2021 Annual Report

Letter to shareholders

Dear Fellow Shareholders,

We are very pleased with the progress we made in 2021. Since I joined DCM on March 8, 2021, we've implemented a clear strategy to move from a "print first" company to a "digital first" company with a well-defined five-year strategic plan to drive our execution.

As we've communicated to shareholders over the past several months, we have been focused on building both a better and bigger business. I'd like to take this opportunity to review some of the initiatives we took in 2021 to make a better business.

We continued to drive productivity improvements. Our total employee count at the end of 2021 was 922, down 14.5% from the prior year, and down 34.7% since 2017. Revenue per employee of $255,200 this year grew by 6.1% compared to $240,600 last year, and is up 24.4% since 2017.

We streamlined the leadership team to deliver accelerated decision-making. Six senior positions were eliminated in total this year along with two full layers of management, and we increased spans of responsibility across the company.

The consolidation of our Mississauga and Edmonton facilities, along with other operating expense savings are expected to deliver $3.5 million in annualized savings. Further, accelerating the move to a hybrid work environment with reduced offices, combined with our leadership optimization and other headcount reductions, we are expecting to deliver an annualized $11.4 million in overhead savings.

We continued to pay down debt. Our total debt stood at $37.1 million at the end of 2021 down 23% from 2020, and is down more than 50% since a recent high at the end of 2019. The refinancing of our subordinated debt facility is expected to reduce interest expenses by approximately $1.5 million in 2022 alone.

We were also busy on many other key initiatives, which, while not directly measurable, should further contribute to our building a better business. Some of these areas of focus include: associate engagement, client engagement, the introduction of an environmental, social and governance strategy, further development of our internal analytics and reporting, and, of course we are leaning heavily into digital acceleration initiatives which I'll review shortly.

But first, I'd like to review our activities related to building a bigger business.

2021 was very much a story of two halves. While revenue in the first half of 2021 was down 16.8% compared to 2020, the second half of 2021 was flat vs. the prior year, evidence that our business has stabilized. We believe we are well positioned for recovery as consumer movements continue to accelerate.

We posted two quarters of sequential revenue improvement to end 2021, with Q3 revenue of $56.9 million up 3.1% compared to Q2 of $55.2 million, and Q4 revenue of $60.9 million up 7.0% compared to Q3. We believe we are well positioned for a third successive quarter of growth as we enter 2022, the first quarter of the year is typically the strongest for us.

Our core print and technology business was up 10.3% in the second half of 2021, compared to the prior year, if we exclude COVID-related resales and other product re-sales from our total revenue. Our production facilities are performing well, a leading indicator for a bigger business in 2022.

Another key indicator of our business health is our gross profit. In the second half of 2021, gross profit was up 10.2% compared to the prior year. This positive trend mirrored the sequential revenue growth we experienced in 2021, with gross profit of $17.2 million in Q3 up 8.9% compared to $15.8 million in Q2, and gross profit of $17.7 million in Q4 up 2.9% compared to Q3. Despite lower levels of revenue in 2021 compared to 2020, our overall gross margin improved to 29.5% for the year, from 28.1%.

We saw similar positive trends in Adjusted EBITDA. While our Adjusted EBITDA of $16.7 million in the second half of 2021 was essentially flat with the first half of the year, if we deduct government subsidies, Adjusted EBITDA was up almost 33% in the second half of 2021 at $16.3 million, compared to $12.3 million in 2020, further demonstrating the improved health of our business. While we reported Adjusted EBITDA of $33.1 million in 2021 ($41.5 million in 2020), if we adjust for the full year $4.6 million of wage subsidy grants received in 2021 ($10.7 million in 2020), Adjusted EBITDA was comparable at $28.6 million in 2021 compared to $30.8 million in 2020, but represented 12.2% of revenue compared to 11.9%.

EBITDA and Adjusted EBITDA are not earnings measures recognized by International Financial Reporting Standards (IFRS), do not have any standardized meanings prescribed by IFRS and might not be comparable to similar financial measures disclosed by other issuers. 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 description of the composition of EBITDA and Adjusted EBITDA, why we believe such measures are useful to investors and how we use those measures in our business, together with a quantitative reconciliation of net income (loss) to EBITDA and

Adjusted EBITDA, respectively, see the information under the heading “Non-IFRS Measures” and Table 3 of DCM’s management’s discussion and analysis (MD&A) dated March 21, 2022 for the year ended December 31, 2021, which information is incorporated by reference in this letter.

While government subsidies related to COVID-19 certainly helped our financial position in 2020 and the first half of 2021, we think this analysis bodes well for our business outlook, and the operational efficiencies we’ve implemented should provide positive leverage to higher revenue levels.

We had numerous new business wins in the year, across a wide variety of vertical markets including financial, healthcare, regulated industries, retail, manufacturing, lottery, as well as hospitality as that sector started to re-open.

Our “digital first” strategy continues to gain momentum. Our sales pipeline exceeds $10 million for digital asset management and related technology-services opportunities and spans more than 50 clients. Our 40 years of workflow management and related digital asset management expertise is really resonating with our clients.

We believe we are very well positioned for growth, given our clarity of strategy, our positioning in the marketplace, the strength of our team, and importantly the positive results we delivered in the second half of 2021, and specifically the fourth quarter. In my 36 years in business, I’ve always found that momentum builds momentum. We are very excited about the future of DCM.

For a full description of our financial results for fiscal 2021, please refer to our audited consolidated financial statements for year ended December 31, 2021 and related management’s discussion and analysis (“MD&A”), copies of which are available at www.sedar.com. Certain statements in this letter 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. See “Forward-Looking Statements in our MD&A.

Yours truly,

(Signed) "Richard Kellam"

Richard C. Kellam

President & CEO

DATA Communications Management Corp.

March 2022

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, 2021 and 2020. 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, 2021 and 2020. 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 in the MD&A 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 28, 2022 This MD&A reflects information as of March 28, 2022.

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, 2021, as issued and outstanding as of March 28, 2022 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; increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which may limit the availability of raw materials and impact our production and revenues; the Company's ability to continue as a going concern is dependent upon management's ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with its financial covenants on its credit facilities or to obtain financial covenant waivers from its lenders if necessary; risks relating to DCM's ability to access sufficient capital to fund its liquidity and

business plans, including, without limitation, under its existing revolving credit facility, on favourable terms or at all; 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; DCM's ability to maintain and grow relationships with its customers and suppliers; litigation risks; and risks related to a disruption of operations from adverse labour relations, higher labour costs, or both.

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 and ratios 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. Adjusted EBITDA as a percentage of revenues means revenues divided by Adjusted EBITDA and Adjusted net income (loss) as a percentage of revenues means revenues divided by adjusted net income (loss), in each case for the same period. In addition to net income (loss), DCM uses non-IFRS measures and ratios, including Adjusted net income (loss), Adjusted net income (loss) per share, Adjusted net income (loss) as a percentage of revenues, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties

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

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

Business of DCM

OVERVIEW

DCM is a leading provider of marketing and workflow solutions that solve the complex branding, communications, logistics and regulatory challenges of some of North America's biggest brands. Powered by purpose-built technology like our DCMFlex™ workflow management platform and our ASMBL digital asset management solution, we help clients bring their brands to life and create more meaningful connections with customers. We serve market leaders in key verticals such as financial services, retail, healthcare, energy, and the public sector, supporting them with marketing scale, speed, efficiency and insight that drives their competitiveness and improves their performance.

Our customer agreements and terms typically include provisions consistent with industry practice, which generally allow DCM to pass along most 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 925 employees in Canada and the United States and had revenues of $235.3 million in 2021. Website: www.datacm.com.

RECENT DEVELOPMENTS

CREDIT FACILITY AMENDMENTS

On November 8, 2021, DCM entered into an amended and restated credit facility (the "Amended Bank Facility") with the Bank. The Amended Bank Facility includes a revolving credit facility of up to $15.0 million, a term loan of $10 million and an "accordion" feature which can provide of up to $10.0 million of additional capacity under the revolving

facility. The term loan will amortize in equal monthly payments over 30 months. The maturity date of the Amended Bank Facility has been extended from January 31, 2023 to November 8, 2024. The revolving facility is available to finance the working capital needs of the Company. Advances under the Amended Bank Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.50% and 3.50% for the revolving and term components, respectively.

On December 17, 2021, DCM also entered into an agreement with FPD VI, by its general partner, FPD, pursuant to which FPD provided an $11.0 million term facility, with a term of 60 months from closing. The FPD VI term loan will amortize in equal monthly principal payments over 84 months, with the remaining 24 payments at maturity due in a bullet payment. A fixed interest rate of 5.95% per annum is payable on the FPD VI term loan. Concurrently with the entering into of the FPD VI term loan, the terms of the loans with FPD III, FPD IV and FPD V, were amended such that the terms of the agreements are the same, other than in respect of interest rates, maturity dates and amortization.

Collectively, the proceeds from the new term loans provided by the Bank and FPD, and the drawings on the revolving facility, were used to repay the $21.5 million Crown Facility.

COVID-19 GLOBAL PANDEMIC

Management of DCM continues to closely monitor and respond to developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where DCM 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 mitigate the financial impact on our business were implemented throughout 2020 and the first half of 2021, including temporary layoffs, shift reductions, reductions in nonessential spending and deferral of other expenses and payments where practical. These measures have been discontinued, however the Company continues to evaluate and assess further actions that may be required.

DCM has recently been experiencing more pronounced supply chain disruptions due to COVID-19. As the North American economy is recovering, increased demand in the face of previous capacity reductions by suppliers and labour shortages, is resulting in price increases, supply shortages and shipping delays. Pricing increases from key suppliers have been experienced on most of the Company’s input costs, including paper, ink, other raw materials and freight. DCM has not experienced any material credit collection delinquencies related to COVID-19, although certain customers have stretched their payment terms.

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

In 2021, DCM qualified for approximately $3.9 million of subsidies under the Canada Emergency Wage Subsidy ("CEWS") and $0.7 million under the Canada Emergency Rent Subsidy ("CERS"). DCM does not currently expect to qualify for any additional CEWS or CERS subsidies, but continues to assess whether it may meet the eligibility criteria for future periods, as well as other subsidies that may be available due to a prolonged impact of COVID-19 on its business.

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, which primarily related to the departure of senior executive team members (in connection with a reorganization initiative to achieve a broader, more horizontal organizational structure with fewer layers of organization) and other 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 2021, Fiscal 2020 and Fiscal 2019 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

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

For the years ended December 31, 2021, 2020 and 2019 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2021**		January 1 to December 31, 2020		January 1 to December 31, 2019
				(Restated)		*(Restated)*
Revenues	**$**	**235,331**	$	259,314	$	282,876
Cost of revenues		**165,796**		186,372	$	213,611
Gross profit		**69,535**		72,942		69,265
Selling, general and administrative expenses [1]		**55,957**		56,481		69,508
Restructuring expenses		**9,691**		2,821		7,489
		65,648		59,302		76,997
Income before finance costs, other income, and income taxes		**3,887**		13,640		(7,732)
Finance costs						
Interest expense, net		**5,839**		6,076		8,916
Debt modification losses and prepayment fees		**473**		703		3,858
Amortization of transaction costs		**941**		553		465
		7,253		7,332		13,239
Other Income						
Other Income		**1,452**		—		—
Government grant income		**4,558**		10,708		—
Income before income taxes		**2,644**		17,016		(20,971)
Income tax expense						
Current		**2,238**		(491)		(105)
Deferred [1]		**(1,159)**		4,208		(5,071)
		1,079		3,717		(5,176)
Net income for the year	**$**	**1,565**	$	13,299	$	(15,795)
Basic earnings per share	**$**	**0.04**	$	0.31	$	(0.73)
Diluted earnings per share	**$**	**0.03**	$	0.31	$	(0.73)
Weighted average number of common shares outstanding, basic		**43,993,494**		43,146,866		21,757,467
Weighted average number of common shares outstanding, diluted		**46,136,507**		43,316,630		21,757,467

As at December 31, 2021, 2020 and 2019 *(in thousands of Canadian dollars, unaudited)*		**As at December 31, 2021**		As at December 31, 2020		As at December 31, 2019
				(Restated)		*(Restated)*
Current assets	**$**	**68,041**	$	75,903	$	101,642
Current liabilities	**$**	**62,845**		60,949	$	73,554
Total assets	**$**	**140,084**		157,776	$	206,434
Total non-current liabilities	**$**	**69,198**		93,013	$	141,859
Shareholders' equity (deficiency)	**$**	**8,041**	$	3,814	$	(8,979)

(1) *Selling, general and administrative expenses ("SG&A") and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.*

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted. See the "Non-IFRS Measures" section above for more details and Tables 3 and 4 below for reconciliations of net income (loss) to Adjusted EBITDA and net income (loss) to Adjusted net income.

For the years ended December 31, 2021, 2020 and 2019 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31, 2021**	January 1 to December 31, 2020	January 1 to December 31, 2019
		(Restated)	*(Restated)*
Revenues	**$ 235,331**	$ 259,314	$ 282,876
Gross profit	**$ 69,535**	$ 72,942	$ 69,265
Gross profit, as a percentage of revenues	**29.5 %**	28.1 %	24.5 %
Selling, general and administrative expenses [(1)]	**$ 55,957**	$ 56,481	$ 69,508
As a percentage of revenues	**23.8 %**	21.8 %	24.6 %
Adjusted EBITDA (see Table 3)	**$ 33,286**	$ 41,476	$ 16,222
As a percentage of revenues	**14.1 %**	16.0 %	5.7 %
Net income (loss) for the year	**$ 1,565**	$ 13,299	$ (15,795)
Adjusted net income (loss) (see Table 4)	**$ 7,684**	$ 15,766	$ (9,229)
As a percentage of revenues	**3.3 %**	6.1 %	(3.3)%

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

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

EBITDA and Adjusted EBITDA reconciliation

For the years ended December 31, 2021, 2020 and 2019 *(in thousands of Canadian dollars, unaudited)*		**January 1 to December 31, 2021**		January 1 to December 31, 2020		January 1 to December 31, 2019
				(Restated)		*(Restated)*
Net income (loss) for the year [1]	**$**	**1,565**	$	13,299	$	(15,795)
Interest expense, net		**5,839**		6,076		8,916
Debt modification losses and prepayment fees		**473**		703		3,858
Amortization of transaction costs		**941**		553		465
Current income tax expense (recovery)		**2,238**		(491)		(105)
Deferred income tax (recovery) expense [1]		**(1,159)**		4,208		(5,071)
Depreciation of property, plant and equipment		**3,133**		3,541		3,959
Amortization of intangible assets [1]		**3,589**		1,876		2,546
Depreciation of the ROU Asset		**8,428**		8,399		8,940
EBITDA	**$**	**25,047**	$	38,164	$	7,713
Restructuring expenses		**9,691**		2,821		7,489
One-time business reorganization costs [2]		**—**		491		1,020
Other income		**(1,452)**		—		—
Adjusted EBITDA	**$**	**33,286**	$	41,476	$	16,222

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

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

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

Adjusted net income reconciliation

For the years ended December 31, 2021, 2020 and 2019 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2021**		January 1 to December 31, 2020		January 1 to December 31, 2019
				(Restated)		*(Restated)*
Net income for the year [1]	**$**	**1,565**	$	13,299	$	(15,795)
Restructuring expenses		**9,691**		2,821		7,489
One-time business reorganization costs [2]		**—**		491		1,020
Other income		**(1,452)**		—		—
Tax effect of the above adjustments		**(2,120)**		(845)		(1,943)
Adjusted net income for the year	**$**	**7,684**	$	15,766	$	(9,229)
Adjusted net income per share, basic	**$**	**0.17**	$	0.37	$	(0.43)
Adjusted net income per share, diluted	**$**	**0.17**	$	0.36	$	(0.43)
Weighted average number of common shares outstanding, basic		**43,993,494**		43,146,866		21,582,483
Weighted average number of common shares outstanding, diluted		**46,136,507**		43,316,630		21,582,483
Number of common shares outstanding, basic		**44,062,831**		43,867,030		43,047,030
Number of common shares outstanding, diluted		**46,205,844**		44,036,795		43,047,030

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

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

Results of operations

REVENUES

For the year ended December 31, 2021, DCM recorded revenues of $235.3 million, a decrease of $24.0 million or 9.2% compared with the same period in 2020. The decrease was primarily attributable to lower demand resulting from the impact of the COVID-19 pandemic in the first half of 2021, compared to the first half of 2020, particularly in the financial services, retail and government sectors. Despite the shortfall in revenue in the full fiscal year, the second half of 2021 was only off by 0.3% as compared to the second half of 2020 with production and technology revenue actually growing by 10.2%. Revenue in the first half of 2020 of $141.4 million was largely unaffected by COVID-19. In the second half of 2020, revenues were $118.0 million, with comparable revenue levels experienced in both the first half of 2021 at $117.5 million and in the second half of 2021 at $117.8 million. Positive quarterly sequential revenue trends in the third and fourth quarters, including growth in production and technology revenue in these periods, compensating for lower re-sales revenue (with much of that decline being attributable to one-time jobs in 2020 arising in relation to COVID-19) position the business well for recovery as consumer movements in the economy continue to accelerate.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2021, DCM recorded cost of revenues of $165.8 million, a decrease of $20.6 million or 11.0% from $186.4 million for the same period in 2020.

