at December 31, 2020, except for the actions taken to remediate the material weakness described above, there were no changes in the Company's internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

Outlook

"The DCM team accomplished some important initiatives in fiscal 2020," said Gregory J. Cochrane, President & CEO. "We made progress on our key strategic priorities, with continued emphasis on our key client relationships, improved gross margins, a significant reduction in our long-term debt, and further success in differentiating our technology platforms in the marketplace. We still have some way to go on reducing our total cost to serve our clients. Our working capital initiatives helped drive down our debt levels, as we continued to convert our clients from BAR to IOE billing and continued to reduce our accounts receivable balances. In addition, the CEWS grant income we received in the year significantly helped offset some of the financial impact on our business from the pandemic." DCM to date has qualified for and received approximately $10.7 million under the CEWS relief program. DCM continues to monitor changes to the CEWS and other COVID-19 related grants and subsidies that may be available and DCM's ability to qualify for any such programs.

Despite the ongoing COVID-19 pandemic, and the uncertainty of the impact on our economy and the Company's financial performance, DCM will continue to remain focused on our five operating initiatives throughout the next year. To date, these continuing initiatives have all contributed to an improved financial position.

- Improvement in the collection process reduced our accounts receivable balance, resulting in an inflow of cash to better manage our accounts payable owing to vendors. Combined with better inventory management, these efforts resulted in an improvement in the cash position, with an inflow from changes in working capital of $15.9 million, compared to an outflow of $7.1 million in the prior year.
- Reduction in our SG&A by $8.2 million or 22.7% of total revenues compared with 23.7% of total revenues in the prior year.
- Reduction in our total senior debt balance to $46.1 million, compared with a balance of $77.1 million in the prior year. Specifically, a significant reduction under the revolving Bank Credit Facility which was reduced down to $5.7 million, compared with a balance of $34.7 million in the prior year.

Risks and uncertainties

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

Financial reporting responsibility of management

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

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

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

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

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

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

(Signed) "Richard Kellam"	(Signed) "James E. Lorimer"
Richard Kellam President and Chief Executive Officer DATA Communications Management Corp.	James E. Lorimer Chief Financial Officer DATA Communications Management Corp.

March 22, 2021
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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment – Thistle and Perennial cash generating units *Refer to note 2 – Significant accounting policies and note 10 – Goodwill to the consolidated financial statements.* The Company had goodwill of $17.0 million as at December 31, 2020, which included goodwill balances related to the Thistle ($6.6 million) and Perennial ($8.7 million) cash generating units (CGUs). Management performs a goodwill impairment assessment annually at the end of each fiscal year or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount. As a result of the onset of the COVID-19 pandemic, management concluded that there were indicators of impairment in the first and second quarter of 2020 and performed an impairment assessment as at March 31, 2020, June 30, 2020 and December 31, 2020. The recoverable amounts of the CGUs were determined based on their estimated fair value less cost of disposal using a discounted cash flow method. Management applied considerable judgment in estimating the recoverable amounts of the Thistle and Perennial CGUs, which included the use of significant assumptions relating to revenue growth rates, gross margins and discount rates. Management concluded that there was no impairment of goodwill for the Thistle and Perennial CGUs as at December 31, 2020.	Our approach to addressing the matter included the following procedures, among others: • Tested how management developed the recoverable amount estimates of the Thistle and Perennial CGUs, which included the following: – Evaluated the appropriateness of management's discounted cash flow models. – Tested the underlying data used in the discounted cash flow models. – Evaluated the reasonableness of significant assumptions used by management related to revenue growth rates and gross margins by considering (i) the current and past performance of the Thistle and Perennial CGUs; (ii) the consistency with external industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. – Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of management's discounted cash flow models and the reasonableness of the discount rates assumptions. • Assessed the disclosures in the consolidated financial statements, including management's sensitivity disclosures on significant assumptions related to revenue growth rates,

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the magnitude of the matter and the considerable judgment by management when developing the recoverable amount estimates of the Thistle and Perennial CGUs. This led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions. The audit effort involved the use of professionals with specialized skill and knowledge.	gross margins and discount rates.

Revenue recognition – multiple performance obligations
 	
Refer to note 2 – Significant accounting policies and note 25 – Segmented information to the consolidated financial statements.
 	
The Company recognized total consolidated revenues of $259.3 million for the year ended December 31, 2020. Of this amount, $236.0 million (91%) related to product sales, $7.7 million (3%) related to warehousing services, $8.4 million (3.2%) related to freight services and $7.2 million (2.8%) related to marketing and other services.
 	
Certain of the Company's contracts with customers include the provision of warehousing, freight, marketing and other services, in addition to manufacturing or purchase from third parties of customized products based on specifications pre-approved by its customers. For bundled pricing arrangements, management allocates the transaction price to each performance obligation based on their relative stand-alone selling prices. Management applied significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations.
 	
We considered this a key audit matter due to the significant judgment by management in determining the stand-alone selling prices in allocating revenue between the various
	Our approach to addressing the matter included the following procedures, among others:
	
	• Evaluated the appropriateness of the accounting policies on revenue recognition.
	• Tested management's identification of performance obligations by examining customer contracts on a sample basis.
	• Tested how management determined the stand-alone selling prices in allocating revenue between the various performance obligations on a sample basis, which included the following:
	  – Obtained the analysis prepared by management to determine the stand-alone selling price of each performance obligation and evaluated the appropriateness of the methods used.
	  – Analyzed monthly revenues by performance obligation compared to the prior year.
	  – Tested the underlying data used by management by examining customer contracts, customer orders, invoices, cash receipts and accounting records.
	  – Evaluated the reasonableness of management's assumptions related to estimated stand-alone selling prices by comparing the estimated stand-alone selling price analysis to non-bundled

Key audit matter	How our audit addressed the key audit matter
performance obligations. This led to a high degree of auditor judgment and effort in performing procedures and evaluating audit evidence.	pricing arrangements and comparable market data, where applicable.
Provisions for billed trade receivables *Refer to note 2 – Significant accounting policies and note 23 – Financial instruments to the consolidated financial statements.* The Company's gross billed trade receivables of $46.7 million are recorded net of a $0.6 million provision for estimated price concessions and net billed trade receivables are recorded after deducting an additional provision for expected credit losses (ECLs) of $0.3 million as at December 31, 2020. When determining the amount of revenue to record from contracts with customers, management reduces the transaction price for any price concessions expected to be provided to customers, as revenue can only be recognized to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In addition, management applies the simplified approach to determine lifetime ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward-looking information of economic and other factors (such as potential impacts from the COVID-19 pandemic) affecting the ability of customers to settle the billed trade receivables. During 2019, the Company underwent a transformation of its operational and financial reporting systems, implementing a new cloud-based ERP system company-wide (excluding DCM	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the provisions for price concessions and ECLs on billed trade receivables as at December 31, 2020, which included the following: – Evaluated the appropriateness of management's methods. – Tested the underlying data used in the methods. – Evaluated the reasonableness of management's assessment of price concessions that may need to be given to encourage customers to settle older billed trade receivables promptly as a result of billing issues as well as ECL provisions required to reflect impairments of its billed trade receivables on a sample basis, which included the following: ○ Considered historical credit losses and the potential impact from the COVID-19 pandemic. ○ Tested cash received from customers subsequent to year-end. ○ Tested credit notes issued subsequent to year-end. ○ Obtained confirmation from customers in respect of invoices outstanding as at December 31, 2020, or inspected supporting documents such as customer correspondence, shipping documents, production records, customer orders or inventory records. ○ Analyzed the unsettled customer

Key audit matter	How our audit addressed the key audit matter
Burlington, Thistle and Perennial), which affected its ability to generate accurate and timely billings to its customers. As a result of these billing issues, the aging of the Company's billed trade receivables deteriorated and as at December 31, 2020, the Company had $7.4 million (16%) of its billed trade receivables over 90 days old. As a result, considerable judgment by management is required to determine how the deterioration in aging of the Company's billed trade receivables impacts both recorded revenues and gross billed trade receivables for price concessions that may need to be given to encourage customers to settle older amounts promptly as a result of billing issues, as well as ECL provisions required to reflect impairments of its billed trade receivables. We considered this a key audit matter due to the considerable judgment by management in estimating the provisions for price concessions and ECLs on billed trade receivables. This led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence.	balances over 90 days old and inquired with management regarding provisions made. • Assessed management's disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, including 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 express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 22, 2021

Consolidated statements of financial position

(in thousands of Canadian dollars)		December 31, 2020		December 31, 2019
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	578	$	—
Trade receivables (note 5)		65,290		86,451
Inventories (note 6)		8,514		12,580
Prepaid expenses and other current assets		1,521		2,611
		75,903		101,642
NON-CURRENT ASSETS				
Other non-current assets		581		828
Deferred income tax assets (note 15)		3,163		6,648
Restricted cash (note 13)		515		515
Property, plant and equipment (note 7)		9,783		13,062
Right-of-use assets (note 8)		42,341		56,381
Pension assets (note 16)		203		156
Intangible assets (note 9)		14,459		18,167
Goodwill (note 10)		16,973		16,973
	$	163,921	$	214,372
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft (note 13)	$	—	$	1,093
Trade payables and accrued liabilities		39,999		51,743
Current portion of credit facilities (notes 1 and 13)		6,172		3,887
Current portion of promissory notes (note 14)		1,154		492
Current portion of lease liabilities (note 12)		8,032		8,252
Provisions (note 11)		1,186		3,886
Income taxes payable (note 15)		1,608		2,068
Deferred revenue		2,798		2,133
		60,949		73,554
NON-CURRENT LIABILITIES				
Provisions (note 11)		90		192
Credit facilities (notes 1 and 13)		39,567		74,760
Promissory notes (note 14)		975		2,095
Lease liabilities (note 12)		40,321		53,514
Deferred income tax liabilities (note 15)		282		402
Pension obligations (note 16)		8,271		7,958
Other post-employment benefit plans (note 17)		3,507		2,938
	$	153,962	$	215,413
EQUITY				
SHAREHOLDERS' EQUITY / (DEFICIT)				
Shares (note 18)	$	256,260	$	256,045
Warrants (note 18)		850		853
Contributed surplus		2,354		2,300
Translation reserve		192		254
Deficit		(249,697)		(260,493)
	$	9,959	$	(1,041)
	$	163,921	$	214,372

General Information and Going Concern (note 1); Commitments and Contingencies (note 21); Subsequent Events (note 28)

Approved by Board of Directors

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

(Signed) "Gregory J. Cochrane" Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts)		**For the year ended December 31, 2020**		For the year ended December 31, 2019
REVENUES (note 25)	**$**	**259,314**	$	282,876
COST OF REVENUES		**186,372**		213,611
GROSS PROFIT		**72,942**		69,265
EXPENSES				
Selling, commissions and expenses		**26,424**		32,946
General and administration expenses		**32,460**		34,144
Restructuring expenses (note 11)		**2,821**		7,489
		61,705		74,579
INCOME (LOSS) BEFORE FINANCE COSTS, OTHER INCOME, AND INCOME TAXES		**11,237**		(5,314)
FINANCE COSTS				
Interest expense on long term debt and pensions, net		**2,819**		5,307
Interest expense on lease liabilities (note 12)		**3,257**		3,609
Debt modification losses (notes 13 and 14)		**703**		3,858
Amortization of transaction costs		**553**		465
		7,332		13,239
OTHER INCOME				
Government grant income (note 27)		**10,708**		—
INCOME (LOSS) BEFORE INCOME TAXES		**14,613**		(18,553)
INCOME TAX (RECOVERY) EXPENSE				
Current (note 15)		**(491)**		(105)
Deferred (note 15)		**3,598**		(4,461)
		3,107		(4,566)
NET INCOME (LOSS) FOR THE YEAR	**$**	**11,506**	$	(13,987)
BASIC EARNINGS (LOSS) PER SHARE (note 19)	**$**	**0.27**	$	(0.65)
DILUTED EARNINGS (LOSS) PER SHARE (note 19)	**$**	**0.27**	$	(0.65)

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars)	**For the year ended December 31, 2020**	For the year ended December 31, 2019
NET INCOME (LOSS) FOR THE YEAR	**$ 11,506**	$ (13,987)
OTHER COMPREHENSIVE (LOSS) INCOME:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)		
Foreign currency translation	**(62)**	12
	(62)	12
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)		
Re-measurements of pension and other post-employment benefit obligations	**(949)**	118
Taxes related to pension and other post-employment benefit adjustment above	**239**	(30)
	(710)	88
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX	**$ (772)**	$ 100
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**$ 10,734**	$ (13,887)

Consolidated statements of changes in shareholders' equity (deficit)

(in thousands of Canadian dollars)	Shares	Warrants	Contributed surplus	Translation reserve	Deficit	Total equity
Balance as at December 31, 2018	$ 251,217	$ 806	$ 1,841	$ 242	$ (246,594)	$ 7,512
Net loss for the year	—	—	—	—	(13,987)	(13,987)
Other comprehensive income for the year	—	—	—	12	88	100
Total comprehensive loss for the year	—	—	—	12	(13,899)	(13,887)
Issuance of common shares, net (note 18)	4,828	—	—	—	—	4,828
Expiration of warrants (note 18)	—	(269)	269	—	—	—
Share-based compensation expense (note 18)	—	—	190	—	—	190
Issuance and repricing of warrants, net (note 18)	—	316	—	—	—	316
Balance as at December 31, 2019	$ 256,045	$ 853	$ 2,300	$ 254	$ (260,493)	$ (1,041)

