DATA GROUP LTD.

ANNUAL REPORT 2013

DATA Group Ltd. is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business processes. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. We have approximately 1,670 employees working from 35 locations across Canada and the United States to accomplish this.

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Letter to shareholders

Dear fellow shareholders:

DATA Group continues to make progress on our Transformation Plan. We remain focused on creating long-term enterprise value appreciation for our shareholders. **In 2013 we reduced our costs by $13.0 million on an annualized basis, generated $11.3 million in revenue from the selected growth areas management has targeted and reduced debt by $4.5 million. Our net loss in the fourth quarter and in 2013 was primarily due to non-cash goodwill impairment charges and the restructuring expenses associated with our cost reduction initiatives.**

Why is a Transformation Plan Required?

Portions of our core print business, which continues to generate a significant portion of our revenues, face increased competitive pressures and unprecedented change with the shift towards digital communications technologies. These factors adversely impacted our financial results for 2013. In response to these market driven forces, we are transforming our business to reposition it for sustained profit growth by:

- **continuing to significantly reduce our costs**
- **reducing our indebtedness**
- **stabilizing our revenue**

Cost Reduction

In 2013, DATA Group began a comprehensive, three-year cost reduction program. During the year, we closed three production sites, downsized two others, simplified our organizational structure, centralized a number of functions, reduced our workforce by 145 staff (8%) and renegotiated a number of raw material input costs, resulting in $13.0 million in annualized savings. We are committed to this program and are continuing our efforts, including engaging a major consulting firm to assist in identifying and acting on additional cost savings opportunities for 2014 and beyond.

Debt Reduction

We reduced our debt by $4.5 million in 2013. DATA Group intends to accelerate our rate of debt reduction in 2014 and has reduced debt by $2.0 million year-to-date.

Revenue Stabilization

Our strategy in 2014 is to stabilize our revenue. We will achieve this by investing selectively in new talent, focusing on winning market share in our traditional print business and prudently investing in growth capabilities. For example, since Q3 of 2013 we have made a number of changes in our sales management and executive teams, and we have invested in our direct mail and in-store retail signage capabilities. Our digital services, such as e-marketing and document scanning, will be closely bundled with our print offerings to increase the value we provide to our customers and increase the contribution these services are making to our overall revenue and profitability. See our web site; www.datagroup.ca for case studies of how our services are helping clients.

The successful growth of a company is dependent upon the expertise, experience and commitment of the management team. At DATA Group, your management team is committed to the long-term creation of value and we intend to accomplish this by reducing costs, reducing debt and stabilizing revenue.

I would like to conclude by thanking our investors, customers and employees for their support and encourage our shareholders to contact me directly at 905-494-4006. I would like to reiterate our commitment to rewarding your confidence and patience by ultimately delivering substantial returns irrespective of the market conditions.

(Signed) Michael Suksi

Michael Suksi
President and Chief Executive Officer

DATA Group Ltd.

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

This Management's Discussion and Analysis ("MD&A") comments on the consolidated operations, performance and financial condition of DATA Group Ltd. (the "Corporation") for the years ended December 31, 2013 and 2012. This MD&A should be read in conjunction with the Corporation's consolidated financial statements and accompanying notes for the year ended December 31, 2013 and 2012.

On January 1, 2014, DATA Group Ltd. (the successor to DATA Group Inc.) completed an internal reorganization to simplify its corporate structure. Pursuant to the internal reorganization, DATA Group Inc. amalgamated with its Canadian subsidiaries to form a new corporation called "DATA Group Ltd.". The amalgamation became effective on January 1, 2014. Pursuant to the amalgamation, all of the issued and outstanding shares of DATA Group Inc.'s Canadian subsidiaries were cancelled and the assets and liabilities of the amalgamating corporations became the assets and liabilities of the Corporation. Pursuant to the amalgamation, the Corporation also assumed all of the covenants and obligations of DATA Group Inc. under its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"). No securities were issued in connection with the amalgamation and the authorized and issued share capital of the Corporation is the same as that of DATA Group Inc. immediately prior to the amalgamation becoming effective.

The reorganization will not have any significant effect on the business and operations of DATA Group Inc. and its subsidiaries, which are now carried on by the Corporation and its subsidiary DATA Group (US) Corp.

The Corporation is the successor to The DATA Group Income Fund (the "Fund"). As of December 31, 2011, the Fund owned directly and indirectly all of the outstanding partnership units of The DATA Group Limited Partnership (the "Partnership") and all the outstanding shares of the Partnership's general partner, Data Business Forms Limited ("DBFL"). On January 1, 2012, the Fund completed a reorganization of its income trust structure into a corporation pursuant to a plan of arrangement (the "Arrangement") under the Ontario Business Corporations Act, involving the Fund, the Corporation, the Partnership and DBFL. Pursuant to the Arrangement, the Fund and the Partnership were wound up and dissolved. DBFL changed its name to "DATA Group Ltd." ("DGL") and DGL continued the operation of the businesses previously operated by the Fund's subsidiaries. Under the Arrangement, unitholders of the Fund received, on a tax deferred, roll-over basis, one common share of the Corporation for each unit of the Fund held. On November 1, 2011, a subsidiary of the Fund acquired all of the shares of The Fulfillment Solutions Advantage Inc. ("FSA"). FSA subsequently acquired all of the outstanding shares of FSA Datalytics Canada Inc. ("Datalytics") not owned by FSA on November 1, 2011.

References in this MD&A to "DATA Group" mean the Fund in respect of periods prior to January 1, 2012 and mean the Corporation from and after January 1, 2012. All financial information in this MD&A is presented in Canadian dollars and in accordance with generally accepted accounting principles ("GAAP") measured under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") for publicly accountable entities, unless specified otherwise.

