2022 Annual Report

Letter to shareholders

Dear Fellow Shareholders,

We are pleased to report on our success in 2022, which demonstrates our continued progress building both a better and a bigger business. With our recent announcement of the planned acquisition of the Canadian operations of R.R. Donnelley & Sons (“RRD Canada”), we believe we are well-positioned to further accelerate our positive momentum.

The fourth quarter of 2022 represented our fifth sequential quarter of year over year revenue growth. Fourth quarter revenues of $73.0 million were up +20.0%, or +$12.2 million, compared to the fourth quarter of 2021, and revenues of $273.8 million for fiscal 2022 were up +16.3%, or +$38.5 million, compared to $235.3 million in 2021. We well over-exceeded our stated five-year average revenue growth rate target of +5% to +10% per year. Our commercial team’s efforts really shone through, not only growing expansion revenue with our existing trusted relationships, but also earning a record number of new logos.

Despite 2022 representing the most challenging supply chain environment in recent history, we achieved record results, not only in revenue growth, but also in gross profit, gross margin, and other profitability metrics. Finishing with a 32.2% gross profit margin in the fourth quarter, we achieved a 30.8% gross margin for the full fiscal year, generating $84.2 million in gross profit in 2022, up +21.1% or +$14.7 million from 2021. For those of you listening to my quarterly videos, you’ve heard me say if gross profit is growing faster than revenue, you know we are doing something right.

SG&A expenses for the year were 20.9% of revenues, much improved from 23.8% of revenues in 2021, and within reach of our long-term target of 18% - 20% of revenue.

Clearly, the operational efficiency initiatives we have implemented are paying off – we also finished the year with zero restructuring expenses, the first such achievement in many years.

As a result, we saw improvements in EBITDA ($36.4 million in 2022, 13.3% of revenues, up +45.3% or +$11.3 million year over year), Adjusted EBITDA ($38.3 million, 14.0% of revenues, up +14.9% or +$5.0 million, Net Income ($14.0 million, 5.1% of revenues, up +792.4% or +$12.4 million), and earnings per share ($0.32 per share basic, $0.30 per share diluted, up +$0.28 and +$0.27, respectively). Notably, our five-year plan has a target adjusted EBITDA as a percent of revenue in the range of 18% - 25%, so we are also on track for that objective.

We also continued with our commitment to pay down debt. Total debt was down -26.2% year over year, and net debt (after deducting cash and equivalents) was down -36.0%.

Higher revenue, along with effective management of headcount, resulted in productivity per associate of $300 thousand, up a full +18% compared to year end 2021.

We are happy with our progress on employee engagement, client engagement and ESG. We completed our third employee engagement survey in the past year, and our Gallup scores for “mean engagement levels” are up 8%, while our overall percentile ranking grew 18 points. We completed our second “Voice of the Customer” survey, and our Apex Score measuring overall client engagement was up 14% from a year ago. With regards to ESG, one our proudest accomplishments is in sustainability – we have now reforested over 700,000 trees in connection with our PrintReleaf initiative, offsetting one hundred percent of our clients’ paper usage.

Fiscal 2022 was a pivotal year for our DCM Digital Team, and has positioned us for accelerated digital penetration as we invested in our workflow platforms, continued to align our DCM Flex platform with our clients’ needs, advanced our digital asset management solutioning, and launched PRSNL, our personalized video platform.

We are particularly excited about the planned acquisition of RRD Canada. We are confident that RRD Canada will be an excellent strategic fit with our business and that the acquisition will enable us to better serve our customers by adding new capabilities to our existing offerings and accelerating our speed to market for new innovations. Importantly, we believe that combining DCM and RRD Canada will better position our business for sustainable and long-term success serving customers across North America.

We believe the transaction also represents a compelling strategic opportunity for shareholders, as we expect the combined company to benefit from accelerated sales growth, reduced costs, enhanced financial performance, further operational efficiencies, and ultimately value creation.

I would like to thank the entire DCM team for a strong finish to 2022, and a special thanks to the team’s continued, relentless focus on building both a better and a bigger business. Results like these only come when everyone is moving forward together.

And again, I would also like to thank our clients for continuing to trust DCM with their complex communication and workflow needs.

We look forward to reporting on quarter one and continuing our positive momentum through fiscal 2023.

For a full description of our financial results for fiscal 2022, please refer to our audited consolidated financial statements for the year ended December 31, 2022 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 2023

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; OTCQX: DCMDF) and its subsidiary (referred to herein as "DCM" or the "Company") for the years ended December 31, 2022 and 2021. 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, 2022 and 2021. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on March 21, 2023. This MD&A reflects information as of March 21, 2023.

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, 2022, as issued and outstanding as of March 21, 2023 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: there is limited growth in the traditional printing business, which may impact our ability to grow our sales or even maintain historical levels of sales of printed business communications documents; increases in the cost of, and supply constraints related to, paper, ink and other raw material inputs used by DCM, as well as increases in freight costs, may adversely impact the availability of raw materials and our production, revenues and profitability; our 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 our financial covenants under its credit facilities or to obtain financial covenant waivers from our lenders if necessary; we may not be successful in obtaining capital to

fund our business plans on satisfactory terms (or at all), including, without, limitation, with respect to investments in digital innovation (such as the development and successful marketing and sale of new digital capabilities), capital expenditures, and potential acquisitions; all of our outstanding indebtedness under our bank credit facility is subject to floating interest rates, and therefore is subject to fluctuations in interest rates; our credit agreements governing our senior indebtedness contain numerous restrictive covenants that limit us with respect to certain business matters, including, without limitation, our ability to incur additional indebtedness, re-pay certain indebtedness, pay dividends, make investments, sell or otherwise dispose of assets and merge or consolidate with another entity; we may not be able to successfully implement our digital growth strategy on a timely basis or at all; competition from competitors supplying similar products and services, some of whom have greater economic resources than us and are well-established suppliers; and our operating results are sensitive to economic conditions, which can have a significant impact on us, and uncertain economic conditions may have a material adverse effect on our business, results of operations and financial condition, including, without limitation, our ability to realize the benefits expected from restructuring and business reorganization initiatives, reducing costs, and reducing and paying our long-term debt; the ability of DCM to obtain the applicable regulatory approvals of the acquisition; the ability of the combined company to realize anticipated benefits from the combination of DCM and RRD Canada; the ability of DCM to complete the proposed sales and leasebacks of certain properties'; and our success in integrating RRD Canada.

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 acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, acquisition costs, and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of common shares of DCM (basic and diluted) outstanding during the period. Adjusted EBITDA as a percentage of revenues means Adjusted EBITDA divided by revenues and Adjusted net income (loss) as a percentage of revenues means adjusted net income (loss) divided by revenues, 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 marketing and business communications partner that helps companies simplify the complex ways they communicate and operate, so they can accomplish more with fewer steps and less effort. For over 60 years, DCM has been serving major brands in vertical markets including financial services, retail, healthcare, energy, other regulated industries, and the public sector. We integrate seamlessly into our clients' businesses thanks to our deep understanding of their needs, transformative tech-enabled solutions, and end-to-end service offering. Whether we're running technology platforms, sending marketing messages, or managing print workflows, our goal is to make everything surprisingly simple.

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

DCM has approximately 910 employees in Canada and the United States and had revenues of $273.8 million in 2022. Website: www.datacm.com.

RECENT DEVELOPMENTS

On February 22, 2023, DCM announced that it has entered into a share purchase agreement ("the Purchase Agreement") to acquire the Canadian operations of R.R. Donnelley & Sons ("RRD Canada") for a total cash purchase price of CDN $123 million (subject to working capital and other customary post-closing adjustments).

"This transaction brings together two companies with complementary operating models, best-in-class products and strong customer relationships across a broad range of industries," said Richard Kellam, President & Chief Executive Officer of DCM. "RRD Canada will be an excellent strategic fit with our business and will enable us to better serve our customers by adding new capabilities to our existing offerings and accelerating our speed to market for new innovations."

BENEFITS OF THE TRANSACTION

Combines two companies with complementary operating models, best-in-class products, and strong customer relationships: The combined company will have a larger presence in Canada from day 1 with more than $500 million in annual sales, an expanded customer base, enhanced product portfolio, and stronger execution capabilities to deliver greater value and innovation to customers. DCM expects the transaction will deliver a long-term, sustainable business serving Canadian and U.S. customers.

Leverages DCM's digital-first technology capabilities: DCM expects the combined company will be well positioned to meet the increasingly complex marketing and communications needs of customers by leveraging DCM's tech-enabled workflow and digital asset management offerings in addition to both companies' established expertise in conventional print solutions.

Creates meaningful benefits for customers: DCM expects the combination will enable DCM to accelerate its go-to-market strategy by expanding the services and solutions it offers to its full customer base and leveraging joint capabilities to accelerate product development and innovation, all while delivering superior customer support.

Delivers attractive financial benefits: DCM believes the transaction is a compelling strategic opportunity for the combined company to accelerate sales growth, reduce costs, enhance financial performance, drive greater operational efficiency, and position DCM for long-term success and value creation.

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 (including technology enabled hardware solutions - see (e) below) 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 from a third party vendor and inducted into DCM's warehouses or shipped directly to customers from third party vendors 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 or directly from third-party vendors. 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, 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 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 and 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 purchased from third parties 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.

WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer. 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.

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.

OTHER SERVICES

This includes marketing services and other ancillary services such as fees related to 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 from marketing services is recognized over time as the services are performed. Revenue for other ancillary services is 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.

TECHNOLOGY-ENABLED HARDWARE SOLUTIONS

DCM procure certain products and services from third party providers to ensure that our clients' complete business and marketing communications needs are met while providing comprehensive vendor management strategies. Technology enabled hardware solutions include scanners, printers, tablets, and other technology applications, often with barcoding and RFID functionality, and combine with our print consumables, creating an integrated ecosystem. Tech-enabled hardware solutions represent a distinct performance obligation (from our print consumables) and revenue is recognized when the product is shipped from the vendor, or inducted into DCM warehouse.

TECHNOLOGY-ENABLED SUBSCRIPTION SERVICES AND FEES

DCM's tech-enabled subscription services and fees include the provision of marketing technology workflow applications and digital asset management, or DAM, software subscription fees, managed technology services, program management services, professional services fees, and implementation and development fees. Typically, these services and fees are contracted on either a project basis in the case of professional services, implementation, and development services fees, or for periods of three to five-year terms, with one to two-year renewal options, in the case of software subscription fees and managed technology services. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services as they are delivered, or rateably over the term of the contract, and represent a distinct performance obligation.

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 other expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, the ROU Asset, and intangible assets over their estimated useful lives. General and administration expenses consist

primarily of employee salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as depreciation of the ROU Asset for property leases, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses in 2021 which primarily consisted of severance costs associated with headcount reductions and costs related to the closure of certain facilities.