BALANCE AS AT DECEMBER 31, 2019	**$ 256,045**	**$ 853**	**$ 2,300**	**$ 254**	**$ (260,493)**	**$ (1,041)**
Net income for the year	**—**	**—**	**—**	**—**	**11,506**	**11,506**
Other comprehensive loss for the year	**—**	**—**	**—**	**(62)**	**(710)**	**(772)**
Total comprehensive income for the year	**—**	**—**	**—**	**(62)**	**10,796**	**10,734**
Issuance of common shares (note 18)	**80**	**—**	**—**	**—**	**—**	**80**
Exercise of warrants (note 18)	**135**	**(42)**	**—**	**—**	**—**	**93**
Share-based compensation expense (note 18)	**—**	**—**	**54**	**—**	**—**	**54**
Issuance of warrants, net (note 18)	—	**39**	—	—	—	**39**
BALANCE AS AT DECEMBER 31, 2020	**$ 256,260**	**$ 850**	**$ 2,354**	**$ 192**	**$ (249,697)**	**$ 9,959**

Consolidated statements of cash flows

(in thousands of Canadian dollars)		**For the year ended December 31, 2020**		For the year ended December 31, 2019
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss) for the year	**$**	**11,506**	$	(13,987)
Adjustments to net income (loss)				
Depreciation of property, plant and equipment		**3,541**		3,959
Amortization of intangible assets		**4,279**		3,962
Depreciation of right-of-use-assets (note 8)		**8,399**		8,940
Interest expense on lease liabilities (note 12)		**3,257**		3,609
Share-based compensation expense		**54**		190
Pension expense		**487**		596
Loss on disposal of property, plant, and equipment		**—**		72
Provisions (note 11)		**2,821**		7,489
Amortization of transaction costs and debt modification losses (notes 13 and 14)		**1,256**		4,327
Accretion of non-current liabilities and capitalized interest expense		**(972)**		290
Other post-employment benefit plans, net		**514**		(73)
Tax credits recognized		**—**		(94)
Income tax expense (recovery)		**3,107**		(4,566)
		38,249		14,714
Changes in working capital (note 20)		**15,944**		(7,122)
Contributions made to pension plans, net		**(1,116)**		(989)
Provisions paid (note 11)		**(5,623)**		(6,543)
Income taxes received (paid)		**181**		(871)
		47,635		(811)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(268)**		(1,036)
Purchase of intangible assets		**(571)**		(3,878)
Proceeds on disposal of property, plant and equipment		**4**		300
Proceeds on sale of business		**—**		675
		(835)		(3,939)
FINANCING ACTIVITIES				
Issuance of common shares and warrants, net (note 18)		**173**		4,798
Proceeds from credit facilities (note 13)		**—**		26,099
Repayment of credit facilities (note 13)		**(32,865)**		(8,495)
Repayment of other liabilities		**(333)**		(400)
Proceeds from promissory notes and warrants (note 14)		**—**		1,000
Repayment of promissory notes (note 4)		**(533)**		(3,905)
Transaction costs (note 13)		**(227)**		(533)
Lease payments (note 12)		**(11,336)**		(10,904)
		(45,121)		7,660
CHANGE IN CASH (BANK OVERDRAFT) DURING THE YEAR		**1,679**		2,910
(BANK OVERDRAFT) - BEGINNING OF YEAR	**$**	**(1,093)**	$	(3,999)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES		**(8)**		(4)
CASH AND CASH EQUIVALENTS / (BANK OVERDRAFT) - END OF YEAR	**$**	**578**	$	(1,093)

1 General information, basis of preparation and going concern

DATA Communications Management Corp ("DCM" or the "Company") is a communications solutions partner that provides a suite of comprehensive on and offline communication solutions to its clients including multi media campaign management, location-specific marketing,1:1 marketing, execution of custom loyalty programs, brand management, as well as fulfilling their commercial printing needs. The Company has locations throughout Canada and in the United States (Chicago, Illinois).

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

These financial statements have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company's liquidity position and financial results have improved over the past year, due to: (i) improving margins from cost containment initiatives, (ii) the support of the Federal government's Canada Emergency Wage Subsidy program (note 27), (iii) better matching of the timing of production and invoicing by converting clients from a legacy billing practice of billing on shipment (known as "bill as released" or BAR) to billing on production, and (iv) improvement in aged collections, billing accuracies and cash flow management, all of which have contributed to a reduction in outstanding credit facility balances. In addition, the ability to weather the COVID storm in 2020 through new business opportunities, cost containment and cash flow management, has given the Company additional confidence and financial strength to sustain through the extended pandemic. However, there continues to be significant uncertainty as to the length and long-term impact that the current COVID-19 (see COVID-19 section below) pandemic could have on the Company's financial performance including the amount of further government financial support that could be available to the Company, and accordingly its ability to meet its future financial covenants, as there is no forecasted headroom in certain financial covenants over the next twelve months if sales do not recover from the levels experienced since the COVID pandemic began, in the event that the Company does not take additional actions. These factors may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to comply with its financial covenants for at least the next twelve months which is contingent on management's ability to meet forecast revenue, profitability and cash collection targets and take actions to address operating and financial challenges resulting from COVID-19, or continue to obtain financial covenant waivers from such lenders' as may otherwise be necessary. DCM management plans to continue its focus on finding additional operating efficiencies, reducing selling, general and administrative expenses, continuing to convert clients away from BAR, and streamlining our invoicing and collections processes. To the extent practical, management intends to seek waivers in advance of anticipated covenant breaches.

The estimate of future cash flows in the Company's latest forecasts include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA) and the timing of cash collections). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions particularly to the ongoing impact of the COVID-19 pandemic, the effects and duration of which are difficult to project with respect to the Company's business and financial results (note 13).

There can be no assurances that DCM will be successful in meeting its financial covenants for at least the next twelve months or that future waivers will be provided by the lenders if the covenants are not met.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

COVID-19

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

Management of DCM has been closely monitoring developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where it operates. While safeguarding the well-being of individuals is the Company’s principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to ensure continued operation were implemented, including temporary layoffs of up to 182 employees, shift reductions, reductions in non-essential spending and deferral of other expenses and payments where practical and application for certain government programs (note 27) and the Company continues to evaluate and assess further actions. In addition, the Company sharpened its focus on working capital, reduced raw materials inventory and improved its accounts receivable balance. Despite these efforts it is possible that during an extended pandemic the operation of one or more of DCM’s production facilities could be disrupted. In these circumstances DCM may need to limit operations or be temporarily shut down. Although many of DCM customers’ products serve essential everyday needs, it is likely that the customer demand for these customer products could continue to deteriorate due to the slowing economy.

Despite DCM’s business continuing to operate as an essential services provider to a number of industries, including the healthcare, financial services and supply chain sectors, the Company has experienced a reduction in demand from certain clients and sectors due to the pandemic, particularly in its retail related business and from smaller and more transactional clients. The Company was able to offset partially the impact of the pandemic through sales of personal protective equipment ("PPE"), COVID signage and other prevention products. While the Company is anticipating sales to start to recover in 2021 as vaccines are rolled out and businesses reopen, it is not currently possible to accurately quantify the long-term impact of the pandemic on the Company’s operations or financial results. These possible impacts can be caused by both the pandemic itself as well as by the extensive public restrictions to continue limiting the spread of the virus and may differ in various business areas and DCM’s operating locations and timing of the loosening of various restrictions on businesses and the general public. During the second COVID province wide shut down, the Company continued to pursue new business and renewed several key customer contracts.

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

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.

These consolidated financial statements were approved by the Board of Directors ("Board") of DCM, on March 22, 2021.

2 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*, IFRS 16 *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.

i.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. DCM has two wholly owned subsidiaries, Perennial Inc. ("Perennial") (in Canada) and Data Communications Management (US) Corp. ("DCM USA") (in USA) (note 25).

ii.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.

iii.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	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 definite life 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 of disposal 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 revenue growth rates, gross margin and discount rates.

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

SHARE-BASED COMPENSATION

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

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

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

EMPLOYEE BENEFITS

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

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

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

(a) Defined contribution plan

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

(b) Defined benefit plans

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

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

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

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

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

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

The SERP is unfunded.

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

(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

Provisions are liabilities of uncertain timing or amount. 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. 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. The unwinding of the discount is recognized as a finance cost.

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

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

INCOME TAXES

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

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

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

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

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

LEASES

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

The accounting policies for leases are as follows:

AS A LESSEE

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

At the commencement of a lease contract:

(i) a lease liability is initially measured at the present value of the non-cancellable lease payments over the lease term and discounted at DCM's incremental borrowing rate which represents the rate DCM would pay to borrow funds to obtain the underlying asset over a similar term and with similar security. Lease payments include fixed payments and such variable payments that depend on an index or a rate; less any lease incentives receivable. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

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

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

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

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

AS AN INTERMEDIATE LESSOR

For sub-leases where DCM is an intermediate lessor, the interest in the head lease and sub-lease are accounted for separately. DCM assesses the lease classification of a sub-lease as either an operating lease or a finance lease with reference to the ROU Asset arising from the head lease.

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 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 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 due to the custom nature of the product, as 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. 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. Certain of DCM's contracts with customers include the provision of warehousing, freight, marketing and other services, in addition to manufacturing or purchase from third-parties of customized products based on specifications pre-approved by its customers. For bundled pricing arrangements, DCM allocates the transaction price to each performance obligation based on their relative stand alone selling prices. Management applied significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations. 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. DCM recognizes product revenues when control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses. 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. 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.

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. In addition price concessions (adjustments to the amount charged to a customer made outside of the initial contact terms) are sometimes provided to customers if there are billing disputes or customers have experienced some level of dissatisfaction in order to encourage customers to pay for previous purchases and continue making future purchases. Such incentive offerings and price concessions 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 and price concessions it will give to its customers and records these as a reduction to revenue in the consolidated statement of operations. DCM reduces the transaction price for any price concessions expected to be provided to customers, as revenue can only be recognized to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

CONTRACT COSTS

Contract costs represent incremental costs incurred, such as sales commissions for sales made to certain customers. Contract costs are deferred and included within prepaid expenses and other assets for contracts expected to be delivered after more than one year and then amortized over their estimated useful lives. Contract costs are carried at cost less accumulated amortization. For the years ended December 31, 2020 and 2019, 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 FVTPL 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 23.

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 information of economic and other factors (such as potential impacts from the COVID -19 pandemic) affecting the ability of customers to settle the billed trade receivables. 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 or more frequently if events or changes in circumstances indicate there may be impairment. 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. The recoverable amounts of the CGUs were determined based on their estimated fair value less cost of disposal using a discounted cash flow method. Management applied considerable judgment in estimating the recoverable amounts of the CGUs, which included the use of significant assumptions relating to revenue growth rates, gross margins and discount rates. Changing the assumptions selected by management, in particular the projected revenue growth rates, gross margins, and discount rate assumptions used in the cash flow projections, could significantly affect the result of DCM's impairment analysis.

GOING CONCERN
The assessment of events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern involves considerable judgment as there continues to be significant uncertainty as to the duration and impact that the current COVID-19 pandemic could have on the Company's financial performance, and accordingly its ability to achieve its forecasted business results and meet its future financial covenants over the next twelve months.

REVENUE RECOGNITION

a) Allocating the transaction price to separate performance obligations on bundled contracts

Certain of the Company's contracts with customers include the provision of warehousing, shipment, marketing and other services, in addition to manufacturing or purchase of third-party products. For bundled pricing arrangements, the Company allocates the transaction price to each performance obligation based on their relative stand-alone selling prices. This requires significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations.

b) Measurement of revenues and trade receivables

When determining the amount of revenue to record from contracts with customers, IFRS 15 requires the Company to reduce the transaction price for any price concessions expected to be provided to customers, as revenue can only be recognized to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In addition in accordance with IFRS 9, DCM applies the simplified approach to determine expected lifetime credit losses ("ECLs") on its billed trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking information of economic and other factors (such as potential impacts from the COVID-19 pandemic) affecting the ability of customers to settle the billed trade receivables.

During 2019, the Company underwent a transformation of its operational and financial reporting systems, implementing a new cloud based ERP system company-wide (excluding DCM Burlington, Thistle and Perennial) which has affected its ability to generate accurate and timely billings to its customers. As a result of these billing issues, the aging of the Company's billed trade receivables deteriorated following the ERP implementation and at December 31, 2020 the Company has $7,444 (16%) of its billed trade receivables that are over 90 days old (December 31, 2019 - $12,187 (22%)).

As a result considerable judgment by management is required to determine how the deterioration in aging of its billed trade receivables impacts both recorded revenues and gross billed trade receivables for price concessions that may need to be given to encourage customers to settle older amounts promptly as a result of billing issues, and ECL provisions required to reflect impairments of its billed trade receivable - see (note 23).

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) Existing standards adopted

IAS 20 GOVERNMENT GRANTS

Grants from the government are recognized at their fair value when there is reasonable assurance that the grant will be received and DCM will comply with all attached conditions. The Company has elected to present government grants related to income as "other income" in the consolidated statement of operations. DCM has applied this policy to the Canada Emergency Wage Subsidy (note 27).

(b) New and amended standards adopted

IFRS 3 BUSINESS COMBINATIONS (AMENDMENT)

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

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

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

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of this amendment did not have an impact on its consolidated financial statements.

c) Future accounting standards not yet adopted

IBOR REFORM

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that such rates will be based on liquid underlying market transactions. With this reform, the IASB have provided amendments to IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition and Measurement. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. These changes may impact the fair value of liabilities and financial instruments. The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. DCM is currently evaluating the impact of this amendment.