The date of this MD&A is March 5, 2014. Additional information relating to the Corporation, including its most recently filed Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

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 DATA Group, 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 DATA Group's current views regarding future events and operating performance, are based on information currently available to DATA Group, 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 DATA Group 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 DATA Group made or took into account in the preparation of these forward-looking statements include the risk that DATA Group may not be successful in growing its marketing communications business, particularly in light of expected further declines in its traditional print business due to technological changes; the risk that DATA Group will not be successful in reducing its operating costs and long-term debt to the extent anticipated by the Corporation; the risk that DATA Group may not be successful in managing its organic growth; DATA Group's ability to invest in, develop and successfully market new products and services; competition from competitors supplying similar products and services; the risk that sales of DATA Group's printed business documents will decline at a greater rate than that anticipated by the Corporation; the impact of economic conditions on DATA Group's businesses; risks associated with acquisitions by DATA Group; increases in the costs of paper and other raw materials used by DATA Group; and DATA Group's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the heading "Risks and Uncertainties" in DATA Group's publicly available disclosure documents, as filed by DATA Group 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, DATA Group does not intend and does not assume any obligation to update these forward-looking statements.

Non-GAAP measures

This MD&A includes certain non-GAAP measures as supplementary information. When used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization. Adjusted EBITDA for the year ended December 31, 2013 means EBITDA adjusted for restructuring charges and a goodwill impairment charge. Adjusted EBITDA for the year ended December 31, 2012 means EBITDA adjusted for corporate conversion costs, a gain on the settlement of a pension plan and a goodwill impairment charge. Adjusted EBITDA for the year ended December 31, 2011, means EBITDA adjusted for acquisition costs and corporate conversion costs. DATA Group believes that, in addition to net income (loss), EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA Group and its predecessors. EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that neither EBITDA nor Adjusted EBITDA should be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of DATA Group's performance. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below.

Business of DATA Group

OVERVIEW

DATA Group is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business process. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. DATA Group has approximately 1,670 employees working from 35 locations across Canada and the United States, and operates as two reporting segments. DATA East and West (which provided approximately 96% of DATA Group's total revenue in 2013) sells a broad range of document management services, marketing solutions and printed products directly to customers. Multiple Pakfold (which provided approximately 4% of DATA Group's total revenue in 2013) sells forms and labels to independent brokers and resellers. Sales of some of DATA Group's products are subject to seasonal fluctuations in demand. Certain elements of the Corporation's gift card and direct mail businesses and the buying pattern of certain major customers have historically generated higher revenues and profit in the fourth quarter than the other three quarters.

During 2013 DATA Group made progress on its Transformation Plan, implementing new customer agreements and new capabilities, and achieving a number of operational and administrative cost reductions by continuing to implement its comprehensive three-year cost reduction program.

DATA Group remains focused on creating long-term enterprise value appreciation for its shareholders. In 2013 DATA Group reduced its costs by $13.0 million on an annualized basis, generated $11.3 million in revenues from the selected growth areas the Corporation has targeted and reduced its debt by $4.5 million.

The Transformation Plan is required because portions of DATA Group's traditional print business, which continues to generate a significant portion of its revenues, face increased competitive pressures and unprecedented change with the shift towards digital communications technologies. These factors adversely impacted DATA Group's financial results for 2013. In response to these market driven forces, DATA Group is transforming its business to reposition it for sustained profit growth by:

- continuing to significantly reduce DATA Group's costs
- reducing DATA Group's indebtedness
- stabilizing DATA Group's revenues

In 2013, DATA Group began a comprehensive, three-year cost reduction program. During the year, DATA Group closed three production sites, downsized two others, simplified its organizational structure, centralized a number of functions, reduced its workforce by 145 staff (8%) and renegotiated a number of raw material input costs, resulting in $13.0 million in annualized savings. DATA Group is committed to this program and is continuing its efforts, including engaging a major consulting firm to assist in identifying and acting on additional cost savings opportunities for 2014 and beyond.

DATA Group reduced its outstanding long-term debt by $4.5 million in 2013. DATA Group intends to accelerate its rate of debt reduction in 2014 and has reduced outstanding long-term debt by $2.0 million year-to-date.

DATA Group's strategy in 2014 is to stabilize its revenues. DATA Group will achieve this by investing selectively in new personnel, focusing on winning market share in its traditional print business and prudently investing in growth capabilities. Since the third quarter of 2013 DATA Group has made a number of changes in its sales management and executive teams, and it has invested in its direct mail and in-store retail signage capabilities. DATA Group's digital services, such as e-marketing and document scanning, will be closely bundled with its print offerings to increase the value DATA Group provides to its customers and increase the contribution these services are making to its overall revenues and profitability. This strategy also includes selectively expanding into the United States ("U.S.") with DATA Group's existing clients who have U.S. operations and making acquisitions that accelerate its expansion into new products and services. DATA Group won a new customer agreement that included supplying the client's U.S. operations and required DATA Group to make modest investments in people and technology, including the establishment of operations in Niles, Illinois.

SOURCES OF REVENUE AND REVENUE RECOGNITION POLICY

DATA Group derives its revenues from two sources: document management solutions, which provides its customers with a comprehensive suite of customized printed and electronic products, logistics and workflow enhancing services that help them better manage administrative elements of their business, maintain brand consistency and reduce the systemic cost of their documents and workflows; and marketing solutions, which provide an integrated set of services that enables its customers to plan, create, deploy and monitor their print and electronic marketing campaigns across multiple media channels. DATA Group generally negotiates sales contracts and service level agreements with its customers and generally does not use standardized contracts. DATA Group's customer agreements and terms typically include provisions consistent with industry practice, allowing it to pass on increases in the cost of paper and other raw materials used in the manufacture of its products.