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for each of Fiscal 2022 and Fiscal 2021 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, 2022 and 2021 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2022**		January 1 to December 31, 2021
Revenues	**$**	**273,804**	$	235,331
Cost of revenues		**189,580**		165,796
Gross profit		**84,224**		69,535
Selling, general and administrative expenses		**57,150**		55,957
Restructuring expenses		**—**		9,691
Acquisition costs		**1,870**		—
		59,020		65,648
Income before finance costs, other income, and income taxes		**25,204**		3,887
Finance costs				
Interest expense, net		**4,965**		5,839
Debt modification losses and prepayment fees		**—**		473
Amortization of transaction costs		**344**		941
		5,309		7,253
Other Income				
Other income		**—**		1,452
Government grant income		**—**		4,558
Income before income taxes		**19,895**		2,644
Income tax expense				
Current		**5,456**		2,238
Deferred		**473**		(1,159)
		5,929		1,079
Net income for the year	**$**	**13,966**	$	1,565
Basic earnings per share	**$**	**0.32**	$	0.04
Diluted earnings per share	**$**	**0.30**	$	0.03
Weighted average number of common shares outstanding, basic		**44,062,831**		43,993,494
Weighted average number of common shares outstanding, diluted		**46,572,066**		46,136,507

As at December 31, 2022 and 2021 *(in thousands of Canadian dollars, unaudited)*		**As at December 31, 2022**		As at December 31, 2021
Current assets	**$**	**82,057**	$	68,041
Current liabilities	**$**	**69,479**	$	62,845
Total assets	**$**	**149,481**	$	140,084
Total non-current liabilities	**$**	**57,155**	$	69,198
Shareholders’ equity	**$**	**22,847**	$	8,041

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 to Adjusted EBITDA and net income to Adjusted net income.

For the years ended December 31, 2022 and 2021 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31, 2022**	January 1 to December 31, 2021
Revenues	**$ 273,804**	$ 235,331
Gross profit	**$ 84,224**	$ 69,535
Gross profit, as a percentage of revenues	**30.8 %**	29.5 %
Selling, general and administrative expenses	**$ 57,150**	$ 55,957
As a percentage of revenues	**20.9 %**	23.8 %
Adjusted EBITDA (see Table 3)	**$ 38,254**	$ 33,286
As a percentage of revenues	**14.0 %**	14.1 %
Net income for the year	**$ 13,966**	$ 1,565
Adjusted net income (see Table 4)	**$ 15,363**	$ 7,684
As a percentage of revenues	**5.6 %**	3.3 %

TABLE 3 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

For the years ended December 31, 2022 and 2021 *(in thousands of Canadian dollars, unaudited)*	**January 1 to December 31, 2022**	January 1 to December 31, 2021
Net income for the year	**$ 13,966**	$ 1,565
Interest expense, net	**4,965**	5,839
Debt modification losses and prepayment fees	**—**	473
Amortization of transaction costs	**344**	941
Current income tax expense	**5,456**	2,238
Deferred income tax expense (recovery)	**473**	(1,159)
Depreciation of property, plant and equipment	**2,965**	3,133
Amortization of intangible assets	**1,606**	3,589
Depreciation of the ROU Asset	**6,609**	8,428
EBITDA	**$ 36,384**	$ 25,047
Acquisition costs	**1,870**	—
Restructuring expenses	**—**	9,691
Other income	**—**	(1,452)
Adjusted EBITDA	**$ 38,254**	$ 33,286

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, 2022 and 2021 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2022**		January 1 to December 31, 2021
Net income for the year	**$**	**13,966**	$	1,565
Acquisition costs		**1,870**		—
Restructuring expenses		**—**		9,691
Other income		**—**		(1,452)
Tax effect of the above adjustments		**(473)**		(2,120)
Adjusted net income for the year	**$**	**15,363**	$	7,684
Adjusted net income per share, basic	**$**	**0.35**	$	0.17
Adjusted net income per share, diluted	**$**	**0.33**	$	0.17
Weighted average number of common shares outstanding, basic		**44,062,831**		43,993,494
Weighted average number of common shares outstanding, diluted		**46,572,066**		46,136,507
Number of common shares outstanding, basic		**44,062,831**		44,062,831
Number of common shares outstanding, diluted		**46,572,066**		46,205,844

Results of operations

REVENUES

For the year ended December 31, 2022, DCM recorded revenues of $273.8 million, an increase of $38.5 million or 16.3% compared with the same period in 2021. This year over year revenue growth is primarily driven by a combination of expansion revenue of existing clients, delay in fulfillment of orders into the current year due to the COVID-19 pandemic, new business wins, substantially related to tech-enabled solutions, and passing paper price increases driven by inflation and supply chain sourcing challenges to our customers.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2022, DCM recorded cost of revenues of $189.6 million, an increase of $23.8 million or 14.3% from $165.8 million for the same period in 2021.

Gross profit for the year ended December 31, 2022 was $84.2 million, an increase of $14.7 million or 21.1% from $69.5 million for the same period in 2021. Gross profit as a percentage of revenues increased to 30.8% for the year ended December 31, 2022, compared to 29.5% for the same period in 2021. Gross profit as a percentage of revenues for the year ended December 31, 2022 increased from the prior period due to higher levels of client demand, price increases, favourable product mix, cost synergies realized from the consolidation of our Brampton and

Mississauga facilities at the end of 2021 and consolidation of our Calgary and Edmonton in June 2021. Gross margins held strong despite some of the supply chain challenges and inflationary raw material price increases.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2022 were $57.2 million, or 20.9% of total revenues, an increase of $1.2 million or 2.1%, from $56.0 million, or 23.8% of total revenues, for the same period in 2021.

SG&A expenses for the year ended December 31, 2022 increased from the prior year, however SG&A as a percentage of revenues declined. The increase in SG&A (in dollars) is related to higher sales commissions costs commensurate with the increase in revenues, an increase in the accrual under the short-term incentive plan ("STIP") and an increase in research & development costs related to our new tech-enabled products. These costs were offset by a decline in general and administrative expenses as we realized the full benefits from cost savings initiatives implemented in the prior year and a reduction in amortization of intangible assets as certain technology was fully amortized as of December 31, 2021.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM in order to improve margins and better align costs with the declining revenues experienced by the Company in its traditional business, a trend being faced by the traditional printing industry for several years now. Notably, we did not incur any restructuring expenses for the year ended December 31, 2022; nor any other “adjustments” or one-time costs, other than one-time add backs of $1.9 million for acquisition costs related to the announced RRD Canada acquisition.

Restructuring costs of $9.7 million 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 our Calgary and Edmonton facilities in June 2021.

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.

ACQUISITION COSTS

DCM incurred $1.9 million for acquisition costs related to the announced RRD Canada acquisition which is expected to close in Q2 2023 (see "Recent Developments").

OTHER INCOME

Other income included government grant income received from the CEWS and CERS. For the year ended December 31, 2022, DCM did not qualify for government grant income, compared to $4.6 million in 2021. Other income also

included a one-time gain of $1.5 million for the year ended December 31, 2021, of which $1.2 million related to the termination of an option agreement with an arms' length third party and a former subsidiary, and $0.3 million related to settlement of an outstanding litigation.

EBITDA AND ADJUSTED EBITDA

For the year ended December 31, 2022, EBITDA was $36.4 million or 13.3% of revenues compared to $25.0 million or 14.0% of revenues in the same period in 2021. For the year ended December 31, 2022, Adjusted EBITDA was $38.3 million or 14.0% of revenues after adjusting EBITDA for $1.9 million in acquisition costs compared to $33.3 million or 14.1% of revenues after adjusting EBITDA for $9.7 million of restructuring expenses and $1.5 million of other income for the same period in 2021. Furthermore in the prior year, we received government grant income of $4.6 million. Excluding government grant income for the year ended December 31, 2021, Adjusted EBITDA would be $28.7 million; on this basis, Adjusted EBITDA for the year ended December 31, 2022 was $9.6 million higher than the prior year.

The increase in EBITDA and Adjusted EBITDA for the year ended December 31, 2022 over the prior year was due to the increase in overall revenues and gross margin (in dollars). The increase was mitigated by an increase in SG&A due to higher sales commission costs and research and development expenses.

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, 2022, DCM incurred $5.3 million of finance costs compared to $7.3 million for the same period in 2021.

Interest expense for the year ended December 31, 2022 decreased due to the repayment of the Crown Facility with refinancing of the Bank and FPD at lower interest rates in the fourth quarter of 2021, and a one-time expense to derecognize the Crown Facility, and prepayment fees for early termination in 2021 (no costs recorded in the current year), resulting in lower interest expense the year ended December 31, 2022. There were also further reductions in interest expense due to termination/exiting of leases, repayment of all promissory notes throughout 2021, and monthly repayments on the FPD facilities (thereby reducing the term loan balances). This was offset by an increase in interest expense on the Bank revolver as prime rate increases were implemented throughout 2022, and the Bank revolver balance as of December 31, 2022 was higher than the prior year.

INCOME TAXES

DCM reported income before income taxes of $19.9 million and a net income tax expense of $5.9 million for the year ended December 31, 2022 compared to income before income taxes of $2.6 million and net income tax expense of $1.1 million for the same period in 2021.

The deferred income tax expense was adjusted for any changes in estimates of future reversals of temporary differences, including estimated changes in tax loss carryforwards.

NET INCOME

Net income for the year ended December 31, 2022 was $14.0 million compared to a net income of $1.6 million for the same period in 2021.

The increase in comparable profitability for the year ended December 31, 2022 was primarily due to the increase in overall revenues and gross margin (in dollars), reduction in restructuring expenses down to nil compared to $9.7 million in the prior year and a reduction in interest expense largely due to the Crown Facility refinancing (offsetting any increases in the expense from the prime rate hikes). DCM was able to achieve increased profitability despite significant supply chain challenges and inflationary raw material price increases experienced in 2022.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2022 was $15.4 million compared to $7.7 million for the same period in 2021. For a reconciliation of net income (loss) to Adjusted net income for the periods noted, see Table 4 above.

The increase in comparable profitability for the year ended December 31, 2022 was primarily due to the increase in overall revenues and gross margin (in dollars) and a reduction in interest expense largely due to the Crown Facility refinancing (offsetting any increases in the expense from the prime rate hikes).

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 and the Bank Credit Facility matures on November 8, 2024. The Revolving Facility is available to be drawn by way of either Prime Rate Loans, Base Rate Loans, Canadian Dollar Offered Rate (CDOR Loans), London Interbank Offered Rate (LIBOR Loans), and/or Letters of Credit. Prime rate loans charge interest at the greater of the Bank's published reference rate on Canadian Dollar denominated commercial loans and the CDOR rate for a period of 30 days plus 100 basis points per annum. Currently 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% for a rate of 6.95% as at December 31, 2022. 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% for a rate of 9.95% as at December 31, 2022. DCM has the right to make a prepayment at any time in respect of any outstanding advances under the Bank Credit Facility without penalty subject to a minimum repayment of $500. On May 16, 2022 Refinitiv Benchmark Services Limited, the benchmark administrator of the CDOR announced that the calculation and publication of all tenors of CDOR will permanently cease after June 28, 2024. The Canadian Overnight Repo Rate Average (CORRA) has been nominated as a replacement for CDOR. When CDOR is phased out we expect the Bank Credit Facility will be amended to remove the CDOR borrowing

option and the Prime rate will then be based solely on the Bank's reference rate. 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, 2022, DCM had access to $8.6 million of available credit under the Bank Credit Facility. DCM had cash and cash equivalents of $4.2 million shown on the consolidated statement of financial position as at December 31, 2022 compared to $0.9 million as at December 31, 2021.

FPD FACILITIES

DCM has four amortizing term loan facilities with interest and principal payable quarterly (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., 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 had been deferred and capitalized to the outstanding principal obligation, increasing the total advances to $21.5 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 fee 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, 2022 and 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 $0.2 million.