IFRS 16 COVID-19-RELATED RENT CONCESSIONS

In May 2020, the IASB issued an amendment to IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The mandatory effective date would be annual periods beginning on or after June 1, 2020, with early adoption permitted. The amended standard is not expected to have an impact on the consolidated financial statements.

IFRS 3 REFERENCE TO CONCEPTUAL FRAMEWORK

In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the consolidated financial statements.

IAS 37 ONEROUS CONTRACTS: COST OF FULFILLING A CONTRACT

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS: FEES IN THE '10 PER-CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018 - 2020. This amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The mandatory effective date would be for annual periods beginning on or after January 1, 2022 with early application permitted. The amended standard is not expected to have a significant impact on the 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 significant impact on DCM.

4 Business disposals

SALE OF TABS AND BINDER BUSINESS

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

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

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

5 Trade receivables

		December 31, 2020		December 31, 2019
Trade receivables	**$**	**65,942**	$	88,258
Provision for expected credit losses (note 23)		**(652)**		(1,807)
	$	**65,290**	$	86,451

As at December 31, 2020, trade receivables include unbilled receivables of $18,895 (2019 – $32,364), net of an expected credit loss allowance of $300 (2019 – $390).

6 Inventories

		December 31, 2020		December 31, 2019
Raw materials	**$**	**4,061**	$	8,304
Work-in-progress		**1,393**		2,035
Finished goods		**3,060**		2,241
	$	**8,514**	$	12,580

Raw materials inventory amount is net of obsolescence reserves of $154 (2019 – $229). Finished goods consist of base stock items.

7 Property, plant and equipment

The following tables present changes in property, plant and equipment for the years ended December 31, 2020 and 2019:

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware	Vehicles	Construction in progress	Total
Year ended December 31, 2020							
Opening net book value	**$ 3,437**	**$ 288**	**$ 8,489**	**$ 831**	**$ 17**	**$ —**	**$ 13,062**
Additions	**—**	**20**	**207**	**41**	**—**	**—**	**268**
Effect of movement in exchange rates	**(1)**	**—**	**(1)**		**—**	**—**	**(2)**
Disposals	**—**	**—**	**—**	**(4)**	**—**	**—**	**(4)**
Depreciation for the year	**(1,056)**	**(127)**	**(2,086)**	**(255)**	**(17)**	**—**	**(3,541)**
Closing net book value	**$ 2,380**	**$ 181**	**$ 6,609**	**$ 613**	**$ —**	**$ —**	**$ 9,783**
At December 31, 2020							
Cost	**$ 12,051**	**$ 1,659**	**$ 43,795**	**$ 3,079**	**$ 74**	**$ —**	**$ 60,658**
Accumulated depreciation	**(9,671)**	**(1,478)**	**(37,186)**	**(2,466)**	**(74)**	**—**	**(50,875)**
Net book value	**$ 2,380**	**$ 181**	**$ 6,609**	**$ 613**	**$ —**	**$ —**	**$ 9,783**

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

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

8 Right-of-use asset

The following tables present changes in the right-of-use assets for for the years ended December 31, 2020 and 2019:

	Property	**Office Equipment**	**Production Equipment**	**Total**
Year ended December 31, 2020				
Opening net book value	**$ 43,419**	**$ 1,610**	**$ 11,352**	**$ 56,381**
Additions	**642**	**—**	**204**	**846**
Modifications	**(6,665)**	**47**	**167**	**(6,451)**
Depreciation for the year	**(3,668)**	**(964)**	**(3,767)**	**(8,399)**
Effect of movement in exchange rates	**(30)**	**(11)**	**5**	**(36)**
Closing net book value	**$ 33,698**	**$ 682**	**$ 7,961**	**$ 42,341**
At December 31, 2020				
Cost	**$ 41,970**	**$ 2,441**	**$ 15,238**	**$ 59,649**
Accumulated depreciation	**(8,272)**	**(1,759)**	**(7,277)**	**(17,308)**
Net book value	**$ 33,698**	**$ 682**	**$ 7,961**	**$ 42,341**

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

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

During the year ended December 31, 2020, DCM modified certain leases by entering into renewal and/or amending agreements to extend or reduce a lease term and/or increase/reduce the lease payments. This includes formalizing a property lease agreement that was previously month-to-month, and reducing the term of its' Mississauga facility to exclude extension options as it was announced subsequent to year-end that the facility will consolidate with the Brampton facility by the end of 2021.

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

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

9 Intangible assets

The following tables present changes in intangible assets for the years ended December 31, 2020 and 2019:

		Customer relationships		Software and technology		Trademarks, trade names and non-compete agreements		Construction in progress		Total
Year ended December 31, 2020										
Opening net book value	**$**	**7,061**	**$**	**10,765**	**$**	**341**	**$**	**—**	**$**	**18,167**
Additions, net of transfers from CIP		**—**		**571**		**—**		**—**		**571**
Amortization for the year		**(1,612)**		**(2,461)**		**(206)**		**—**		**(4,279)**
Closing net book value	**$**	**5,449**	**$**	**8,875**	**$**	**135**	**$**	**—**	**$**	**14,459**
At December 31, 2020										
Cost	**$**	**87,733**	**$**	**25,754**	**$**	**8,697**	**$**	**—**	**$**	**122,184**
Accumulated amortization		**(82,284)**		**(16,879)**		**(8,562)**		**—**		**(107,725)**
Net book value	**$**	**5,449**	**$**	**8,875**	**$**	**135**	**$**	**—**	**$**	**14,459**

		Customer relationships		Software and technology		Trademarks, trade names and non-compete agreements		Construction in progress		Total
Year ended December 31, 2019										
Opening net book value	$	9,181	$	121	$	660	$	8,202	$	18,164
Additions, net of transfers from CIP		—		12,080		—		(8,202)		3,878
Reclassifications from PPE (note 7)		—		152				—		152
Disposals during the year (note 4)		(65)		—		—		—		(65)
Amortization for the year		(2,055)		(1,588)		(319)		—		(3,962)
Closing net book value	$	7,061	$	10,765	$	341	$	—	$	18,167
At December 31, 2019										
Cost	$	87,733	$	25,183	$	8,697	$	—	$	121,613
Accumulated amortization		(80,672)		(14,418)		(8,356)		—		(103,446)
Net book value	$	7,061	$	10,765	$	341	$	—	$	18,167

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

During the year ended December 31, 2020, the costs of $571 DCM incurred mainly related to a new development project.

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

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

10 Goodwill

		December 31, 2020		December 31, 2019
DCM	**$**	**864**	$	864
DCM Burlington		**836**		836
Thistle		**6,603**		6,603
Perennial		**8,670**		8,670
	$	**16,973**	$	16,973

DCM performs an annual impairment analysis of goodwill at the CGU levels at the end of each fiscal year, or more frequently if events or changes in circumstances indicate that the recoverable amount of the CGUs may be lower than their net carrying amount, such that there may be an impairment. As a result of the onset of the COVID-19 pandemic, DCM concluded that there were indicators of impairment in the first and second quarter of 2020 and performed an impairment analysis as of March 31, 2020 and June 30, 2020 as well as at December 31, 2020. The CGUs were defined as follows: DCM, DCM Burlington, Thistle, and Perennial. The classification of CGUs is consistent with the operating segments identified in note 25.

DCM performed its reviews for impairment of goodwill by comparing the fair value of each of its CGUs to its respective carrying values. DCM did not make any changes to the valuation methodology used to assess for impairment since its last annual impairment test. The recoverable amounts of all CGUs have been determined based on the fair value less cost of disposal. DCM uses the income approach to estimate the recoverable value of each CGU considering estimated cash flows from the perspective of an independent market participant, which would be classified within Level 3 of the fair value hierarchy. 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 required key assumptions about projected revenue growth rates, gross margins and discount rates.

During the first and second quarters of 2020, revenue growth rates and gross margins were based on the 2020 budget internally approved and presented to the Board and further projected over a 4.5 year period. The budget was revised to reflect management's expected decline in operating activity for the balance of fiscal 2020 as a direct result of COVID-19.

During the first quarter of 2020, average annual cumulative revenue growth rates over the forecast period range from (5.1)% to 0% for DCM, (20.9)% to 0% for DCM Burlington, (9.9)% to 1.0% for Thistle and (6.8)% to 1.0% for Perennial, with forecasted gross margins of 24.9% to 27.3% for DCM, 17.3% to 26.4% for DCM Burlington, 25.4% to 32.6% for Thistle and 57.3% to 57.7% for Perennial. Cash flows for a further perpetual period were extrapolated using a terminal growth rate of 0%.

During the second quarter of 2020, average annual cumulative revenue growth rates over the forecast period range range from (7.2)% to 3.9% for DCM, (19.3)% to 5.5% for DCM Burlington, (20.1)% to 17.5% for Thistle and (11.9)% to 43.1% for Perennial, with forecasted gross margins of 23.8% to 28.1% for DCM, 23.2% to 25.3% for DCM Burlington, 24.3% to 30.5% for Thistle and 50.6% to 56.7% for Perennial. Cash flows for a further perpetual period were extrapolated using a terminal growth rate of 0%.

During the fourth quarter of 2020, revenue growth rates and gross margins were based on the 2021 budget internally approved and presented to the Board and further projected over a five-year period. The average annual cumulative revenue growth rates for 2021 forecast period was 0.4% for DCM, 7.1% for DCM Burlington, 12.0% for Thistle and 30.60% for Perennial. A revenue growth rate of 1% (2019 – 1%) for DCM Burlington and Thistle CGUs, 0% (2019 – 0%) for DCM CGU and (4.3)% to 7.4% for Perennial was applied to revenue for 2022 to 2025, in consideration of the current economic conditions that existed as at December 31, 2020 and the specific trends of the business services and marketing solutions industries. A perpetual long-term growth rate of 0% (2019 – 0%) was used thereafter to derive the recoverable amount of these CGUs. The forecasted gross margins over the five-year forecast period range from 30.3% for DCM, 26.8% DCM Burlington, 34.1% Thistle and 54.0% for Perennial.

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

Furthermore, DCM derived an after-tax discount rate to calculate the present value of the projected cash flows using a weighted average cost of capital ("WACC") for the DCM, DCM Burlington, Thistle and Perennial CGUs. This represents an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of these CGUs. A discount rate of 13.75% was used for the first and second quarters of 2020, and 14.88% for the fourth quarter of 2020 (2019 – 14.25%) for DCM, DCM Burlington, Thistle and Perennial CGUs. The change in discount rates reflect management's judgment as to the specific risks relating to the CGUs and industry in which they operate.

As a result of these tests, it was concluded that there was no impairment of goodwill for DCM, DCM Burlington, Thistle and Perennial CGUs during the year. The estimated recoverable amount of the DCM, DCM Burlington, Thistle and Perennial CGUs exceeded their carrying values by:

	March 31, 2020	**June 30, 2020**	**December 31, 2020**	December 31, 2019
DCM	**$ 32,812**	**$ 14,097**	**$ 84,603**	$ 33,079
DCM Burlington	**14,367**	**2,409**	**13,709**	15,536
Thistle	**12,117**	**2,931**	**13,524**	14,259
Perennial	**3,825**	**8,752**	**3,527**	3,866

The recoverable amount of the DCM, DCM Burlington, Thistle and Perennial CGUs would equal their carrying values if the key assumptions were changed to the following (in each case with all other assumptions remaining unchanged).

	March 31, 2020	**June 30, 2020**	**December 31, 2020**	December 31, 2019
Discount rate				
DCM	**20.9 %**	**16.9 %**	**55.1 %**	31.8 %
DCM Burlington	**33.8 %**	**16.9 %**	**48.1 %**	38.6 %
Thistle	**24.5 %**	**16.4 %**	**37.1 %**	30.7 %
Perennial	**18.7 %**	**24.8 %**	**20.5 %**	22.5 %
Revenue growth rate over 5 year forecast period and in perpetuity				
DCM	**(3.0)%**	**(0.6)%**	**(9.6)%**	(3.2)%
DCM Burlington	**(14.2)%**	**(3.9)%**	**(10.8)%**	(17.2)%
Thistle	**(10.8)%**	**5.2 %**	**(7.5)%**	(14.4)%
Perennial	**(3.0)%**	**7.9 %**	**2.0 %**	(3.3)%
Gross Margin				
DCM	**24.8 %**	**27.0 %**	**23.4 %**	24.6 %
DCM Burlington	**16.1 %**	**23.2 %**	**15.8 %**	14.7 %
Thistle	**22.4 %**	**27.5 %**	**21.0 %**	19.7 %
Perennial	**50.3 %**	**43.2 %**	**47.0 %**	49.8 %

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

11 Provisions

	Termination provisions	Onerous contracts	Other	Total
Balance – December 31, 2019	**$ 4,078**	$ —	$ —	**$ 4,078**
Additional charge during the year	**2,821**	—	—	**2,821**
Utilized during the year	**(5,623)**	—	—	**(5,623)**
Balance - December 31, 2020	**$ 1,276**	—	—	**$ 1,276**
Less: Current portion of provisions	**(1,186)**	**—**	**—**	**(1,186)**
As at December 31, 2020	**$ 90**	**$ —**	**$ —**	**$ 90**

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

TERMINATION PROVISIONS

During the year ended December 31, 2020, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2020, these initiatives resulted in $2,821 of additional restructuring expenses due to headcount reduction across DCM's operations.

During the year ended December 31, 2019, total restructuring initiatives resulted in costs incurred of $7,489 due to headcount reductions across DCM's operations, the closure of its Brossard, Quebec manufacturing facility effective April 30, 2019, as part of its strategy to outsource its stationery business, and the sale of its loose-leaf binders and tab business in the Calgary, Alberta manufacturing facility.