DATA Group recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DATA Group's products are customized, product returns are not significant. DATA Group may provide pre-production services to its customers, however, these services do not have standalone value and there is no objective and reliable evidence of fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA Group recognizes warehousing and marketing service fees as the services are provided, when the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA Group and the costs associated with these services can be reliably measured. DATA Group occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing service fees are included in one overall selling price of DATA Group's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

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

General information and Results of operations

TABLE 1

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

For the years ended December 31, 2013, 2012 and 2011

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

	January 1 to December 31, 2013	January 1 to December 31, 2012	January 1 to December 31, 2011
Revenues	$ 316,961	$ 336,315	$ 332,043
Cost of revenues	236,879	249,143	248,633
Gross profit	80,082	87,172	83,410
Selling, general and administrative expenses	59,826	63,963	58,780
Restructuring expenses	7,034	–	–
Impairment of goodwill	44,000	44,000	–
Gain on settlement of pension plan	–	(243)	–
Corporate conversion costs	–	84	585
Acquisition costs	–	–	410
Amortization of intangible assets	8,370	9,242	10,275
	119,230	117,046	70,050
(Loss) income before finance costs and income taxes	(39,148)	(29,874)	13,360
Finance costs			
Interest expense	6,657	6,659	5,662
Interest income	(15)	(15)	(74)
Change in fair value of conversion options	–	–	(738)
Amortization of transaction costs	568	617	526
	7,210	7,261	5,376
(Loss) income before income taxes	(46,358)	(37,135)	7,984
Income tax expense (recovery)			
Current	2,916	4,220	1,836
Deferred	(3,432)	(3,848)	765
	(516)	372	2,601
Net (loss) income for the year	$ (45,842)	$ (37,507)	$ 5,383
Net (loss) income attributable to shareholders/unitholders	$ (45,831)	$ (37,451)	$ 5,420
Basic and diluted (loss) income per share/unit	$ (1.95)	$ (1.59)	$ 0.23
Weighted average number of shares/units	23,490,592	23,490,592	23,490,592

	As at December 31, 2013	As at December 31, 2012	As at December 31, 2011
Current assets	$ 78,717	$ 84,069	$ 93,170
Current liabilities	42,545	40,316	44,874
Total assets	166,597	224,629	289,773
Total non-current liabilities	105,977	122,199	127,223
Shareholders' equity	18,075	61,978	–
Unitholders' equity	–	–	117,363
Non-controlling interests	–	136	313
Total equity	18,075	62,114	117,676

TABLE 2

The following table sets out selected historical consolidated financial information and historical financial information by reporting segment for the periods noted.

For the years ended December 31, 2013, 2012 and 2011

(in thousands of Canadian dollars, except percentage amounts, unaudited)

	January 1 to December 31, 2013	January 1 to December 31, 2012	January 1 to December 31, 2011
Revenues			
DATA East and West	$ 304,243	$ 322,894	$ 318,808
Multiple Pakfold	13,883	14,537	14,397
Intersegment	(1,165)	(1,116)	(1,162)
	$ 316,961	$ 336,315	$ 332,043
Gross profit			
DATA East and West	$ 77,492	$ 84,349	$ 80,667
Multiple Pakfold	2,590	2,823	2,743
	$ 80,082	$ 87,172	$ 83,410
Gross profit, as a percentage of revenues			
DATA East and West	25.5%	26.1%	25.3%
Multiple Pakfold	18.7%	19.4%	19.1%
	25.3%	25.9%	25.1%
Selling, general and administrative expenses	$ 59,826	$ 63,963	$ 58,780
As a percentage of revenues	18.9%	19.0%	17.7%
Adjusted EBITDA (see Table 3)	$ 25,586	$ 28,936	$ 30,382
Adjusted EBITDA margin, as a percentage of revenues	8.1%	8.6%	9.2%
Net (loss) income for the year	$ (45,842)	$ (37,507)	$ 5,383

TABLE 3

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

Adjusted EBITDA reconciliation

For the years ended December 31, 2013, 2012 and 2011

(in thousands of Canadian dollars, unaudited)

	January 1 to December 31, 2013	January 1 to December 31, 2012	January 1 to December 31, 2011
Net (loss) income for the year	$ (45,842)	$ (37,507)	$ 5,383
Interest expense	6,657	6,659	5,662
Interest income	(15)	(15)	(74)
Change in fair value of conversion options	–	–	(738)
Amortization of transaction costs	568	617	526
Depreciation of property, plant and equipment	5,330	5,727	5,752
Amortization of intangible assets	8,370	9,242	10,275
Restructuring expenses	7,034	–	–
Impairment of goodwill	44,000	44,000	–
Gain on settlement of pension plan	–	(243)	–
Corporate conversion costs	–	84	585
Acquisition costs	–	–	410
Current income tax expense	2,916	4,220	1,836
Deferred income tax (recovery) expense	(3,432)	(3,848)	765
Adjusted EBITDA	$ 25,586	$ 28,936	$ 30,382

Results of operations

REVENUES

For the year ended December 31, 2013, DATA Group recorded revenues of $317.0 million, a decrease of $19.4 million or 5.8% compared with the same period in 2012. The decrease, before intersegment revenues was the result of an $18.7 million or 5.8% decrease in the DATA East and West segment and a $0.7 million or 4.5% decrease in the Multiple Pakfold segment, respectively. A more detailed discussion of the results of operations of each of DATA Group's reporting segments is set out below.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2013, cost of revenues decreased to $236.9 million from $249.1 million for the same period in 2012. Gross profit for the year ended December 31, 2013 was $80.1 million, which represented a decrease of $7.1 million or 8.1% from $87.2 million in the same period of 2012. The decrease in gross profit for the year ended December 31, 2013 was attributable to a decrease in gross profit of $6.9 million in the DATA East and West segment and a gross profit decrease of $0.2 million in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 25.3% for the year ended December 31, 2013 from 25.9% for the same period in 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

Selling, general and administrative ("SG&A") expenses, excluding amortization of intangible assets, for the year ended December 31, 2013 decreased by $4.1 million or 6.5% to $59.8 million compared to $63.9 million in the same period of 2012. The decrease in SG&A expenses for the year ended December 31, 2013 was attributable to the benefits realized from cost savings initiatives implemented in 2012 and 2013 which included simplifying its organization structure and centralizing a number of functions. As a percentage of revenues, these costs were 18.9% and 19.0% of revenues for the years ended December 31, 2013 and 2012, respectively.