However, gross profit for the year ended December 31, 2021 was $69.5 million, a decrease of only $3.4 million or 4.7% from $72.9 million for the same period in 2020. Gross profit as a percentage of revenues increased to 29.5% for the year ended December 31, 2021, compared to 28.1% for the same period in 2020. Gross profit as a percentage of revenues for the year ended December 31, 2021 was positively impacted, particularly in the second half of 2021, despite the relative COVID-19 related revenue shortfall (which would result in weaker absorption of fixed overhead costs, primarily salaries and wages) and supply chain challenges such as raw material price increases and availability constraints. Gross margin was positively impacted by (i) realizing the full benefits from the cost saving initiatives implemented throughout 2020 and 2021, resulting in a reduction in salaries and wages (ii) other temporary and permanent 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, and (iv) continued discipline to improve pricing with customers, including improvement in freight pricing to achieve positive margins. The consolidation of our Brampton and Mississauga facilities at the end of 2021 is expected to generate further cost efficiencies in 2022 onwards, and the full year benefits from the consolidation of the Calgary and Edmonton facilities in June 2021 are also expected to be realized in 2022.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2021 were $56.0 million, or 23.8% of total revenues, a decrease of $0.5 million or 0.9%, from $56.5 million, or 21.8% of total revenues, for the same period in 2020.

SG&A expenses for the year ended December 31, 2021 benefited from a reduction in selling, commissions and expenses by $1.5 million which was offset by an increase in general and administrative expenses by $1.0 million.

General and administrative expenses included a non-cash mark-to-market accrual for outstanding restricted share units ("RSUs") and deferred shared units ("DSUs") to reflect an increase in the price of DCM's common shares. For the year ended December 31, 2021, the total compensation expense for DSUs and RSUs was $3.5 million as compared to $1.9 million in 2020, an increase of $1.6 million from the same period in 2020. DCM's common share price increased during 2021 by 103.2% from a closing price of $0.63 on December 31, 2020 to $1.28 on December 31, 2021 resulting in the majority of the year over year increase in the mark-to-market expense. Furthermore, DCM incurred a one-time $1.5 million charge for the write-down of intangible assets due to a change in strategy in the fourth quarter of 2021, which was classified as amortization expense. Excluding these mark-to-market adjustments and one-time charge, total SG&A would have declined by $3.6 million. The decrease in SG&A for the year ended December 31, 2021 was primarily attributable to realizing the full benefits from the cost saving initiatives implemented throughout 2020 and 2021, resulting in a reduction in salaries and wages, including the departure of senior executive team members, temporary lay-offs, and a reduction in casual labour in response to the impact of COVID-19 on the Company's business. Specifically, general and administrative expenses were higher in the prior year due to enterprise resource planning ("ERP") project related expenses that were no longer eligible for capitalization, and professional fees surrounding the implementation of the ERP system and consulting expenses for other one-time projects that are no longer required in the current year.

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, 2021, DCM incurred restructuring expenses of $9.7 million compared to $2.8 million in the same period in 2020. Restructuring costs for the year ended December 31, 2021 related primarily to the departure of senior executive team members (reorganization initiative to a broader, more horizontal organizational structure with fewer layers of organization), and included other headcount reductions to direct and indirect labour from various facilities across DCM as cost savings initiatives to improve gross margin and SG&A including the permanent termination of a number of employees who had been on temporary lay-off due to COVID-19. Restructuring costs also included the consolidation costs of the Brampton and Mississauga facilities at the end of 2021, and consolidation of other smaller SG&A sites throughout the year for which the benefits are expected to be realized in 2022 onwards. Restructuring costs for the year ended December 31, 2020 related to headcount reductions due to combining billing and credit/collections into one team for greater synergies across the cash management process and other various headcount reductions to indirect labour as cost savings initiatives to improve gross margin.

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 26 of the consolidated financial statements). DCM has qualified for approximately $4.6 million under the CEWS in 2021. Other income also includes a one-time gain of $1.5 million in the first quarter of 2021, of which $1.2 million relates to the termination of an option agreement with an arms' length third party and a former subsidiary, and $0.3 million relates to settlement of an outstanding litigation.

ADJUSTED EBITDA

For the year ended December 31, 2021, Adjusted EBITDA was $33.3 million or 14.1% of revenues, after adjusting EBITDA for the $9.7 million in restructuring charges, compared to $41.5 million or 16.0% of revenues for the same period in 2020. Excluding the CEWS and CERS grant income and the non-cash mark-to-market accruals during the year of $3.5 million for 2021 and $1.9 million for 2020 (see SG&A discussion), Adjusted EBITDA increased by $1.4 million from prior year. For a reconciliation of net income (loss) to EBITDA and of net income (loss) to Adjusted EBITDA for the periods noted, see Table 3 above.

The increase in Adjusted EBITDA for the year ended December 31, 2021, excluding the adjustments stated above, over the prior year comparable period was due to improvement in SG&A related to cost saving initiatives implemented throughout 2020 and 2021 and other one-time ERP project related expenses no longer applicable in the current year. This was mitigated by the reduction in revenues due to lower demands resulting from the impact of COVID-19 thereby reducing overall gross margins and net income.

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, 2021, DCM incurred $7.3 million of finance costs compared to $7.3 million for the same period in 2020. Interest expense for the year ended December 31, 2021 remained consistent with prior year, however there was accretion income recorded in the fourth quarter of 2020 (due to accelerated repayment of the Company's revolving credit facility). Total accretion income recorded during the year ended December 31, 2021 was $0.8 million, compared to $2.9 million in the same period in 2020. Excluding the accretion income, interest expense declined by $2.1 million in the current year. Interest expense decreased due to a reduction in levels drawn under the Bank Credit Facility throughout 2021, and a reduction in the FPD Credit Facilities through scheduled repayments over the course of the year, thereby reducing the interest expense on all facilities. Furthermore, the Crown Facility was refinanced through funded provided by the Bank and FPD at lower interest rates in the fourth quarter of 2021, however the full effects of this will be realized in 2022. DCM also repaid the balances owing on the Bolder VTB during the first quarter of 2021 and the Perennial VTB during the second quarter of 2021, resulting in lowered interest expense. Interest expense on leases liabilities was also lower than the prior year as DCM modified certain leases to reduce the lease terms and terminate extension options for cost saving initiatives, reducing the lease obligation and associated interest expense. This decline was offset by an increase in one-time expenses to derecognize the Crown Facility, and prepayment fees for early termination.

INCOME TAXES

DCM reported income before income taxes of $2.6 million and a net income tax expense of $1.1 million for the year ended December 31, 2021 compared to income before income taxes of $17.0 million and net income tax expense of $3.7 million for the same period in 2020. The deferred income tax recovery for the year ended December 31, 2021 was adjusted for any changes in estimates of future reversals of temporary differences.

NET INCOME

Net income for the year ended December 31, 2021 was $1.6 million compared to a net income of $13.3 million for the same period in 2020.

The decrease in comparable profitability for the year ended December 31, 2021 was primarily due to a reduction in revenue due to lower demand resulting from the impact of COVID-19, resulting in lower gross margin percentage due to weaker absorption of fixed overhead costs (receipt of $4.6 million of CEWS and CERS, improvement in operational efficiencies in SG&A and receipt of other income of $1.5 million of income, mitigated the impact on its financial performance), a one-time $1.5 million charge for the write-down of intangible assets due to change in strategy in the fourth quarter of 2021, an increase in restructuring costs incurred for the departure of certain members of the senior management team, and other headcount reductions to direct and indirect labour from various facilities across DCM, and restructuring costs for the consolidation of the Brampton and Mississauga facilities at the end of 2021.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2021 was $7.7 million compared to Adjusted net income of $15.8 million for the same period in 2020. For a reconciliation of net income (loss) to Adjusted net income for the periods noted, see Table 4 above.

The decrease in comparable profitability for the year ended December 31, 2021 was primarily due to a reduction in revenue due to lower demand resulting from the impact of COVID-19, resulting in lower gross margin percentage due to weaker absorption of fixed overhead costs (which was partially offset by the receipt of $4.6 million of CEWS and CERS, and improvement in operational efficiencies in SG&A), and a one-time $1.5 million charge for the write-down of intangible assets due to change in strategy in the fourth quarter of 2021.

Liquidity and capital resources

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) pursuant to an agreement ("the Bank Credit Agreement") 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 $15.0 million (see Amendments to Credit Facilities) and the Bank Credit Facility matures on November 8, 2024. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $15.0 million and a fixed percentage of DCM’s aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.5%. On November 8, 2021,

DCM established a term loan ("Bank Term Loan") with the Bank for $10.0 million to in part refinance the Crown Facility. The Bank Term Loan matures on May 8, 2024 and is subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 3.50%. The amended facility also includes an “accordion” feature which can provide of up to $10.0 million of additional capacity under the revolving facility. As at December 31, 2021, DCM had access to $11.5 million of available credit under the Bank Credit Facility. The cash and cash equivalents balance of $0.9 million shown on the consolidated statement of financial position as at December 31, 2021 represents outstanding deposits which when cashed would reduce the borrowing under the Bank Credit Facility.

FPD FACILITIES

DCM has four amortizing term loan facilities (the "FPD Credit Facilities" and, collectively with the Bank Credit Facility, the "Credit Facilities") with Fiera Private Debt Fund III L.P., Fiera Private Debt Fund IV L.P., Fiera Private Debt V L.P., and Fiera Private Debt VI L.P. (newly acquired loan in 2021 - see amendments to credit facilities), all of which are funds managed by Fiera Private Debt Fund GP Inc. ("FPD").

CROWN FACILITY

DCM had a non-revolving term loan facility with Crown Capital Partner Funding, LP, a fund managed by Crown Capital LP Partner Funding Inc. The total advances under this facility were $19.0 million. Interest of $2.5 million (2020 - $1.9 million) had been deferred and capitalized to the outstanding principal obligation, increasing the total advances to $21.8 million (2020 - $20.9 million) prior to the refinancing of this debt. These advances were repayable on maturity on May 7, 2023 and bore interest at 12% per annum, payable quarterly. DCM's obligations under the Crown Facility were 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 1,510,000 warrants were issued to Crown in connection with these loans which entitle Crown to acquire one DCM common share per warrant at an exercise price of $0.26. The warrants expire on May 7, 2023.

The Crown Facility was prepayable in full at any time, subject to prepayment fees of: (a) 2% on the principal loan outstanding if the prepayment option was exercised prior to May 2022 or (b) 1% on the principal loan outstanding if the prepayment option was exercised thereafter.

During the fourth quarter of 2021, the Crown Facility was prepaid and refinanced through amended and new credit facilities from the Bank and FPD (see amendments to credit facilities). A prepayment fees of $0.4 million was incurred which is included within finance costs. The carrying value of the Crown Facility was nil as of December 31, 2021.

AMENDMENTS TO CREDIT FACILITIES

On January 22, 2021, DCM entered into a ninth amendment to its Bank Credit Facility. The applicable margin payable on DCM's borrowings under the Bank Credit Facility was reduced from 1.35% to 0.60% for an interest rate of 3.05% taking into account then current floating reference rates and the applicable margin payable by DCM. The Minimum Cash Flow Requirement covenant (as defined in the Sixth Amending Agreement) was also terminated.

On November 8, 2021, DCM entered into an amended and restated credit facility (the “Amended Bank Facility”) with the Bank. The Amended Bank Facility includes a revolving credit facility of up to $15.0 million, a term loan of $10.0 million and an “accordion” feature which can provide of up to $10.0 million of additional capacity under the revolving facility. The term loan will amortize in equal monthly payments over 30 months. The maturity date of the Amended Bank Facility has been extended from January 31, 2023 to November 8, 2024. The revolving facility is available to finance the working capital needs of the Company. Advances under the Amended Bank Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.50% and 3.50% for the revolving and term components, respectively. In connection with this amendment, DCM recognized a loss on modification of $0.3 million, which is included in finance costs in the consolidated statement of operations. For the year-ended December 31, 2021, DCM capitalized transaction costs of $210.

On December 17, 2021, DCM also entered into an agreement with FPD VI, by its general partner, FPD, pursuant to which FPD provided an $11.0 million term facility, with a term of 60 months from closing. The FPD VI term loan will amortize in equal monthly principal payments over 84 months, with the remaining 24 payments at maturity due in a bullet payment. A fixed interest rate of 5.95% per annum is payable on the FPD VI term loan. For the year-ended December 31, 2021, DCM capitalized transaction costs of $0.3 million.

Collectively, the proceeds from the new term loans provided by the Bank and FPD, and the drawings on the revolving facility, were used to repay the $21.5 million Crown Facility.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreements contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, FPD III, FPD IV, FPD V and FPD VI as applicable. The Company’s current financial covenant requirements include a working capital current ratio, total funded debt to EBITDA ratio and a fixed charge coverage ratio test as well as limits on our annual capital expenditures and total funded debt levels. As of December 31, 2021, DCM was in compliance with the amended covenants.

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 amended inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, and FPD VI, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V and FPD VI on the present and after acquired property of DCM and its subsidiaries.

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2021, cash flows generated by operating activities were $26.9 million compared to cash flows generated by operating activities of $47.6 million during the same period in 2020. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of $19.8 million compared with $31.7 million for the same period last year. Current period cash flows from operations before adjusting for changes in working capital were lower than the previous period primarily due to a decrease in revenues from lower demand

resulting from the impact of the COVID-19 pandemic during the year ended December 31, 2021, thereby reducing net income and cash inflow. Payments for severances related to DCM's restructuring initiatives and income tax payments were higher by $0.9 million and $4.0 million, respectively, compared to the same period in 2020.

Changes in working capital during the year ended December 31, 2021 generated $7.1 million in cash compared with $15.9 million of cash generated in the prior year. This is predominately due to a higher level of collections, with an offsetting higher level of vendor payments in the prior year as DCM was emerging from the ERP system issues from 2019. During the year ended December 31, 2021, DCM is operating business as usual and resuming normal collection and repayment terms resulting in a relatively lower level of trade receivable inflow and trade and accrued liabilities outflow when compared to the same period in 2020. DCM continued to see a high level of collections within accounts receivable with $15.3 million of inflow, thereby reducing accounts receivable even further.

INVESTING ACTIVITIES

For the year ended December 31, 2021, $3.2 million in cash flows were used for investing activities compared with $0.8 million during the same period in 2020. The low level of capital expenditures for property, plant and equipment is consistent with DCM's initiative to reduce expenses during the continuing COVID-19 pandemic, however increased capital investment in the fourth quarter of 2021 related to the consolidation of the Company's Mississauga and Brampton facilities. DCM incurred expenditures for intangible assets for development of a new digital development project during the second and third quarter of 2021. However, due to a change in its strategy, a one-time charge was recorded to write-down this intangible asset in the fourth quarter of 2021, recorded in amortization expense.

FINANCING ACTIVITIES

For the year ended December 31, 2021, cash flow used in financing activities was $23.4 million compared with $45.1 million used during the same period in 2020.

DCM made principal repayments under its credit facilities totaling $30.7 million in the year ended December 31, 2021 compared to $32.9 million during the comparative period. The principal repayments made in 2020 were funded through advances under the Bank Credit Facility ($29.0 million) and normal course repayments on the FPD Credit Facilities ($3.9 million). In the current year, DCM continued to make draw-downs under its Bank Credit Facility totaling $2.7 million, continued normal course of repayments on the FPD Credit Facilities for $6.2 million, and commenced repayment for the new term loan with the Bank for $0.3 million effective December 2021. In the fourth quarter of 2021, the Crown Facility was refinanced through borrowings from FPD and the Bank with a total repayment of $21.8 million to Crown, and an amount of $21.0 million of proceeds received from FPD and the Bank.