For the year ended December 31, 2020, cash payments of $5,623 (2019 - $5,992), respectively, were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $1,276 at December 31, 2020 are expected to be paid in 2021 and 2022.

12 Lease liabilities

(i) *LEASE LIABILITIES*

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

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

	Property	Office Equipment	Production Equipment	Total
Balance - January 1, 2020	**$ 48,317**	**$ 1,903**	**$ 11,546**	**$ 61,766**
Additions	**642**	**—**	**204**	**846**
Modifications	**(6,374)**	**47**	**167**	**(6,160)**
Payments during the year	**(6,150)**	**(1,013)**	**(4,173)**	**(11,336)**
Interest charge for the year	**2,603**	**81**	**573**	**3,257**
Effects of movement in FX rates	**(5)**	**—**	**(15)**	**(20)**
Balance - December 31, 2020	**$ 39,033**	**$ 1,018**	**$ 8,302**	**$ 48,353**

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

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

	Contractual Cash Flows	Extension Options	Total December 31, 2020
Not later than one year	**$ 11,044**	**$ —**	**$ 11,044**
Later than one and not later than five years	**25,841**	**2,417**	**28,258**
Later than five years	**1,879**	**26,391**	**28,270**
Total undiscounted lease liabilities	**$ 38,764**	**$ 28,808**	**$ 67,572**
Discounted using the incremental borrowing rate			**(19,219)**
Lease liabilities			**$ 48,353**
Current			**$ 8,032**
Non-current			**$ 40,321**

(ii) AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

	For the year ended December 31, 2020	For the year ended December 31, 2019
Variable lease payments not included in the measurement of lease liabilities	**$ 5,178**	$ 6,152
Income from sub-leasing right-of-use assets	**$ (212)**	$ (198)
Expenses relating to short-term leases and leases of low value assets	**$ 1,170**	$ 1,208

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

13 Credit facilities

		December 31, 2020		December 31, 2019
Term loans				
- 6.10% term debt, maturing October 15, 2022, (FPD III Credit Facility)	**$**	**2,760**	$	3,404
- 6.95% term debt, maturing March 10, 2023, (FPD IV Credit Facility)		**13,678**		16,350
- 6.95% term debt, maturing May 15, 2023, (FPD V Credit Facility)		**3,109**		3,681
-12.00% term debt, maturing May 7, 2023, (Crown Facility)		**20,911**		19,000
Revolving facilities				
- floating rate debt, maturing January 31, 2023, (Bank Credit Facility)		**5,687**		34,664
Credit facilities	**$**	**46,145**	$	77,099
Unamortized debt premiums and discount		**921**		3,201
Unamortized transaction costs		**(1,327)**		(1,653)
	$	**45,739**	$	78,647
Less: Current portion of Credit facilities		**(6,172)**		(3,887)
Credit facilities	**$**	**39,567**	$	74,760

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”). Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35,000 (see Amendments to Credit Facilities) and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $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 1.35%. For the year ended December 31, 2020, DCM capitalized transaction costs of $150 related to the Bank Credit Facility. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at December 31, 2020, the unamortized transaction costs related to the Bank Credit Facility was $459. As at December 31, 2020, there were outstanding borrowings of $5,687 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of $567. As at December 31, 2020, all of DCM’s indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 3.80% per annum. As at December 31, 2020, DCM had access to $13,067 of available credit under the Bank Credit Facility. The cash and cash equivalents balance of $578 shown on the consolidated statement of financial position as at December 31, 2020 represents outstanding deposits which when cashed would be a deposit on the Bank Credit Facility. As at December 31, 2020, the carrying value of the debt instrument was $5,507. The carrying value includes the outstanding borrowings of $5,687, unamortized premium of $279 less the unamortized transaction cost of $459.

FPD FACILITIES

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

“FPD IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the “FPD III Credit Agreement”) between Thistle and Fiera Private Debt Fund III L.P. ("FPD III") (formerly, Integrated Private Debt Fund III LP), another fund managed by FPD, pursuant to which FPD III has advanced to Thistle a term loan facility (the “FPD III Credit Facility”). On November 10, 2017, DCM established a $28,000 secured, non-revolving senior credit facility (the "FPD V Credit Facility") with Fiera Private Debt V L.P. ("FPD V") (formerly, Integrated Private Debt Fund V LP), a fund managed by FPD (the "FPD V Credit Agreement" and, together with the FPD III Credit Agreement and the FPD IV Credit Agreement, the “FPD Credit Agreements”) to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The FPD III Credit Facility and the FPD V Credit Facility are subject to the same covenants stipulated under the FPD IV Credit Agreement and are reported on a consolidated basis.

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

The principal amount of the amended FPD III Credit Facility amortizes in blended equal monthly repayments of principal and interest of $96 over a nine year term ending October 15, 2022. The principal amount of the FPD IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of $422 over a seven year term ending March 10, 2023. The principal amount of the FPD V Credit Facility amortizes in blended equal monthly repayments of principal and interest of $91 over a sixty six month term ending May 15, 2023. The FPD III Credit Facility, FPD IV Credit Facility and FPD IV Credit Facility were amended on July 25, 2019 to defer principal payments for the months of August through December 2019 (see Amendments to Credit Facilities). As at December 31, 2020, all of DCM’s indebtedness outstanding under the FPD III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM’s indebtedness outstanding under the amended FPD IV Credit Facility and under the FPD V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at December 31, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD III Credit Facility were $13 and $2,760, respectively. As at December 31, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD IV Credit Facility were $208 and $13,678, respectively. As at December 31, 2020, the unamortized transaction costs and outstanding borrowings related to the FPD V Credit Facility were $83 and $3,109, respectively. The unamortized balance of the transaction costs for FPD III Credit Facility, FPD IV Credit Facility and the FPD V Credit Facility are being amortized over the remaining term of each respective facility. For the year ended December 31, 2020, DCM capitalized transaction costs of $16.

CROWN FACILITY

On May 8, 2018, DCM established a $12,000 non-revolving term loan facility ("Crown Tranche One Loan") with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"). On August 16, 2019, DCM entered into a third amendment to its Crown Facility whereby Crown advanced a second non revolving term loan in the principal amount of $7,000 ("Crown Tranche Two Loan"), for total advances in the principal amount of $19,000 that are repayable on maturity on May 7, 2023. These loans bore interest at 10% per annum which increased to 12% per annum on January 1, 2020 under the Crown Fourth Amendment. Interest is payable quarterly. In connection with this third amendment, DCM recognized a loss on modification of debt of $449 which is included in finance costs in the consolidated statement of operations. In connection with the fifth amendment interest on outstanding borrowings under the Crown Credit Agreement of $1,911 for the first ten months of 2020 was deferred and capitalized to DCM’s outstanding principal obligations under the Crown Credit Agreement increasing the total advances to $20,911. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and secured by a conventional security on all of the assets of DCM and its subsidiaries.

A total of 960,000 warrants were issued to Crown in connection with the Crown Tranche One Loan. 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 Tranche One Loan 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 18). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host is being accreted from $11,458 to $12,000 over the term of the loan. A total of 550,000 warrants were issued to Crown in connection with the Crown Tranche Two Loan. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.7 years, commencing on August 16, 2019. The Crown Tranche Two Loan was apportioned to 6,855 to the debt instrument and $145 to the warrant option based on the relative fair values (note 18). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host is being accreted from $6,855 to $7,000 over the term of the loan.

As at December 31, 2020, the carrying value of the Crown debt instrument was $20,989. This carrying value includes the loan principal balance of $20,911, unamortized premiums/discounts of $642 less unamortized transaction costs of $564. For the year ended December 31, 2020, DCM capitalized transaction costs of $61 related to the Crown Facility. The unamortized transaction costs of $564 is being amortized over the remaining term of this facility.

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.

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”). On January 16, 2019, DCM entered into an amendment to extend the interim funding period to March 31, 2019. On April 29, 2019, DCM finalized its lease agreement with the Bank pursuant to the Bank Lease Facility entered into on July 31, 2018. The agreement is for a period of five years with monthly payments of $38. Upon expiration of the lease term, DCM has the option to purchase or return the equipment.

AMENDMENTS TO CREDIT FACILITIES

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

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

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

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

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

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

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

On December 19, 2019, DCM entered into a fifth amendment to its Bank Credit Facility (the “Bank Fifth Amendment”). This amendment increased the maximum principal amount of the Bank Credit Facility to a maximum of $50,000, subject to successful completion of a rights offering and receipt of net proceeds from that rights offering of at least $3,000 after giving effect to any repayment of the related party promissory notes (as defined in note 14). The maximum principal amount available under the Bank Credit Facility will decrease by $1,500 each month commencing April 2020 until it has been reduced to $35,000 in January 2021. The Bank Fifth Amendment suspended the requirement for DCM to comply with its Fixed Charge Coverage Ratio (the “FCCR”) until July 31, 2020. DCM was required to maintain a FCCR of not less than 1.0 to 1.0 for the twelve month period ended July 31, 2020, a FCCR of not less than 1.05 to 1.0 for the twelve month period ended August 31, 2020 and a FCCR of not less than 1.1 to 1.0 for each twelve month period ending thereafter, commencing with the month ending September 30, 2020. The Bank Fifth Amendment introduced a new covenant requiring DCM to collect an agreed minimum percentage of its outstanding accounts receivable each month and a covenant requiring DCM to attain revenue in a minimum amount equal to not less than 90% of its forecasted revenue on a quarterly and on a cumulative basis commencing with the fourth quarter of 2019 and ending with the quarter ending June 30, 2020. The Bank Fifth Amendment also increased the interest rate payable by DCM on its prime rate loans by 100 basis points per annum, at least until such time as DCM demonstrates its achievement of at least a FCCR of greater than 1.1 to 1.0. In connection with this amendment, DCM recognized a loss on modification of debt of $2,808, which is included in finance costs in the consolidated statement of operations.

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

December 31, 2019. The FPD Amendment also revised DCM's Debt Service Coverage Ratio ("DSCR") covenant, such that DCM's minimum DSCR will be 0.75 to 1.0 for the quarters ending December 31, 2019 and March 31, 2020 and 1.00 to 1.0 for the quarter ending June 30, 2020. Thereafter, the original DSCR covenant of at least 1.50 to 1.0 will apply. The FPD Amendment also confirms that the monthly principal payments of the loans under the FPD Credit Agreements will recommence at the originally scheduled rate in January 2020. The FPD Amendment also increased DCM's maximum Total Funded Debt to $93,000. The FPD Amendment also added a new financial covenant requiring DCM to maintain a minimum monthly EBITDA of $1,000 during for the first seven months of 2020.

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

In connection with the Crown Fourth Amendment on December 19, 2019, the Company agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from $1.75 to $0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from $1.08 to $0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020. The increased value of the warrants arising from the debt modification was $121 which was recorded as a transaction cost and applied against the carrying value of the debt.

On February 21, 2020, DCM entered into a sixth amendment to its Bank Credit Facility (the "Bank Sixth Amendment"). Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $50,000 and a fixed percentage of DCM's aggregate accounts receivables and inventory (less certain reserve amounts). This amendment permits DCM: (i) for the period from January 1, 2020 to April 30, 2020, to add up to $6,000 on an unmargined basis (the "Unmargined Amount") when calculating that borrowing base, and (ii) for the period from January 15, 2020 to May 14, 2020, to remove from the calculation of that borrowing base, up to $2,800 of reserves (the "Excluded Pension Reserve Amount") on account of DCM's deficit in respect of its defined benefit pension plan. The Unmargined Amount of the borrowing base will reduce at the rate of $1,000 per month commencing on May 1, 2020 until the Unmargined Amount is fully removed from the borrowing base. DCM will be required to reinstate the Excluded Pension Reserve Amount in the calculation of its borrowing base by adding $1,000 and $2,000 of that amount respectively in each of May and June, 2020, and by including all of the Excluded Pension Reserve Amount in July 2020 and thereafter. In addition to the financial covenants in the Bank Credit Agreement, the Bank Sixth Amendment added a new financial covenant that requires DCM to meet a Minimum Cash Flow Requirement (as defined in the Bank Sixth Amendment). In the event that DCM's borrowing base exceeds total borrowings under the Bank Credit Facility by less than $1,500, tested on a bi-weekly basis, the Minimum Cash Flow Requirement requires DCM to demonstrate, in that circumstance, that net cash flows for the Company for the preceding four weeks do not vary negatively from its forecasted cash flows by more than $3,000.

The Bank Sixth Amendment also restricts DCM from making payments and distributions to non-arm's length parties without the Bank's consent, subject to certain exceptions, and increases the interest rate on DCM's borrowings under the Bank Credit Facility by 0.50% for the period from January 1, 2020 to September 30, 2020. In addition, a total of 500,000 warrants have been issued in connection with the Bank Sixth Amendment. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $0.185 for a period of 24 months, commencing on June 18, 2020 (note 18). In connection with this amendment, DCM recognized a loss on modification of debt of $359 which is included in finance costs in the consolidated statement of operations.

On February 21, 2020, DCM entered into an agreement with each of FPD III, FPD IV and FPD V to defer the payment of regularly scheduled principal payments owing to each of them under the applicable FPD Loan Agreement commencing February 1, 2020 with scheduled principal payments resuming June 15, 2020. The deferred principal payments will be added to the amounts due at maturity of the respective FPD Loan Agreements.