For the year ended December 31, 2013, DATA Group incurred restructuring expenses related to headcount reductions of 145 staff (approximately 8%), the closure and downsizing of certain manufacturing locations and warehouses, and lease exit charges of $7.0 million as part of its 2013 restructuring initiatives. The restructuring initiatives included a number of changes in DATA Group's sales management and executive teams, closing facilities in Brockville, Ontario and Anjou, Québec, downsizing two other production facilities and transferring the operations of FSA from Markham, Ontario to DATA Group's existing facility in Mississauga, Ontario.

For the year ended December 31, 2012, DATA Group incurred $0.7 million of severance costs. Those severance costs were included in SG&A and were related to productivity improvement and cost reduction initiatives.

IMPAIRMENT OF GOODWILL

During the third quarter of 2013, market indicators, including the trading price of DATA Group's common shares and changes in revenue trends and forecasted profits indicated that DATA Group's assets may be impaired. As a result of this new information, DATA Group performed an impairment analysis by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. DATA Group determined the fair value of each CGU by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values required DATA Group to make a number of estimates and assumptions such as projected future revenues, costs of revenues, operating margins, market conditions well into the future, and discount rates. As a result of that review and market indicators, including the trading price of DATA Group's common shares, DATA Group concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $19.0 million related to the DATA East and West CGU during the third quarter of 2013. During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill by comparing the fair value of each of its reporting segments to the segment's carrying value on DATA Group's books. As a result of that review and market indicators, including the trading price of DATA Group's common shares, DATA Group concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $25.0 million related to the DATA East and West CGU during the fourth quarter of 2013.

During the fourth quarter of 2012, DATA Group performed its annual review for impairment of goodwill and concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $44.0 million related to the DATA East and West CGU in 2012.

GAIN ON SETTLEMENT OF PENSION PLAN AND CORPORATE CONVERSION COSTS

During the year ended December 31, 2012, DATA Group incurred total professional fees of $0.1 million related to the conversion of the Fund to a corporation on January 1, 2012 and recorded a gain of $0.2 million on the settlement of a pension plan related to the over contribution to the benefit settlement upon finalizing the wind-up of a pension plan.

ADJUSTED EBITDA

For the year ended December 31, 2013, Adjusted EBITDA was $25.6 million or 8.1% of revenues. Adjusted EBITDA for the year ended December 31, 2013 decreased $3.4 million or 11.6% from the same period in the prior year and the Adjusted EBITDA margin for the year ended December 31, 2013, as a percentage of revenues, decreased from 8.6% of revenues in 2012 to 8.1% of revenues in 2013. The decrease in Adjusted EBITDA was attributable to the continued investment in DATA Group's growth strategy and a decline in revenues, and was partially offset by cost savings realized as a result of its restructuring initiatives.

INTEREST EXPENSE

Interest expense on long-term debt outstanding under DATA Group's credit facilities, DATA Group's outstanding $45.0 million aggregate principal amount of 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $6.7 million for each of the years ended December 31, 2013 and 2012.

INCOME TAXES

DATA Group reported a loss before income taxes of $46.4 million, a current income tax expense of $2.9 million and a deferred income tax recovery of $3.4 million for the year ended December 31, 2013 compared to a loss before income taxes of $37.1 million, a current income tax expense of $4.2 million and a deferred income tax recovery of $3.8 million for the year ended December 31, 2012. The current tax expense was primarily related to the income tax payable on DATA Group's estimated taxable income for the years ended December 31, 2013 and 2012, respectively. The deferred income tax recovery was due to a change in estimates of future reversals of temporary differences and new temporary differences that arose during the years ended December 31, 2013 and 2012. As a result of the conversion, DATA Group re-measured its deferred tax assets and liabilities at the corporate tax rates applicable to corporations, which are lower than the top marginal tax rate for individuals used by the Fund. In addition, the Fund's conversion option liabilities were reclassified as equity on January 1, 2012 and the associated deferred tax asset was reversed. As a result of these changes, DATA Group recorded a deferred income tax recovery of $1.4 million during the first quarter of 2012.

NET LOSS

Net loss for the year ended December 31, 2013 was $45.8 million compared to a net loss of $37.5 million for the year ended December 31, 2012. The decrease in comparable profitability for the year ended December 31, 2013 was substantially due to lower gross profits as a result of lower revenues, restructuring expenses of $7.0 million incurred in connection with cost reduction initiatives and a gain on the settlement of a pension plan that did not re-occur in 2013. The decrease in comparable profitability was partially offset cost savings in costs of revenues and SG&A expenses and a smaller current tax expense as discussed above.

DATA East and West

Revenues at DATA Group's DATA East and West segment for the year ended December 31, 2013 decreased $18.7 million or 5.8% to $304.2 million from $322.9 million for the same period in the prior year.

Revenues for the year ended December 31, 2013 decreased from the same period in the prior year primarily due to competitive activity which resulted in the loss of orders from existing customers and the continued decline in demand for traditional printed products, including business forms, due to the increased use of digitally-based replacement products. DATA Group generated approximately $11.3 million in revenues from selected growth areas the Corporation has targeted and the segment continued to experience revenue gains from new business in its traditional print business. Revenues were also adversely affected by aggressive pricing by DATA Group's competitors supplying similar products and services.