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. 71.5% of the FPD VI term loan is being repaid in equal monthly principal payments over 59 months, with the remaining 28.5% being repayable at maturity 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. 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.

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreements contains customary representations and warranties, certain financial covenant requirements, as well as certain 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, 2022, DCM was in compliance with all of its financial 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 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, 2022, cash flows generated by operating activities were $22.7 million compared to cash flows generated by operating activities of $26.9 million during the same period in 2021. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of $26.3 million compared with $19.8 million for the same period last year. Current period cash flows from operations before adjusting for changes in working capital were higher than the previous year due to higher levels of profitability.

Changes in working capital during the year ended December 31, 2022 used $3.6 million in cash compared with $7.1 million of cash generated in the prior year. The outflow during the year ended December 31, 2022 was a direct result of higher revenues in the year, thereby increasing the trade receivables balance as of December 31, 2022 when compared to December 31, 2021. Furthermore, there was an outflow of $8.1 million from inventories. Due to the supply chain constraints being experienced and to support higher levels of near-term production revenue, DCM built up raw materials inventory to ensure sufficient stock is on-hand to meet customer demands in 2023. This lead to a higher level of debt drawn on the Bank revolver (discussed in financing activities below) and lower relative payments for the trade and accrued liabilities, resulting in a cash inflow of $6.9 million.

INVESTING ACTIVITIES

For the year ended December 31, 2022, $1.5 million in cash flows were used for investing activities compared with $3.2 million during the same period in 2021, of which $1.4 million related to purchase of property, plant and equipment. The low level of capital expenditures for property, plant and equipment is consistent with DCM's initiative to maintain modest levels of capital spend, and finance new digital equipment through leases.

FINANCING ACTIVITIES

For the year ended December 31, 2022, cash flow used in financing activities was $17.9 million compared with $23.4 million used during the same period in 2021.

A total of $12.6 million was repaid in the year ended December 31, 2022 on DCM's credit facilities compared to repayment of $30.7 million during the same period in 2021, which is consistent with the lower levels of term debt as of December 31, 2022. During the year ended December 31, 2022, due to the supply chain constraints as discussed in operating activities above, combined with continued strong levels of revenue, DCM only drew an additional $2.9 million on the Bank revolver compared to $21.0 million in the prior year. Lease payments also declined from $11.2 million to $8.7 million in the current year as a result of lease terminations throughout 2021. Lastly, the restricted cash balance of $0.5 million was no longer required to be held as part of the terms of the refinancing of debt in the fourth quarter of 2021.

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, 2022, 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, 2021,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, 2021 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2023 and 2024 is $0.3 million each year.

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 2023 is $0.4 million.

The GCPP’s most recent funding actuarial report (as at December 31, 2021) disclosed a going concern surplus of 113% 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 on a solvency or wind up basis of 10%. No actuarial valuation was required for the GCPP for the year ended December 31, 2022.

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 21, 2023 and December 31, 2022, there were 44,062,831 common shares of DCM (“Common Shares”) outstanding. At December 31, 2021, there were 44,062,831 Common Shares outstanding.

At March 21, 2023 and December 31, 2022, there were options outstanding to purchase up to 4,700,886 Common Shares. At December 31, 2021, there were options outstanding to purchase up to 3,950,886 Common Shares.
During the year ended December 31, 2022, options to purchase up to 750,000 common shares were awarded to a member of management. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.30 per share, representing the fair value of the Common Shares on the date of grant. The 750,000 options vest at a rate of 1/3 each year beginning on April 4, 2023.

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 8, 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 21, 2023 and at December 31, 2022, there were warrants outstanding to purchase up to 1,648,157 Common Shares. At December 31, 2021, there were warrants outstanding to purchase up to 1,863,607 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, trade payables and accrued liabilities, credit facilities, and lease liabilities, as indicated in DCM's statements of consolidated financial position as at December 31, 2022 and December 31, 2021, 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, 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 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, 2022 was determined using default rates under the provision matrix for an amount of $1.6 million (2021 – $1.3 million), of which $1.2 million (2021 – $0.8 million) relates to unbilled receivables.

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2022 and December 31, 2021, respectively:

December 31, 2022 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Current period**	**Over 30 days**	***Over 60 days***	**Over 90 days**
Default rates		0.13%	0.13%	0.33%	22.60%
Billed receivables balance	**$41,554**	$26,316	$10,369	$3,291	$1,578
Billed receivables ECL	**$415**	$34	$13	$11	$357

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

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2022 and December 31, 2021, respectively:

December 31, 2022 (in thousands of Canadian dollars, except percentage amounts)	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Unbilled receivables		0.86%	1.56%	1.28%	15.75%
Unbilled receivables balance	**$14,641**	3,840	2,765	1,327	6,709
Unbilled receivables ECL	**$1,150**	$33	$43	$17	$1,057

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		0.22%	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

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, 2022 the Company has $1.6 million (5%) of its billed receivables that are over 90 days old (2021 - $3.0 million or 8%).

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 2023 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)). 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 within the next year.

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 and cash on hand 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. 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, 2022, DCM had access to $8.6 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, 2022, $5.9 million of DCM's indebtedness outstanding was subject to floating interest rates of 6.95% per annum and $5.9 million of DCM's indebtedness outstanding was subject to floating interest rates of 9.95%. At December 31, 2022, $6.1 million was subject to a fixed rate of interest of 6.95% per annum and $9,429 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.

Note 22 to the audited consolidated financial statements of DCM for the year ended December 31, 2022 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, 2022. 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, 2022.

(in thousands of Canadian dollars, unaudited)	Total	Less than a year	1 to 3 years	4 years and greater
Pension funding contributions [(1)]	**$ 4,922**	**$ 868**	**$ 1,736**	**$ 2,318**
Lease liabilities	**$ 56,531**	**9,094**	**21,245**	**26,192**
Long-term debt [(2)]	**$ 31,112**	**14,137**	**16,975**	**—**
Total	**$ 92,565**	**$ 24,099**	**$ 39,956**	**$ 28,510**

(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, 2022 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, 2022, the outstanding balances totaled $5.9 million and $5.9 million, respectively, and bore interest at a floating rate of 6.95% and 9.95%, respectively, per annum. The amounts at December 31, 2022 include estimated interest totaling $0.4 million for 2023, and $0.5 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, 2022. Credit facilities at December 31, 2022 subject to fixed interest rates consisting of the FPD III Credit Facility, which expired 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, 2022, the outstanding balances totaled $15.5 million, of which $6.1 million bore interest at a fixed rate of 6.95% per annum and $9.4 million bore interest at a fixed rate of 5.95% per annum. Monthly blended principal and interest payments of $0.4 million and of $0.1 million, are due on the FPD IV and FPD V facilities respectively, and $0.1 million on the FPD VI facility.

Transactions with related parties

During the year ended December 31, 2022, 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.

On June 1, 2022, DCM entered into a sublease agreement with a related party, ending on November 29, 2024 for a total of $0.1 million annual rent. This sublease agreement was recorded as a reduction to the right-of-use asset.

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 2022 and 2021

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, 2022**		October 1 to December 31, 2021
Revenues	**$**	**73,045**	$	60,871
Cost of revenues		**49,491**		43,158
Gross profit		**23,554**		17,713
Selling, general and administrative expenses		**14,861**		15,431
Restructuring expenses		**—**		2,282
Acquisition costs		**1,870**		—
		16,731		17,713
Income before finance costs, other income and income taxes		**6,823**		—
Finance costs				
Interest expense, net		**1,134**		1,124
Debt modification losses		**—**		473
Amortization of transaction costs		**87**		503
		1,221		2,100
Other Income				
Government grant income		**—**		55
Income (loss) before income taxes		**5,602**		(2,045)
Income tax expense (recovery)				
Current		**1,653**		183
Deferred		**269**		(371)
		1,922		(188)
Net income (loss) for the period	**$**	**3,680**	$	(1,857)
Basic earnings per share		**0.08**		(0.04)
Diluted earnings per share		**0.08**		(0.04)
Weighted average number of common shares outstanding, basic		**44,062,831**		44,062,831
Weighted average number of common shares outstanding, diluted		**46,796,407**		46,439,445

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, 2022**	October 1 to December 31, 2021
Net income (loss) for the period	**$ 3,680**	$ (1,857)
Interest expense, net	**1,134**	1,124
Debt modification losses and prepayment fees	**—**	473
Amortization of transaction costs	**87**	503
Current income tax expense	**1,653**	183
Deferred income tax expense (recovery)	**269**	(371)
Depreciation of property, plant and equipment	**644**	731
Amortization of intangible assets	**393**	2,282
Depreciation of the ROU Asset	**1,610**	1,920
EBITDA	**$ 9,470**	$ 4,988
Acquisition costs	**1,870**	—
Restructuring expenses	**—**	2,282
Adjusted EBITDA	**$ 11,340**	$ 7,270

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

Adjusted net income (loss) reconciliation

(in thousands of Canadian dollars, unaudited)	**October 1 to December 31, 2022**	October 1 to December 31, 2021
Net income (loss) for the period	**$ 3,680**	$ (1,857)
Acquisition costs	**1,870**	—
Restructuring expenses	**—**	2,282
Tax effect of above adjustments	**(473)**	(625)
Adjusted net income (loss)	**$ 5,077**	$ (200)
Adjusted net income per share, basic	**$ 0.12**	$ 0.00
Adjusted net income per share, diluted	**$ 0.11**	$ 0.00
Weighted average number of common shares outstanding, basic	**44,062,831**	44,062,831
Weighted average number of common shares outstanding, diluted	**46,796,407**	46,439,445

REVENUES

For the quarter ended December 31, 2022, DCM recorded revenues of $73.0 million, an increase of $12.2 million or 20.0% compared with the same period in 2021. For the quarter ended December 31, 2022, the increase in revenues is primarily driven by a combination of expansion revenue of existing clients, new business wins, substantially related to tech-enabled solutions, and passing paper price increases driven by inflation and supply chain sourcing challenges to our customers.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2022, DCM recorded cost of revenues of $49.5 million, an increase of $6.3 million or 14.7% from $43.2 million for the same period in 2021.

Gross profit for the quarter ended December 31, 2022 was $23.6 million, an increase of $5.8 million or 33.0% from $17.7 million for the same period in 2021. Gross profit as a percentage of revenues for the quarter ended December 31, 2022 was 32.2%, an increase from the prior period of 29.1%. Gross profit as a percentage of revenues for the quarter ended December 31, 2022 increased from the prior period due to higher levels of client demand, price increases, favourable product mix, cost synergies realized from the consolidation of our Brampton and Mississauga facilities at the end of 2021 and consolidation of our Calgary and Edmonton. Gross margins held strong despite some of the supply chain challenges and inflationary raw material price increases.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2022 were $14.9 million or 20.3% of total revenues, a decrease of $0.6 million or (4)%, from $15.4 million, or 25.4% of total revenues, in the same period in 2021. The decrease in SG&A expenses for the quarter ended December 31, 2022 is related to a decline in general and administrative expenses as we realized the full benefits from cost savings initiatives implemented in the prior year and a reduction in amortization of intangible assets as technology was fully amortized as of December 31, 2021. This decrease was offset by higher sales commissions costs commensurate with the increase in revenues, and an increase in the accrual under the STIP.

RESTRUCTURING EXPENSES

We did not incur any restructuring expenses for the quarter ended December 31, 2022; nor any other “adjustments” or one-time costs, other than one-time add backs of $1.9 million for acquisition costs related to the announced RRD Canada acquisition. 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.