On February 21, 2020, DCM entered into a fifth amendment (the "Crown Fifth Amendment") to the Crown Credit Agreement. Under the Crown Fifth Amendment, for the period from January 1, 2020 to October 1, 2020, the interest on outstanding borrowings under the Crown Credit Agreement of $1,911 was deferred and capitalized to DCM's outstanding principal obligations under the Crown Credit Agreement. In connection with this amendment, DCM recognized a loss on modification of $450, which is included in finance costs in the consolidated statement of operations.

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

On March 30, 2020, DCM also entered into an agreement with each of FPD III, FPD IV and FPD V, to waive the financial covenant to maintain a minimum monthly EBITDA of $1,000 in respect of the months of March 2020, April 2020, May 2020 and June 2020 respectively. In addition, FPD also waived the Total Funded Debt to EBITDA Ratio covenant for the quarter ending June 30, 2020.

On March 30, 2020, DCM also entered into a sixth amendment (the "Crown Sixth Amendment") to the Crown Credit Agreement. This amendment waives the Net Debt to EBITDA Ratio covenant requirements for the quarters ending March 31, 2020 and June 30, 2020, respectively and also removes the new financial covenant requiring DCM to have EBITDA of not less than $4,000 for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8,000 for the six-month period ending June 30, 2020.

On June 23, 2020, in connection with the anticipated continued negative impact of COVID-19 on its second and third quarter results in particular, DCM entered into an additional waiver and amendment agreement with each of FPD III, FPD IV and FPD V, with respect to the FPD Credit Agreements. FPD has agreed to waive the financial covenant to maintain a minimum monthly EBITDA of $1,000 for the month of July 2020. In addition, FPD also agreed to amend the Total Funded Debt to EBITDA Ratio covenant for the quarter ending September 30, 2020 from no greater than 3.0 to 1.0 to no greater than 3.75 to 1.0, and for the quarter ending December 31, 2020, from no greater than 3.0 to 1.0 to no greater than 3.25 to 1.0.

On November 2, 2020, DCM entered into an eighth amendment to its Bank Credit Facility (the "Bank Eighth Amendment") under which the Bank reduced its interest rate on DCM's borrowings under the Bank Credit Facility by 25 basis points effective September 24, 2020. At the Company's request the Bank also agreed to accelerate reduction of the maximum principal amount available under the Bank Credit Facility to $35,000. As part of the Bank Sixth Amendment, the interest rate on DCM's borrowings under the Bank Credit Facility was increased by 0.5% between January 1 to September 30, 2020. Effective October 1, 2020, the interest rate was reduced by an additional 0.5% for a total floating interest rate of 3.8% at such time. In connection with this amendment, DCM recognized a gain on modification of $175, which is included in finance costs in the consolidated statement of operations.

COVENANT REQUIREMENTS

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

Under the terms of the Bank Credit Agreement, DCM's requirement to maintain a fixed charge coverage ratio was waived for September to November 2019, and the first six months of 2020, however DCM was required to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for the twelve month period ended July 31, 2020, not less than 1.05 to 1.0 for the twelve month period ended August 31, 2020 and is required to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 for each twelve month period ending thereafter, commencing with the month ending September 30, 2020. The fixed charge coverage ratio is 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. DCM is also required to collect an agreed minimum percentage of its outstanding accounts receivables during 2020, however this requirement was waived for the months of March, April, May, June, August, September, November and December absent which the Company would have been breach of this covenant. Each covenant is calculated and reported on a monthly basis. As at December 31, 2020, DCM was in compliance with the fixed charge coverage ratio covenant.

Under the terms of the FPD Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than 3.0 to 1.0 (except for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019, respectively when the covenant was revised to be no greater than 3.25 to 1.0). The covenant was amended on December 19, 2019 to be no greater than 4.5 to 1.0 for the second quarter of 2020, 3.75 to 1.0 for the third quarter of 2020, 3.25 to 1.0 for the fourth quarter of 2020 and 3.0 to 1.0 thereafter. FPD waived the requirement to comply with this covenant for the quarters ended June 2019 through June 2020; (ii) a debt service coverage ratio of not less than 1.50 to 1.0, reducing to 0.75 to 1.0 for the quarters ended December 31, 2019 and March 31, 2020, respectively, increasing to 1.00 to 1.0 for the quarter ended June 30, 2020 and thereafter a ratio of 1.50 to 1.0 will apply. FPD waived the requirement to comply with this covenant for the quarter ended September 30, 2019, (iii) a working capital current ratio of not less than 1.10 to 1.0, and (iv) total funded debt of not more than $72,000 up until the quarter ended June 30, 2019, $80,000 for the quarter ended September 30, 2019 (which FPD waived) and $93,000 commencing with the quarter ended December 31, 2019. Each covenant is calculated and reported on a quarterly basis. Monthly EBITDA levels must be greater than $1,000 during the first seven months of 2020. During the first quarter of 2020, the Company monthly EBITDA levels were waived for the months of March to June 2020. During the second quarter of 2020, the monthly EBITDA level was waived for the month of July 2020. At December 31, 2020, DCM was in compliance with these amendment covenants.

In addition, the FPD Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as consulting fees or distributions in cash to shareholders and/or related parties, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.0 to 1.0, which was subsequently amended to 1.85 to 1.00 from October 1, 2018 to September 30, 2019, and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the A&R Bank Credit Facility, the FPD A&R Credit Facilities and the Crown Facility and (iv) interest on leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. Resumption of payments on vendor take-back promissory notes will require prior approval by FPD.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 until December 31, 2019 and 3.0 to 1.0 thereafter. Crown waived the requirement to comply with this covenant for the quarters ended September 30, 2019 and December 31, 2019, respectively and modified this covenant ratio to be a maximum of 5.0 to 1:0 for the quarters ending March 31, 2020 and June 30, 2020, respectively, a maximum of 4.5 to 1.0 for the quarters ended September 30, 2020 and December 31, 2020, respectively, and a maximum of 3.0 to 1.0 thereafter. In addition EBITDA for the first three quarters of 2020 was calculated on an annualized basis instead of a trailing twelve months basis; (ii) a fixed charge coverage ratio no less than 1.40 to 1.0, for which waivers were obtained for the quarters ended March 31, 2019 through to June 30, 2020. Crown amended this covenant ratio to be at least 1.1 to 1.0 for the quarter ended September 30, 2020, at least 1.15 to 1.0 for the quarter ended December 31, 2020 and at least 1.25 to 1.0 for each quarter thereafter; and (iii) EBITDA of not less than $4,000 for the quarter ending March 31, 2020 and cumulative EBITDA of not less than $8,000 for the six-month period ending June 30, 2020 which were waived. Each covenant is calculated and reported on a quarterly basis. As at December 31, 2020, DCM was in compliance with these amendment covenants.

For purposes of the Bank Credit Agreement, the FPD Credit Agreements and Crown Facility agreement, “EBITDA” means net income or net loss for the relevant period, calculated on a consolidated basis, 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; lease payments to convert on a pre IFRS 16 basis; and any other extraordinary, non-recurring or unusual items such as restructuring costs as agreed to by the lender. The pro forma financial results from any acquisitions completed by DCM during a given year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations.

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

In addition, under the terms of the FPD IV Credit Agreement and the FPD V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of $425 and of $90 to be used for repayments of principal and interest of indebtedness outstanding under the FPD IV A&R Credit Facility and indebtedness outstanding under the FPD V A&R Credit Facility, respectively. As at December 31, 2020, there was a balance of $515 (December 31, 2019 - $515) in the blocked account related to the FPD IV A&R Credit Facility and FPD V A&R Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

The continued ability to comply with financial covenants on the Company's credit facilities for at least the next twelve months is contingent on management's ability to meet budgeted revenue and profitability targets and take actions to address operating and financial challenges resulting from COVID-19. The estimate of future cash flows in the Company's 2021 budget include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins, which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions (for example, if gross margins do not improve and were to remain in line with the current year and revenues do not increase from post COVID-19 levels, all other assumptions aside, the Company may be offside with certain of its existing financial covenants in the third quarter of 2021). The ongoing impact of the COVID-19 pandemic is difficult to project with respect to the Company's business and financial results. Collectively, these factors could materially affect the business and operating results and DCM's ability to comply with the financial covenants for 2021. Failure to obtain adequate financing if required and/ or on satisfactory terms and further covenant waivers as necessary could have a material adverse effect on the Company's results of operations and financial condition.

INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, Crown and the VTB Noteholders on the present and after acquired property of DCM and its subsidiaries.

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

The movement in credit facilities during the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020		December 31, 2019
Balance - Beginning of year, net of transaction costs and debt premiums and discounts	**$**	**78,647**	$	57,421
Changes from financing cash flows				
Proceeds from credit facilities		**—**		26,099
Repayment of credit facilities		**(32,865)**		(8,495)
Transaction costs		**(227)**		(533)
Total change from financing cash flows		**45,555**		74,492
Non-cash movements				
Issuance of new and repricing of existing warrants		**—**		(266)
Amortization of transaction costs		**553**		465
Debt modification losses		**634**		3,858
Accrued interest		**1,911**		—
Accretion of (premium) discount		**(2,914)**		98
Balance - End of year, net of transaction costs and debt premiums and discounts	**$**	**45,739**	$	78,647

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

		December 31, 2020
2021	**$**	**6,172**
2022		**7,267**
2023		**32,706**
	$	**46,145**

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

14 Promissory notes

The movement in the promissory note balances during the years ended December 31, 2020 and 2019 are as follows:

2020	**DCM Burlington acquisition**	**Thistle acquisition**	**BOLDER Graphics acquisition**	**Perennial acquisition**	**Related Party Promissory Notes**	**Total**
Balance – Beginning of year	**$ —**	**$ —**	**$ 175**	**$ 1,447**	**$ 965**	**$ 2,587**
Unwinding of discount	**—**	**—**	**2**	**6**	**10**	**18**
Loss on modification	**—**	**—**	**—**	**57**	**—**	**57**
Payments during the year	**—**	**—**	**(3)**	**(530)**	**—**	**(533)**
Balance – End of year	**$ —**	**$ —**	**$ 174**	**$ 980**	**$ 975**	**$ 2,129**
Less: Current portion of promissory notes	**$ —**	**$ —**	**$ (174)**	**$ (980)**	**$ —**	**$ (1,154)**
As at December 31, 2020	**$ —**	**$ —**	**$ —**	**$ —**	**$ 975**	**$ 975**

2019	DCM Burlington acquisition	Thistle acquisition	BOLDER Graphics acquisition	Perennial acquisition	Related Party Promissory Notes	Total
Balance - Beginning of year	$ 2,254	$ 270	$ 509	$ 2,343	$ —	$ 5,376
Addition - May 8, 2018	—	—	—	—	961	961
Unwinding of discount	29	4	—	104	4	141
Capitalized interest expense	—	—	14	—	—	14
Payments during the year	(2,283)	(274)	(348)	(1,000)	—	(3,905)
Balance - End of year	$ —	$ —	$ 175	$ 1,447	$ 965	$ 2,587
Less: Current portion of promissory notes	—	—	—	(492)	—	(492)
As at December 31, 2019	$ —	$ —	$ 175	$ 955	$ 965	$ 2,095

On June 18, 2020, DCM entered into an amendment for the Perennial acquisition VTB ("Perennial amendment"). The original terms required payments of $1,000 on May 8, 2020 and $500 on May 8, 2021. As of September 30, 2020, DCM made payments of $530 of the total $1,000 owing on May 8, 2020. The remaining payment of $470 was deferred, for a total of $970 due on May 8, 2021. The Perennial amendment also added an interest rate of 10% per annum commencing May 8, 2020. In connection with this amendment, an additional 215,450 warrants were issued (note 18). Each warrant entitles the holder to acquire one DCM common share at an exercise price of $0.185 for a period of 2 years, commencing on June 18, 2020. The Perennial amendment resulted in a loss on modification of the loan of $69 which was apportioned $57 to the debt instrument and $12 to the warrant option based on their relative fair values (note 18). The loss on modification of the loan of $69 is included in finance costs in the consolidated statement of operations.

On July 31, 2019, DCM issued promissory notes (“Related Party Promissory Notes”) to members of key management of DCM, in the aggregate principal amount of $1,000. The Related Party Promissory Notes bear interest at the rate of 10% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. The Related Party Promissory Notes are subordinated to DCM's obligations under the Bank A&R Credit Facility, the FPD A&R Credit Facilities and the Crown Facility on the same basis as the VTB Noteholders as provided for in the amended and restated inter-creditor agreement dated May 7, 2018. On November 10, 2020, DCM entered into an amendment to increase the interest rate from 10% per annum to 12% per annum for the remaining term of the promissory notes.

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

In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.8 years, commencing on July 31, 2019. The Related Party Promissory Notes of $1,000 was apportioned to $961 to the debt instrument and $39 to the warrant option based on their relative fair values (note 18). The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from $961 to $1,000 over the term of the loan.

Effective July 25, 2019 (date of the Amended FPD A&R Credit Facilities), DCM agreed to defer any further payments on its vendor take-back promissory notes. Resumption of payments on the vendor take-back promissory notes will require prior approval by FPD. DCM received approval for payment of $530 made on May 8, 2020 for the Perennial VTB.