For the year ended December 31, 2013, gross profit decreased $6.8 million or 8.1% to $77.5 million from $84.3 million in the same period in 2012. Gross profit as a percentage of revenues for the year ended December 31, 2013 decreased to 25.5% from 26.1% for the same period in 2012. The decline in gross profit as a percentage of revenues for the year ended December 31, 2013 was due to lower revenues and was partly offset by cost savings. These cost savings included headcount reductions, the closure and downsizing of certain manufacturing locations and warehouses, and the renegotiation of agreements for a number of raw material input costs. During the year ended December 31, 2013, the segment continued its on-going productivity improvement and cost reductions initiatives, which gave rise to the additional severance costs and restructuring charges noted under "Selling, general and administrative expenses" above.

Multiple Pakfold

Revenues at DATA Group's Multiple Pakfold segment for the year ended December 31, 2013 decreased $0.6 million or 4.5% to $13.9 million from $14.5 million for the same period in the prior year.

The decrease in revenues for the year ended December 31, 2013 was attributable to aggressive pricing by competitors, continued declines in sales of traditional business forms and orders in 2012 which did not repeat in 2013.

For the year ended December 31, 2013, gross profit decreased $0.2 million or 8.3% to $2.6 million from $2.8 million in the same period in 2012. Gross profit as a percentage of revenues for the year ended December 31, 2013 decreased to 18.7% from 19.4% for the same period in 2012. The decline in the gross profit as a percentage of revenues for the year ended December 31, 2013 was due to lower revenues, lower margins on repeat orders affected by competitive pricing and was partially offset by cost savings from the renegotiation of agreements for a number of raw material input costs.

Liquidity and capital resources

LIQUIDITY

The Corporation maintains revolving credit facilities (the "Revolving Bank Facility") with two Canadian chartered banks. The Revolving Bank Facility has a maximum available principal amount of $70.0 million and requires DATA Group to make principal repayments of $3.0 million on March 31 and September 30 of each year commencing on March 31, 2014 which will reduce the maximum available principal amount to $67.0 million and $64.0 million, respectively. The Revolving Bank Facility matures on August 31, 2015, and is secured by substantially all of DATA Group's assets. As at December 31, 2013, DATA Group had made an early principal repayment of $2.0 million. Market conditions could affect certain terms of the replacement facility along with the terms of other debt instruments that DATA Group enters into from time to time. The Revolving Bank Facility contains financial covenants and restrictions which require DATA Group to at all times maintain a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA") and a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges. As at December 31, 2013, DATA Group had outstanding borrowings of $53.5 million under its credit facilities and was in compliance with its facility covenants under the facilities. At December 31, 2013, all of DATA Group's indebtedness outstanding under the Revolving Bank Facility was subject to a floating interest rate of 5.24% per annum.

As at December 31, 2013, DATA Group had an aggregate principal amount of $45.0 million outstanding of 6.00% Convertible Debentures. The 6.00% Convertible Debentures mature on June 30, 2017, bear interest at a rate of 6.00% per annum payable semi-annually and are convertible into common shares of DATA Group at the option of the holder at any time prior to June 30, 2017 (or, if called for redemption prior to that date, on the business day immediately preceding the dated specified by DATA Group for redemption of the 6.00% Convertible Debentures) at a conversion price of $12.20 per share, being a conversion rate of approximately 81.967 shares per $1,000 principal amount of 6.00% Convertible Debentures, subject to adjustment in certain events. The terms of the 6.00% Convertible Debentures are described in greater detail in DATA Group's annual information form for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com.

At December 31, 2013, DATA Group had cash and cash equivalents of $0.5 million compared to outstanding cheques in excess of cash and cash equivalents of $1.2 million at December 31, 2012. During the year ended December 31, 2013, DATA Group used $4.5 million in cash to repay a portion of its Revolving Bank Facility outstanding. The cash equivalents consisted mainly of short-term investments, such as money market deposits. DATA Group has deposited the cash equivalents with Canadian Schedule 1 banks, from which DATA Group believes the risk of loss to be remote. In addition, under the terms of DATA Group's credit facilities, DATA Group had access to $16.5 million of available credit less letters of credit granted of $2.9 million at December 31, 2013.

In assessing DATA Group's liquidity requirements, DATA Group takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused line of credit, 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 and planned restructuring activities, as well as its ongoing cash needs for its existing operations, including expenditures related to its growth strategy, payments associated with various restructurings and productivity improvement initiatives, taxes and cash required to finance currently planned expenditures. DATA Group anticipates that its maintenance capital expenditures will be approximately $3.0 million in 2014. Cash flows from operations have been, and could continue to be negatively impacted by decreased demand for DATA Group's products and services, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, DATA Group's existing operating costs and increased costs associated with the manufacturing and distribution of products or the provision of services. DATA Group's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

DATA Group believes that the currently projected cash flow from operations and existing cash resources will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as the result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowings under its credit facilities.

PENSION FUNDING OBLIGATIONS

DATA Group maintains a defined benefit and defined contribution pension plan (the "DATA Group Pension Plan") for some of its employees. DATA Group also contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Granby and Drummondville, Québec plants. 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.

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Group Pension Plan. However, DATA Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Group Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Group Pension Plan. Applicable pension legislation requires that the funded status of the defined benefit provision of the DATA Group Pension Plan be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination).

The funded status of DATA Group's pension plans are impacted by actuarial assumptions, the plan's investment performance, changes in economic conditions and debt and equity markets, changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administrative expenses, among others. Where an actuarial valuation reveals a solvency deficit, current pension regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. Annual actuarial valuations are required on the DATA Group Pension Plan until the solvency deficiency is reduced to a level under which applicable pension regulations allow the valuations to be completed every three years. Based on these valuations, the annual cash contributions to this plan will be determined annually and will depend on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others.