ACQUISITION COSTS

DCM incurred $1.9 million for acquisition costs related to the announced RRD Canada acquisition which is expected to close in Q2 2023 (see "Recent Developments").

EBITDA AND ADJUSTED EBITDA

For the quarter ended December 31, 2022, EBITDA was $9.5 million or 13.0% of revenues compared to $5.0 million or 8.2% of revenues in the same period in 2021. For the quarter ended December 31, 2022, Adjusted EBITDA was $11.3 million or 15.5% of revenues after adjusting EBITDA for $1.9 million in acquisition costs compared to $7.3 million or 11.9% of revenues after adjusting EBITDA for $2.3 million of restructuring expenses for the same period in 2021.

The increase in EBITDA and Adjusted EBITDA for the quarter ended December 31, 2022 over the prior period was due to the increase in overall revenues and gross margin (in dollars).

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, 2022, finance costs were $1.2 million compared to $2.1 million for the same period in 2021. Interest expense for the quarter ended December 31, 2022 decreased from the prior period due to the Crown Facility refinancing, resulting in a one-time expense to derecognize the Crown Facility, and prepayment fees for early termination. There were also further reductions in interest expense due to monthly repayments on the FPD facilities, thereby reducing the term loan balances. This was offset by an increase in interest expense on the Bank revolver as prime rate increases were implemented throughout 2022, and the Bank revolver balance as of December 31, 2022 was higher than the prior year.

INCOME TAXES

DCM reported income before income taxes of $5.6 million and a net income tax expense of $1.9 million for the quarter ended December 31, 2022 compared to loss before income taxes of $2.0 million and a net income tax recovery of $0.2 million for the quarter ended December 31, 2021.

NET INCOME (LOSS)

Net income for the quarter ended December 31, 2022 was $3.7 million compared to net loss of $1.9 million for the quarter ended December 31, 2021. For a reconciliation of net income (loss) to Adjusted net income (loss) for the periods noted, see Table 8 above.

The increase in comparable profitability for the quarter ended December 31, 2022 was primarily due to the increase in overall revenues and gross margin (in dollars), reduction in restructuring expenses down to nil compared to $2.3 million in the prior period and a reduction in interest expense largely due to the Crown Facility refinancing (offsetting any increases in the expense from the prime rate hikes).

ADJUSTED NET INCOME (LOSS)

Adjusted net income for the quarter ended December 31, 2022 was $5.1 million compared to adjusted net loss of $0.2 million for the same period in 2021. The increase in comparable profitability for the quarter ended December 31, 2021 was primarily due to the increase in overall revenues and gross margin (in dollars) and a reduction in interest

expense largely due to the Crown Facility refinancing (offsetting any increases in the expense from the prime rate hikes).

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)

	2022				**2021**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	**$ 73,045**	**$ 63,399**	**$ 68,103**	**$ 69,257**	$ 60,871	$ 56,892	$ 55,207	$ 62,361
Net income (loss) attributable to shareholders	**3,680**	**2,816**	**3,757**	**3,713**	(1,857)	1,023	637	1,762
Basic earnings (loss) per share	**0.08**	**0.06**	**0.09**	**0.08**	(0.04)	0.02	0.01	0.04
Diluted earnings (loss) per share	**0.08**	**0.06**	**0.08**	**0.08**	(0.04)	0.02	0.01	0.04

The variations in DCM’s quarterly revenues and net income (loss) over the eight quarters ended December 31, 2022 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.

DCM’s net income for the fourth quarter of 2022 included improved revenues and margins (offset by supply chain disruptions which impacted operations), acquisition costs of $1.9 million and no restructuring expenses. 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 third quarter of 2022 included improved revenues and margins, an expense of $1.2 million for DSUs and RSUs (including the mark-to-market expense to reflect the increase in the DCM's common share price), and no restructuring expenses. 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 second quarter of 2022 included improved revenues and margins, and no restructuring expenses. 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 first quarter of 2022 included improved revenues and margins, and no restructuring expenses. 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.

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, 2022.

NEW AND AMENDED STANDARDS ADOPTED

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 amendments were adopted effective January 1, 2022 and did not have an 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 amendments were adopted effective January 1, 2022 and did not have an 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 amendments were adopted effective January 1, 2022 and did not have an impact on the consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The

amendments are effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the impact on the consolidated financial statements.

AMENDMENTS TO IAS 12, DEFERRED TAXES RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

This standard was amended to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment is effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the impact on the consolidated financial statements.

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

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. On October 31, 2022, the IASB published an amendment to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024. DCM is currently evaluating the impact on the condensed interim 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 management’s judgment DCM 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 as an integrated marketing and business solutions provider to its customers.

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. While the recoverable amount from the discounted cash flow model is sensitive to key assumptions used for forecast revenues, gross margins and discount rate, management are satisfied that the Company’s forecasts and assumptions, taking account of reasonably possible changes in results and other uncertainties will not change the result of DCM's impairment analysis.

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, 2022. Based on that evaluation, those officers have concluded that, as of December 31, 2022, 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, 2022.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As at December 31, 2022, there were no changes in the Company’s internal control over financial reporting that occurred during the twelve months ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

Outlook

"We are pleased to report on our success in 2022, which demonstrates our continued progress building both a better and a bigger business. With our recent announcement of the planned acquisition of RRD Canada, we believe we are well-positioned to further accelerate our positive momentum," says Richard Kellam, CEO and President of DCM.

"We are confident that RRD Canada will be an excellent strategic fit with our business and that the acquisition will enable us to better serve our customers by adding new capabilities to our existing offerings and accelerating our speed to market for new innovations. Importantly, we believe that combining DCM and RRD Canada will better position our business for sustainable and long-term success serving customers across North America. We believe

the transaction also represents a compelling strategic opportunity for shareholders, as we expect the combined company to benefit from accelerated sales growth, reduced costs, enhanced financial performance, further operational efficiencies, and ultimately value creation."

"I would like to thank the entire DCM team for a strong finish to 2022, and a special thanks to the team's continued, relentless focus on building both a better and a bigger business. Results like these only come when everyone is moving forward together. We look forward to reporting on quarter one and continuing our positive momentum through fiscal 2023."

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 21, 2023
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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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, 2022. 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
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 million as at December 31, 2022. The Company has a single goodwill cash generating unit (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, 2022.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the appropriateness of management's determination of the goodwill CGU by considering the Company's structure of its internal organization and management reporting. • Tested how management estimated the recoverable amount of the Company: – Tested the mathematical accuracy of the 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 in the field of valuation assisted in evaluating the appropriateness of management's discounted cash flow model and in testing the reasonableness of the discount rate assumption used by management.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the magnitude of the matter and the considerable judgment by management in estimating the recoverable amount of the Company. This led to a 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.	• 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.

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 21, 2023

Consolidated statements of financial position

(in thousands of Canadian dollars)		**December 31, 2022**		December 31, 2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**4,208**	$	901
Trade receivables (note 4)		**54,630**		51,567
Inventories (note 5)		**20,220**		12,133
Prepaid expenses and other current assets		**2,984**		2,580
Income taxes receivable		**15**		860
		82,057		68,041
NON-CURRENT ASSETS				
Other non-current assets		**466**		625
Deferred income tax assets (note 14)		**4,830**		5,465
Restricted cash		**—**		515
Property, plant and equipment (note 6)		**6,779**		8,416
Right-of-use assets (note 7)		**33,505**		33,476
Pension assets (note 15)		**2,364**		2,531
Intangible assets (note 8)		**2,507**		4,042
Goodwill (note 9)		**16,973**		16,973
	$	**149,481**	$	140,084
LIABILITIES				
CURRENT LIABILITIES				
Trade payables and accrued liabilities	**$**	**44,133**	$	37,589
Current portion of credit facilities (notes 1 and 12)		**11,667**		11,743
Current portion of lease liabilities (note 11)		**6,791**		6,123
Provisions (note 10)		**1,316**		3,280
Income taxes payable (note 14)		**1,630**		841
Deferred revenue		**3,942**		3,269
		69,479		62,845
NON-CURRENT LIABILITIES				
Provisions (note 10)		**—**		1,196
Credit facilities (notes 1 and 12)		**15,380**		24,556
Lease liabilities (note 11)		**33,011**		32,976
Pension obligations (note 15)		**6,069**		7,499
Other post-employment benefit plans (note 16)		**2,695**		2,971
	$	**126,634**	$	132,043
EQUITY				
SHAREHOLDERS' EQUITY				
Shares (note 17)	**$**	**256,478**	$	256,478
Warrants (note 17)		**869**		881
Contributed surplus		**3,131**		2,791
Translation reserve		**207**		173
Deficit		**(237,838)**		(252,282)
	$	**22,847**	$	8,041
	$	**149,481**	$	140,084

Commitments and Contingencies (note 20); Subsequent events (note 28)

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, 2022**		For the year ended December 31, 2021
REVENUES (note 24)	**$**	**273,804**	$	235,331
COST OF REVENUES		**189,580**		165,796
GROSS PROFIT		**84,224**		69,535
EXPENSES				
Selling, commissions and expenses		**29,198**		24,888
General and administration expenses		**27,952**		31,069
Restructuring expenses (note 10)		—		9,691
Acquisition costs (note 28)		**1,870**		—
		59,020		65,648
INCOME BEFORE FINANCE COSTS, OTHER INCOME, AND INCOME TAXES		**25,204**		3,887
FINANCE COSTS				
Interest expense on long term debt and pensions, net		**2,742**		3,318
Interest expense on lease liabilities (note 11)		**2,223**		2,521
Debt modification losses and prepayment fees		**—**		473
Amortization of transaction costs (note 12)		**344**		941
		5,309		7,253
OTHER INCOME				
Other income (note 27)		—		1,452
Government grant income (note 26)		—		4,558
INCOME BEFORE INCOME TAXES		**19,895**		2,644
INCOME TAX (RECOVERY) EXPENSE				
Current (note 14)		**5,456**		2,238
Deferred (note 14)		**473**		(1,159)
		5,929		1,079
NET INCOME FOR THE YEAR	**$**	**13,966**	$	1,565
BASIC EARNINGS PER SHARE (note 18)	**$**	**0.32**	$	0.04
DILUTED EARNINGS PER SHARE (note 18)	**$**	**0.30**	$	0.03

Consolidated statements of comprehensive income

(in thousands of Canadian dollars)	**For the year ended December 31, 2022**	For the year ended December 31, 2021
NET INCOME FOR THE YEAR	**$ 13,966**	$ 1,565
OTHER COMPREHENSIVE (LOSS) INCOME:		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME		
Foreign currency translation	**34**	(19)
	34	(19)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME		
Re-measurements of pension and other post-employment benefit obligations (note 15)	**640**	2,643
Taxes related to pension and other post-employment benefit adjustment above (note 14)	**(162)**	(648)
	478	1,995
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**$ 512**	$ 1,976
COMPREHENSIVE INCOME FOR THE YEAR	**$ 14,478**	$ 3,541

Consolidated statements of changes in shareholders' equity

(in thousands of Canadian dollars)