15 Income taxes

Significant components of DCM's deferred income tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

December 31, 2020		**Assets**		**Liabilities**		**Net**
Pension obligations and other post-employment benefit plans	**$**	**2,920**	**$**	**—**	**$**	**2,920**
Property, plant and equipment, ROU assets and lease liabilities		**364**		**—**		**364**
Benefit of income tax loss and other carry-forwards		**64**		**—**		**64**
Deferred finance fees and debt premiums		**360**		**—**		**360**
Deductible reserves		**595**		**—**		**595**
Promissory notes		**2**		**—**		**2**
Intangible assets		**—**		**(1,357)**		**(1,357)**
Other		**—**		**(67)**		**(67)**
Total deferred income tax assets (liabilities)	**$**	**4,305**	**$**	**(1,424)**	**$**	**2,881**
Set-off of deferred income tax assets (liabilities) pursuant to set off provisions		**(1,142)**		**1,142**		**—**
Net deferred income tax assets (liabilities)	**$**	**3,163**	**$**	**(282)**	**$**	**2,881**

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

As at December 31, 2020, DCM recorded net deferred income tax assets of $3,163 (2019 – $6,648) and net deferred income tax liabilities of $282 (2019 – $402) 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.

(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, 2020 and 2019 are as follows:

	Balance at January 1, 2020	Other	Recognized in statement operations	Recognized in comprehensive income	Balance at December 31, 2020
Pension obligations and other post-employment benefit plans	**$ 2,713**	**$ —**	**$ (32)**	**$ 239**	**$ 2,920**
Property, plant and equipment, ROU assets and lease liabilities	**124**	**—**	**240**	**—**	**364**
Benefit of income tax loss and other carry-forwards	**2,393**	**—**	**(2,329)**	**—**	**64**
Deferred finance fees and debt premiums	**1,064**	**—**	**(704)**	**—**	**360**
Deductible reserves	**507**	**—**	**88**	**—**	**595**
Intangible assets	**(513)**	**—**	**(844)**	**—**	**(1,357)**
Promissory notes	**(15)**	**—**	**17**	**—**	**2**
Other	**(27)**	**(6)**	**(34)**	**—**	**(67)**
Deferred income tax assets (liabilities), net	**$ 6,246**	**$ (6)**	**$ (3,598)**	**$ 239**	**$ 2,881**

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

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

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, 2020, DCM has non-capital tax loss carry-forwards of $901 (2019 – $7,767). The non-capital tax loss carry-forwards expire in varying amounts from 2039 to 2040 (2019 – 2037 to 2039).

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

In the ordinary course of business, DCM and its subsidiaries and predecessors have entered into transactions where the ultimate tax determination may be uncertain. These uncertainties require management to make estimates of the ultimate tax liabilities and, accordingly, the provision for income taxes. Since there are inherent uncertainties, additional tax liabilities may result if tax matters are ultimately resolved or settled at amounts different from those estimates. As at December 31, 2020, DCM has provided for $1,407 (2019 - $2,267) included in income taxes payable related to past transactions where the ultimate tax determination is unclear.

The major components of income tax expense (recovery) for the years ended December 31, 2020 and 2019 are set out below:

		For the year ended December 31, 2020		For the year ended December 31, 2019
Current income tax expense:				
Current tax on profits for the year	**$**	**369**	$	(105)
Adjustment for current tax of prior periods		**(860)**		—
Total current income tax recovery	**$**	**(491)**	$	(105)
Total deferred income tax expense (recovery)		**3,598**		(4,461)
Total income tax expense (recovery) for the year	**$**	**3,107**	$	(4,566)

For the year ended December 31, 2020, deferred income tax expense (recovery) on the recognition of actuarial gains (losses) related to DCM's defined benefit plans of $(239) (2019 – $30) were recognized in the statements of comprehensive income.

The following are reconciliations of income tax expense (recovery) calculated at the statutory rate of Canadian corporate income taxes to the income tax expense (recovery) for the years ended December 31, 2020 and 2019.

		For the year ended December 31, 2020		For the year ended December 31, 2019
Income (loss) before income taxes	**$**	**14,613**	$	(18,553)
Expected income tax expense (recovery) calculated at statutory income tax rate (1)		**3,715**		(4,813)
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		**(3)**		43
Adjustment for current tax of prior periods		**(860)**		—
Non-deductible expenses and other items		**255**		204
Total income tax expense (recovery) for the year	**$**	**3,107**	$	(4,566)

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 25.42% (2019 – 25.94%).

The combined federal and provincial statutory income tax rate for the current year is 0.52% lower than 2019 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.49% (2019 – 25.48%) based on the tax rates in years when the temporary differences are expected to reverse.

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

16 Pension obligations, assets and expenses

Effective January 1, 2008, no further services credits will accrue under the defined benefit provision of the DATA Communications Management Pension Plan. Actuarial valuations are typically performed at least every three years. Based on those valuations, the annual cash contributions in respect of the defined benefit provision of the DATA Communications Management Pension Plan are dependent on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others. Under applicable pension regulations, the plan's solvency deficiency can be funded over a maximum period of five years.

During the year ended December 31, 2020, 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, 2020, 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, 2020 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2020 is $551 and 2021 is $423.

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

		December 31, 2020		December 31, 2019
Present value of funded obligations	**$**	**67,530**	$	64,999
Less: Fair value of plan assets		**(67,733)**		(65,155)
Surplus of funded plan		**(203)**		(156)
Present value of unfunded obligations		**8,271**		7,958
Pension obligations, net	**$**	**8,068**	$	7,802

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

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

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

	Funded	**Unfunded**	**December 31, 2020**
Balance – Beginning of year	**$ 64,999**	**$ 7,958**	**$ 72,957**
Interest expense	**1,935**	**232**	**2,167**
Benefits paid	**(3,290)**	**(521)**	**(3,811)**
Re-measurements:			
- Loss from change in financial assumptions	**5,072**	**528**	**5,600**
- Experience (gains) losses	**(1,186)**	**74**	**(1,112)**
Balance – End of year	**$ 67,530**	**$ 8,271**	**$ 75,801**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(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 funded DATA Communications Management Pension Plan and unfunded SERP:

	Funded	Unfunded	December 31, 2020
Balance – Beginning of year	$ 65,155	$ —	$ 65,155
Interest income	1,980		1,980
Employer contributions	595	521	1,116
Benefits paid	(3,290)	(521)	(3,811)
Administrative expenses paid from plan assets	(300)	—	(300)
Re-measurements:			
- Return on plan assets, excluding amounts included in interest income	3,593	—	3,593
Balance – End of year	$ 67,733	$ —	$ 67,733

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

DATA COMMUNICATIONS MANAGEMENT PENSION PLAN ASSET COMPOSITION

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

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Quoted	Percentage of plan assets	Quoted	Percentage of plan assets
Domestic equities	$ 436		$ 3,388	
Foreign equities	9,947		6,577	
Equity instruments	$ 10,383	15%	$ 9,965	15%
Short and mid-term bonds	$ 15,158		$ 11,883	
Long-term bonds	41,799		43,384	
Debt instruments	$ 56,957	84%	$ 55,267	85%
Cash and cash equivalents	$ 393	1%	$ (77)	0%
Total	$ 67,733	100%	$ 65,155	100%

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

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

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

	Funded	Unfunded	December 31, 2020
Administration expenses	**$ 300**	**$ —**	**$ 300**
Interest expense	**1,935**	**232**	**2,167**
Interest income	**(1,980)**	**—**	**(1,980)**
Total net interest expenses (income)	**(45)**	**232**	**187**
Defined benefit expense recognized	**$ 255**	**$ 232**	**$ 487**

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

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

AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

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

	Funded	Unfunded	December 31, 2020
Re-measurements:			
- Loss from change in financial assumptions	**$ 5,072**	**$ 528**	**$ 5,600**
- Experience (gains) losses	**(1,186)**	**74**	**(1,112)**
- Return on plan assets, excluding amounts included in interest income	**(3,593)**	**—**	**(3,593)**
	293	**602**	**895**
Deferred income tax effect	**(73)**	**(152)**	**(225)**
Defined benefit expense recognized	**$ 220**	**$ 450**	**$ 670**

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

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, 2020	December 31, 2019
DATA Communications Management Pension Plan		
Discount rate	2.50 %	3.10 %
Rate of compensation increase	3.00 %	3.00 %
SERP		
Discount rate	2.30 %	3.00 %

DCM decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2020 to reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2020.

(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, 2020	December 31, 2019
Retiring at the end of the reporting period:		
Male	21.9	21.8
Female	24.2	24.2
Retiring in 25 years after the end of the reporting period:		
Male	23.1	23.1
Female	25.4	25.4

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

ASSET VOLATILITY

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

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

CHANGES IN BOND YIELDS

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

SALARY RISK

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

LIFE EXPECTANCY

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

(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, 2020 and at December 31, 2019 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, 2020 Impact on defined benefit obligations	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (2,386)**	**$ 2,512**
Salary growth rate	**0.25%**	**399**	**(362)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**$ 2,313**	**$ (2,346)**

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

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

The weighted average duration of the defined benefit obligations is 12.92 years (2019 – 13.10 years).

Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1 to 2 years	Between 3 to 5 years	Between 5 to 10 years
At December 31, 2020	**$ 3,432**	**$ 7,019**	**$ 7,309**	**$ 19,637**
At December 31, 2019	$ 3,281	$ 6,769	$ 7,123	$ 19,525

The annual pension expense for the defined contribution provision of the DATA Communications Management Pension Plan is based on the amounts contributed in respect of eligible employees. The annual pension expense for the GCCP 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, 2020		For the year ended December 31, 2019
Defined contribution plan	**$**	**1,008**	$	1,225
Defined benefit multi-employer plans	**$**	**471**	$	505

DCM expects that, in 2021, contributions to the defined benefit provision of the DATA Communications Management Pension Plan will be approximately $423, contributions to the defined contribution provision of the DATA Communications Management Pension Plan will be approximately $1,040, contributions to the SERP will be approximately $544 , contributions to the GCPP will be approximately $468 and contributions to the Unifor Pension & Benefit Plans will be approximately $57.

17 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, 2020		December 31, 2019
Balance – Beginning of year	**$**	**2,938**	$	2,978
Current service cost		**244**		280
Interest expense		**94**		118
Benefits paid		**(338)**		(312)
Re-measurements:				
- Gain from change in demographic assumptions		**—**		(252)
- Loss from change in financial assumptions		**149**		154
- Experience gains		**420**		(28)
Balance – End of year	**$**	**3,507**	$	2,938

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, 2020		December 31, 2019
Current service cost	**$**	**244**	$	280
Interest expense		**94**		118
Re-measurements:				
- Gain from change in demographic assumptions		**—**		(112)
- Loss from change in financial assumptions		**103**		85
- Experience gains		**411**		(132)
Benefit expense recognized	**$**	**852**	$	239

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

AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

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

		December 31, 2020		December 31, 2019
Re-measurements:				
- Gain from change in demographic assumptions	**$**	**—**	$	(140)
- Loss from change in financial assumptions		**46**		69
- Experience losses		**9**		104
		55		33
Deferred income tax effect		**(14)**		(9)
Benefit recovery recognized	**$**	**41**	$	24

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

DCM OPEB Plans	**December 31, 2020**	December 31, 2019
Discount rate	**2.50%**	3.10%
Health care cost trend rate – Initial	**5.94%**	6.22%
Health care cost trend rate declines by 2040 (2019 – 2040)	**4.00%**	4.00%

DCM OPEB LTD Plan	**December 31, 2020**	December 31, 2019
Discount rate	**2.50%**	3.10%
Health care cost trend rate – Initial	**5.47%**	5.55%
Health care cost trend rate declines by 2040 (2019 – 2040)	**4.00%**	4.00%

SENSITIVITY ANALYSIS ON OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

	Impact on other post-employment benefit obligations				
At December 31, 2020	**Change in assumption**		**Increase in assumption**		**Decrease in assumption**
Discount rate	**0.25%**	**$**	**(64)**	**$**	**65**
Health care cost trend rates	**1.00%**		**233**		**(209)**
			Increase by 1 year in assumption		**Decrease by 1 year in assumption**
Life expectancy		**$**	**70**	**$**	**(67)**

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

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

	Increase by 1 year in assumption		Decrease by 1 year in assumption	
Life expectancy	$	61	$	(59)

Expected maturity analysis of undiscounted other post-employment benefits:

		Less than a year		Between 1 to 2 years		Between 3 to 5 years		Between 5 to 10 years
At December 31, 2020	**$**	**381**	**$**	**705**	**$**	**569**	**$**	**1,019**
At December 31, 2019	$	329	$	612	$	528	$	923

DCM expects that, in 2021, contributions to its DCM OPEB Plans and DCM OPEB LTD Plan will be approximately $381.

18 Shares and warrants

SHARES

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

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

	Number of Common shares		Amount
Balance – January 1, 2020	**43,047,030**	**$**	**256,045**
Shares issued under LTIP plan	**320,000**		**80**
Exercise of warrants	**500,000**		**135**
Balance – December 31, 2020	**43,867,030**	**$**	**256,260**

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

On December 31, 2019, DCM completed a rights offering (“Rights Offering”) which was conducted by way of a rights offering circular (“Circular”). Under the offering, DCM issued 21,523,515 Common Shares at a price of $0.23 per share for gross proceeds of $4,950. Among this, 11,341,310 Common Shares were issued to directors, officers and related parties of DCM for total gross proceeds of $2,609. The gross proceeds were used to reduce DCM outstanding indebtedness, by repaying amounts drawn under the revolving facilities portion of its Bank Credit Facility. Under the terms of the Rights Offering, each eligible shareholder ("Eligible Holder") on record as of December 3, 2019 (the "Record Date") received one right ("Right") for each Common Share held as of the Record Date. Every Right entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $0.23 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $165 which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $43.