During the year ended December 31, 2013, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2013, the DATA Group Pension Plan had a significant solvency deficit. Based upon the January 1, 2013 actuarial valuation report, DATA Group's annual cash contributions to the defined benefit provision of the DATA Group Pension Plan decreased to $2.3 million from $2.4 million effective from January 1, 2013. During the year ended December 31, 2013, DATA Group made all the required payments related to its funding requirement for the defined benefit provision of the DATA Group Pension Plan for 2013, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2013. DATA Group's projected funding obligations for the defined benefit provision of this plan are set out below in the "Contractual obligations – Summary" table under the heading "Contractual obligations". DATA Group's preliminary estimated funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2014 is $2.9 million. The final funding requirement for 2014 will be based on the actuarial valuation as at January 1, 2014, which will be completed within the first nine months of 2014.

The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. DATA Group makes contributions to the SRDF based on a percentage of the wages of unionized employees covered by the respective negotiated collective bargaining agreements. Based upon the terms of the applicable collective agreements, DATA Group's estimated annual funding obligation for the SRDF for 2014 is $0.7 million. The most recent funding actuarial report in respect of the Québec members of the plan discloses a solvency deficiency and a gap between the minimum total contributions required under applicable Québec legislation and total employer contributions determined pursuant to collective agreements. There is no contractual agreement as to how the share of the deficiency is determined or funded in respect of each participating employer. These issues also affect other industry groups and are currently being negotiated by the relevant parties. DATA Group may be required to make additional ongoing contributions towards funding DATA Group's portion of the solvency deficiency. Under Québec legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of DATA Group's employees, pensioners and vested deferred members if, in the future, DATA Group withdraws from the plan or the plan is terminated. Based on the most recent actuarial report and additional information supplied by the multi-employer plan actuary and administrator, the portion of the plan solvency deficiency in respect of DATA Group's employees, pensioners and vested deferred members is estimated to be approximately $28.0 million or 15.5% of the total plan solvency deficiency as of December 31, 2013. Currently, there is uncertainty and a lack of complete information to support the allocation of assets and liabilities used to determine this estimate. There is also uncertainty over DATA Group's funding obligation in respect of a solvency deficiency while the plan is ongoing. DATA Group has accounted for this plan on a defined contribution basis as DATA Group does not believe there is sufficient information to recognize participation on a defined benefit basis.

The SERP is unfunded. DATA Group's annual funding obligation under the SERP is $0.6 million.

CASH FLOW FROM OPERATIONS

Changes in working capital increased cash by $6.3 million during the year ended December 31, 2013. The trade receivables balance decreased by $5.0 million as a result of the timing of payments by DATA Group's customers. Inventory levels decreased by $0.5 million as a result of timing of shipments of products to customers of the DATA East and West segment. The trade payables balance decreased by $2.3 million as a result of the timing of payments to suppliers for purchases during the fourth quarter of 2013. Deferred revenues increased by $2.5 million due to the timing of shipments during the fourth quarter of 2013.

INVESTING ACTIVITIES

DATA Group takes a disciplined approach to monitoring its investments, whereby material capital expenditures are subjected to rigorous analysis and ongoing measurement and comparison against budgets to ensure a return on the investment. DATA Group's maintenance capital expenditures consist of replacement of existing capital assets to sustain cash flows, and typically include furniture, fixtures, computer equipment, printing equipment, and leasehold improvements. DATA Group's growth capital expenditures consist of purchases of capital assets to generate new cash flows, and typically include the purchase of new furniture, fixtures, computer equipment and printing equipment to support new business and organic business growth. In addition to maintenance and growth capital expenditures, DATA Group incurs recurring repair and maintenance expenses that are expensed as they are incurred and are not included in capital expenditures. Capital expenditures for the year ended December 31, 2013 of $2.3 million related primarily to maintenance capital expenditures and the consolidation of manufacturing facilities. These capital expenditures were financed by cash flow from operations.

FINANCING ACTIVITIES

During the year ended December 31, 2013, DATA Group repaid $4.5 million of its Revolving Bank Facility outstanding. For the year ended December 31, 2013, DATA Group paid aggregate cash dividends of $6.6 million on its common shares.

Outstanding share data

At March 5, 2014, December 31, 2013 and December 31, 2012, there were 23,490,592 common shares of DATA Group outstanding and $45.0 million aggregate principal amount of 6.00% Convertible Debentures outstanding. The 6.00% Convertible Debentures are convertible into common shares of DATA Group at the option of the holder at any time prior to June 30, 2017. See "Liquidity and capital resources – Liquidity" above.

Dividends

The Board of Directors of the Corporation has established and adopted a dividend policy. On November 7, 2013, the Board of Directors made a change to the dividend policy and decided to suspend the payment of dividends, effective immediately, until further notice. The dividends were suspended to allow the Corporation to focus on reducing its long-term debt outstanding and investing in the Corporation's cost savings and growth initiatives. Dividends under the previous policy were intended to be paid quarterly at a rate of $0.075 per share (or an annual rate of $0.30 per share) to shareholders of record on or about the last business day of March, June, September and December, with actual payment to be made to those shareholders on or about the 15th day of the following month, subject to any contractual restrictions on those dividends, including any agreements entered into with lenders to DATA Group.

The dividend policy of the Corporation is subject to the discretion of the Board of Directors of the Corporation and will be evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Corporation's earnings, financial requirements, growth opportunities, the satisfaction of solvency tests imposed by the Ontario Business Corporations Act for the declaration of dividends and other conditions existing at such future time.

The following is a summary of the declared dividends, record dates and payment dates in respect of DATA Group's outstanding common shares in 2013:

Record Date	Payment Date	Per Share	Amount
March 28, 2013	April 15, 2013	$ 0.07500	$ 1.762 million
June 28, 2013	July 15, 2013	$ 0.07500	$ 1.762 million
September 30, 2013	October 15, 2013	$ 0.07500	$ 1.762 million

For the year ended December 31, 2013, DATA Group declared aggregate cash dividends of $5.3 million.