$2.2 million of promissory notes were repaid during the year ended December 31, 2021 (including final payments for the related party promissory notes, Perennial vendor-take back ("Perennial VTB") and Bolder vendor take-back ("Bolder VTB")) compared to $0.5 million repaid on the Perennial VTB in 2020. Lease payments were consistent with the prior year.

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 2021 is $0.6 million and 2022 is $0.4 million.

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 2022 is $0.5 million.

The GCPP's most recent funding actuarial report (as at December 31, 2019) disclosed a going concern surplus of 112% 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 79%. No actuarial valuation was required for the GCPP for the year ended December 31, 2020.

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.

Outstanding share data

At March 28, 2022 and December 31, 2021, there were 44,062,831 common shares of DCM ("Common Shares") outstanding. At December 31, 2020, there were 43,867,030 Common Shares outstanding.

At March 28, 2022 and December 31, 2021, there were options outstanding to purchase up to 3,950,886 Common Shares. At December 31, 2020, there were options outstanding to purchase up to 1,587,486 Common Shares.

During the year ended December 31, 2021, options to purchase up to 2,500,000 common shares were awarded to DCM's new President and CEO. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $0.69 per share, representing the fair value of the Common Shares on the date of grant. Of the total options granted, 1,000,000 options vested immediately. The remaining 1,500,000 options vest at a rate of 1/3 each year beginning on March 7, 2022.

During the year ended December 31, 2021, options to purchase up to 125,000 common shares were awarded to the Chief Financial Officer ("CFO"). Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $0.85 per share, representing the fair value of the Common Shares on the date of grant. All 125,000 options vest at a rate of 1/3 each year beginning on May 14, 2022.

At March 28, 2022 and at December 31, 2021, there were warrants outstanding to purchase up to 1,863,607 Common Shares. At December 31, 2020, there were warrants outstanding to purchase up to 1,920,092 Common Shares.

On February 3, 2021, DCM issued 67,866 warrants in connection with the Related Party Promissory Notes. Each warrant entitles the holder to acquire one Common Share at an exercise price of $0.32 for a period of 2.25 years, commencing on February 3, 2021.

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, 2021 and December 31, 2020, 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, 2021 was determined using default rates under the provision matrix for an amount of $1.3 million (2020 – $0.7 million), of which $0.8 million (2020 – $0.3 million) relates to unbilled receivables.

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2021 and December 31, 2020, respectively:

December 31, 2021 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		0.32%	0.57%	0.65%	13.14%
Billed receivables balance	**$35,643**	$19,351	$10,429	$2,863	$3,000
Billed receivables ECL	**$533**	$61	$59	$19	$394

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

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2021 and December 31, 2020, respectively:

December 31, 2021 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Unbilled receivables		0.22%	0.47%	1.07%	9.14%
Unbilled receivables balance	**17,207**	5,111	2,245	2,138	7,713
Unbilled receivables ECL	**$750**	$11	$11	$23	$705

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		0.18%	0.40%	0.80%	2.85%
Unbilled receivables balance	$19,195	$6,556	$2,125	$1,018	$9,496
Unbilled receivables ECL	$300	$12	$9	$8	$271

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. As at December 31, 2021 the Company has $3.0 million (8%) of its billed receivables that are over 90 days old (2020 - $7.4 million or 16%).

LIQUIDITY RISK

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, and the FPD Credit Facilities, as amended, or other indebtedness of DCM.

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, profitability and working capital targets. The estimate of future cash flows in the Company's 2022 budget include a number of key assumptions to support the financial covenant calculations, specifically related to forecast 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 (particularly for the fixed charge coverage ratio) are sensitive to those assumptions including the ongoing impact of the COVID-19 pandemic and other inflationary pressures, the effects and duration of which are difficult to project with respect to the Company's business and financial results. For

example a shortfall in our budgeted EBITDA of 6% for February through to November 2022 could result in the breach of our fixed charge coverage ratio covenant. The estimate of future cash flows in the Company's forecasts took into consideration the uncertainty of the continued impact of the COVID-19 pandemic coupled with other inflationary pressures on both the wider macro-economic environment and the ongoing demand for the Company's services. Management are satisfied that the Company's forecasts and projections, taking account of reasonably possible changes in results and other uncertainties will not result in any breach of the financial covenants on its credit facilities. Management continues to assess the expected effects of the COVID-19 pandemic and other inflationary pressures on DCM's future business, financial condition, operating results, cash flows and working capital levels. Because the extent and duration of the impact of the COVID-19 pandemic and other inflationary pressures are uncertain, the continuing effects of these events could materially affect DCM's ability to comply with the fixed charge coverage ratio financial covenant in its credit facility agreements. If over the course of the next year, market conditions do not improve or deteriorate further, DCM may need to take additional short-term cost control actions and/or undertake further restructuring programs to ensure the Company remains in compliance with the financial covenants in its Credit Facility agreements or seek covenant waivers from its lenders. The Company has concluded that it will remain in compliance with the covenants of its Credit Facility agreements and as a result, will have adequate access to liquidity to satisfy its obligations within one year after the date the financial statements are issued.

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.

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, 2021, DCM had access to $11.5 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, 2021, $3.0 million of DCM's indebtedness outstanding was subject to floating interest rates of 2.95% per annum and $9.7 million of DCM's indebtedness outstanding was subject to floating interest rates of 5.95%. At December 31, 2021, $1.7 million of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1%

per annum, $11.6 million was subject to a fixed rate of interest of 6.95% per annum, $11.0 million was subject to a fixed rate of 5.95% per annum and $9.7 million was subject to a fixed rate of 5.95% 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 22 to the audited consolidated financial statements of DCM for the year ended December 31, 2021 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, 2021. 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, 2021.

(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	**$ 58,289**	**8,298**	**18,086**	**31,905**
Long-term debt [(2)]	**$ 41,108**	**13,685**	**22,467**	**4,956**
Total	**$ 102,583**	**$ 23,038**	**$ 41,621**	**$ 37,924**

(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) Credit facilities as at December 31, 2021 subject to floating interest rates consisting of the Bank Credit Facility, expiring on November 8, 2024, and the Bank Term Loan, expiring on May 8, 2024. As at December 31, 2021, the outstanding balances totaled $3.0 million and $9.7 million, respectively, and bore interest at a floating rate of 2.95% and 5.95%, respectively, per annum. The amounts at December 31, 2021 include estimated interest totaling $0.6 million for 2022, $0.3 million for 2023, and $0.1 million for 2024. The estimated interest was calculated based on the total borrowings outstanding at the end of the year and the annual floating interest rate in effect as at December 31, 2021. Credit facilities at December 31, 2021 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 FPD VI Facility expiring on December 15, 2026. As at December 31, 2021, the outstanding balances totaled $11.6 million and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, of 6.95% per annum, and of 5.95% per annum, respectively. Monthly blended principal and interest payments of $0.1 million, of $0.4 million and of $0.1 million, respectively, and $0.1 million of principal payments for FPD VI.

Transactions with related parties

During the year ended December 31, 2021, 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 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 $1.2 million as consideration for terminating the option.

These transactions are 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 2021 and 2020

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, 2021**	October 1 to December 31, 2020
		(Restated)
Revenues	**$ 60,871**	$ 60,589
Cost of revenues	**43,158**	45,581
Gross profit	**17,713**	15,008
Selling, general and administrative expenses [(1)]	**15,431**	12,375
Restructuring expenses	**2,282**	748
	17,713	13,123
Income before finance costs, other income and income taxes	**—**	1,885
Finance costs		
Interest expense, net	**1,124**	260
Debt modification losses	**473**	78
Amortization of transaction costs	**503**	146
	2,100	484
Other Income		
Government grant income	**55**	1,780
(Loss) income before income taxes	**(2,045)**	3,181
Income tax (recovery) expense		
Current	**183**	(754)
Deferred [(1)]	**(371)**	561
	(188)	(193)
Net (loss) income for the period	**$ (1,857)**	$ 3,374
Adjusted EBITDA (see Table 7)	**$ 7,270**	$ 7,387
Adjusted net (loss) income (see Table 8)	**$ (200)**	$ 3,946
Adjusted net income per share, basic and diluted	**$ 0.00**	$ 0.08
Weighted average number of common shares outstanding, basic	**44,062,831**	43,442,668
Weighted average number of common shares outstanding, diluted	**46,439,445**	44,258,933
Number of common shares outstanding, basic	**44,062,831**	43,867,030
Number of common shares outstanding, diluted	**46,439,445**	44,683,295

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

TABLE 7 The following table provides reconciliations of net income to EBITDA and of net income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures” section above for more details.

EBITDA and Adjusted EBITDA reconciliation

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2021**		October 1 to December 31, 2020
				(Restated)
Net (loss) income for the period [1]	**$**	**(1,857)**	$	3,374
Interest expense, net		**1,124**		260
Debt modification losses and prepayment fees		**473**		78
Amortization of transaction costs		**503**		146
Current income tax expense (recovery)		**183**		(754)
Deferred income tax (recovery) expense [1]		**(371)**		561
Depreciation of property, plant and equipment		**731**		762
Amortization of intangible assets [1]		**2,282**		522
Depreciation of the ROU Asset		**1,920**		1,674
EBITDA	**$**	**4,988**	$	6,623
Restructuring expenses		**2,282**		748
One-time business reorganization costs [2]		**—**		16
Adjusted EBITDA	**$**	**7,270**	$	7,387

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

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

TABLE 8 The following table provides reconciliations of net (loss) income to Adjusted net (loss) income. See “Non-IFRS Measures” section above for more details.

Adjusted net (loss) income reconciliation

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2021**		October 1 to December 31, 2020
				(Restated)
Net (loss) income for the period [1]	**$**	**(1,857)**	$	3,374
Restructuring expenses		**2,282**		748
One-time business reorganization costs [1]		**—**		16
Tax effect of above adjustments		**(625)**		(192)
Adjusted net (loss) income	**$**	**(200)**	$	3,946

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

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

REVENUES

For the quarter ended December 31, 2021, DCM recorded revenues of $60.9 million, an increase of $0.3 million or 0.5% compared with the same period in 2020. For the quarter ended December 31, 2021, revenue was in line with the prior period, which represents a positive sign that the business is firming up as we emerge from the COVID-19 pandemic and start to experience some tailwinds in recovery with openings across the country.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2021, DCM recorded cost of revenues of $43.2 million, a decrease of $2.4 million or 5.3% from $45.6 million for the same period in 2020.

Gross profit for the quarter ended December 31, 2021 was $17.7 million, an increase of $2.7 million or 18.0% from $15.0 million for the same period in 2020. Gross profit as a percentage of revenues for the quarter ended December 31, 2021 was 29.1%, an increase from the prior year in 2020 of 24.8%. Gross profit as a percentage of revenues for the quarter ended December 31, 2021 was positively impacted by (i) improved relative business mix, (ii) realizing the full benefits from the cost saving initiatives implemented throughout 2020 and 2021, resulting in a reduction in salaries and wages, including the departure of senior executive team members, (iii) other temporary lay-offs, reduction in casual labour and other cost saving measures in reaction to the impact of COVID-19 on the business, (iv) improved management of purchasing inventory and other direct costs, and (iv) continued discipline to improve pricing with customers, including improvement in freight pricing to achieve positive margins. The consolidation of the Brampton and Mississauga facility at the end of 2021 is expected to realize further cost efficiencies in 2022 onwards, and the full year benefits from the consolidation of the Calgary and Edmonton facilities in June 2021 are also expected to be realized in 2022.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2021 were $15.4 million or 25.4% of total revenues, an increase of $3.1 million or 25%, from $12.4 million, or 20.4% of total revenues, in the same period in 2020. The increase in SG&A expenses for the quarter ended December 31, 2021 was due to an increase in general and administrative expenses of $1.9 million and an increase in selling, commissions and expenses by $1.2 million. General and administrative expenses included a non-cash mark-to-market accrual for RSUs and DSUs to reflect the increase in share price. For the quarter ended December 31, 2021, the total compensation expense for DSUs and RSUs was $1.4 million as compared to $1.1 million in 2020, an increase of $0.3 million from the same period in 2020. DCM's share price increased during the fourth quarter by 28.0%, from a closing price of $1.00 on September 30, 2021 to $1.28 on December 31, 2021. Furthermore, there was a one-time $1.5 million charge for the write-down of intangible assets due to a change in strategy in the fourth quarter of 2021, which was classified as amortization expense. Excluding this mark-to-market adjustment and one-time charge, total SG&A would have only increased by $1.3 million, with an increase in selling, commissions and expenses by $1.2 million and general and administrative expense by only $0.1 million. The increase in selling, commissions and expenses was primarily attributable to higher sales commission costs commensurate with the increase in revenues and other discretionary compensation expense.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2021, DCM incurred a net restructuring expense of $2.3 million compared to restructuring recovery of $0.7 million in the same period in 2020. For the quarter ended December 31, 2021, DCM incurred a restructuring expense of $2.3 million primarily related to the consolidation of the Brampton and Mississauga facilities at the end of 2021, and other various headcount reductions to indirect labour as cost savings initiatives to improve gross margin.

ADJUSTED EBITDA

For the quarter ended December 31, 2021, Adjusted EBITDA was $7.3 million, or 11.9% of revenues, after adjusting EBITDA for the $2.3 million in restructuring expense, compared with an Adjusted EBITDA of $7.4 million or 12.2% of revenues for the same period in 2020. Excluding the CEWS and CERS grant income and the non-cash mark-to-market accruals during the year of $1.4 million for the fourth quarter of 2021 and $1.1 million for the fourth quarter of 2020 (see SG&A discussion), Adjusted EBITDA increased by $1.8 million from prior year. For a reconciliation of net income (loss) to EBITDA and of net income (loss) to Adjusted EBITDA for the periods noted, see Table 7 above.
The decrease in Adjusted EBITDA, for the quarter ended December 31, 2021 was primarily attributable to the lower CEWS and CERS grant income and higher SG&A.

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, 2021, finance costs were $2.1 million compared to $0.5 million for the same period in 2020. Interest expense for the quarter ended December 31, 2021 shows an increase, however this is as a result of accretion income recorded in the fourth quarter of 2020 (due to accelerated repayment of the revolver). Total accretion income recorded year ended December 31, 2021 was $0.3 million, compared to $1.7 million in the same period in 2020. Excluding the accretion income, interest expense was only higher by $0.2 million. Interest expense decreased due to a reduction in levels drawn under the Bank Credit Facility throughout 2021, and a reduction in the FPD Credit Facilities through scheduled repayments over the course of the year, thereby reducing the interest expense on all facilities. Furthermore, the Crown Facility was refinanced through the Bank and FPD at lower interest rates, however the full effects of this are expected to be realized in 2022. DCM also repaid the balances owing on the Bolder VTB during the first quarter of 2021 and the Perennial VTB during the second quarter of 2021, resulting in lowered interest expense. This decline was offset by an increase in one-time expenses to derecognize the Crown Facility, and prepayment fees for early termination.

INCOME TAXES

DCM reported an income before income taxes of $2.0 million and a net income tax recovery of $0.2 million for the quarter ended December 31, 2021 compared to an income before income taxes of $3.2 million and a net income tax recovery of $0.2 million for the quarter ended December 31, 2020.

NET (LOSS) INCOME

Net loss for the quarter ended December 31, 2021 was $1.9 million compared to net income of $3.4 million for the quarter ended December 31, 2020. For a reconciliation of net (loss) income to Adjusted net (loss) income for the periods noted, see Table 8 above.

Despite the improvement in gross margin, there was a decrease in comparable profitability for the quarter ended December 31, 2021 due to the receipt of modest CEWS grant income in 2021 compared to the prior year of $1.8 million, and higher level of expenses including restructuring costs, finance costs and the one-time charge of $1.5 million for the write-down of an intangible asset as discussed above.

ADJUSTED NET (LOSS) INCOME

Adjusted net loss for the quarter ended December 31, 2021 was $0.2 million compared to adjusted net income of $3.9 million for the same period in 2020. Despite the improvement in gross margin, the adjusted net income for the quarter ended December 31, 2021 declined due to the receipt of modest CEWS grant income in 2021 compared to the prior year of $1.8 million and higher level of expenses including finance costs and the one-time charge of $1.5 million for the write-down of an intangible asset as discussed above.