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

WARRANTS

A summary of warrant activities for the year ended December 31, 2020 and the year ended December 31, 2019 is as follows:

	2020		2019	
	Number of Warrants	**Weighted average Exercise Price**	Number of Warrants	Weighted average Exercise Price
Warrants outstanding - beginning of year	**1,688,571**	**$ 0.35**	2,251,550	$ 1.75
Granted	**715,450**	**0.19**	728,571	1.08
Anti-dilution adjustment	**16,071**	**0.99**	—	—
Expired	**—**	**—**	(1,291,550)	1.75
Exercised	**(500,000)**	**(0.19)**	—	—
Warrants outstanding - end of year	**1,920,092**	**$ 0.33**	1,688,571	$ 0.35

The outstanding warrants had an exercise price range as follows:

	December 31, 2020	December 31, 2019
	Number of Warrants	Number of Warrants
$1.08	**—**	178,571
$0.99	**194,642**	—
$0.26	**1,510,000**	1,510,000
$0.185	**215,450**	—
Warrants outstanding	**1,920,092**	1,688,571

On June 18, 2020, DCM entered into an amendment under the Perennial acquisition VTB and issued 215,450 warrants in connection with the amendment. Each warrant entitles the holder to acquire one Common Share at an exercise price of $0.185 for a period of 2 years, commencing on June 18, 2020. The fair value of the warrants issued was estimated to be $12 using the Black-Scholes option-pricing model, assuming a risk-free interest of 0.30%, a weighted average life of 2 years, a dividend yield of nil and an expected volatility of 56.95% based on comparable companies and adjusted using a discount rate of 5% for the statutory hold period.

On June 18, 2020, DCM issued 500,000 warrants in connection with an amendment under the Bank Credit Facility on February 21, 2020. Each warrant entitles the holder to acquire one Common Share at an exercise price of $0.185 for a period of 2 years, commencing on June 18, 2020. The fair value of the warrants issued was estimated to be $27 using the Black-Scholes option-pricing model, assuming a risk-free interest of 0.30%, a weighted average life of 2 years, a dividend yield of nil and an expected volatility of 56.95% based on comparable companies and adjusted using a discount rate of 5% for the statutory hold period. During the fourth quarter of 2020, the 500,000 warrants were exercised for total proceeds of $93.

On May 12, 2020, the Board approved the anti-dilution adjustments that affect certain DCM warrants outstanding at December 31, 2019, pursuant to the anti-dilution provisions of DCM's LTIP, in connection with the Rights Offering completed by the Company on December 31, 2019. The warrant exercise prices were adjusted by a factor of 1:0.917 and the number of warrants were adjusted by a factor of 1:1.09. 178,571 warrants outstanding with an exercise price of $1.08, were adjusted to 194,642 warrants outstanding with an exercise price of $0.99.

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

On August 31, 2019, DCM issued 100,000 warrants in connection with an agreement for advisory services. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 2.0 years, commencing on August 31, 2019. The fair value of the warrants issued was estimated to be $18 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.35%, a weighted average life of 2.0 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling $5 (increased by a deferred income tax asset of $1). DCM recorded $18 as consulting expense related to this issuance. As at December 31, 2020, the value allocated to the warrants outstanding for this issue was $13, net of transaction costs (increased by a deferred income tax asset of $1).

On July 31, 2019, DCM issued 78,571 warrants in connection with the issuance of the Related Party Promissory Notes. Each warrant entitles the holder to acquire one DCM common share at an exercise price of $1.08 for a period of 3.8 years, commencing on July 31, 2019. The fair value of the warrants issued was estimated to be $39 using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.49%, a weighted average life of 3.8 years, a dividend yield of nil and an expected volatility of 40% based on comparable companies. The total Related Party Promissory Notes amount of $1,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at December 31, 2020, the value allocated to the warrant options outstanding for this issue was $38, net of transaction costs of $1 (increased by a deferred income tax asset of $1).

On December 19, 2019, in connection with the Crown Fourth Amendment (note 13), the Company agreed to amend the exercise price of (A) the 960,000 common share purchase warrants of the Company issued to Crown in May 2018 from $1.75 to $0.26, and (B) the 550,000 common share purchase warrants of the Company issued to Crown in August 2019 from $1.08 to $0.26. In accordance with the rules of the Toronto Stock Exchange, these amendments became effective on January 8, 2020. The increased value of the warrants arising from the debt modification was $121 which was recorded as a transaction cost and applied against the carrying value of the debt.

SHARE-BASED COMPENSATION

DCM has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DCM; and, align the interests of Participants with those of the shareholders of DCM. Awards to Participants are primarily based on the financial results of DCM and services provided. The aggregate maximum number of common shares available for issuance from DCM's treasury under the LTIP is 4,386,703 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

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

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.

On May 12, 2020, the Board approved the anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share-based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019. The option exercise prices were adjusted by a factor of 1:0.917 and the number of options, RSUs and DSUs were adjusted by a factor of 1:1.09.

(a) Restricted share unit ("RSU")

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

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

	December 31, 2020	December 31, 2019
	Number of RSUs	Number of RSUs
Balance - beginning of year	**707,950**	530,452
Units granted	**7,054,214**	853,016
Units forfeited	**(4,941,372)**	(648,883)
Units paid out	**(158,231)**	(26,635)
Balance - end of year	**2,662,561**	707,950

During the year ended December 31, 2020, the Chief Executive Officer ("CEO") and the President of DCM were granted 2,799,707 RSUs (2019 – 327,343 RSUs) and a total of 4,254,507 RSUs (2019 – 525,673 RSUs) were awarded to other members of DCM's management.

Of the total RSUs outstanding as at December 31, 2019, 695,101 were affected by those anti-dilution adjustments, and were adjusted to 757,656 RSUs.

Of the total outstanding RSUs at December 31, 2020, nil (December 31, 2019 – 54,857) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2020 was $769 (December 31, 2019 – $193).

During the year ended December 31, 2020, compensation expense of $608 (2019 – $230) 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, 2020 and the year ended December 31, 2019 is as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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

	2020			2019		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of year	**1,456,409**	**$**	**1.45**	1,991,957	$	1.45
Granted	**—**		**—**	40,000		1.41
Forfeited	**—**		**—**	(575,548)		(1.44)
Anti-dilution adjustment	**131,077**		**1.33**	—		—
Options outstanding - end of year	**1,587,486**	**$**	**1.33**	1,456,409	$	1.45
Exercisable	**1,522,087**	**$**	**1.33**	1,116,415	$	1.46

The outstanding Options had an exercise price range as follows:

	December 31, 2020 Number of Options	December 31, 2019 Number of Options
$1.50	**—**	616,409
$1.41	**—**	840,000
$1.38	**671,886**	—
$1.29	**915,600**	—
Options outstanding	**1,587,486**	1,456,409

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

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

During the year ended December 31, 2019, options to purchase up to 40,000 common shares were awarded to a director. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 28, 2019. During the year ended December 31, 2020, a total of nil (2019 – 575,548) options awarded were forfeited.

Of the total outstanding options at as at December 31, 2019, 1,456,409 options were affected by those anti-dilution adjustments and were adjusted to 1,587,486 options.

During the year ended December 31, 2020, compensation expense of $54 (2019 – $190) was recognized in the consolidated statement of operations related to options granted.

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

Each director is required to receive at least half of his or her annual retainer in DSUs and had the option to elect to receive all or part of his or her other compensation in DSUs.

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

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

Of the total DSUs outstanding as at December 31, 2019, 476,865 were affected by those anti-dilution adjustments, and were adjusted to 519,782 DSUs.

During the year ended December 31, 2020, 1,715,722 DSUs (2019 – 152,925 DSUs) were granted. The carrying amount of the liability relating to the 1,955,571 DSUs outstanding at December 31, 2020 was $1,232 (December 31, 2019 – $58 and 239,849 DSUs outstanding).

During the year ended December 31, 2020, an expense of $1,260 (2019 – a recovery of $58) was recognized in the consolidated statement of operations related to DSUs granted.

19 Earnings (loss) per share

		For the year ended December 31, 2020		For the year ended December 31, 2019
BASIC (LOSS) EARNINGS PER SHARE				
Net (loss) income for the year attributable to common shareholders	**$**	**11,506**	$	(13,987)
Weighted average number of shares		**43,146,866**		21,582,483
Basic (loss) earnings per share	**$**	**0.27**	$	(0.65)
DILUTED (LOSS) EARNINGS PER SHARE				
Net (loss) income for the year attributable to common shareholders	**$**	**11,506**	$	(13,987)
Weighted average number of shares		**43,316,630**		21,582,483
Diluted (loss) earnings per share	**$**	**0.27**	$	(0.65)

For the year ended December 31, 2020, options to purchase up to 1,587,486 common shares, where the average market price of the common shares was less than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 194,642 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of December 31, 2020.

During the year ended December 31, 2019, options to purchase up to 1,456,409 common shares, where the average market price of the common shares was less than the exercise price, were excluded in the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 1,688,571 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of December 31, 2019.

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

20 Changes in working capital

	For the year ended December 31, 2020	For the year ended December 31, 2019
Trade receivables	**$ 21,011**	$ (13,436)
Inventories	**4,066**	(4,038)
Prepaid expenses and other current and non-current assets	**1,627**	945
Trade and accrued liabilities	**(11,425)**	8,751
Deferred revenue	**665**	656
	$ 15,944	$ (7,122)

21 Commitments and Contingencies

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

DCM makes contributions to the Québec Graphic Communication Pension Plan (the "GCPP"), based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DCM facilities located in the Province of Québec.

The GCPP is a negotiated contribution defined benefit multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The GCPP is administered by a joint Board of Trustees composed of representatives of participating employers and of the unions representing plan members in collective bargaining. Based upon the terms of those applicable collective agreements, DCM's estimated annual negotiated contribution to the GCPP for 2021 is $468.

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

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

- limit required employer contributions only to those amounts specified in the applicable collective agreements negotiated with the relevant unions;
- eliminate the employer's obligation to fund deficiencies;
- require the Board of Trustees to develop and implement a recovery plan when the negotiated contributions are not sufficient to fund the plan, including the reduction of accrued benefits of all members; and

During the year ended December 31, 2020, DCM did not receive any other information on the GCPP.

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

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, DCM may issue new shares. Management anticipates that any major acquisition or significant growth initiatives would be financed in part with additional equity and debt.

DCM is not subject to any externally imposed capital requirements other than the covenants and restrictions under the terms of its Credit Facilities including the requirement to meet certain financial ratios and financial conditions pertaining to permitted investments, acquisitions, lease agreements, dividends and subordinated debt (see note 13).

DCM's capital structure is as follows:

		December 31, 2020		December 31, 2019
Credit facilities	**$**	**45,739**	$	78,647
Promissory notes		**2,129**		2,587
Lease liabilities		**48,353**		61,766
Total long-term debt	**$**	**96,221**	$	143,000
Total equity (deficit)	**$**	**9,959**	$	(1,041)

23 Financial instruments

DCM's financial instruments consist of cash, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, credit facilities, promissory notes and lease liabilities, as indicated in DCM's statements of consolidated financial position as at December 31, 2020 and 2019. 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, credit facilities, promissory notes, and lease liabilities. 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 and director 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.

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

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, promissory notes and lease liabilities are initially recognized at the discounted present value of the amounts required to be paid to derive its fair value and are then measured at amortized costs using the effective interest method, less any impairment losses.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values and the fair values of DCM's financial instruments are classified into the categories listed below in accordance with IFRS 9.

December 31, 2020	**Carrying Value**	**Fair Value**
Financial assets at amortized cost (1)	**$66,383**	**$66,383**
Financial liabilities at amortized cost (2)	**133,159**	**134,486**
Financial liabilities FVTPL (3)	**2,001**	**2,001**

December 31, 2019	Carrying Value	Fair Value
Financial assets at amortized cost (1)	$86,966	$86,966
Financial liabilities at amortized cost (2)	195,414	197,067
Financial liabilities FVTPL(3)	251	251

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

Credit facilities, promissory notes, lease liabilities, 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, restricted 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.

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

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, 2020 was determined using default rates under the provision matrix for an amount of $652 (2019 – $1,807), of which $300 (2019 – $390) relates to unbilled receivables.

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2020 and December 31, 2019, respectively:

December 31, 2020	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.17%	0.33%	0.35%	3.47%
Billed receivables balance	**$46,747**	$22,933	$10,607	$5,763	$7,444
Billed receivables ECL	**$352**	$39	$35	$20	$258

December 31, 2019	Total	Less than 30 days	Over 30 days	Over 60 days	Over 90 days
Default rates		1.32%	1.31%	2.19%	6.24%
Billed receivables balance	$55,504	$16,603	$16,736	$9,978	$12,187
Billed receivables ECL	$1,417	$219	$219	$219	$760

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2020 and December 31, 2019, respectively:

December 31, 2020	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.18%	0.40%	0.80%	2.86%
Unbilled receivables balance	**$19,195**	$6,556	$2,125	$1,018	$9,496
Unbilled receivables ECL	**$301**	$12	$9	$8	$272

December 31, 2019	Total	Less than 30 days	Over 30 days	Over 60 days	Over 90 days
Unbilled receivables		0.16%	0.31%	0.78%	2.51%
Unbilled receivables balance	$32,754	$11,317	$4,835	$3,464	$13,138
Unbilled receivables ECL	$390	$18	$15	$27	$330

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. During 2019, the Company underwent a transformation of its operational and financial reporting systems, implementing a new cloud based ERP system company-wide (excluding DCM Burlington, Thistle and Perennial) which affected its ability to generate accurate and timely billings to its customers. As a result of these billing issues, the aging of the Company's billed receivables deteriorated following the ERP implementation and at December 31, 2020 the Company has $7,444 (16%) of its billed receivables that are over 90 days old (2019 - $12,187 or 22%).