Financial instruments and Risk management

DATA Group's financial instruments consisted of cash and cash equivalents, trade receivables, bank overdraft, trade payables, dividends payable, and long-term debt, the amounts of which are included in DATA Group's consolidated statements of financial position as at December 31, 2013 and December 31, 2012, respectively. DATA Group did not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

The carrying value of cash and cash equivalents, trade receivables, bank overdraft, trade payables, and dividends payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the revolving portion of DATA Group's credit facility approximates its carrying value as it bears interest at a floating interest rate. The 6.00% Convertible Debentures are listed for trading on the Toronto Stock Exchange ("TSX") and the debt portion is recorded at amortized cost. Based on the quoted market price, the 6.00% Convertible Debentures had a fair value of $17.6 million at December 31, 2013 compared to a book value of $42.9 million for the debt portion and of $0.5 million for the conversion options recorded at its historical value.

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 DATA Group to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included on the statement of consolidated position of DATA Group represents the maximum credit exposure.

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

DATA Group has trade receivables from clients engaged in various industries including financial institutions, insurance companies, oil and gas companies, retailers, and governmental agencies that are not concentrated in any specific geographic area. DATA Group 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 DATA Group's large client base.

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off. As at December 31, 2013, $1.3 million or 3.4%, of trade receivables were more than 90 days old, an increase from $1.3 million or 3.0%, of trade receivables that were more than 90 days old at December 31, 2012.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, DATA Group enters into derivative transactions only with highly rated Canadian financial institutions. At December 31, 2013 and 2012, no such transactions were outstanding.

LIQUIDITY RISK

Liquidity risk is the risk that DATA Group may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DATA Group believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing and planned restructuring initiatives will be sufficient to fund DATA Group's 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 DATA Group's pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowing under DATA Group's credit facilities.

MARKET RISK

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. Non-derivative interest bearing assets are primarily short term liquid assets. DATA Group's interest rate risk arises from long-term debt issuances at fixed and floating interest rates.

CURRENCY RISK

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

Note 16 to the audited consolidated financial statements of DATA Group for the year ended December 31, 2013 contains additional information on DATA Group's financial instruments.

Contractual obligations

DATA Group believes that DATA Group 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, 2013. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

Contractual obligations — Summary

As at December 31, 2013

(in thousands of Canadian dollars, unaudited)

	Total	2014	2015	2016	2017	2018	2019 and thereafter
Pension funding contributions [1]	$ 14,272	$ 3,519	$ 3,519	$ 3,519	$ 2,553	$ 581	$ 581
Long-term debt [2]	57,888	6,725	51,163	–	–	–	–
Convertible debentures [3]	54,450	2,700	2,700	2,700	46,350	–	–
Operating leases	37,748	13,198	10,754	7,389	3,709	1,200	1,498
Total	$ 164,358	$ 26,142	$ 68,136	$ 13,608	$ 52,612	$ 1,781	$ 2,079

Notes:

(1) DATA Group is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Group Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Group Pension Plan. See "Liquidity and capital resources – Pension funding obligations" above. The table above includes amounts payable under the SERP. DATA Group'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) Represents amounts payable under DATA Group's revolving credit facilities. As at December 31, 2013, outstanding borrowings under the credit facilities totalled $53.5 million and bore interest at an average floating rate of 5.24% per annum. The outstanding borrowings under the credit facilities have be reduced by principal repayments of $3,000 on March 31 and September 30 of each year commencing on March 31, 2014. The credit facilities mature on August 31, 2015. Estimated interest amounts in respect of 2014 and 2015 have been calculated based upon total borrowings outstanding during the periods and the average annual floating interest rate in effect at December 31, 2013.

(3) 6.00% Convertible Debenture which mature on June 30, 2017 and are convertible at 81.967 shares per $1,000 principal amount of debenture. Annual interest is based on the aggregate amount 6.00% Convertible Debentures outstanding at December 31, 2013 of $2.7 million. Included in the 2017 amount is interest of $1.4 million.

Off-balance sheet arrangements

DATA Group's off-balance sheet arrangements are operating leases. DATA Group leases real estate, printing equipment, trucks and office equipment in connection with its sales and manufacturing activities under non-cancellable lease agreements, which expire at various dates.

Transactions with related parties

During the year ended December 31, 2013, there were regular intercompany activities between the Corporation and its subsidiaries during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DATA Group. Related parties are defined as individuals who can influence the direction or management of the Corporation or any of its subsidiaries and therefore the directors and officers of DATA Group's subsidiaries are considered related parties. Neither the Corporation nor any of its subsidiaries entered into any transactions with related parties as defined above during the year ended December 31, 2013.

Operating results for the fourth quarter of 2013 and 2012

(in thousands of Canadian dollars, unaudited)

	October 1 to December 31, 2013	October 1 to December 31, 2012
Revenues	$ 82,147	$ 86,915
Cost of revenues	61,257	63,743
Gross profit	20,890	23,172
Selling, general and administrative expenses	14,175	15,481
Restructuring expenses	396	–
Impairment of goodwill	25,000	44,000
Gain on settlement of pension plan	–	(243)
Amortization of intangible assets	1,617	2,310
Loss before finance costs and income taxes	(20,298)	(38,376)
Finance costs		
Interest expense	1,691	1,649
Interest income	(2)	–
Amortization of transaction costs	134	157
	1,823	1,806
Loss before income taxes	(22,121)	(40,182)
Income tax expense (recovery)		
Current	1,055	1,452
Deferred	(312)	82
	743	1,534
Net loss for the period	$ (22,864)	$ (41,716)
Net loss attributable to common shareholders	$ (22,868)	$ (41,710)
Adjusted EBITDA [1]	$ 8,071	$ 9,098

Note:

(1) The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See "Non-GAAP Measures". Adjusted EBITDA for the (i) fourth quarter of 2013 means EBITDA adjusted for restructuring expenses and a goodwill impairment charge; and (ii) fourth quarter of 2012 means EBITDA adjusted for a gain on settlement of pension plan and a goodwill impairment charge.