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)

	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*
Revenues	**$ 60,871**	**$ 56,892**	**$ 55,207**	**$ 62,361**	$ 60,589	$ 57,374	$ 63,936	$ 77,415
Net income (loss) attributable to shareholders	**(1,857)**	**1,023**	**637**	**1,762**	3,374	2,583	4,682	2,660
Basic earnings (loss) per share	**(0.04)**	**0.02**	**0.01**	**0.04**	0.08	0.06	0.11	0.06
Diluted earnings (loss) per share	**(0.04)**	**0.02**	**0.01**	**0.04**	0.08	0.06	0.11	0.06

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2021 can be attributed to several principal factors: the impact of COVID-19 which commenced in the second quarter of 2020, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which impacted operations; 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. All figures above have been restated to include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing

arrangement. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

DCM's net income for the fourth quarter of 2021 included improved margins due to cost saving initiatives, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which impacted operations, receipt of CEWS of $0.1 million, and restructuring expenses of $2.3 million. 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 income for the third quarter of 2021 included reduction in revenues and margins due to COVID-19, receipt of CERS of $0.2 million, and restructuring expenses of $3.1 million. 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 income for the second quarter of 2021 included reduction in revenues and margins due to COVID-19, one time fair market value adjustment of RSUs and DSUs of approximately $2.0 million included in cost of sales and SG&A, receipt of CEWS and CERS of $2.4 million, and restructuring expenses of $0.9 million. 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 and CERS 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 income for the first quarter of 2021 included reduction in revenues due to COVID-19, improved margins due to cost saving initiatives implemented throughout 2020 and the first quarter of 2021, receipt of CEWS and CERS of $1.9 million, restructuring expenses of $3.4 million, and $1.5 million of other income. 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.

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, 2021.

NEW AND AMENDED STANDARDS ADOPTED

CONFIGURATION OR CUSTOMIZATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (IAS 38)

In April 2021 the IFRS Interpretations Committee published an agenda decision clarifying how configuration and customization costs incurred in implementing a cloud computing arrangement should be accounted for. In that agenda decision certain configuration and customization activities undertaken in implementing such arrangements may give rise to a separate asset in limited circumstances where the company controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customization costs are to be expensed as incurred as an operating expense.

Where a change in accounting policy is required, comparative financial information is to be retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The company previously capitalized $12,037 of costs as an intangible asset relating to the 2019 implementation of its cloud-based ERP system which was being amortized over its estimated useful life of 5 years. Management determined that none of these costs would qualify to be capitalized and amortized in accordance with the IFRS Interpretations Committee's agenda decision and would be required to be expensed in the period the costs were incurred. The adoption of the interpretation was implemented retrospectively. The following table summarizes the impact on DCM's consolidated statement of financial position:

(in thousands of Canadian dollars)	**December 31, 2019 prior to the adoption**	**Impact**	**December 31, 2019 after the adoption**
Intangible assets	$ 18,167	$ (10,621)	$ 7,546
Deferred tax asset	6,648	2,683	9,331
Deficit	(260,493)	(7,938)	(268,431)

(in thousands of Canadian dollars)	**December 31, 2020 prior to the adoption**	**Impact**	**December 31, 2020 after the adoption**
Intangible assets	$ 14,459	$ (8,218)	$ 6,241
Deferred tax asset	3,163	2,073	5,236
Deficit	(249,697)	(6,145)	(255,842)

The following table summarizes the impact on DCM's consolidated statement of operations for the year ended December 31, 2020:

(in thousands of Canadian dollars)	**Year ended December 31, 2020 prior to the adoption**	**Impact**	**Year ended December 31, 2020 after the adoption**
General and administration expense	$ 32,460	$ (2,405)	$ 30,055
Deferred tax expense	3,598	607	4,205

The following table summarizes the impact on DCM's consolidated statement of cash flows for the year ended December 31, 2020:

(in thousands of Canadian dollars)	**Year ended December 31, 2020 prior to the adoption**	**Impact**	**Year ended December 31, 2020 after the adoption**
Net income for the year	$ 11,506	$ 1,793	$ 13,299
Amortization of intangible assets	4,279	(2,403)	1,876
Income tax expense	3,107	610	3,717

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. This amendment to IFRS 16 was adopted effective January 1, 2021 and did not have an impact on the consolidated financial statements.

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 were adopted effective January 1, 2021 and applied retrospectively and the adoption did not have an impact on the consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

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 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 derecognize 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 and judgments

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

Goodwill is tested for impairment 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 is impacted by the determination of the CGUs, estimates of the recoverable value of those CGUs, assumptions of future cash flows, and achieving forecasted business results.

In Q1 2021, the Company changed the structure of its internal organization and senior leadership team under the leadership of the new CEO as DCM continues to evolve into an integrated marketing and business solutions provider to it's customers. As a consequence, in management’s judgment DCM now has a single goodwill CGU, being the

Company as a whole, reflecting the manner in which the operating results are being reviewed by the CODM to make decisions about resources to be allocated and to assess the Company's performance.

The recoverable amount of this CGU was determined based on its estimated fair value less cost of disposal using a discounted cash flow method. Management applied considerable judgment in estimating the recoverable amounts of its CGU, which included the use of key 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 and other inflationary pressures 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 and assumptions in determining the stand-alone selling prices in allocating revenue between the various performance obligations based on non-bundled pricing arrangements and comparable market data, where applicable.

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 lifetime expected 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 billed 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.

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

Considerable judgment by management is required to determine (a) the revenue and gross 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 2021 the Company recorded a provision of $0.6 million (2020 - $0.6 million) 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 $1.3 million (2020 - $0.7 million) provision for lifetime expected credit losses.

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, 2021. Based on that evaluation, those officers have concluded that, as of December 31, 2021, 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.

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, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As at December 31, 2021, there were no changes in the Company’s internal control over financial reporting that occurred during the twelve months ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

Outlook

"We are very pleased with the progress we made in 2021. Since I joined DCM on March 8, 2021, we’ve implemented a clear strategy to move from a “print first” company to a “digital first” company with a well-defined five-year strategic plan to drive our execution," says Richard Kellam, CEO and President of DCM.

We posted two quarters of sequential revenue improvement to end 2021, with Q3 revenue of $56.9 million up 3.1% compared to Q2 of $55.2 million, and Q4 revenue of $60.9 million up 7.0% compared to Q3. This sets us up nicely for a third successive quarter of growth - as we enter 2022, the first quarter of the year is typically the strongest for us.

Our “digital first” strategy continues to gain momentum. Our sales pipeline exceeds $10 million for digital asset management and related technology-services opportunities and spans more than 50 clients. Our 40 years of workflow management and related DAM expertise is really resonating with our clients.

"We believe we are very well positioned for growth, given our clarity of strategy, our positioning in the marketplace, the strength of our team, and importantly the positive results we delivered in the second half of 2021, and specifically the fourth quarter. In my 36 years in business, I’ve always found that momentum builds momentum. We are very excited about the future of DCM."

Risks and uncertainties

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

Financial reporting responsibility of management

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

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

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

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

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

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

(Signed) "Richard Kellam"

Richard Kellam
President and Chief Executive Officer
DATA Communications Management Corp.

(Signed) "James E. Lorimer"

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

March 28, 2022
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, 2021 and 2020 and January 1, 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 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, 2021 and 2020 and January 1, 2020;
- the consolidated statements of operations for the years ended December 31, 2021 and 2020;
- the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years ended December 31, 2021 and 2020;
- the consolidated statements of cash flows for the years ended December 31, 2021 and 2020; 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.

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, 2021. 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.

Key audit matter	How our audit addressed the key audit matter
Fixed charge coverage ratio covenant compliance and related liquidity risk *Refer to note 1 – General information and basis of preparation, note 12 – Credit facilities and note 22 – Financial instruments (liquidity risk) to the consolidated financial statements.* As at December 31, 2021, the Company's credit facilities amounted to $37.0 million which contain financial covenant requirements including a fixed charge coverage ratio covenant. As disclosed by management, cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for the Company's products and services and pricing pressures from its existing and new customers. Management continues to assess the expected effects of the COVID-19 pandemic and other inflationary pressures on the Company's future business, financial condition, operating results, cash flows and working capital levels. Because the extent and duration of the impact of the COVID-19 pandemic and other inflationary pressures are uncertain, the continuing effect of these events could materially affect the Company's ability to comply with the fixed charge coverage ratio covenant in its credit facility agreements. If, over the course of the next year, market conditions do not improve or deteriorate further, management may need to take additional short-term cost control actions and/or undertake further restructuring programs to ensure the Company remains in compliance with the fixed charge coverage ratio covenant in its credit facility agreements or seek covenant waivers from its lenders. Management concluded that the	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of the Company's compliance with the fixed charge coverage ratio covenant and the related liquidity risk: – Tested how management developed the cash flow forecast and forecasted fixed charge coverage ratio covenant compliance for the period to March 2023. o Tested the underlying data used by management in developing the cash flow forecast. o Evaluated the reasonableness of key assumptions used by management in the cash flow forecast related to forecasted revenues and gross margins by: - Agreeing assumptions related to forecasted revenue and gross margins in the cash flow forecast to management's strategic plans and financial budget approved by the Board of Directors and considering current and past performance of the Company in light of the COVID-19 pandemic and other inflationary pressures. - Performing independent sensitivity analysis to assess the possible impact of changes to key assumptions underlying the cash flow forecast, such as a further

Key audit matter	How our audit addressed the key audit matter
Company will remain in compliance with the fixed charge coverage ratio covenant in its credit facility agreements and as a result, will have adequate access to liquidity to satisfy its obligations within one year after the date the financial statements are issued. The Company's cash flow forecast for the period to March 2023, to support the assessment of compliance with the fixed charge coverage ratio covenant and the related liquidity risk, includes considerable judgment applied by management and key assumptions related to forecasted revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)). The estimate of forecasted compliance with the fixed charge coverage ratio covenant is sensitive to these assumptions including the ongoing impact of the COVID-19 pandemic and other inflationary pressures, the effects and duration of which are difficult to project with respect to the Company's business and financial results. We considered this a key audit matter due to the considerable judgment applied by management when evaluating the uncertainty related to the effects of the COVID-19 pandemic and other inflationary pressures on the Company's future business, financial condition, operating results, cash flows, working capital levels and forecasted fixed charge coverage ratio covenant compliance. This led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assessment of the Company's compliance with the fixed charge coverage ratio covenant and the related liquidity risk for the period to March 2023.	reduction in revenues and gross margins and management's ability to take mitigating actions if required. - Assessing the forecasted fixed charge coverage ratio covenant compliance in accordance with the credit facility agreements. - Considering whether the assumptions related to forecasted revenue and gross margins in the cash flow forecast were consistent with evidence obtained in other areas of the audit. – Assessed management's financial covenant and liquidity risk disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment *Refer to note 2 – Significant accounting policies and note 9 – Goodwill to the consolidated financial statements.* The Company's goodwill carrying value was $17.0 million as at December 31, 2021. In prior years the Company's goodwill was allocated to four cash generating units (CGUs), DCM, DCM Burlington, Thistle and Perennial. In Q1 2021, the Company changed the structure of its internal organization and senior leadership team under the leadership of the new CEO as the Company continues to evolve into an integrated marketing and business solutions provider to its customers. Consequently, the Company has a single goodwill CGU, being the Company as a whole, which is the level at which goodwill is monitored for internal management purposes. 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 the Company exceeds its recoverable amount. The recoverable amount of the Company was determined based on its estimated fair value less cost of disposal using a discounted cash flow method. Management applied considerable judgment in estimating the recoverable amount of the Company, which included the use of key assumptions relating to revenue growth rates, gross margins and the discount rate. Management concluded that there was no impairment of the Company's goodwill carrying value as at December 31, 2021. We considered this a key audit matter due to the magnitude of the matter and the considerable judgment by management in estimating the recoverable amount of the Company. This led to a	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the recoverable amount of the Company: – Evaluated the appropriateness of management's determination of the goodwill CGU by considering the Company's changes in the structure of its internal organization and management reporting. – Evaluated the appropriateness of management's discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. – Evaluated the reasonableness of key assumptions used by management related to revenue growth rates and gross margins by considering (i) the current and past performance of the Company; (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 model and the reasonableness of the discount rate assumption. • Assessed the disclosures in the consolidated financial statements, including management's sensitivity disclosures on key assumptions related to revenue growth rates, gross margins and the discount rate.

Key audit matter	How our audit addressed the key audit matter
high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's key assumptions. The audit effort involved the use of professionals with specialized skill and knowledge.	
Revenue recognition – multiple performance obligations *Refer to note 2 – Significant accounting policies and note 24 – Segmented information to the consolidated financial statements.* The Company recognized total consolidated revenues of $235.3 million for the year ended December 31, 2021. Of this amount, $218.1 million (92.6%) related to product sales, $7.7 million (3.3%) related to warehousing services, $7.5 million (3.2%) related to freight services and $2.0 million (0.9%) 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 and assumptions in determining the stand-alone selling prices in allocating revenue between the various performance obligations based on non-bundled pricing arrangements and comparable market data, where applicable. 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 performance obligations. This led to a high degree	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: – 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 pricing arrangements and comparable market data, where applicable.

Key audit matter	How our audit addressed the key audit matter
of auditor judgment and effort in performing procedures and evaluating audit evidence.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis 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 28, 2022

Consolidated statements of financial position

(in thousands of Canadian dollars)	**December 31, 2021**	December 31, 2020	January 1, 2020
ASSETS		*(Restated - Note 3)*	*(Restated - Note 3)*
CURRENT ASSETS			
Cash and cash equivalents	**$ 901**	$ 578	$ —
Trade receivables (note 4)	**51,567**	65,290	86,451
Inventories (note 5)	**12,133**	8,514	12,580
Prepaid expenses and other current assets	**2,580**	1,521	2,611
Income taxes receivable	**860**	—	—
	68,041	75,903	101,642
NON-CURRENT ASSETS			
Other non-current assets	**625**	581	828
Deferred income tax assets (note 14)	**5,465**	5,236	9,331
Restricted cash	**515**	515	515
Property, plant and equipment (note 6)	**8,416**	9,783	13,062
Right-of-use assets (note 7)	**33,476**	42,341	56,381
Pension assets (note 15)	**2,531**	203	156
Intangible assets (note 8)	**4,042**	6,241	7,546
Goodwill (note 9)	**16,973**	16,973	16,973
	$ 140,084	$ 157,776	$ 206,434
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft (note 12)	**$ —**	$ —	$ 1,093
Trade payables and accrued liabilities	**37,589**	39,999	51,743
Current portion of credit facilities (notes 1 and 12)	**11,743**	6,172	3,887
Current portion of promissory notes (note 13)	**—**	1,154	492
Current portion of lease liabilities (note 11)	**6,123**	8,032	8,252
Provisions (note 10)	**3,280**	1,186	3,886
Income taxes payable (note 14)	**841**	1,608	2,068
Deferred revenue	**3,269**	2,798	2,133
	62,845	60,949	73,554
NON-CURRENT LIABILITIES			
Provisions (note 10)	**1,196**	90	192
Credit facilities (notes 1 and 12)	**24,556**	39,567	74,760
Promissory notes (note 13)	**—**	975	2,095
Lease liabilities (note 11)	**32,976**	40,321	53,514
Deferred income tax liabilities (note 14)	**—**	282	402
Pension obligations (note 15)	**7,499**	8,271	7,958
Other post-employment benefit plans (note 16)	**2,971**	3,507	2,938
	$ 132,043	$ 153,962	$ 215,413
EQUITY			
SHAREHOLDERS’ EQUITY (DEFICIENCY)			
Shares (note 17)	**$ 256,478**	$ 256,260	$ 256,045
Warrants (note 17)	**881**	850	853
Contributed surplus	**2,791**	2,354	2,300
Translation reserve	**173**	192	254
Deficit	**(252,282)**	(255,842)	(268,431)
	$ 8,041	$ 3,814	$ (8,979)
	$ 140,084	$ 157,776	$ 206,434

Commitments and Contingencies (note 20)