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

Considerable judgment by management is required to determine how the deterioration in aging of its billed receivables impacts both the (a) the revenue and billed receivables to be recognized where price concessions may need to be given to encourage customers to settle older amounts promptly as a result of billing issues under IFRS 15 (as revenue can only be recognized to the extent that it is highly probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved), and (b) ECL provisions required under IFRS 9 to reflect impairments of its trace receivables as a result of customers inability to settle the billed receivables. In 2019 as the Company was still working through these implementation issues, the additional $1,075 provision recorded in that year to cover both potential risks was reflected as an expected credit loss provision. In 2020 with the benefit of further experience with the new ERP system billing challenges, and hindsight into actual credit losses experienced during the year, the Company recorded a provision of $567 within the billed receivable balance (and against revenue) for potential price concessions that may need to be given to encourage customers to settle older amounts promptly as a result of billing issues, separately from the expected credit losses in the tables above.

The movement in DCM's expected credit loss provision for 2020 and 2019 are as follows:

		For the year ended December 31, 2020		For the year ended December 31, 2019
Balance – Beginning of year	**$**	**1,807**	$	795
Receivables written off as uncollectible during the year		**(658)**		—
Estimated price concession provisions reclassified to gross carrying amount		**(567)**		—
Increase in loan loss allowance		**70**		1,012
Balance – End of year	**$**	**652**	$	1,807

LIQUIDITY RISK

Liquidity risk is the risk that DCM may encounter difficulties in meeting obligations associated with financial liabilities as they become due.

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

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

December 31, 2020	**Less than a year**	**1 to 3 years**	**4 years and greater**	**Total**
Trade payables and accrued liabilities	**$ 39,999**	**$ —**	**$ —**	**$ 39,999**
Lease liabilities	**11,044**	**20,492**	**36,036**	**67,572**
Credit facilities (2)	**9,444**	**43,347**	**—**	**52,791**
Promissory notes (3)	**1,321**	**1,162**	**—**	**2,483**
Total	**$ 61,808**	**$ 65,001**	**$ 36,036**	**$ 162,845**

December 31, 2019	Less than a year	1 to 3 years	4 years and greater	Total
Bank overdraft	$ 1,093	$ —	$ —	$ 1,093.00
Trade payables and accrued liabilities	51,743	—	—	51,743
Bonuses payable (1)	333	—	—	333
Lease liabilities	11,267	26,465	49,988	87,720
Credit facilities (2)	9,840	88,785	—	98,625
Promissory notes (3)	782	2,235	—	3,017
Total	$ 75,058	$ 117,485	$ 49,988	$ 242,531

(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, 2020 subject to floating interest rates consisting of the Bank Credit Facility, expiring on* January 31, 2023*. As at December 31, 2020, the outstanding balances totaled $5,687 and bore interest at a floating rate of 3.80% per annum. The amounts at December 31, 2020 include estimated interest totaling $312 for 2021, $216 for 2022, and $54 for 2023. The estimated interest was calculated based on the total borrowings outstanding during the period and the annual floating interest rate in effect as at December 31, 2020. Credit facilities at December 31, 2020 subject to fixed interest rates consisting of the FPD III Credit Facility, expiring on October 15, 2022, the FPD IV Credit Facility, expiring on March 10, 2023, the FPD V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring on May 7, 2023. As at December 31, 2020, the outstanding balances totaled $40,458 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, including payment in kind, on the Crown Facility totals $2,537 for 2021, $2,617 for 2022, and 931 for 2023. Credit facilities at December 31, 2019 subject to floating interest rates consisting of the Bank Credit Facility, expiring on January 31, 2023. As at December 31, 2019, the outstanding balance totaled $34,664 and bore interest at an average floating rate of 5.55% per annum. The amounts at December 31, 2019 include estimated interest totaling $2,054 for 2020 and $1,924 for 2021, $1,924 for 2022, and $160 for 2023. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2019. Credit facilities at December 31, 2019 subject to fixed interest rates consisting of the FPD III Credit Facility expiring on October 15, 2022, FPD IV Credit Facility, expiring on March 10, 2023, the FPD V Credit Facility expiring on May 15, 2023 and the Crown Facility expiring on May 7, 2023. As at December 31, 2019, the outstanding balance totaled $42,435 and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, of 6.95% per annum and of 10.0% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively. Annual interest payment on the Crown Facility totals $478 for 2020 and annual interest payment on the Crown Facility totals $1,900, thereafter. The incremental 200 basis points per annum interest rate on the Crown Facility being accrued and payable at the earlier of maturity of the Crown Credit Agreement or pursuant to its prepayment terms, prepayment in full is, treated as a payment in kind, totals $3,531.*

(3) *Promissory notes related to loans provided by key members of management of DCM and related to the acquisitions completed during prior years. On July 31, 2019, DCM issued the Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of $1,000. The Related Party*

Promissory Notes bear interest at the rate of 12% per annum (previously 10% per annum, amended effective November 10, 2020), payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. A non-interest bearing promissory note related to the acquisition of Perennial totaling $2,253 and payable in three installments of $1,000 due on May 8, 2019, $1,000 due on May 8, 2020 and $500 due on May 8, 2021. On June 18, 2020, the terms of the payments were amended for the remaining $1,500. During 2020, DCM made payments of $530 of the total $1,000 owing on May 8, 2020. The remaining payment of $470 was deferred, for a total of $970 due on May 8, 2021. Promissory notes related to the acquisitions completed during 2017 and 2018 included a non interest bearing promissory notes related to the acquisition of DCM Burlington totaling $4,566 and payable in two installments of $2,283 due on February 28, 2018 and February 28, 2019, respectively, and related to the acquisition of Thistle totaling $1,913 and payable in monthly installments of $137 ending February 28, 2019. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1,160 and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $58, beginning February 28, 2018 and ending September 30, 2019. As a result of amendments to its credit agreements, DCM suspended its payments on vendor take-back promissory notes on June 30, 2019. Resumption of payments on vendor take-back promissory notes will require prior approval from its lenders. DCM received approval from its lenders and made a $530 payment towards the promissory note related to the Perennial acquisition on February 28, 2020.

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

MARKET RISK

INTEREST RATE RISK

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

At December 31, 2020, $5,687 of DCM's indebtedness outstanding was subject to floating interest rates of 3.80% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit or loss and comprehensive loss by $57 for the year ended December 31, 2020 (2019 – $299), respectively. At December 31, 2020, $2,760 of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum, $16,787 was subject to a fixed rate of interest of 6.95% per annum and $20,911 was subject to a fixed interest rate of 12.00% per annum. The Related Party Promissory Notes, in the aggregate principal amount of $975 was subject to a fixed rate of 12.00% per annum.

CURRENCY RISK

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

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

24 Expenses by nature

		For the year ended December 31, 2020		For the year ended December 31, 2019
Raw materials and other purchases	**$**	**116,058**	$	131,324
Wages and benefits		**87,805**		103,111
Occupancy costs		**9,264**		10,193
Restructuring expenses		**2,821**		7,489
Depreciation and amortization		**16,221**		16,861
Other expenses		**15,908**		19,212
Total cost of revenues and operating expenses	**$**	**248,077**	$	288,190

25 Segmented information

The CEO of DCM is the chief operating decision maker ("CODM"). The CODM reviews and assesses DCM's performance and makes decisions about resources to be allocated for each operating segment.

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

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

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

All significant external sales are to customers located in Canada. DCM established operations in Niles and Chicago, Illinois 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, 2020, U.S. sales were not significant to disclose separately.

DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

		For the year ended December 31, 2020		For the year ended December 31, 2019
Product sales	**$**	**236,011**	$	253,146
Warehousing services		**7,718**		9,350
Freight services		**8,351**		10,822
Marketing and other services		**7,234**		9,558
	$	**259,314**	$	282,876

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

26 Related party transactions

On July 31, 2019, DCM issued Related Party Promissory Notes to certain parties, including related parties of DCM, in the aggregate principal amount of $1,000. In addition, a total of 78,571 warrants have been issued in connection with the issuance of the Related Party Promissory Notes. See note 14.

During the year ended December 31, 2019, directors, officers and related parties of DCM participated in a rights offering of Common Shares (see note 18), purchasing 11,341,310 Common Shares (or 52.7% of the 21,523,515 common shares issued as a result of the rights offering) for consideration of $2,609.

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 $736 (2019 – $734).

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. The loan is unsecured and repayable upon maturity. As at December 31, 2020, the balance owing was $111 (2019 – $108) was included within other non-current assets in the statement of financial position.

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

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be Directors on DCM's Board, the CEO, the President, the Chief Financial Officer and other members of the senior executive team. Compensation awarded to key management personnel, excluding compensation awarded to Directors which are described below, included:

		For the year ended December 31, 2020		For the year ended December 31, 2019
Salaries and other short-term employee benefits	**$**	**3,129**	$	2,466
Post-employment benefits		**23**		37
Share-based compensation expense		**445**		(8)
Total	**$**	**3,597**	$	2,495

In January 2020, DCM disposed of its' wholly owned subsidiary Perennial Brands Inc. (“PBI”), a non-core developer of branded products, to a former employee and entered into an option agreement to purchase an equity interest in PBI on or before December 31, 2021. Subsequent to year-end, the option agreement was terminated (note 28).

During the year ended December 31, 2020, key management personnel (excluding compensation awarded to Directors) were granted 5,988,890 RSUs (2019 – 571,236 RSUs), and 4,149,264 RSUs (2019 – 378,723 RSUs) were forfeited. Key management personnel (excluding compensation awarded to Directors) were also granted options to purchase up to 64,533 Common Shares for anti-dilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019 (2019 – Nil Common Shares) and Nil Common Shares (2019 – 575,548 Common Shares) were forfeited during the year ended December 31, 2020 (see note 18). During the year ended December 31, 2020, DCM’s general and administration expenses include an expense of of $445 (2019 – recovery of $8) for these share-based compensation awards.

During the year ended December 31, 2020, DCM’s general and administration expenses include a charge of $1,260 (2019 – $153) for the duties performed by DCM’s Board, of which a charge of $809 (2019 - a recovery of $58) relates to DSU expense (note 18). Directors were also granted options to purchase up to 66,544 Common Shares for the antidilution adjustments pursuant to the provisions of DCM's LTIP that affect DCM's share based compensation grants outstanding at December 31, 2019, in connection with the Rights Offering completed by the Company on December 31, 2019 (2019 - options to purchase 40,000 Common Shares) during the year ended December 31, 2020 (see note 18). During the year ended December 31, 2020, DCM's general and administration expenses include a charge of $28 (2019 – $58) for these share-based compensation awards.

27 Government Grant Income

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

The CEWS program is designed to help businesses struggling with the economic effects of the coronavirus retain and/or rehire their employees. The subsidy is intended to make it easier for eligible employers to avoid laying off or terminating employees, as well as to bring back staff that were laid-off due to COVID-19 by significantly lessening the organization's payroll costs.

The CEWS commenced March 15, 2020 and now extends through to June 5, 2021. The CEWS is a program that subsidises a portion of eligible remuneration paid by an eligible employer that qualifies, to each eligible employee.

DCM qualified for approximately $10,708 under the CEWS in 2020. Of the total grant received, $1,622 of that amount was attributable to the first quarter of 2020, $4,478 was attributable to the second quarter of 2020, $2,828 was attributable to the third quarter of 2020 and $1,780 was attributable to the fourth quarter of 2020.

28 Subsequent events

On January 4, 2021, DCM entered into an agreement with PBI, an arms' length third party and former subsidiary of DCM, pursuant to which DCM agreed to terminate an option to purchase an equity interest in PBI acquired by DCM in connection with the prior disposition of PBI. DCM received total gross proceeds of $1,200 as consideration for terminating the option.

In February 2021, DCM settled an outstanding litigation for total proceeds of $300.

In March 2021, DCM announced that its Mississauga, Ontario facility will be consolidating with its Brampton, Ontario facility by the end of 2021. DCM will exit the existing lease in Mississauga, Ontario upon expiration as of December 31, 2021. The extension options for additional terms are no longer expected to be exercised, and the lease term was modified to exclude the extension options as of December 31, 2020 (note 12).

On March 8, 2021, DCM's new President & CEO, has been awarded a total of 2,500,000 options, with 1,000,000 options having vested immediately upon his date of hire, 500,000 options vesting on the first anniversary, 500,000 options vesting on the second anniversary of his hire date, and 500,000 vesting on the third anniversary of his hire date, with the vesting of the 1,500,000 options dependent on continued employment with DCM at such time. The options have an exercise price of $0.69 and a term of 7 years.

The Company has incurred a total of $3.9 million in restructuring expenses in the first quarter of 2021, through the date hereof, relating to the recently announced departure of certain executives, along with other ongoing restructuring initiatives.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

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

Gregory J. Cochrane
Vice Chairman, Director

William Albino [1,2,3]
Director

Merri L. Jones [1,3]
Director

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

Michael G. Sifton [1]
Director

Derek J. Watchorn [1,2]
Director

Richard Kellam
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

EXECUTIVE TEAM

Richard Kellam
President &
Chief Executive Officer

James E. Lorimer
Chief Financial Officer

Phil Hammond
Chief Revenue Officer

CORPORATE INFORMATION

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor
Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

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Toronto Stock Exchange Symbol
DCM

[1] Member, Audit Committee
(Chairperson is Michael G. Sifton)

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

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

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BEHIND YOUR BRAND

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