	Shares	Warrants	Contributed surplus	Translation reserve	Deficit	Total equity
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 loss for the year	—	—	—	(19)	3,560	3,541
Issuance of common shares, net (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
BALANCE AS AT DECEMBER 31, 2021	**$ 256,478**	**$ 881**	**$ 2,791**	**$ 173**	**$ (252,282)**	**$ 8,041**
Net income for the year	**—**	**—**	**—**	**—**	**13,966**	**13,966**
Other comprehensive income for the year	**—**	**—**	**—**	**34**	**478**	**512**
Total comprehensive income for the year	**—**	**—**	**—**	**34**	**14,444**	**14,478**
Share-based compensation expense (note 17)	**—**	**—**	**328**	**—**	**—**	**328**
Expiration of warrants (note 17)	—	**(12)**	**12**	—	—	**—**
BALANCE AS AT DECEMBER 31, 2022	**$ 256,478**	**$ 869**	**$ 3,131**	**$ 207**	**$ (237,838)**	**$ 22,847**

Consolidated statements of cash flows

(in thousands of Canadian dollars)	**For the year ended December 31, 2022**	For the year ended December 31, 2021
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	**$ 13,966**	$ 1,565
Items not affecting cash		
Depreciation of property, plant and equipment (note 6)	**2,965**	3,133
Amortization of intangible assets (note 8)	**1,606**	3,589
Depreciation of right-of-use-assets (note 7)	**6,609**	8,428
Interest expense on lease liabilities (note 11)	**2,223**	2,521
Share-based compensation expense (note 17)	**328**	488
Shares issued as payment for services (note 17)	**—**	40
Pension expense (note 15)	**351**	480
Loss on disposal of property, plant and equipment	**98**	66
(Gain) on disposal of leases	**—**	(196)
Provisions (note 10)	**—**	9,691
Amortization of transaction costs (note 12)	**344**	1,201
Accretion of non-current liabilities, capitalized interest expense and accretion of debt modification losses (note 12)	**120**	(441)
Other post-employment benefit plan expense (note 16)	**(16)**	(118)
Income tax expense (note 14)	**5,929**	1,079
Changes in working capital (note 19)	**(3,632)**	7,135
Contributions made to pension plans (note 15)	**(869)**	(970)
Contributions made to other post-employment benefit plans (note 16)	**(365)**	(390)
Provisions paid (note 10)	**(3,160)**	(6,491)
Income taxes paid (note 14)	**(3,822)**	(3,865)
Total cash generated from operating activities	**22,675**	26,945
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 6)	**(1,475)**	(1,832)
Purchase of intangible assets (note 8)	**(71)**	(1,390)
Proceeds on disposal of property, plant and equipment	**70**	—
Total cash used in investing activities	**(1,476)**	(3,222)
FINANCING ACTIVITIES		
Decrease in restricted cash	**515**	—
Proceeds from credit facilities (note 12)	**2,900**	21,000
Repayment of credit facilities (note 12)	**(12,616)**	(30,696)
Exercise of warrants	**—**	118
Repayment of promissory notes (note 13)	**—**	(2,144)
Transaction costs (note 12)	**—**	(489)
Lease payments (note 11)	**(8,730)**	(11,202)
Total cash provided by financing activities	**(17,931)**	(23,413)
CHANGE IN CASH DURING THE YEAR	**3,268**	310
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	**$ 901**	$ 578
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**39**	13
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 4,208**	$ 901

1 General information and basis of preparation

DATA Communications Management Corp ("DCM" or the "Company") is a marketing and business communications partner that helps companies simplify the complex ways they communicate and operate, so they can accomplish more with fewer steps and less effort. For over 60 years, DCM has been serving major brands in vertical markets including financial services, retail, healthcare, energy, other regulated industries, and the public sector. We integrate seamlessly into our clients' businesses thanks to our deep understanding of their needs, transformative tech-enabled solutions, and end-to-end service offering. Whether we're running technology platforms, sending marketing messages, or managing print workflows, our goal is to make everything surprisingly simple.

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 for the period to March 31, 2024 took into consideration the increased demand experienced in 2022 as the economy started to recover from the effects of the COVID-19 pandemic and the uncertainty of the continued impact of inflationary pressures resulting from global supply chain challenges, rising interest rates and the prospect of an economic recession on the ongoing demand for the Company's services, the effects and duration of which are difficult to project with respect to the Company's business and financial results.

While estimated forecast compliance with financial covenants is sensitive to key assumptions used for forecast revenues, gross margins and expenses (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)), 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, management continues to believe that there is no material uncertainty regarding the ability of the Company to continue as a going concern.

The common shares of DCM are listed on the Toronto Stock Exchange ("TSX") under the symbol "DCM" and on OTCQX under the symbol "DCMDF". 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 21, 2023.

2 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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 subsidiary. 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 one remaining wholly owned subsidiary, being Data Communications Management (US) Corp. ("DCM USA"). Perennial Inc. was amalgamated into DCM and rebranded as DCM's Marketing, Strategy & Creative Group as of January 1, 2022.

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.

TRADE RECEIVABLES

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 4 for further information about the group’s accounting for trade receivables and note 22 for a description of the group’s impairment policies.

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 at standard cost. 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, price concessions 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 (including technology enabled hardware solutions - see (e) below) 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 from a third party vendor and inducted into DCM's warehouses or shipped directly to customers from third party vendors 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 or directly from third-party vendors. 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, 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 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 and 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 purchased from third parties 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 of time. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer. 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) Other services - This includes marketing services and other ancillary services such as fees related to 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 from marketing services is recognized over time as the services are performed. Revenue for other ancillary services is 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.

(e) Technology enabled hardware solutions - We procure certain products and services from third party providers to ensure that our clients' complete business and marketing communications needs are met while providing comprehensive vendor management strategies. Technology enabled hardware solutions include scanners, printers, tablets, and other technology applications, often with barcoding and RFID functionality, and combine with our print consumables, creating an integrated ecosystem. Tech-enabled hardware solutions represent a distinct performance obligation (from our print consumables) and revenue is recognized when the product is shipped from the vendor, or inducted into DCM warehouse.

(f) Technology enabled subscription services and fees - Our tech-enabled subscription services and fees include the provision of marketing technology workflow applications and digital asset management, or DAM, software subscription fees, managed technology services, program management services, professional services fees, and implementation and development fees. Typically, these services and fees are contracted on either a project basis in the case of professional services, implementation, and development services fees, or for periods of three to five-year terms, with one to two-year renewal options, in the case of software subscription fees and managed technology services. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services as they are delivered, or rateably over the term of the contract, and represent a distinct performance obligation.

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, 2022 and 2021, 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 current high inflationary and high interest rate economic environment and potential economic recession 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 management's judgment DCM 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 as an integrated marketing and business solutions provider to its customers.

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. While the recoverable amount from the discounted cash flow model is sensitive to key assumptions used for forecast revenues, gross margins and discount rate, management are satisfied that the Company's forecasts and assumptions, taking account of reasonably possible changes in results and other uncertainties will not change the result of DCM's impairment analysis (see also note 9 for the sensitivity of the model to changes in these key assumptions).

3 Change in accounting policies

New and amended standards adopted

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 amendments were adopted effective January 1, 2022 and did not have an 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 amendments were adopted effective January 1, 2022 and did not have an 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 amendments were adopted effective January 1, 2022 and did not have an impact on the consolidated financial statements.

(b) Future accounting standards not yet adopted

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the impact on the consolidated financial statements.

AMENDMENTS TO IAS 12, DEFERRED TAXES RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

This standard was amended to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment is effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the impact on the consolidated financial statements.

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

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. On October 31, 2022, the IASB published an amendment to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024. DCM is currently evaluating the impact on the condensed interim 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, 2022		December 31, 2021
Trade receivables	**$**	**56,195**	$	52,850
Provision for expected credit losses (note 22)		**(1,565)**		(1,283)
	$	**54,630**	$	51,567

As at December 31, 2022, trade receivables include unbilled receivables of $13,491 (2021 – $16,457), net of an expected credit loss allowance of $1,150 (2021 – $750).

5 Inventories

		December 31, 2022		December 31, 2021
Raw materials	**$**	**14,719**	$	6,519
Work-in-progress		**2,827**		2,662
Finished goods		**2,674**		2,952
	$	**20,220**	$	12,133

Raw materials inventory amount is net of obsolescence reserves of $629 (2021 – $277). 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, 2022 and 2021:

		Leasehold improvements		**Office furniture and equipment**		**Presses and printing equipment**		**Computer hardware**		**Vehicles**		**Total**
Year ended December 31, 2022												
Opening net book value	**$**	**2,595**	**$**	**94**	**$**	**5,129**	**$**	**582**	**$**	**16**		**8,416**
Additions		**957**		**31**		**302**		**185**		**—**		**1,475**
Effect of movement in exchange rates		**—**		**—**		**15**		**6**		**—**		**21**
Disposals		**(1)**		**(15)**		**(152)**		**—**		**—**		**(168)**
Depreciation for the year		**(1,010)**		**(50)**		**(1,630)**		**(269)**		**(6)**		**(2,965)**
Closing net book value	**$**	**2,541**	**$**	**60**	**$**	**3,664**	**$**	**504**	**$**	**10**	**$**	**6,779**
At December 31, 2022												
Cost	**$**	**13,878**	**$**	**1,476**	**$**	**33,971**	**$**	**3,028**	**$**	**31**	**$**	**52,384**
Accumulated depreciation		**(11,337)**		**(1,416)**		**(30,307)**		**(2,524)**		**(21)**		**(45,605)**
Net book value	**$**	**2,541**	**$**	**60**	**$**	**3,664**	**$**	**504**	**$**	**10**	**$**	**6,779**

		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, net of transfers from CIP		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

7 Right-of-use asset

The following tables present changes in the right-of-use assets for for the years ended December 31, 2022 and 2021:

		Property	**Office Equipment**	**Production Equipment**	**Total**
Year ended December 31, 2022					
Opening net book value	**$**	**28,308 $**	**141 $**	**5,027 $**	**33,476**
Additions		**1,814**	**3,448**	**821**	**6,083**
Modifications		**340**	**241**	**194**	**775**
Depreciation for the year		**(3,398)**	**(746)**	**(2,465)**	**(6,609)**
Derecognition of subleased asset		**(202)**	**—**	**—**	**(202)**
Effect of movement in exchange rates		**(28)**	**—**	**10**	**(18)**
Closing net book value	**$**	**26,834 $**	**3,084 $**	**3,587 $**	**33,505**
At December 31, 2022					
Cost	**$**	**42,677 $**	**6,496 $**	**16,672 $**	**65,845**
Accumulated depreciation		**(15,843)**	**(3,412)**	**(13,085)**	**(32,340)**
Net book value	**$**	**26,834 $**	**3,084 $**	**3,587 $**	**33,505**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

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

	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

During the year ended December 31, 2022, 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.

During the year ended December 31, 2022, DCM entered into a sublease agreement and recognized an asset which is recorded under prepaid expenses and other current assets on the statement of financial position.

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.

8 Intangible assets

The following tables present changes in intangible assets for the years ended December 31, 2022 and 2021:

		Customer relationships		Software and technology		Trademarks, trade names and non-compete agreements		Total
Year ended December 31, 2022								
Opening net book value	**$**	**3,872**	**$**	**113**	**$**	**57**	**$**	**4,042**
Additions		**—**		**71**		**—**		**71**
Amortization for the year		**(1,475)**		**(118)**		**(13)**		**(1,606)**
Closing net book value	**$**	**2,397**	**$**	**66**	**$**	**44**	**$**	**2,507**
At December 31, 2022								
Cost	**$**	**87,733**	**$**	**11,952**	**$**	**8,697**	**$**	**108,382**
Accumulated amortization		**(85,336)**		**(11,886)**		**(8,653)**		**(105,875)**
Net book value	**$**	**2,397**	**$**	**66**	**$**	**44**	**$**	**2,507**

		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

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

During the fourth quarter of 2021 the unamortized amount of $1,508 relating to a terminated software development project was written off and recorded within amortization expense.