Approved by Board of Directors

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

Consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts)	**For the year ended December 31, 2021**	For the year ended December 31, 2020
		(Restated - Note 3)
REVENUES (note 24)	**$ 235,331**	$ 259,314
COST OF REVENUES	**165,796**	186,372
GROSS PROFIT	**69,535**	72,942
EXPENSES		
Selling, commissions and expenses	**24,888**	26,424
General and administration expenses	**31,069**	30,057
Restructuring expenses (note 10)	**9,691**	2,821
	65,648	59,302
INCOME BEFORE FINANCE COSTS, OTHER INCOME, AND INCOME TAXES	**3,887**	13,640
FINANCE COSTS		
Interest expense on long term debt and pensions, net	**3,318**	2,819
Interest expense on lease liabilities (note 11)	**2,521**	3,257
Debt modification losses and prepayment fees (notes 12 and 13)	**473**	703
Amortization of transaction costs (note 12)	**941**	553
	7,253	7,332
OTHER INCOME		
Other income (note 27)	**1,452**	—
Government grant income (note 26)	**4,558**	10,708
INCOME BEFORE INCOME TAXES	**2,644**	17,016
INCOME TAX (RECOVERY) EXPENSE		
Current (note 14)	**2,238**	(491)
Deferred (note 14)	**(1,159)**	4,208
	1,079	3,717
NET INCOME FOR THE YEAR	**$ 1,565**	$ 13,299
BASIC EARNINGS PER SHARE (note 18)	**$ 0.04**	$ 0.31
DILUTED EARNINGS PER SHARE (note 18)	**$ 0.03**	$ 0.31

Consolidated statements of comprehensive income

(in thousands of Canadian dollars)	**For the year ended December 31, 2021**	For the year ended December 31, 2020
		(Restated - Note 3)
NET INCOME FOR THE YEAR	**$ 1,565**	$ 13,299
OTHER COMPREHENSIVE (LOSS) INCOME:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME		
Foreign currency translation	**(19)**	(62)
	(19)	(62)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME		
Re-measurements of pension and other post-employment benefit obligations	**2,643**	(949)
Taxes related to pension and other post-employment benefit adjustment above	**(648)**	239
	1,995	(710)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**$ 1,976**	$ (772)
COMPREHENSIVE INCOME FOR THE YEAR	**$ 3,541**	$ 12,527

Consolidated statements of changes in shareholders' equity (deficiency)

(in thousands of Canadian dollars)	**Shares**	**Warrants**	**Contributed surplus**	**Translation reserve**	**Deficit** *(Restated - Note 3)*	**Total shareholders' equity (deficiency)**
Balance as at December 31, 2019	$ 256,045	$ 853	$ 2,300	$ 254	$ (260,493)	$ (1,041)
Adjusted for IFRIC Agenda Decision (note 3)	—	—	—	—	(7,938)	(7,938)
Adjusted balance as at December 31, 2019	$ 256,045	$ 853	$ 2,300	$ 254	$ (268,431)	$ (8,979)
Net income for the year as restated (note 3)	—	—	—	—	13,299	13,299
Other comprehensive loss for the year	—	—	—	(62)	(710)	(772)
Total comprehensive income for the year	—	—	—	(62)	12,589	12,527
Issuance of common shares, net (note 17)	80	—	—	—	—	80
Exercise of warrants (note 10)	135	(42)	—	—	—	93
Share-based compensation expense (note 17)	—	—	54	—	—	54
Issuance of warrants, net (note 10)	—	39	—	—	—	39
Balance as at December 31, 2020	$ 256,260	$ 850	$ 2,354	$ 192	$ (255,842)	$ 3,814
BALANCE AS AT DECEMBER 31, 2020	**$ 256,260**	**$ 850**	**$ 2,354**	**$ 192**	**$ (255,842)**	**$ 3,814**
Net income for the year	**—**	**—**	**—**	**—**	**1,565**	**1,565**
Other comprehensive income for the year	**—**	**—**	**—**	**(19)**	**1,995**	**1,976**
Total comprehensive income for the year	**—**	**—**	**—**	**(19)**	**3,560**	**3,541**
Issuance of common shares (note 17)	**40**	**—**	**—**	**—**	**—**	**40**
Exercise of warrants (note 17)	**178**	**(9)**	**(51)**	**—**	**—**	**118**
Share-based compensation expense (note 17)	**—**	**—**	**488**	**—**	**—**	**488**
Issuance of warrants, net (note 17)	—	**40**	—	—	—	**40**
BALANCE AS AT DECEMBER 31, 2021	**$ 256,478**	**$ 881**	**$ 2,791**	**$ 173**	**$ (252,282)**	**$ 8,041**

Consolidated statements of cash flows

(in thousands of Canadian dollars)	For the year ended December 31, 2021	For the year ended December 31, 2020
CASH PROVIDED BY (USED IN)		*(Restated - Note 3)*
OPERATING ACTIVITIES		
Net income for the year	**$ 1,565**	$ 13,299
Items not affecting cash		
Depreciation of property, plant and equipment (note 6)	**3,133**	3,541
Amortization of intangible assets (note 8)	**3,589**	1,876
Depreciation of right-of-use-assets (note 7)	**8,428**	8,399
Interest expense on lease liabilities (note 11)	**2,521**	3,257
Share-based compensation expense	**488**	54
Shares issued as payment for services	**40**	—
Pension expense (note 15)	**480**	487
Loss on disposal of property, plant & equipment	**66**	—
(Gain) on disposal of leases	**(196)**	—
Provisions (note 10)	**9,691**	2,821
Amortization of transaction costs and debt modification losses (note 12)	**1,201**	1,256
Accretion of non-current liabilities and capitalized interest expense	**(441)**	(972)
Other post-employment benefit plan expense (gain) (note 16)	**(118)**	852
Income tax expense (note 14)	**1,079**	3,717
	31,526	38,587
Changes in working capital (note 19)	**7,135**	15,944
Contributions made to pension plans	**(970)**	(1,116)
Contributions made to other post-employment benefit plans (note 16)	**(390)**	(338)
Provisions paid (note 10)	**(6,491)**	(5,623)
Income taxes paid (note 14)	**(3,865)**	181
	26,945	47,635
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 6)	**(1,832)**	(268)
Purchase of intangible assets (note 8)	**(1,390)**	(571)
Proceeds on disposal of property, plant and equipment	**—**	4
	(3,222)	(835)
FINANCING ACTIVITIES		
Issuance of common shares and warrants, net (note 17)	**—**	173
Proceeds from credit facilities (note 12)	**21,000**	—
Repayment of credit facilities (note 12)	**(30,696)**	(32,865)
Exercise of warrants	**118**	—
Repayment of other liabilities	**—**	(333)
Repayment of promissory notes (note 13)	**(2,144)**	(533)
Transaction costs (note 12)	**(489)**	(227)
Lease payments (note 11)	**(11,202)**	(11,336)
	(23,413)	(45,121)
CHANGE IN CASH DURING THE YEAR	**310**	1,679
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT) – BEGINNING OF YEAR	**$ 578**	$ (1,093)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**13**	(8)
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 901**	$ 578

1 General information and basis of preparation

DATA Communications Management Corp ("DCM" or the "Company") is a leading provider of marketing and workflow solutions that solve the complex branding, communications, logistics and regulatory challenges of some of North America’s biggest brands. Powered by purpose-built technology like our DCMFlex™ workflow management platform and our ASMBL digital asset management solution, we help clients bring their brands to life and create more meaningful connections with customers. We serve market leaders in key verticals such as financial services, retail, healthcare, energy, and the public sector, supporting them with marketing scale, speed, efficiency and insight that drives their competitiveness and improves their performance.

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 ability to continue as a going concern is dependent upon management’s ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with its financial covenants on its credit facilities or to obtain financial covenant waivers from its lenders if necessary. The estimate of future cash flows in the Company’s forecasts took into consideration the uncertainty of the continued impact of the COVID-19 pandemic, coupled with other inflationary pressures on both the wider macro-economic environment and the ongoing demand for the Company’s services. Management are satisfied that the Company’s forecasts and projections, taking account of reasonably possible changes in results and other uncertainties will not result in any breach of the financial covenants on its credit facilities. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements. The Company’s cash flow forecasts for the period to March 31, 2023, to support the assessment of financial covenant compliance and the related liquidity risk, includes considerable judgment applied by management in the determination of key assumptions related to forecast 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 (see notes 12 and 22) including the ongoing impact of the COVID-19 pandemic, and other inflationary pressures, the effects and duration of which are difficult to project with respect to the Company’s business and financial results (see COVID-19 section below).

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.

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 businesses and from smaller and more transactional clients. During 2020 and 2021, the Company was able to offset partially the impact of the pandemic through sales of one-time COVID projects. While the Company is anticipating sales to begin to recover in 2022 as the economy recovers from the effects of the pandemic, 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 year ended December 31, 2021, the Company continued to pursue new business opportunities and renewed several key customer contracts. DCM has begun to experience delays in certain raw materials in its supply chain due to the post COVID-19 return of consumer movements. It has also experienced pricing increases in many of its raw materials including freight input costs as the global supply chain has increasingly been impacted. DCM has not experienced any material credit collection delinquencies related to COVID-19.

The Canada Emergency Wage Subsidy ("the CEWS") and the Canada Emergency Rent Subsidy (the "CERS") contributed $4,558 (2020 - $10,708) of income for the year ended December 31, 2021. DCM does not expect any material subsidies going forward.

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 28, 2022.

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 unconsolidated 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). On January 1, 2022 subsequent to year-end, Perennial amalgamated into DCM.

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, trade names, trademarks and non-compete agreements acquired in a business combination are recognized 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.

Certain configuration and customization activities undertaken in implementing such arrangements may give rise to a separate asset in limited circumstances where DCM controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customization costs are expensed as incurred. 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 17. All transactions involving share-based payments are recognized as an expense in the statement of operations over the vesting period.

Equity-settled share-based payment transactions, such as stock option awards, are measured at the grant date at the fair value of employee services received in exchange for the grant of options or share awards and, for non-employee transactions, at the fair value of the goods or services received at the date on which the entity recognizes the goods

or services. The total amount of the expense recognized in the statement of operations is determined by reference to the fair value of the share awards or options granted, which factors in the number of options expected to vest. Equity-settled share-based payment transactions are not remeasured once the grant date fair value has been determined.

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

EMPLOYEE BENEFITS

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

DCM also contributes to the Québec Graphic Communication Pension Plan (the “GCPP”) for certain employees at its Drummondville plant in Québec. In addition, DCM sponsors a number of multi-employer, defined benefit employee pension and non-pension benefit plans which are administered by Unifor Local 591G for the hourly employees of Thistle ("Unifor Pension & Benefit Plans"). The GCPP 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 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.

(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.

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 CEWS and CERS (note 26).

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 and assumptions in determining the stand-alone selling prices in allocating revenue between the various performance obligations based on non-bundled pricing arrangements and comparable market data, where applicable. 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.

(f) License fees - This includes revenue under license arrangements from the sale of proprietary software licenses and software-related services including onboarding and implementation, support and maintenance, and hosting services (collectively, software related services). The license provides a right-to-use DCM's software and revenues are recognized at a point in time when the license was granted to the customer. Software related services income is recognized as DCM provides these services to its customers over the term of the contract.

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, 2021 and 2020, 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 22.

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 estimates, measurement uncertainty and judgments are summarized below. For each item, actual results could differ from estimates and judgments made by management.

IMPAIRMENT OF GOODWILL

Goodwill is tested for impairment 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 is impacted by the determination of the CGUs, estimates of the recoverable value of those CGUs, assumptions of future cash flows, and achieving forecasted business results.

In Q1 2021, the Company changed the structure of its internal organization and senior leadership team under the leadership of the new CEO as DCM continues to evolve into an integrated marketing and business solutions provider to it's customers. As a consequence, in management’s judgment DCM now has a single goodwill CGU, being the Company as a whole, reflecting the manner in which the operating results are being reviewed by the CODM to make decisions about resources to be allocated and to assess the Company's performance.

The recoverable amount of this CGU was determined based on its estimated fair value less cost of disposal using a discounted cash flow method. Management applied considerable judgment in estimating the recoverable amounts of its CGU, which included the use of key 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 and other inflationary pressures 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 and assumptions in determining the stand-alone selling prices in allocating revenue between the various performance obligations based on non-bundled pricing arrangements and comparable market data, where applicable.

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 lifetime expected 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 billed 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.

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

Considerable judgment by management is required to determine (a) the revenue and gross 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 2021 the Company recorded a provision of $618 (2020 - $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 $1,283 (2020 - $652) provision for lifetime expected credit losses (see note 23).

3 Change in accounting policies

New and amended standards adopted

CONFIGURATION OR CUSTOMIZATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (IAS 38)

In April 2021 the IFRS Interpretations Committee published an agenda decision clarifying how configuration and customization costs incurred in implementing a cloud computing arrangement should be accounted for. In that agenda decision certain configuration and customization activities undertaken in implementing such arrangements may give rise to a separate asset in limited circumstances where the company controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customization costs are to be expensed as incurred as an operating expense.

Where a change in accounting policy is required, comparative financial information is to be retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The company previously capitalized $12,037 of costs as an intangible asset relating to the 2019 implementation of its cloud-based ERP system which was being amortized over its estimated useful life of 5 years. Management determined that none of these costs would qualify to be capitalized and amortized in accordance with the IFRS Interpretations Committee's agenda decision and would be required to be expensed in the period the costs were incurred. The adoption of the interpretation was implemented retrospectively. The following table summarizes the impact on DCM's consolidated statement of financial position:

	December 31, 2019 prior to the adoption	Impact	January 1, 2020 after the adoption
Intangible assets	$ 18,167	$ (10,621)	$ 7,546
Deferred tax asset	6,648	2,683	9,331
Deficit	(260,493)	(7,938)	(268,431)

	December 31, 2020 prior to the adoption	Impact	December 31, 2020 after the adoption
Intangible assets	$ 14,459	$ (8,218)	$ 6,241
Deferred tax asset	3,163	2,073	5,236
Deficit	(249,697)	(6,145)	(255,842)

The following table summarizes the impact on DCM's consolidated statement of operations for the year ended December 31, 2020:

	Year ended December 31, 2020 prior to the adoption	Impact	Year ended December 31, 2020 after the adoption
General and administration expense	$ 32,460	$ (2,403)	$ 30,057
Deferred tax expense	3,598	610	4,208

The following table summarizes the impact on DCM's consolidated statement of cash flows for the year ended December 31, 2020:

	Year ended December 31, 2020 prior to the adoption	Impact	Year ended December 31, 2020 after the adoption
Net income for the year	$ 11,506	$ 1,793	$ 13,299
Amortization of intangible assets	4,279	(2,403)	1,876
Income tax expense	3,107	610	3,717

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. This amendment to IFRS 16 was adopted effective January 1, 2021 and did not have an impact on the consolidated financial statements.

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 were adopted effective January 1, 2021 and applied retrospectively and the adoption did not have an impact on the consolidated financial statements.

(b) Future accounting standards not yet adopted

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 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 derecognize 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 Trade receivables

		December 31, 2021		December 31, 2020
Trade receivables	**$**	**52,850**	$	65,942
Provision for expected credit losses (note 22)		**(1,283)**		(652)
	$	**51,567**	$	65,290

As at December 31, 2021, trade receivables include unbilled receivables of $16,457 (2020 – $18,895), net of an expected credit loss allowance of $750 (2020 – $300).

5 Inventories

		December 31, 2021		December 31, 2020
Raw materials	**$**	**6,519**	$	4,061
Work-in-progress		**2,662**		1,393
Finished goods		**2,952**		3,060
	$	**12,133**	$	8,514

Raw materials inventory amount is net of obsolescence reserves of $277 (2020 – $154). Finished goods consist of base stock items.