9 Goodwill

DCM has a single operating segment, being the Company as a whole, which is the level at which goodwill is monitored for internal management purposes reflecting the way DCM manages its operations.

At December 31, 2022, DCM performed its annual review for impairment of goodwill by comparing the fair value of the Company's goodwill 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 amount 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 2023 budget internally approved and presented to the Board and further projected over a five-year forecast period. The average annual cumulative revenue growth rates over the forecast period was 2.9% (2021 – 5.0%) was applied to revenue over the forecast period in consideration of the current economic conditions that existed as at December 31, 2022 and the specific trends of the business services and marketing solutions industries. A perpetual long-term growth rate of 0% (2021 – 0%) was used thereafter to derive the recoverable amount of the CGU. The forecasted gross margin over the five-year forecast period is 31.8% (2021 – 31.0% to 35.1%).

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 13.5% was used (2021 – 15.0%). The change in discount rates reflect management’s judgment as to the specific risks relating to the CGU and industry in which it operates.

The estimated recoverable amount exceeded its carrying value by $143,004 (2021 – $160,907). While the recoverable amount from the discounted cash flow model is sensitive to key assumptions used for forecast revenues, gross margins and discount rate, management are satisfied that the Company’s forecasts and assumptions, taking account of reasonably possible changes in results and other uncertainties will not change the result of DCM's impairment analysis. As a result of these tests, it was concluded that there was no impairment of goodwill during the year.

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).

	December 31, 2022	December 31, 2021
Discount rate	**44.4 %**	50.1 %
Revenue growth rate over 5-year forecast period and in perpetuity	**(4.4)%**	(5.3)%
Gross Margin	**23.9 %**	23.0 %

10 Provisions

		Termination provisions		Plant Closure		Total
Balance – December 31, 2021	**$**	**3,926**	**$**	**550**	**$**	**4,476**
Utilized during the year		**(2,610)**		**(550)**		**(3,160)**
Balance - December 31, 2022	**$**	**1,316**	**$**	**—**	**$**	**1,316**
Less: Current portion of provisions		**(1,316)**		**—**		**(1,316)**
As at December 31, 2022	**$**	**—**	**$**	**—**	**$**	**—**

		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

During the year ended December 31, 2021, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce it cost of operations, resulting in $8,631 of restructuring expenses due to headcount reduction across DCM's operations.

For the year ended December 31, 2022, cash payments of $3,160 (2021 - $6,491) 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 $1,316 at December 31, 2022 are expected to be paid in 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, 2022	**$**	**34,359**	**$**	**116**	**$**	**4,624**	**$**	**39,099**
Additions		**2,159**		**3,448**		**821**		**6,428**
Modifications		**183**		**421**		**171**		**775**
Payments during the year		**(5,919)**		**(783)**		**(2,028)**		**(8,730)**
Interest charge for the year		**1,868**		**106**		**249**		**2,223**
Effects of movement in FX rates		**(2)**		**3**		**6**		**7**
Balance - December 31, 2022	**$**	**32,648**	**$**	**3,311**	**$**	**3,843**	**$**	**39,802**

	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

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

	Contractual Cash Flows	**Extension Options**	**Total December 31, 2022**
Not later than one year	**$ 9,094**	**$ —**	**$ 9,094**
Later than one and not later than five years	**20,189**	**1,056**	**21,245**
Later than five years	**520**	**25,672**	**26,192**
Total undiscounted lease liabilities	**$ 29,803**	**$ 26,728**	**$ 56,531**
Discounted using the incremental borrowing rate			**(16,729)**
Lease liabilities			**$ 39,802**
Current			**$ 6,791**
Non-current			**$ 33,011**

(ii) AMOUNTS RECOGNIZED IN THE STATEMENT OF OPERATIONS

	For the year ended December 31, 2022	For the year ended December 31, 2021
Variable lease payments not included in the measurement of lease liabilities	**$ 5,670**	$ 5,744
Income from sub-leasing right-of-use assets	**$ (29)**	$ (124)
Expenses relating to short-term leases and leases of low value assets	**$ 487**	$ 808

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, 2022, extension options that are not reflected in the measurement of the lease liability total $650 (2021 - $1,063).

12 Credit facilities

		December 31, 2022		December 31, 2021
Term loans				
- 6.10% term debt, maturing October 15, 2022 (FPD III Credit Facility)	**$**	**—**	$	1,743
- 6.95% term debt, maturing March 10, 2023 (FPD IV Credit Facility)		**4,882**		9,432
- 6.95% term debt, maturing May 15, 2023 (FPD V Credit Facility)		**1,225**		2,200
- 5.95% term debt, maturing December 17, 2026 (FPD VI Credit facility)		**9,429**		11,000
- floating rate debt, maturing May 8, 2024 (Bank Term Loan)		**5,913**		9,690
Revolving facilities				
- floating rate debt, maturing November 8, 2024 (Bank Credit Facility)		**5,869**		2,969
Credit facilities	**$**	**27,318**	$	37,034
Unamortized debt premiums and discount		**260**		140
Unamortized transaction costs		**(531)**		(875)
	$	**27,047**	$	36,299
Less: Current portion of Credit facilities		**(11,667)**		(11,743)
Credit facilities	**$**	**15,380**	$	24,556

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 and the Bank Credit Facility matures on November 8, 2024. The Revolving Facility is available to be drawn by way of either Prime Rate Loans, Base Rate Loans, Canadian Dollar Offered Rate (CDOR Loans), London Interbank Offered Rate (LIBOR Loans), and/or Letters of Credit. Prime rate loans charge interest at the greater of the Bank's published reference rate on Canadian Dollar denominated commercial loans and the CDOR rate for a period of 30 days plus 100 basis points per annum. Currently 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% for a rate of 6.95% as at December 31, 2022. 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% for a rate of 9.95% as at December 31, 2022. DCM has the right to make a prepayment at any time in respect of any outstanding advances under the Bank Credit Facility without penalty subject to a minimum repayment of $500. On May 16, 2022 Refinitiv Benchmark Services Limited, the benchmark administrator of the CDOR announced that the calculation and publication of all tenors of CDOR will permanently cease after June 28, 2024. The Canadian Overnight Repo Rate Average (CORRA) has been nominated as a replacement for CDOR. When CDOR is phased out we expect the Bank Credit Facility will be amended to remove the CDOR borrowing option and the Prime rate will then be based solely on the Bank's reference rate. 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, 2022, DCM had access to $8,593 of available credit under the Bank Credit Facility. DCM had cash and cash equivalents of $4,208 shown on the consolidated statement of financial position as at December 31, 2022.

FPD FACILITIES

DCM has four amortizing term loan facilities with interest and principal payable quarterly (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., 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 had been deferred and capitalized to the outstanding principal obligation, increasing the total advances to $21,496 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, 2022 and 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. 71.5% of the FPD VI term loan is being repaid in equal monthly principal payments over 59 months, with the remaining 28.5% being repayable at maturity 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 contains customary representations and warranties, certain financial covenant requirements, as well as certain 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, 2022, DCM was in compliance with all of its financial 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 2023 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)). 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 within the next year.

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.

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. These requirements were eliminated effective January 2022. As at December 31, 2022, there was a balance of $nil (December 31, 2021 - $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.

INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, 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, 2022 and 2021 are as follows:

		December 31, 2022		December 31, 2021
Balance - Beginning of year, net of transaction costs and debt premiums and discounts	**$**	**36,299**	$	45,739
Changes from financing cash flows				
Proceeds from credit facilities	**$**	**2,900**		21,000
Repayment of credit facilities		**(12,616)**		(30,696)
Transaction costs		**—**		(489)
Total change from financing cash flows		**26,583**		35,554
Non-cash movements				
Amortization of transaction costs		**344**		941
Debt modification losses		**—**		260
Capitalized interest on Crown advances		**—**		585
Accretion of premium and discount		**120**		(1,041)
Balance - End of year, net of transaction costs and debt premiums and discounts	**$**	**27,047**	$	36,299

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

		December 31, 2022
2022	**$**	**—**
2023		**11,667**
2024		**9,364**
2025		**1,571**
2026		**4,716**
	$	**27,318**

13 Promissory notes

The movement in the promissory note balances during the year ended December 31, 2021 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	$ —	$ —	$ —	$ —

The Related Party Promissory Notes bore interest at a rate of 12% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the May 7, 2023 maturity date. In June 2021, the Related Party Promissory Notes balance of $1,000 was repaid early. A total of 75,571 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, 2022 and 2021 are as follows:

December 31, 2022	**Assets**	**Liabilities**	**Net**
Pension obligations and other post-employment benefit plans	**$ 1,618**	**$ —**	**$ 1,618**
Property, plant and equipment, ROU assets and lease liabilities	**1,071**	**—**	**1,071**
Benefit of income tax loss and other carry-forwards	**65**	**—**	**65**
Deferred finance fees and debt premiums	**144**	**—**	**144**
Deductible reserves	**1,408**	**—**	**1,408**
Intangible assets	**543**	**—**	**543**
Other	**—**	**(19)**	**(19)**
Total deferred income tax assets (liabilities)	**$ 4,849**	**$ (19)**	**$ 4,830**
Set-off of deferred income tax assets (liabilities) pursuant to set off provisions	**(19)**	**19**	**—**
Net deferred income tax assets (liabilities)	**$ 4,830**	**$ —**	**$ 4,830**

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

As at December 31, 2022, DCM recorded net deferred income tax assets of $4,830 (2021 – $5,465) and net deferred income tax liabilities of nil (2021 – nil) 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, 2022 and 2021 are as follows:

	Balance at January 1, 2022	Recognized in statement operations	Recognized in comprehensive income	Balance at December 31, 2022
Pension obligations and other post-employment benefit plans	**$ 1,957**	**$ (177)**	**$ (162)**	**$ 1,618**
Property, plant and equipment, ROU assets and lease liabilities	**646**	**425**	**—**	**1,071**
Benefit of income tax loss and other carry-forwards	**579**	**(514)**	**—**	**65**
Deferred finance fees and debt premiums	**139**	**5**	**—**	**144**
Deductible reserves	**1,394**	**14**	**—**	**1,408**
Intangible assets	**561**	**(18)**	**—**	**543**
Other	**189**	**(208)**	**—**	**(19)**
Deferred income tax assets (liabilities), net	**$ 5,465**	**$ (473)**	**$ (162)**	**$ 4,830**

	Balance at January 1, 2021	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

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, 2022, DCM has US Federal tax loss carryforwards of $1,326 and US state tax loss carryforwards of $2,235 for which no deferred tax asset has been recognized. The loss carryforwards expire in varying amounts starting in 2039 (2021 – 2039 to 2040).

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, 2022, DCM has provided for $1,407 (2021 - $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, 2022 and 2021 are set out below:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Current income tax expense:		
Current tax on profits for the year	**$ 5,456**	$ 2,238
Adjustment for current tax of prior periods	**—**	—
Total current income tax expense	**$ 5,456**	$ 2,238
Total deferred income tax expense (recovery)	**473**	(1,159)
Total income tax expense for the year	**$ 5,929**	$ 1,079

For the year ended December 31, 2022, deferred income tax expense (recovery) on the recognition of actuarial gains (losses) related to DCM's defined benefit plans of $162 (2021 – $648) 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, 2022 and 2021.

	For the year ended December 31, 2022	For the year ended December 31, 2021
Income before income taxes	**$ 19,895**	$ 2,644
Expected income tax expense calculated at statutory income tax rate [(1)]	**5,028**	651
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	**9**	73
Unrecognized tax losses and temporary differences	**248**	333
Adjustment for current tax of prior periods and other	**35**	(89)
Non-deductible expenses and other items	**609**	111
Total income tax expense for the year	**$ 5,929**	$ 1,079

(1) The calculation of the current income tax is based on a combined federal and provincial statutory income tax rate of 25.28% (2021 – 24.64%).

The combined federal and provincial statutory income tax rate for the current year is 0.64% higher than 2021 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.28% (2021 – 24.64%) 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, 2022, 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 December 31, 2021. the solvency position of the defined benefit provision of the DATA Communications Management Pension Plan had improved since the previous valuation. Based upon the December 31, 2021 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2023 and 2024 is $322 each year.

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, 2022	December 31, 2021
Present value of funded obligations	**$ 45,062**	$ 61,137
Less: Fair value of plan assets	**(47,426)**	(63,668)
Surplus of funded plan	**(2,364)**	(2,531)
Present value of unfunded obligations	**6,069**	7,499
Pension obligations, net	**$ 3,705**	$ 4,968

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, 2022**
Balance – Beginning of year	**$ 61,137**	**$ 7,499**	**$ 68,636**
Interest expense	**1,763**	**217**	**1,980**
Benefits paid	**(2,906)**	**(546)**	**(3,452)**
Re-measurements:			
- Gain from change in demographic assumptions	**(523)**	**—**	**(523)**
- Gain from change in financial assumptions	**(12,115)**	**(1,182)**	**(13,297)**
- Experience (gains) losses	**(2,294)**	**81**	**(2,213)**
Balance – End of year	**$ 45,062**	**$ 6,069**	**$ 51,131**

	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

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, 2022**
Balance – Beginning of year	**$**	**63,668**	**$**	**—**	**$**	**63,668**
Interest income		**1,929**		**—**		**1,929**
Employer contributions		**323**		**546**		**869**
Benefits paid		**(2,906)**		**(546)**		**(3,452)**
Administrative expenses paid from plan assets		**(300)**		**—**		**(300)**
Re-measurements:						
- Loss on plan assets, excluding amounts included in interest income		**(15,288)**		**—**		**(15,288)**
Balance – End of year	**$**	**47,426**	**$**	**—**	**$**	**47,426**

		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

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, 2022			For the year ended December 31, 2021		
		Quoted	**Percentage of plan assets**		Quoted	Percentage of plan assets
Domestic equities	**$**	**473**		$	484	
Foreign equities		**9,838**			12,254	
Equity instruments	**$**	**10,311**	**22%**	$	12,738	20%
Short and mid-term bonds	**$**	**6,352**		$	6,625	
Long-term bonds		**24,056**			37,622	
Commercial mortgages		**6,268**			6,331	
Debt instruments	**$**	**36,676**	**77%**	$	50,578	79%
Cash and cash equivalents	**$**	**439**	**1%**	$	352	1%
Total	**$**	**47,426**	**100%**	$	63,668	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, 2022
Administration expenses	**$ 300**	**$ —**	**$ 300**
Interest expense	**1,763**	**217**	**1,980**
Interest income	**(1,929)**	**—**	**(1,929)**
Total net interest expenses (income)	**(166)**	**217**	**51**
Defined benefit expense recognized	**$ 134**	**$ 217**	**$ 351**

	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 expense (income)	(4)	184	180
Defined benefit expense recognized	$ 296	$ 184	$ 480

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, 2022
Re-measurements:			
- Gain from change in demographic assumptions	$ (523)	$	(523)
- Gain from change in financial assumptions	(12,115)	(1,182)	(13,297)
- Experience (gains) losses	(2,294)	81	(2,213)
- Loss on plan assets, excluding amounts included in interest income	15,288	—	15,288
	356	(1,101)	(745)
Deferred income tax effect	(90)	278	188
Defined benefit recovery recognized	$ 266	$ (823)	$ (557)

	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 expense recognized	$ (1,662)	$ (308)	$ (1,970)

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, 2022	December 31, 2021
DATA Communications Management Pension Plan		
Discount rate	5.30 %	3.10 %
Rate of compensation increase	3.00 %	3.00 %
SERP		
Discount rate	5.20 %	3.00 %

DCM increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2022 to reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2022.

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, 2022	December 31, 2021
Retiring at the end of the reporting period:		
Male	22.0	21.9
Female	24.3	24.3
Retiring in 25 years after the end of the reporting period:		
Male	23.2	23.2
Female	25.5	25.5

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 22% 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. The investment strategy reflects an ongoing (rather than solvency) focus following a duration matching strategy using pooled funds in an attempt o match the interest rate sensitivity of plan assets to plan liabilities. The equity and bond target allocations are 80% and 20%, respectively, 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, 2022 and at December 31, 2021 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, 2022		
	Impact on defined benefit obligations		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (1,207)**	**$ 1,261**
Salary growth rate	**0.25%**	**113**	**(106)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**$ 1,301**	**$ (1,331)**

	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)

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 9.65 years (2021 – 12.02 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, 2022	**$ 3,498**	**$ 3,533**	**$ 10,983**	**$ 19,197**
At December 31, 2021	$ 3,481	$ 7,164	$ 7,475	$ 19,884

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, 2022	For the year ended December 31, 2021
Defined contribution plan	**$ 948**	$ 954
Defined benefit multi-employer plans	**$ 372**	$ 419

DCM expects that, in 2023, contributions to the defined benefit provision of the DATA Communications Management Pension Plan will be approximately $322, contributions to the defined contribution provision of the DATA Communications Management Pension Plan will be approximately $1,031, contributions to the SERP will be approximately $546, contributions to the GCPP will be approximately $406 and contributions to the Unifor Pension & Benefit Plans will be approximately $57.

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, 2022		December 31, 2021
Balance – Beginning of year	**$**	**2,971**	$	3,507
Current service cost		**179**		236
Interest expense		**92**		89
Benefits paid		**(365)**		(390)
Re-measurements:				
- Loss (gain) from change in demographic assumptions		**21**		(342)
- Gain from change in financial assumptions		**(312)**		(126)
- Experience losses (gains)		**109**		(3)
Balance – End of year	**$**	**2,695**	$	2,971

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, 2022		December 31, 2021
Current service cost	**$**	**179**	$	236
Interest expense		**92**		89
Re-measurements:				
- Gain from change in demographic assumptions		**(127)**		(342)
- Gain from change in financial assumptions		**(170)**		(85)
- Experience losses (gains)		**10**		(11)
Benefit (recovery) recognized	**$**	**(16)**	$	(113)

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, 2022		December 31, 2021
Re-measurements:				
- Loss from change in demographic assumptions	**$**	**148**	$	—
- Gain from change in financial assumptions		**(142)**		(36)
- Experience losses		**99**		8
		105		(28)
Deferred income tax effect		**(26)**		3
Benefit expense (recovery) recognized	**$**	**79**	$	(25)

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

DCM OPEB Plans	**December 31, 2022**	December 31, 2021
Discount rate	**5.30%**	3.10%
Health care cost trend rate – Initial	**6.11%**	5.88%
Health care cost trend rate declines by 2040 (2021 – 2040)	**4.00%**	4.00%

DCM OPEB LTD Plan	**December 31, 2022**	December 31, 2021
Discount rate	**5.30%**	3.10%
Health care cost trend rate – Initial	**5.31%**	5.40%
Health care cost trend rate declines by 2040 (2021 – 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, 2022	**Change in assumption**		**Increase in assumption**		**Decrease in assumption**
Discount rate	**0.25%**	**$**	**(39)**	**$**	**41**
Health care cost trend rates	**1.00%**		**144**		**(131)**
			Increase by 1 year in assumption		**Decrease by 1 year in assumption**
Life expectancy		**$**	**(47)**	**$**	**49**

	Impact on other post-employment benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
At December 31, 2021			
Discount rate	0.25%	$ (50)	$ 52
Health care cost trend rates	1.00%	184	(166)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	$ 67	$ (63)

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, 2022	**$ 390**	**$ 329**	**$ 804**	**$ 1,025**
At December 31, 2021	$ 361	$ 631	$ 501	$ 934

DCM expects that, in 2023, contributions to its DCM OPEB Plans and DCM OPEB LTD Plan will be approximately $390.

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 – December 31, 2022	**44,062,831**	**$ 256,478**

	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

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, 2022 and the year ended December 31, 2021 is as follows:

	2022			2021		
	Number of Warrants		**Weighted average Exercise Price**	Number of Warrants		Weighted average Exercise Price
Warrants outstanding - beginning of year	**1,863,607**	**$**	**0.28**	1,920,092	$	0.33
Granted	**—**		**—**	67,866		0.32
Expired	**(215,450)**		**0.185**	—		—
Exercised	**—**		**—**	(124,351)		(0.95)
Warrants outstanding - end of year	**1,648,157**	**$**	**0.30**	1,863,607	$	0.28

The outstanding warrants had an exercise price range as follows:

	December 31, 2022	December 31, 2021
	Number of Warrants	Number of Warrants
$0.32	**61,079**	61,079
$0.99	**77,078**	77,078
$0.26	**1,510,000**	1,510,000
$0.185	**—**	215,450
Warrants outstanding	**1,648,157**	1,863,607

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.

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.

(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, 2022	December 31, 2021
	Number of RSUs	Number of RSUs
Balance - beginning of year	**2,400,715**	2,662,561
Units granted	**904,207**	1,480,637
Units forfeited	**—**	(740,701)
Units paid out	**(150,617)**	(1,001,782)
Balance - end of year	**3,154,305**	2,400,715

During the year ended December 31, 2022, the Chief Executive Officer ("CEO") and President of DCM was granted 357,985 RSUs (2021 – 302,529 RSUs) and a total of 546,222 RSUs (2021 – 1,178,108 RSUs) were awarded to other members of DCM's management.

Of the total outstanding RSUs at December 31, 2022, nil (December 31, 2021 – nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at December 31, 2022 was $3,501 (2021 – $1,962).

During the year ended December 31, 2022, compensation expense of $1,740 (2021 – $1,614) 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, 2022 and the year ended December 31, 2021 is as follows:

	2022			2021		
	Number of Options		**Weighted average Exercise Price**	Number of Options		Weighted average Exercise Price
Options outstanding - beginning of year	**3,950,886**	**$**	**0.91**	1,587,486	$	1.33
Granted	**750,000**		**1.30**	2,625,000		0.70
Forfeited	**—**		**—**	(261,600)		1.29
Options outstanding - end of year	**4,700,886**	**$**	**0.97**	3,950,886	$	0.91
Exercisable	**2,867,553**	**$**	**0.99**	2,322,253	$	1.06

The outstanding Options had an exercise price range as follows:

	December 31, 2022	December 31, 2021
	Number of Options	Number of Options
$0.69	**2,500,000**	2,500,000
$0.85	**125,000**	125,000
$1.29	**654,000**	654,000
$1.30	**750,000**	—
$1.38	**671,886**	671,886
Options outstanding	**4,700,886**	3,950,886

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:

		April 4, 2022		March 8, 2021		May 14, 2021
Expected life (years)		7.0		7.0		7.0
Expected volatility		40 %		40 %		40 %
Dividend yield		— %		— %		— %
Risk free rate of return		2.41 %		1.25 %		1.23 %
Weighted average fair value of options granted	$	0.58	$	0.30	$	0.36
Forfeiture rate		10 %		10 %		10 %

On April 4, 2022, options to purchase up to 750,000 common shares were awarded to a member of management. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.30 per share, representing the fair value of the Common Shares on the date of grant. The 750,000 options vest at a rate of 1/3 each year beginning on April 4, 2023.