6 Property, plant and equipment

The following tables present changes in property, plant and equipment for the years ended December 31, 2021 and 2020:

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware	Vehicles	Total
Year ended December 31, 2021						
Opening net book value	**$ 2,380**	**$ 181**	**$ 6,609**	**$ 613**	**$ —**	**9,783**
Additions	**1,264**	**29**	**335**	**188**	**16**	**1,832**
Effect of movement in exchange rates	**2**	**—**	**(2)**	**—**	**—**	**—**
Disposals	**(32)**	**(9)**	**(21)**	**(4)**	**—**	**(66)**
Depreciation for the year	**(1,019)**	**(107)**	**(1,792)**	**(215)**	**—**	**(3,133)**
Closing net book value	**$ 2,595**	**$ 94**	**$ 5,129**	**$ 582**	**$ 16**	**$ 8,416**
At December 31, 2021						
Cost	**$ 13,064**	**$ 1,566**	**$ 43,179**	**$ 2,948**	**$ 90**	**$ 60,847**
Accumulated depreciation	**(10,469)**	**(1,472)**	**(38,050)**	**(2,366)**	**(74)**	**(52,431)**
Net book value	**$ 2,595**	**$ 94**	**$ 5,129**	**$ 582**	**$ 16**	**$ 8,416**

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware	Vehicles	Total
Year ended December 31, 2020						
Opening net book value	$ 3,437	$ 288	$ 8,489	$ 831	$ 17	13,062
Additions, net of transfers from CIP	—	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

7 Right-of-use asset

The following tables present changes in the right-of-use assets for for the years ended December 31, 2021 and 2020:

	Property	Office Equipment	Production Equipment	Total
Year ended December 31, 2021				
Opening net book value	**$ 33,698**	**$ 682**	**$ 7,961**	**$ 42,341**
Additions	**574**	**96**	**—**	**670**
Modifications	**(1,442)**	**270**	**413**	**(759)**
Disposal	**(334)**	**—**	**—**	**(334)**
Depreciation for the year	**(4,176)**	**(907)**	**(3,345)**	**(8,428)**
Effect of movement in exchange rates	**(12)**	**—**	**(2)**	**(14)**
Closing net book value	**$ 28,308**	**$ 141**	**$ 5,027**	**$ 33,476**
At December 31, 2021				
Cost	**$ 40,753**	**$ 2,807**	**$ 15,647**	**$ 59,207**
Accumulated depreciation	**(12,445)**	**(2,666)**	**(10,620)**	**(25,731)**
Net book value	**$ 28,308**	**$ 141**	**$ 5,027**	**$ 33,476**

	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

During the year ended December 31, 2021, 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, including the termination of two facilities that were consolidated into one new facility. During the year ended December 31, 2021, DCM reduced the assumed duration of various leased facilities to exclude extension options as management determined that it was no longer considered reasonably certain that they would be exercised.

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.

8 Intangible assets

The following tables present changes in intangible assets for the years ended December 31, 2021 and 2020:

	Customer relationships	Software and technology	Trademarks, trade names and non-compete agreements	Total
Year ended December 31, 2021				
Opening net book value	**$ 5,449**	**$ 657**	**$ 135**	**$ 6,241**
Additions	**—**	**1,390**	**—**	**1,390**
Amortization for the year	**(1,577)**	**(1,934)**	**(78)**	**(3,589)**
Closing net book value	**$ 3,872**	**$ 113**	**$ 57**	**$ 4,042**
At December 31, 2021				
Cost	**$ 87,733**	**$ 11,881**	**$ 8,697**	**$ 108,311**
Accumulated amortization	**(83,861)**	**(11,768)**	**(8,640)**	**(104,269)**
Net book value	**$ 3,872**	**$ 113**	**$ 57**	**$ 4,042**

	Customer relationships	Software and technology	Trademarks, trade names and non-compete agreements	Total
Year ended December 31, 2020		*(Restated - Note 3)*		
Opening net book value	$ 7,061	$ 143	$ 341	$ 7,545
Additions	—	571	—	571
Amortization for the year	(1,612)	(57)	(206)	(1,875)
Closing net book value	$ 5,449	$ 657	$ 135	$ 6,241
At December 31, 2020				
Cost	$ 87,733	$ 13,717	$ 8,697	$ 110,147
Accumulated amortization	(82,284)	(13,060)	(8,562)	(103,906)
Net book value	$ 5,449	$ 657	$ 135	$ 6,241

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

During the year ended December 31, 2021, the costs of $1,390 (2020 - $571) DCM incurred mainly related to a new development project. During the fourth quarter of 2021, DCM changed its' strategy for this project and the remaining unamortized amount of $1,508 was written-off and recorded within amortization expense.

9 Goodwill

		December 31, 2021		December 31, 2020
DCM	**$**	**16,973**	$	864
DCM Burlington		—		836
Thistle		—		6,603
Perennial		—		8,670
	$	**16,973**	$	16,973

DCM performs an annual impairment analysis of goodwill at the end of each fiscal year, or more frequently if events or changes in circumstances indicate that the cash generating units ("CGU") to which goodwill has been allocated may be impaired.

In prior years the Company's goodwill was allocated to four cash generating units - DCM and its previously acquired businesses, DCM Burlington, Thistle and Perennial. In Q1 2021, the Company changed the structure of its internal organization and senior leadership team under the leadership of the new CEO as DCM continues to evolve into an integrated marketing and business solutions provider to its customers. As a consequence, DCM now has a single operating segment, being the Company as a whole, which is the level at which goodwill is now monitored for internal management purposes reflecting the way DCM is now managing its operations.

DCM performed its review for impairment of goodwill by comparing the fair value of the Company's CGU to its respective carrying value. DCM did not make any changes to the valuation methodology used to assess for impairment since its last annual impairment test. The recoverable amount of its CGU has been determined based on the fair value less cost of disposal. DCM uses the income approach to estimate the recoverable value of its 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.

Revenue growth rates and gross margins were based on the 2022 budget internally approved and presented to the Board and further projected over a five-year forecast period. The average annual cumulative revenue growth rates for the 2022 forecast period was 3.6% (2020: 0.4% for DCM CGU, 7.1% for DCM Burlington CGU, 12.0% for Thistle CGU and 30.60% for Perennial CGU). A revenue growth rate of between 3.6% to 6.7% (2020 – 0% for DCM CGU, 1% for DCM Burlington CGU and Thistle CGU and (4.3)% to 7.4% for Perennial CGU) was applied to revenue over the forecast period in consideration of the current economic conditions that existed as at December 31, 2021 and the specific trends of the business services and marketing solutions industries. A perpetual long-term growth rate of 0% (2020 – 0%) was used thereafter to derive the recoverable amount of the CGU. The forecasted gross margins over the five-year forecast period were 31.0% to 35.1% (2020: 30.3% for DCM CGU, 26.8% DCM Burlington CGU, 34.1% Thistle CGU and 54.0% for Perennial CGU).

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”). 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. A discount rate of 15.0% was used (2020 – 14.88%). The change in discount rates reflect management’s judgment as to the specific risks relating to the CGU and industry in which it operates.

As a result of these tests, it was concluded that there was no impairment of goodwill during the year. The estimated recoverable amount exceeded its carrying value by $160,907 (2020 - DCM $84,603; DCM Burlington $13,709; Thistle $13,524; Perennial $3,527).

The recoverable amount would equal its carrying value if the key assumptions were changed to the following (in each case with all other assumptions remaining unchanged).

CGU	**December 31, 2021**	December 31, 2020
Discount rate		
DCM	**50.1 %**	55.1 %
DCM Burlington	**n/a**	48.1 %
Thistle	**n/a**	37.1 %
Perennial	**n/a**	20.5 %
Revenue growth rate over 5 year forecast period and in perpetuity		
DCM	**(5.3)%**	(9.6)%
DCM Burlington	**n/a**	(10.8)%
Thistle	**n/a**	(7.5)%
Perennial	**n/a**	2.0 %
Gross Margin		
DCM	**23.0 %**	23.4 %
DCM Burlington	**n/a**	15.8 %
Thistle	**n/a**	21.0 %
Perennial	**n/a**	47.0 %

10 Provisions

		Termination provisions		**Plant Closure**		**Total**
Balance – December 31, 2020	**$**	**1,276**	**$**	**—**	**$**	**1,276**
Additional charge during the year		**8,631**		**1,060**		**9,691**
Utilized during the year		**(5,981)**		**(510)**		**(6,491)**
Balance - December 31, 2021	**$**	**3,926**	**$**	**550**	**$**	**4,476**
Less: Current portion of provisions		**(2,730)**		**(550)**		**(3,280)**
As at December 31, 2021	**$**	**1,196**	**$**	**—**	**$**	**1,196**

		Termination provisions		Plant Closure		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

During the year ended December 31, 2021 and 2020, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations.

During the year ended December 31, 2021, these initiatives resulted in $8,631 of additional restructuring expenses due to headcount reduction across DCM's operations including senior executive management and $1,060 due to the closure of certain manufacturing and office locations in the consolidated statement 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.

For the year ended December 31, 2021, cash payments of $6,491 (2020 - $5,623) were made to former employees for severances, to a landlord for closure of a manufacturing location and for other restructuring costs. The remaining severance and restructuring accruals of $3,926 at December 31, 2021 are expected to be paid in 2022 and 2023.

11 Lease liabilities

(i) *LEASE LIABILITIES*

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

	Property	Office Equipment	Production Equipment	Total
Balance - January 1, 2021	$ 39,033	$ 1,018	$ 8,302	$ 48,353
Additions	574	96		670
Modifications	(572)	28	(288)	(832)
Disposals	(396)	—	—	(396)
Payments during the year	(6,345)	(1,054)	(3,803)	(11,202)
Interest charge for the year	2,065	28	428	2,521
Effects of movement in FX rates			(15)	(15)
Balance - December 31, 2021	$ 34,359	$ 116	$ 4,624	$ 39,099

	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

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

	Contractual Cash Flows	Extension Options	Total December 31, 2021
Not later than one year	$ 8,299	$ —	$ 8,299
Later than one and not later than five years	22,127	1,987	24,114
Later than five years	690	25,186	25,876
Total undiscounted lease liabilities	$ 31,116	$ 27,173	$ 58,289
Discounted using the incremental borrowing rate			(19,190)
Lease liabilities			$ 39,099
Current			$ 6,123
Non-current			$ 32,976

(ii) AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

	For the year ended December 31, 2021	For the year ended December 31, 2020
Variable lease payments not included in the measurement of lease liabilities	$ 5,744	$ 5,178
Income from sub-leasing right-of-use assets	$ (124)	$ (212)
Expenses relating to short-term leases and leases of low value assets	$ 808	$ 1,170

All extension options that are reasonably certain to be exercised have been included in the measurement of the lease obligation. The Company reassesses the likelihood of extension option to be exercised when there was a significant event or change in circumstances. During the year ended December 31, 2021, extension options that are not reflected in the measurement of the lease liability total $1,063 (2020 - $5,715).

12 Credit facilities

		December 31, 2021		December 31, 2020
Term loans				
- 6.10% term debt, maturing October 15, 2022 (FPD III Credit Facility)	**$**	**1,743**	$	2,760
- 6.95% term debt, maturing March 10, 2023 (FPD IV Credit Facility)		**9,432**		13,678
- 6.95% term debt, maturing May 15, 2023 (FPD V Credit Facility)		**2,200**		3,109
- 5.95 % term debt, maturing December 15, 2026 (FPD VI Credit facility)		**11,000**		—
-12.00% term debt, maturing May 7, 2023 (Crown Facility)		**—**		20,911
- floating rate debt, maturing May 8, 2024 (Bank Term Loan)		**9,690**		—
Revolving facilities				
- floating rate debt, maturing November 8, 2024 (Bank Credit Facility)		**2,969**		5,687
Credit facilities	**$**	**37,034**	$	46,145
Unamortized debt premiums and discount		**140**		921
Unamortized transaction costs		**(875)**		(1,327)
	$	**36,299**	$	45,739
Less: Current portion of Credit facilities		**(11,743)**		(6,172)
Credit facilities	**$**	**24,556**	$	39,567

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) pursuant to an agreement ("the Bank Credit Agreement") 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 $15,000 (see Amendments to Credit Facilities) and the Bank Credit Facility matures on November 8, 2024. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $15,000 and a fixed percentage of DCM’s aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.5%. On November 8, 2021, DCM established a term loan ("Bank Term Loan") with the Bank for $10,000 to in part refinance the Crown Facility. The Bank Term Loan matures on May 8, 2024 and is subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 3.50%. The amended facility also includes an “accordion” feature which can provide of up to $10,000 of additional capacity under the revolving facility. As at December 31, 2021, DCM had access to $11,463 of available credit under the Bank Credit Facility. The cash and cash equivalents balance of $901 shown on the consolidated statement of financial position as at December 31, 2021 represents outstanding deposits which when cashed would reduce the borrowing under the Bank Credit Facility.

FPD FACILITIES

DCM has four amortizing term loan facilities (the "FPD Credit Facilities" and, collectively with the Bank Credit Facility, the "Credit Facilities") with Fiera Private Debt Fund III L.P., Fiera Private Debt Fund IV L.P., Fiera Private Debt V L.P., and Fiera Private Debt VI L.P. (newly acquired loan in 2021 - see amendments to credit facilities), all of which are funds managed by Fiera Private Debt Fund GP Inc. ("FPD").

CROWN FACILITY

DCM had a non-revolving term loan facility with Crown Capital Partner Funding, LP, a fund managed by Crown Capital LP Partner Funding Inc. The total advances under this facility were $19,000. Interest of $2,496 (2020 - $1,911) had been deferred and capitalized to the outstanding principal obligation, increasing the total advances to $21,800 (2020 - $20,911) prior to the refinancing of this debt. These advances were repayable on maturity on May 7, 2023 and bore interest at 12% per annum, payable quarterly. DCM's obligations under the Crown Facility were 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 1,510,000 warrants were issued to Crown in connection with these loans which entitle Crown to acquire one DCM common share per warrant at an exercise price of $0.26. The warrants expire on May 7, 2023.

The Crown Facility was prepayable in full at any time, subject to prepayment fees of: (a) 2% on the principal loan outstanding if the prepayment option was exercised prior to May 2022 or (b) 1% on the principal loan outstanding if the prepayment option was exercised thereafter.

During the fourth quarter of 2021, the Crown Facility was prepaid and refinanced through amended and new credit facilities from the Bank and FPD (see amendments to credit facilities). A prepayment fee of $429 was incurred which is included within finance costs. The carrying value of the Crown Facility was nil as of December 31, 2021.

AMENDMENTS TO CREDIT FACILITIES

On January 22, 2021, DCM entered into a ninth amendment to its Bank Credit Facility. The applicable margin payable on DCM's borrowings under the Bank Credit Facility was reduced from 1.35% to 0.60% for an interest rate of 3.05% taking into account then current floating reference rates and the applicable margin payable by DCM. The Minimum Cash Flow Requirement covenant (as defined in the Sixth Amending Agreement) was also terminated.

On November 8, 2021, DCM entered into an amended and restated credit facility (the “Amended Bank Facility”) with the Bank. The Amended Bank Facility includes a revolving credit facility of up to $15,000, a term loan of $10,000 and an “accordion” feature which can provide of up to $10,000 of additional capacity under the revolving facility. The term loan will amortize in equal monthly payments over 30 months. The maturity date of the Amended Bank Facility has been extended from January 31, 2023 to November 8, 2024. The revolving facility is available to finance the working capital needs of the Company. Advances under the Amended Bank Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.50% and 3.50% for the revolving and term components, respectively. In connection with this amendment, DCM recognized a loss on modification of $260, which is included in finance costs in the consolidated statement of operations. For the year-ended December 31, 2021, DCM capitalized transaction costs of $210.

On December 17, 2021, DCM also entered into an agreement with FPD VI, by its general partner, FPD, pursuant to which FPD provided an $11,000 term facility, with a term of 60 months from closing. The FPD VI term loan will amortize in equal monthly principal payments over 84 months, with the remaining 24 payments at maturity due in a bullet payment. A fixed interest rate of 5.95% per annum is payable on the FPD VI term loan. For the year-ended December 31, 2021, DCM capitalized transaction costs of $279. Concurrently with the entering into of the FPD VI term loan, the terms of the loans with FPD III, FPD IV and FPD V, were amended such that the terms of the agreements are the same, other than in respect of interest rates, maturity dates and amortization.

Collectively, the proceeds from the new term loans provided by the Bank and FPD, and the drawings on the revolving facility, were used to repay the $21,496 Crown Facility.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreements contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the

consent of the Bank, FPD III, FPD IV, FPD V and FPD VI as applicable. The Company’s current financial covenant requirements include a working capital current ratio, total funded debt to EBITDA ratio and a fixed charge coverage ratio test as well as limits on our annual capital expenditures and total funded debt levels. As of December 31, 2021, DCM was in compliance with the amended covenants.

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, profitability and working capital targets. The estimate of future cash flows in the Company’s 2022 budget include a number of key assumptions to support the financial covenant calculations, specifically related to forecast 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 (particularly for the fixed charge coverage ratio) are sensitive to those assumptions including the ongoing impact of the COVID-19 pandemic and other inflationary pressures, the effects and duration of which are difficult to project with respect to the Company’s business and financial results. For example a shortfall in our budgeted EBITDA of 6% for February through to November 2022 could result in the breach of our fixed charge coverage ratio covenant (see also note 22).

For purposes of the Bank Credit Agreement, the FPD Credit Agreements, “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, nonrecurring 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 or, the FPD Credit Agreement, together with certain other events, including a change of control of DCM and a change in DCM’s Chief Executive Officer, President or Chief Financial Officer (unless a replacement officer acceptable to 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 and note 22).