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 8, 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, 2022, compensation expense of $328 (2021 – $488) 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, 2022, 358,582 DSUs (2021 – 303,017 DSUs) were granted and nil DSUs were paid out (2021 – 183,510). The carrying amount of the liability relating to the 2,433,703 DSUs outstanding at December 31, 2022 was $3,529 (December 31, 2021 – $2,656 and 2,075,121 DSUs outstanding).

During the year ended December 31, 2022, an expense of $971 (2021 – $1,839) was recognized in the consolidated statement of operations related to DSUs granted of $573 (2021 - $447), and fair value adjustments of $398 (2021 - $1,392).

18 Earnings per share

		For the year ended December 31, 2022		For the year ended December 31, 2021
BASIC EARNINGS PER SHARE				
Net income for the year attributable to common shareholders	**$**	**13,966**	$	1,565
Weighted average number of shares		**44,062,831**		43,993,494
Basic earnings per share	**$**	**0.32**	$	0.04
DILUTED EARNINGS PER SHARE				
Net income for the year attributable to common shareholders	**$**	**13,966**	$	1,565
Weighted average number of shares		**44,062,831**		43,993,494
Adjustments for calculation of diluted earnings per share:				
Options		**1,235,008**		804,611
Warrants		**1,274,227**		1,338,402
Weighted average number of shares in calculating diluted earnings per share		**46,572,066**		46,136,507
Diluted earnings per share	**$**	**0.30**	$	0.03

For the year ended December 31, 2022, options to purchase up to 671,886 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, 2022.

During 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 in 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.

19 Changes in working capital

		For the year ended December 31, 2022		For the year ended December 31, 2021
Trade receivables	**$**	**(3,063)**	$	13,723
Inventories		**(8,087)**		(3,619)
Prepaid expenses and other current and non-current assets		**(43)**		(1,030)
Trade and accrued liabilities		**6,888**		(2,410)
Deferred revenue		**673**		471
	$	**(3,632)**	$	7,135

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, 2022 with respect to these agreements.

Executive employment agreements allow for additional payments of approximately $3,141 if the individuals are terminated without cause, and approximately $3,141 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 2023 is $406.

The GCPP's most recent funding actuarial report (as at December 31, 2021) disclosed a going concern surplus of 113% 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 on a solvency or wind up basis of 10%. No actuarial valuation was required for the GCPP for the year ended December 31, 2022.

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.

DCM's capital structure is as follows:

		December 31, 2022		December 31, 2021
Credit facilities (note 12)	**$**	**27,047**	$	36,299
Lease liabilities (note 11)		**39,802**		39,099
Total long-term debt	**$**	**66,849**	$	75,398
Total equity	**$**	**22,847**	$	8,041

22 Financial instruments

DCM's financial instruments consist of cash, restricted cash, trade receivables, trade payables and accrued liabilities, credit facilities, and lease liabilities, as indicated in DCM's statements of consolidated financial position as at December 31, 2022 and 2021. 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, trade payables and accrued liabilities, credit facilities, 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, 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 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, 2022	**Carrying Value**	**Fair Value**
Financial assets at amortized cost (1)	**$58,838**	**$58,838**
Financial liabilities at amortized cost (2)	**102,193**	**102,724**
Financial liabilities FVTPL (3)	**7,030**	**7,030**

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

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

Credit facilities, 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, 2022 was determined using default rates under the provision matrix for an amount of $1,565 (2021 – $1,283), of which $1,150 (2021 – $750) relates to unbilled receivables.

The following default rates are used to calculate the ECLs on billed receivables as at December 31, 2022 and December 31, 2021, respectively:

December 31, 2022	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.13%	0.13%	0.33%	22.60%
Billed receivables balance	**$41,554**	$26,316	$10,369	$3,291	$1,578
Billed receivables ECL	**$415**	$34	$13	$11	$357

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

The following default rates are used to calculate the ECLs on unbilled receivables as at December 31, 2022 and December 31, 2021, respectively:

December 31, 2022	**Total**	**Less than 30 days**	**Over 30 days**	**Over 60 days**	**Over 90 days**
Default rates		0.86%	1.56%	1.28%	15.75%
Unbilled receivables balance	**$14,641**	$3,840	$2,765	$1,327	$6,709
Unbilled receivables ECL	**$1,150**	$33	$43	$17	$1,057

December 31, 2021	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

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, 2022 the Company has $1,578 (5%) of its billed receivables that are over 90 days old (2021 - $3,000 or 8%).

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. The Company recorded a provision of nil (2021 - $618) 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 2022 and 2021 are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Balance – Beginning of year	**$ 1,283**	$ 652
Net reversals (write offs) of receivables during the year	**648**	255
Change in estimated price concession provisions reclassified to gross carrying amount	**—**	(51)
Increase (decrease) in loan loss allowance	**(366)**	427
Balance – End of year	**$ 1,565**	$ 1,283

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, 2022	**Less than a year**	**1 to 3 years**	**4 years and greater**	**Total**
Trade payables and accrued liabilities	$ **44,133**	$ **—**	$ **—**	$ **44,133**
Lease liabilities	**9,094**	**21,245**	**26,192**	**56,531**
Credit facilities [(1)]	**14,137**	**16,975**	**—**	**31,112**
Total	$ **67,364**	$ **38,220**	$ **26,192**	$ **131,776**

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

(1) Credit facilities as at December 31, 2022 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, 2022, the outstanding balances totaled $5,869 and $5,913, respectively, and bore interest at a floating rate of 6.95% and 9.95%, respectively, per annum. The amounts at December 31, 2022 include estimated interest totaling $426 for 2023, and $484 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, 2022. Credit facilities at December 31, 2022 subject to fixed interest rates consisting of the 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, 2022, the outstanding balances totaled $15,536, of which $6,107 bore interest at a fixed rate of 6.95% per annum and $9,429 bore interest at a fixed rate of 5.95% per annum. Monthly blended principal and interest payments of $422 and of $91, are due on the FPD IV and FPD V facilities respectively, and $131 on the FPD VI facility.

Credit facilities 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 balance 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 $24,375, of which $1,743 bore interest at a fixed rate of 6.10%, $11,632 bore interest at a fixed rate of 6.95% per annum and $11,000 bore interest at a fixed rate of 5.95% per annum. These facilities require monthly blended principal and interest payments of $96, of $422 and of $91, respectively.

DCM also has contingent obligations in the form of letters of credit. DCM believes that the currently projected cash flow from operations and cash on hand 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.

Cash flows from operations could be, negatively impacted if demand for DCM's products and services declines as a result of the continued impact of inflationary pressures resulting from global supply chain challenges, rising interest rates and the prospect of an economic recession. While estimated forecast compliance with financial covenants is

sensitive to key assumptions used for forecast revenues, gross margins and expenses (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)), 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. As a result, the Company has concluded that it 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, 2022, $5,869 of DCM's indebtedness outstanding was subject to floating interest rates of 6.95% per annum and $5,913 of DCM's indebtedness outstanding was subject to floating interest rates of 9.95%; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit or loss and comprehensive loss by $118 for the year ended December 31, 2022 (2021 – $127), respectively. At December 31, 2022, $6,107 was subject to a fixed rate of interest of 6.95% per annum and $9,429 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, 2022	For the year ended December 31, 2021
Raw materials and other purchases	**$ 123,929**	$ 97,327
Wages and benefits	**91,040**	86,691
Occupancy costs	**8,088**	9,103
Restructuring expenses	**—**	9,691
Depreciation and amortization	**11,160**	15,143
Tech enabled subscription services	**854**	1,780
Acquisition costs	**1,870**	—
Research and development	**1,015**	—
Other expenses	**10,644**	11,709
Total cost of revenues and operating expenses	**$ 248,600**	$ 231,444

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.

DCM 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, 2022, 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, 2022	For the year ended December 31, 2021
Product sales	**$ 239,355**	$ 207,611
Technology hardware solutions	**12,156**	6,415
Warehousing services	**7,325**	6,488
Freight services	**8,402**	7,481
Marketing and other services	**1,249**	1,886
Tech-enabled subscription service fees	**5,317**	5,450
	$ 273,804	$ 235,331

During the the year ended December 31, 2022, DCM includes two new categories in this disclosure: technology-enabled hardware solutions and technology-enabled subscription services. These revenue streams are considered significant by management of DCM. During the year ended December 31, 2021 were restated accordingly, and reclassified out of product sales.

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, 2022, the balance owing of $110 (2021 – $107) was included within other non-current assets in the statement of financial position.

On June 1, 2022, DCM entered into a sublease agreement with a related party, ending on November 29, 2024 for a total of $107 annual rent. This sublease agreement was recorded as a reduction to the right-of-use asset (note 7).

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, 2022		For the year ended December 31, 2021
Salaries and other short-term employee benefits	**$**	**4,227**	$	3,958
Termination and retirement benefits		**—**		3,114
Post-employment benefits		**14**		56
Share-based compensation expense		**1,055**		1,729
Total	**$**	**5,296**	$	8,857

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, 2022, key management personnel (excluding compensation awarded to Directors) were granted 707,333 RSUs (2021 – 844,996 RSUs). Key management personnel (excluding compensation awarded to Directors) were not issued any options to purchase Common Shares in 2022 (2021 - 2,625,000). During the year ended December 31, 2022, DCM's general and administration expenses include an expense of $1,055 (2021 – $1,729) for these share-based compensation awards.

During the year ended December 31, 2022, DCM's general and administration expenses include a charge of $971 (2021 – $1,839) for the duties performed by DCM's Board, of which $398 (2021 – $1,392) relates to a fair value adjustment (note 17).

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 was designed to help businesses struggling with the economic effects of the coronavirus retain and/or rehire their employees. The subsidy was 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 was 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.

During the year ended December 31, 2021, DCM qualified for $4,558 of government grant income from the CEWS and the CERS before those COVID support programs ended in October 2021. DCM did not receive any similar subsidies in 2022.

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.

28 Subsequent event

On February 22, 2023, DCM announced that it has entered into a share purchase agreement (the "Purchase Agreement") to acquire the Canadian operations of R.R. Donnelley & Sons ("RRD Canada") for a total cash purchase price of CDN $123 million (subject to working capital and other customary post-closing adjustments and receipt of third party and regulatory approvals including those required under Canada's Competition Act").

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

Alison Simpson [3]
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

Sharad Verma
Senior Vice President, Strategy

Steve Livingstone
Senior Vice President, Digital

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

Corporate Information

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor
Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

Corporate Office
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**Toronto Stock
Exchange Symbol**
DCM

OTCQX Symbol
DCMDF

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