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 Credit Facility and indebtedness outstanding under the FPD V Credit Facility, respectively. As at December 31, 2021, there was a balance of $515 (December 31, 2020 - $515) in the blocked account related to the FPD IV Credit Facility and FPD V Credit Facility which is recognized as restricted cash on the consolidated statement of financial position. These requirements have been eliminated effective January 2022.

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 amended inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, and FPD VI, respectively, which, among other things, establishes the rights and priorities of the

respective liens of the Bank, FPD III, FPD IV, FPD V and FPD VI on the present and after acquired property of DCM and its subsidiaries.

The movement in credit facilities during the years ended December 31, 2021 and 2020 are as follows:

		December 31, 2021		December 31, 2020
Balance - Beginning of year, net of transaction costs and debt premiums and discounts	**$**	**45,739**	$	78,647
Changes from financing cash flows				
Proceeds from credit facilities		**21,000**		—
Repayment of credit facilities		**(30,696)**		(32,865)
Transaction costs		**(489)**		(227)
Total change from financing cash flows		**35,554**		45,555
Non-cash movements				
Amortization of transaction costs		**941**		553
Debt modification losses		**260**		634
Capitalized interest on Crown advances		**585**		1,911
Accretion of premium and discount		**(1,041)**		(2,914)
Balance - End of year, net of transaction costs and debt premiums and discounts	**$**	**36,299**	$	45,739

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

		December 31, 2021
2022	**$**	**11,743**
2023		**12,693**
2024		**6,311**
2025		**1,571**
2026		**4,716**
	$	**37,034**

13 Promissory notes

The movement in the promissory note balances during the years ended December 31, 2021 and 2020 are as follows:

2021	**BOLDER Graphics acquisition**	**Perennial acquisition**	**Related Party Promissory Notes**	**Total**
Balance – Beginning of year	**$ 174**	**$ 980**	**$ 975**	**$ 2,129**
Unwinding of discount		**(10)**	**25**	**15**
Payments during the year	**(174)**	**(970)**	**(1,000)**	**(2,144)**
Balance – End of year	**$ —**	**$ —**	**$ —**	**$ —**
Less: Current portion of promissory notes		**$ —**	**$ —**	**$ —**
As at December 31, 2021	**$ —**	**$ —**	**$ —**	**$ —**

2020	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 (gain) 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

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 17). 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 17). The loss on modification of the loan of $69 is included in finance costs in the consolidated statement of operations.

In 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 12% per annum (amended from 10% per annum to 12% per annum in November 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. In June 2021, the Related Party Promissory Notes balance of $1,000 was repaid early.

The Related Party Promissory Notes were subordinated to DCM's obligations under the Bank Credit Facility and the FPD Credit Facilities on the same basis as the VTB Noteholders as provided for in the amended and restated inter-creditor agreement dated May 7, 2018.

In addition, a total of 78,571 warrants were 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 prior to March 31, 2023.

14 Income taxes

Significant components of DCM's deferred income tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

December 31, 2021		**Assets**		**Liabilities**		**Net**
Pension obligations and other post-employment benefit plans	**$**	**1,957**	**$**	**—**	**$**	**1,957**
Property, plant and equipment, ROU assets and lease liabilities		**646**		**—**		**646**
Benefit of income tax loss and other carry-forwards		**579**		**—**		**579**
Deferred finance fees and debt premiums		**139**		**—**		**139**
Deductible reserves		**1,394**		**—**		**1,394**
Intangible assets		**561**		**—**		**561**
Other		**189**		**—**		**189**
Total deferred income tax assets (liabilities)	**$**	**5,465**	**$**	**—**	**$**	**5,465**
Set-off of deferred income tax assets (liabilities) pursuant to set off provisions		**—**		**—**		**—**
Net deferred income tax assets (liabilities)	**$**	**5,465**	**$**	**—**	**$**	**5,465**

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		1,032		(316)		716
Other		—		(67)		(67)
Total deferred income tax assets (liabilities)	$	5,337	$	(383)	$	4,954
Set-off of deferred income tax assets (liabilities) pursuant to set off provisions		(101)		101	$	—
Net deferred income tax assets (liabilities)	$	5,236	$	(282)	$	4,954

As at December 31, 2021, DCM recorded net deferred income tax assets of $5,465 (2020 – $5,236) and net deferred income tax liabilities of nil (2020 – $282) in its consolidated statements of financial position. The deferred income tax assets are only offset against deferred income tax liabilities where DCM has a legally enforceable right to offset these amounts and the deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same taxation authority.

Changes in deferred income tax assets and liabilities during the years ended December 31, 2021 and 2020 are as follows:

	Balance at January 1, 2021 as restated	Other	Recognized in statement operations	Recognized in comprehensive income	Balance at December 31, 2021
Pension obligations and other post-employment benefit plans	**$ 2,920**	**$ —**	**$ (315)**	**$ (648)**	**$ 1,957**
Property, plant and equipment, ROU assets and lease liabilities	**364**	**—**	**282**	**—**	**646**
Benefit of income tax loss and other carry-forwards	**64**	**—**	**515**	**—**	**579**
Deferred finance fees and debt premiums	**360**	**—**	**(221)**	**—**	**139**
Deductible reserves	**595**	**—**	**799**	**—**	**1,394**
Intangible assets	**716**	**—**	**(155)**	**—**	**561**
Promissory notes	**2**	**—**	**(2)**	**—**	—
Other	**(67)**	**—**	**256**	**—**	**189**
Deferred income tax assets (liabilities), net	**$ 4,954**	**$ —**	**$ 1,159**	**$ (648)**	**$ 5,465**

	Balance at January 1, 2020 as previously reported	Adjusted for IFRIC Agenda Decision (note 3)	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)	2,683	—	(1,454)	—	716
Promissory notes	(15)	—	—	17	—	2
Other	(27)	—	(6)	(34)	—	(67)
Deferred income tax assets (liabilities), net	$ 6,246	$ 2,683	$ (6)	$ (4,208)	$ 239	$ 4,954

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, 2021, DCM has non-capital tax loss carry-forwards of $3,928 (2020 – $901), of which $1,742 relates to deferred tax asset not recognized. The non-capital tax loss carry-forwards expire in varying amounts from 2039 to 2040 (2020 – 2037 to 2039).

In the ordinary course of business, DCM and its subsidiaries and predecessors have entered into transactions where the ultimate tax determination may be uncertain. These uncertainties require management to make estimates of the ultimate tax liabilities and, accordingly, the provision for income taxes. Since there are inherent uncertainties,

additional tax liabilities may result if tax matters are ultimately resolved or settled at amounts different from those estimates. As at December 31, 2021, DCM has provided for $1,407 (2020 - $1,407) 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, 2021 and 2020 are set out below:

		For the year ended December 31, 2021		For the year ended December 31, 2020 as restated
Current income tax expense:				
Current tax on profits for the year	**$**	**2,238**	$	369
Adjustment for current tax of prior periods		**—**		(860)
Total current income tax expense (recovery)	**$**	**2,238**	$	(491)
Total deferred income tax (recovery) expense		**(1,159)**		4,208
Total income tax (recovery) expense for the year	**$**	**1,079**	$	3,717

For the year ended December 31, 2021, deferred income tax expense (recovery) on the recognition of actuarial gains (losses) related to DCM's defined benefit plans of $648 (2020 – $239) 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, 2021 and 2020.

		For the year ended December 31, 2021		For the year ended December 31, 2020 as restated
Income before income taxes	**$**	**2,644**	$	17,016
Expected income tax expense calculated at statutory income tax rate (1)		**651**		4,325
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		**73**		(3)
Unrecognized tax losses and temporary differences		**333**		—
Adjustment for current tax of prior periods and other		**(89)**		(860)
Non-deductible expenses and other items		**111**		255
Total income tax expense for the year	**$**	**1,079**	$	3,717

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 24.64% (2020 – 25.42%).

The combined federal and provincial statutory income tax rate for the current year is 0.78% lower than 2020 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 *24.64%* (2020 – 25.49%) based on the tax rates in years when the temporary differences are expected to reverse.

15 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.

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, 2021		December 31, 2020
Present value of funded obligations	**$**	**61,137**	$	67,530
Less: Fair value of plan assets		**(63,668)**		(67,733)
Surplus of funded plan		**(2,531)**		(203)
Present value of unfunded obligations		**7,499**		8,271
Pension obligations, net	**$**	**4,968**	$	8,068

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, 2021**
Balance – Beginning of year	**$**	**67,530**	**$**	**8,271**	**$**	**75,801**
Interest expense		**1,655**		**184**		**1,839**
Benefits paid		**(3,206)**		**(547)**		**(3,753)**
Re-measurements:						
- Gain from change in financial assumptions		**(4,834)**		**(494)**		**(5,328)**
- Experience (gains) losses		**(8)**		**85**		**77**
Balance – End of year	**$**	**61,137**	**$**	**7,499**	**$**	**68,636**

	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

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, 2021**
Balance – Beginning of year	**$ 67,733**	**$ —**	**$ 67,733**
Interest income	**1,659**		**1,659**
Employer contributions	**423**	**547**	**970**
Benefits paid	**(3,211)**	**(547)**	**(3,758)**
Administrative expenses paid from plan assets	**(300)**	**—**	**(300)**
Re-measurements:			
- Loss on plan assets, excluding amounts included in interest income	**(2,636)**	**—**	**(2,636)**
Balance – End of year	**$ 63,668**	**$ —**	**$ 63,668**

	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

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, 2021			For the year ended December 31, 2020	
		Quoted	**Percentage of plan assets**		Quoted	Percentage of plan assets
Domestic equities	**$**	**484**		$	436	
Foreign equities		**12,254**			9,947	
Equity instruments	**$**	**12,738**	**20%**	$	10,383	15%
Short and mid-term bonds	**$**	**6,625**		$	15,158	
Long-term bonds		**37,622**			41,799	
Commercial mortgages		**6,331**			0	
Debt instruments	**$**	**50,578**	**79%**	$	56,957	84%
Cash and cash equivalents	**$**	**352**	**1%**	$	393	1%
Total	**$**	**63,668**	**100%**	$	67,733	100%

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENTS OF OPERATIONS

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

		Funded		**Unfunded**		**December 31, 2021**
Administration expenses	**$**	**300**	**$**	**—**	**$**	**300**
Interest expense		**1,655**		**184**		**1,839**
Interest income		**(1,659)**		**—**		**(1,659)**
Total net interest expenses (income)		**(4)**		**184**		**180**
Defined benefit expense recognized	**$**	**296**	**$**	**184**	**$**	**480**

		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 expense		(45)		232		187
Defined benefit expense recognized	$	255	$	232	$	487

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME

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

	Funded	Unfunded	December 31, 2021
Re-measurements:			
- Gain from change in financial assumptions	**$ (4,834)**	**$ (494)**	**$ (5,328)**
- Experience (gains) losses	**(8)**	**85**	**77**
- Loss on plan assets, excluding amounts included in interest income	**2,636**	**—**	**2,636**
	(2,206)	**(409)**	**(2,615)**
Deferred income tax effect	**544**	**101**	**645**
Defined benefit recovery recognized	**$ (1,662)**	**$ (308)**	**$ (1,970)**

	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

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, 2021	December 31, 2020
DATA Communications Management Pension Plan		
Discount rate	3.10 %	2.50 %
Rate of compensation increase	3.00 %	3.00 %
SERP		
Discount rate	3.00 %	2.30 %

DCM increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2021 to reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2021.

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, 2021	December 31, 2020
Retiring at the end of the reporting period:		
Male	21.9	21.9
Female	24.3	24.2
Retiring in 25 years after the end of the reporting period:		
Male	23.2	23.1
Female	25.5	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.

The sensitivity of the defined benefit pension obligations for the DATA Communications Management Pension Plan and SERP to changes in assumptions at December 31, 2021 and at December 31, 2020 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, 2021 **Impact on defined benefit obligations**		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (2,013)**	**$ 2,114**
Salary growth rate	**0.25%**	**356**	**(326)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**$ 2,097**	**$ (2,120)**

	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)

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 12.02 years (2020 – 12.92 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, 2021	**$ 3,481**	**$ 7,164**	**$ 7,475**	**$ 19,884**
At December 31, 2020	$ 3,432	$ 7,019	$ 7,309	$ 19,637

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.

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

		For the year ended December 31, 2021		For the year ended December 31, 2020
Defined contribution plan	**$**	**954**	$	1,008
Defined benefit multi-employer plans	**$**	**419**	$	471

DCM expects that, in 2022, 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 $950, contributions to the SERP will be approximately $546 , contributions to the GCPP will be approximately $418 and contributions to the Unifor Pension & Benefit Plans will be approximately $76.

16 Other post-employment benefit plans

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

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

		December 31, 2021		December 31, 2020
Balance – Beginning of year	**$**	**3,507**	$	2,938
Current service cost		**236**		244
Interest expense		**89**		94
Benefits paid		**(390)**		(338)
Re-measurements:				
- Gain from change in demographic assumptions		**(342)**		—
- Loss from change in financial assumptions		**(126)**		149
- Experience gains		**(3)**		420
Balance – End of year	**$**	**2,971**	$	3,507

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, 2021		December 31, 2020
Current service cost	**$**	**236**	$	244
Interest expense		**89**		94
Re-measurements:				
- Gain from change in demographic assumptions		**(342)**		—
- Loss from change in financial assumptions		**(85)**		103
- Experience gains		**(11)**		411
Benefit (recovery) expense recognized	**$**	**(113)**	$	852

AMOUNTS RECOGNIZED IN THE COMPREHENSIVE INCOME

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

	December 31, 2021	December 31, 2020
Re-measurements:		
- Gain from change in demographic assumptions	$ **—**	$ —
- (Gain) loss from change in financial assumptions	**(36)**	46
- Experience losses	**8**	9
	(28)	55
Deferred income tax effect	**3**	(14)
Benefit (recovery) expense recognized	$ **(25)**	$ 41

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

DCM OPEB Plans	**December 31, 2021**	December 31, 2020
Discount rate	**3.10%**	2.50%
Health care cost trend rate – Initial	**5.88%**	5.94%
Health care cost trend rate declines by 2040 (2020 – 2040)	**4.00%**	4.00%

DCM OPEB LTD Plan	**December 31, 2021**	December 31, 2020
Discount rate	**3.10%**	2.50%
Health care cost trend rate – Initial	**5.40%**	5.47%
Health care cost trend rate declines by 2040 (2020 – 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, 2021	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (50)**	**$ 52**
Health care cost trend rates	**1.00%**	**769**	**(166)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**$ 67**	**$ (63)**

	Impact on other post-employment benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
At December 31, 2020			
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)

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, 2021	**$ 361**	**$ 631**	**$ 501**	**$ 934**
At December 31, 2020	$ 381	$ 705	$ 569	$ 1,019

DCM expects that, in 2022, contributions to its DCM OPEB Plans and DCM OPEB LTD Plan will be approximately $361.

17 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, 2021	**43,867,030**	**$ 256,260**
Shares issued - January 18, 2021	**35,725**	**20**
Shares issued - February 18, 2021	**35,725**	**20**
Exercise of warrants - June 20, 2021	**15,351**	**21**
Exercise of warrants - July 5, 2021	**109,000**	**157**
Balance – December 31, 2021	**44,062,831**	**$ 256,478**

	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

Shares were issued in 2021 in exchange for services provided to DCM by a third party during the year.

WARRANTS

A summary of warrant activities for the year ended December 31, 2021 and the year ended December 31, 2020 is as follows:

	2021		2020	
	Number of Warrants	**Weighted average Exercise Price**	Number of Warrants	Weighted average Exercise Price
Warrants outstanding - beginning of year	**1,920,092**	**$ 0.33**	1,688,571	$ 0.35
Granted	**67,866**	**0.32**	715,450	0.19
Anti-dilution adjustment			16,071	0.99
Exercised	**(124,351)**	**(0.95)**	(500,000)	(0.19)
Warrants outstanding - end of year	**1,863,607**	**$ 0.28**	1,920,092	$ 0.33

The outstanding warrants had an exercise price range as follows:

	December 31, 2021	December 31, 2020
	Number of Warrants	Number of Warrants
$0.32	**61,079**	—
$0.99	**77,078**	194,642
$0.26	**1,510,000**	1,510,000
$0.185	**215,450**	215,450
Warrants outstanding	**1,863,607**	1,920,092

On February 3, 2021, DCM issued 67,866 warrants in connection with the Related Party Promissory Notes. Each warrant entitles the holder to acquire one Common Share at an exercise price of $0.32 for a period of 2.25 years, commencing on February 3, 2021. The fair value of the warrants issued was estimated to be $40 using the Black-Scholes option-pricing model, assuming a risk-free interest of 0.58%, a weighted average life of 2.25 years, a dividend yield of nil and an expected volatility of 40.00% based on comparable companies and adjusted using a discount rate of 5% for the statutory hold period.

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 entitled 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.

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 4,406,283 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

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

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, 2021	December 31, 2020
	Number of RSUs	Number of RSUs
Balance - beginning of year	**2,662,561**	707,950
Units granted	**1,480,637**	7,054,214
Units forfeited	**(740,701)**	(4,941,372)
Units paid out	**(1,001,782)**	(158,231)
Balance - end of year	**2,400,715**	2,662,561

During the year ended December 31, 2021, the Chief Executive Officer ("CEO") and President of DCM was granted 302,529 RSUs (2020 – 2,799,707 RSUs) and a total of 1,178,108 RSUs (2020 – 4,254,507 RSUs) were awarded to other members of DCM's management.

Of the total outstanding RSUs at December 31, 2021, nil (December 31, 2020 – nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2021 was $1,962 (December 31, 2020 – $769).

During the year ended December 31, 2021, compensation expense of $1,614 (2020 – $608) was recognized in the consolidated statement of operations related to vesting of RSUs granted, and fair value adjustments. 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 period.

(b) Options ("Options")

A summary of Options activities for the year ended December 31, 2021 and the year ended December 31, 2020 is as follows:

	2021			2020		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of year	**1,587,486**	**$**	**1.33**	1,456,409	$	1.45
Granted	**2,625,000**		**0.70**	—		—
Forfeited	**(261,600)**		**(1.29)**	—		—
Anti-dilution adjustment	**—**		**—**	131,077		1.33
Options outstanding - end of year	**3,950,886**	**$**	**0.91**	1,587,486	$	1.33
Exercisable	**2,322,253**	**$**	**1.06**	1,522,087	$	1.33

The outstanding Options had an exercise price range as follows:

	December 31, 2021	December 31, 2020
	Number of Options	Number of Options
$0.69	**2,500,000**	—
$0.85	**125,000**	—
$1.38	**671,886**	671,886
$1.29	**654,000**	915,600
Options outstanding	**3,950,886**	1,587,486

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:

		March 8, 2021		May 14, 2021
Expected life (years)		7.0		7.0
Expected volatility		40 %		40 %
Dividend yield		0 %		0 %
Risk free rate of return		1.25 %		1.23 %
Weighted average fair value of options granted	$	0.30	$	0.36
Forfeiture rate		10 %		10 %

During the year ended December 31, 2021, options to purchase up to 2,500,000 common shares were awarded to DCM's new President and CEO. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $0.69 per share, representing the fair value of the Common Shares on the date of grant. Of the total options granted, 1,000,000 options vested immediately. The remaining 1,500,000 options vest at a rate of 1/3 each year beginning on March 7, 2022.

During the year ended December 31, 2021, options to purchase up to 125,000 common shares were awarded to the Chief Financial Officer ("CFO"). Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $0.85 per share, representing the fair value of the Common Shares on the date of grant. All 125,000 options vest at a rate of 1/3 each year beginning on May 14, 2022.

During the year ended December 31, 2020, 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, 2021, a total of 261,600 (2020 – nil) options awarded were forfeited.

During the year ended December 31, 2021, compensation expense of $488 (2020 – $54) 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.

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

During the year ended December 31, 2021, 303,017 DSUs (2020 – 1,715,722 DSUs) were granted and 183,510 DSUs were paid out (2020 – nil). The carrying amount of the liability relating to the 2,075,121 DSUs outstanding at December 31, 2021 was $2,656 (December 31, 2020 – $1,232 and 1,955,571 DSUs outstanding).

During the year ended December 31, 2021, an expense of $1,839 (2020 – $1,260) was recognized in the consolidated statement of operations related to DSUs granted of $447 (2020 - $451), and fair value adjustments of $1,392 (2020 - $809).

18 Earnings per share

	For the year ended December 31, 2021	For the year ended December 31, 2020
BASIC (LOSS) EARNINGS PER SHARE		*(Restated - Note 3)*
Net income for the period attributable to common shareholders	**$ 1,565**	$ 13,299
Weighted average number of shares	**43,993,494**	43,146,866
Basic earnings per share	**$ 0.04**	$ 0.31
DILUTED (LOSS) EARNINGS PER SHARE		
Net income for the period attributable to common shareholders	**$ 1,565**	$ 13,299
Weighted average number of shares	**46,136,507**	43,316,630
Diluted earnings per share	**$ 0.03**	$ 0.31

For the year ended December 31, 2021, options to purchase up to 1,325,886 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 nil common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of December 31, 2021.

During 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 in 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.

19 Changes in working capital

	For the year ended December 31, 2021	For the year ended December 31, 2020
Trade receivables	**$ 13,723**	$ 21,011
Inventories	**(3,619)**	4,066
Prepaid expenses and other current and non-current assets	**(1,030)**	1,627
Trade and accrued liabilities	**(2,410)**	(11,425)
Deferred revenue	**471**	665
	$ 7,135	$ 15,944

20 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.

Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. DCM has purchased

directors’ and officers’ liability insurance to mitigate the costs of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

In the normal course of business, DCM has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and license agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at December 31, 2021 with respect to these agreements.

Executive employment agreements allow for additional payments of approximately $1,785 if the individuals are terminated without cause, and approximately $1,785 in the event of a change in control.

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 2022 is $468.

The GCPP’s most recent funding actuarial report (as at December 31, 2019) disclosed a going concern surplus of 112% 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 79%. No actuarial valuation was required for the GCPP for the year ended December 31, 2020.

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; and
- 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.

21 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 and to hold $515 of cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the FPD IV and FPD V credit facilities. These requirements have been eliminated effective January 2022 (see note 12).

DCM's capital structure is as follows:

		December 31, 2021		December 31, 2020
Credit facilities (note 12)	**$**	**36,299**	$	45,739
Promissory notes (note 13)		**—**		2,129
Lease liabilities (note 11)		**39,099**		48,353
Total long-term debt	**$**	**75,398**	$	96,221
Total equity (deficit)	**$**	**8,041**	$	11,752

22 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, 2021 and 2020. 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.

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, 2021	**Carrying Value**	**Fair Value**
Financial assets at amortized cost (1)	**$52,983**	**$52,983**
Financial liabilities at amortized cost (2)	**107,219**	**108,094**
Financial liabilities FVTPL (3)	**4,618**	**4,618**

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

(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.

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, 2021 was determined using default rates under the provision matrix for an amount of $1,283 (2020 – $652), of which $750 (2020 – $300) relates to unbilled receivables.

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2021 and December 31, 2020, respectively:

December 31, 2021	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.32%	0.57%	0.65%	13.14%
Billed receivables balance	**$35,643**	$19,351	$10,429	$2,863	$3,000
Billed receivables ECL	**$533**	$61	$59	$19	$394

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

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2021 and December 31, 2020, respectively:

December 31, 2021	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.22%	0.47%	1.07%	9.14%
Unbilled receivables balance	**$17,207**	$5,111	$2,245	$2,138	$7,713
Unbilled receivables ECL	**$750**	$11	$11	$23	$705

December 31, 2020	Total	Less than 30 days	Over 30 days	Over 60 days	Over 90 days
Unbilled receivables		0.18%	0.40%	0.80%	2.85%
Unbilled receivables balance	$19,195	$6,556	$2,125	$1,018	$9,496
Unbilled receivables ECL	$300	$12	$9	$8	$271

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. As at December 31, 2021 the Company has $3,000 (8%) of its billed receivables that are over 90 days old (2020 - $7,444 or 16%).

Considerable judgment by management is required to determine both (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 2021, the Company recorded a provision of $618 (2020 - $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 2021 and 2020 are as follows:

		For the year ended December 31, 2021		For the year ended December 31, 2020
Balance – Beginning of year	**$**	**652**	$	1,807
Receivables written off (net of credit reversals) as uncollectible during the year		**255**		(658)
Estimated price concession provisions reclassified to gross carrying amount		**(51)**		(567)
Increase in loan loss allowance		**427**		70
Balance – End of year	**$**	**1,283**	$	652

LIQUIDITY RISK

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

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

December 31, 2021		**Less than a year**		**1 to 3 years**		**4 years and greater**		**Total**
Trade payables and accrued liabilities	**$**	**37,589**	**$**	**—**	**$**	**—**	**$**	**37,589**
Lease liabilities		**8,298**		**18,086**		**31,905**		**58,289**
Credit facilities (1)		**13,685**		**22,467**		**4,956**		**41,108**
Total	**$**	**59,572**	**$**	**40,553**	**$**	**36,861**	**$**	**136,986**

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 (1)		9,444		43,347		—		52,791
Promissory notes		1,321		1,162		—		2,483
Total	$	61,808	$	65,001	$	36,036	$	162,845

(1) Credit facilities as at December 31, 2021 subject to floating interest rates consisting of the Bank Credit Facility, expiring on November 8, 2024, and the Bank Term Loan, expiring on May 8, 2024. As at December 31, 2021, the outstanding balances totaled $2,969 and $9,690, respectively, and bore interest at a floating rate of 2.95% and 5.95%, respectively, per annum. The amounts at December 31, 2021 include estimated interest totaling $579 for 2022, $346 for 2023, and $125 for 2024. The estimated interest was calculated based on the total borrowings outstanding at the end of the year and the annual floating interest rate in effect as at December 31, 2021. Credit facilities at December 31, 2021 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 FPD VI Facility expiring on December 15, 2026. As at December 31, 2021, the outstanding balances totaled $11,632 and bore interest at a fixed rate of 6.1% per annum, of 6.95% per annum, of 6.95% per annum, and of 5.95% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively, and $131 of principal payments for FPD VI.

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 balance totaled $5,687 and bore interest at an average floating rate of 3.80% per annum. The amounts at December 31, 2020 include estimated interest totaling $312 for 2021 and $216 for 2022, and $54 for 2023. The estimated interest was calculated based on the total borrowings outstanding at the end of the year and the average 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, 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 balance 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 12.0% 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.

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. Management continue to assess the expected effects of the COVID-19 pandemic and other inflationary pressures, on DCM’s future business, financial condition, operating results, cash flows and working capital levels. Because the extent and duration of the impact of the COVID-19 pandemic and other inflationary pressures are uncertain, the continuing effect of these events could materially affect DCM's ability to comply with the fixed charge coverage ratio financial covenant in its Credit Facility agreements. If, over the course of the next year, market conditions do not improve or deteriorate further, DCM may need to take additional short-term cost control actions and/or undertake further restructuring programs to ensure the Company remains in compliance with the financial covenants in its Credit Facility agreements or seek covenant waivers from its lenders. The Company has concluded that it will remain in compliance with the covenants of its Credit Facility agreements and as a result, will have adequate access to liquidity to satisfy its obligations within one year after the date the financial statements are issued.

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, 2021, $2,969 of DCM’s indebtedness outstanding was subject to floating interest rates of 2.95% per annum and $9,690 of DCM's indebtedness outstanding was subject to floating interest rates of 5.95%; a 1% increase/ decrease in interest rates would have resulted in an increase/decrease in profit or loss and comprehensive loss by $127 for the year ended December 31, 2021 (2020 – $57), respectively. At December 31, 2021, $1,743 of DCM’s indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum, $11,632 was subject to a fixed rate of interest of 6.95% per annum and $11,000 was subject to a fixed interest rate of 5.95% 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.

23 Expenses by nature

	For the year ended December 31, 2021	For the year ended December 31, 2020
		(Restated - Note 3)
Raw materials and other purchases	**$ 97,411**	$ 116,058
Wages and benefits	**88,382**	87,805
Occupancy costs	**9,103**	9,264
Restructuring expenses	**9,691**	2,821
Depreciation and amortization	**14,975**	13,818
Other expenses	**11,882**	15,908
Total cost of revenues and operating expenses	**$ 231,444**	$ 245,674

24 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.

Previously the Company had separate operating segments for DCM and its previously acquired businesses, DCM Burlington, Thistle and Perennial. The print businesses (DCM, DCM Burlington and Thistle) were aggregated into one reportable segment as they had similar economic characteristics as they offer a portfolio of similar products and services, alike customers, and similar production processes and distribution methods. Perennial, a design firm focused on creating and delivering design strategies for major retail brands was considered a separate operating segment but was not disclosed separately as it did not meet the quantitative thresholds stipulated by IFRS 8 and accordingly, in 2021, the decision was made to amalgamate Perennial into DCM, which was made effective January 1, 2022.

In Q1 2021, the Company changed the structure of its internal organization and senior leadership team under the leadership of the new CEO as DCM continues to evolve into an integrated marketing and business solutions provider to it's customers. As a consequence, DCM now has a single operating segment, being the Company as a whole, reflecting the manner in which the operating results are being reviewed by the CODM to make decisions about resources to be allocated and to assess the Company's performance.

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, 2021, 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, 2021		For the year ended December 31, 2020
Product sales	**$**	**218,063**	$	239,595
Warehousing services		**7,732**		7,835
Freight services		**7,507**		8,478
Marketing and other services		**2,029**		3,406
	$	**235,331**	$	259,314

The prior year amounts in the table above have been amended to conform to the current years presentation. Due to a classification in the revenue categories, revenues for product sales, warehousing services, freight services and marketing and other services for the year ended December 31, 2020 previously reported as $236,011, $7,718, $8,351 and $7,234 were revised accordingly.

25 Related party transactions

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, 2021, the balance owing of $107 (2020 – $111) was included within other non-current assets in the statement of financial position.

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, 2021		For the year ended December 31, 2020
Salaries and other short-term employee benefits	**$**	**3,958**	$	3,129
Termination and retirement benefits		**3,114**		—
Post-employment benefits		**56**		23
Share-based compensation expense		**1,729**		445
Total	**$**	**8,857**	$	3,597

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. In January 2021, the option agreement was terminated (note 27).

During the year ended December 31, 2021, key management personnel (excluding compensation awarded to Directors) were granted 844,996 RSUs (2020 – 5,988,890 RSUs), and 531,466 RSUs (2020 – 4,149,264 RSUs) were forfeited. Key management personnel (excluding compensation awarded to Directors) were also granted options to purchase up to 2,625,000 Common Shares (2020 – 64,533 Common Shares). During the year ended December 31, 2021, DCM’s general and administration expenses include an expense of $1,729 (2020 – $445) for these share-based compensation awards.

During the year ended December 31, 2021, DCM’s general and administration expenses include a charge of $1,839 (2020 – $1,260) for the duties performed by DCM’s Board, of which $1,392 (2020 – $809) relates to a fair value adjustment (note 17). Directors were also granted options to purchase up to nil Common Shares (2020 – 66,544 Common Shares) during the year ended December 31, 2021 (see note 17). During the year ended December 31,

2021, DCM's general and administration expenses include a charge of $2 (2020 – $28) for these share-based compensation awards.

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

26 Government Grant Income

On April 11, 2020, the Canadian government launched 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 through to October 23, 2021. The CEWS is a program that subsidizes a portion of eligible remuneration paid by an eligible employer that qualifies, to each eligible employee. DCM also applied for the CERS during 2021.

DCM qualified for government grant income of approximately $4,558 (2020 - $10,708).

27 Other income

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 $1,152 as consideration for terminating the option.

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

Corporate Information

Directors and Officers

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

Gregory J. Cochrane [3]
Vice Chairman, Director

Merri L. Jones [1,3]
Director

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

Michael G. Sifton [1,2]
Director

Derek J. Watchorn [1,2]
Director

Richard Kellam
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

[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)

DCM Leadership Team

Richard Kellam
President & Chief
Executive Officer

James E. Lorimer
Chief Financial Officer

Shelly Anwyll
Senior Vice President,
North America, Retail &
Emerging Markets

Patrick Aussant
Vice President, IT Operations

Christine Custodio
Vice President, Operations

Geneviève Gravel
Vice President,
People Experience

Barbara Franovic-Wilkins
Vice President, Marketing

Asem Moqbel
Vice President, Procurement

Karen Redfern
Vice President,
Customer Technology Solutions

Jason Sharpe
Vice President,
Commercial Acceleration

Sharad Verma
Senior Vice President, Strategy

Corporate Information

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor
Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

Corporate Office
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