(in thousands of Canadian dollars, unaudited)

	October 1 to December 31, 2013	October 1 to December 31, 2012
Net (loss) income for the period	$ (22,864)	$ (41,716)
Interest expense	1,691	1,649
Interest income	(2)	–
Amortization of transaction costs	134	157
Depreciation of property, plant and equipment	1,356	1,407
Amortization of intangible assets	1,617	2,310
Restructuring expenses	396	–
Impairment of goodwill	25,000	44,000
Gain on settlement of pension plan	–	(243)
Current income tax expense	1,055	1,452
Deferred income tax (recovery) expense	(312)	82
Adjusted EBITDA	$ 8,071	$ 9,098

REVENUES

For the quarter ended December 31, 2013, DATA Group recorded revenues of $82.1 million, a decrease of $4.8 million or 5.5% compared with the same period in 2012. The decrease, before intersegment revenues, was the result of a $4.6 million or 5.5% decrease in the DATA East and West segment and a $0.2 million or 4.0% decrease in the Multiple Pakfold segment, respectively. The decrease in revenues in the DATA East and West segment was due to declines in revenues from existing customers due to competitive activity and technological change and was partially offset by revenue gains from selected growth areas the Corporation has targeted and from new business wins in DATA Group's traditional print business. The decrease in revenues in the Multiple Pakfold segment was attributable to aggressive pricing by competitors and orders in 2012 which did not repeat in 2013.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2013, cost of revenues decreased to $61.3 million from $63.7 million for the same period in 2012. Gross profit for the quarter ended December 31, 2013 was $20.9 million, which represented a decrease of $2.3 million or 9.8% from $23.2 million for the same period in 2012. The decrease in gross profit was primarily attributable to gross profit decreases of $2.2 million in the DATA East and West segment and of $0.1 million in the Multiple Pakfold segment, respectively. The decrease in gross profit was attributable to lower revenues and was partially offset by cost savings in each segment. Gross profit as a percentage of revenues decreased to 25.4% for the quarter ended December 31, 2013 compared to 26.7% for the same period in 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

SG&A expenses, excluding amortization of intangible assets, for the quarter ended December 31, 2013 decreased $1.3 million or 8.4% to $14.2 million compared to $15.5 million in the same period of 2012. As a percentage of revenues, these costs were 17.3% of revenues for the quarter ended December 31, 2013 compared to 17.8% of revenues for the same period in 2012. The decrease in SG&A expenses was attributable to the benefits realized from cost savings initiatives implemented in 2012 and early 2013.

For the quarter ended December 31, 2013, DATA Group incurred restructuring expenses of $0.4 million related to headcount reductions and adjustments to lease exit charges as part of its 2013 restructuring initiatives.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill charge of $25.0 million related to the DATA East and West CGU. During the fourth quarter of 2012, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill charge of $44.0 million related to the DATA East and West CGU in 2012.

GAIN ON SETTLEMENT OF PENSION PLAN

During the quarter ended December 31, 2012, DATA Group recorded a gain of $0.2 million on the settlement of a pension plan related to the over contribution to the benefit settlement upon finalizing the wind-up of a pension plan.

ADJUSTED EBITDA

For the quarter ended December 31, 2013, Adjusted EBITDA was $8.1 million, or 9.8% of revenues. Adjusted EBITDA for the quarter ended December 31, 2013 decreased $1.0 million or 11.3% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 10.5% of revenues in 2012 to 9.8% of revenues in 2013. The decrease in Adjusted EBITDA was attributable to the continued investment in DATA Group's growth strategy and a decline in revenues, and was partially offset by cost savings realized as a result of its restructuring initiatives.

INTEREST EXPENSE

Interest expense on long-term debt outstanding under DATA Group's credit facilities, DATA Group's outstanding 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $1.7 million for the quarter ended December 31, 2013 compared to $1.6 million for the same period in 2012.

INCOME TAXES

DATA Group reported a loss before income taxes of $22.1 million, a current income tax expense of $1.1 million and a deferred income recovery of $0.3 million for the quarter ended December 31, 2013 compared to a loss before income taxes of $40.2 million, a current income tax expense of $1.5 million and a deferred income expense of $0.1 million for the quarter ended December 31, 2012. The current tax expense was primarily related to the income tax payable on DATA Group's estimated taxable income for the quarters ended December 31, 2013 and 2012, respectively. The deferred income tax expense was mainly due a change in estimate of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2013 and 2012, respectively.

NET LOSS

Net loss for the quarter ended December 31, 2013 was $22.9 million compared to a net loss of $41.7 million for the quarter ended December 31, 2012. The decrease in comparable profitability for the quarter ended December 31, 2013 was substantially due to lower gross profit as a result of lower revenues, restructuring expenses of $0.4 million and a gain on the settlement of a pension plan that did not re-occur in 2013. The decrease in profitability was partially offset by cost savings in cost of revenues and SG&A expenses, a smaller goodwill impairment charge in 2013, a smaller current tax expense and a deferred income tax recovery as discussed above.

Eight quarter results of operations — Summary

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

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$ 82,147	$ 74,129	$ 77,822	$ 82,863	$ 86,915	$ 80,144	$ 82,608	$ 86,648
Net (loss) income attributable to shareholders	(22,868)	(20,164)	(3,652)	853	(41,710)	197	496	3,566
Basic (loss) income per share	(0.97)	(0.86)	(0.16)	0.04	(1.77)	0.01	0.02	0.15
Diluted (loss) income per share	(0.97)	(0.86)	(0.16)	0.04	(1.77)	0.01	0.02	0.15

The variations in DATA Group's quarterly revenues and net (loss) income over the eight quarters ended December 31, 2013 can be attributed to several principal factors: revenue declines in DATA Group's traditional print business due to technological change and competitive activity, DATA Group's investment in its growth strategy, restructuring and severance expenses related to DATA Group's ongoing productivity improvement and cost reduction initiatives, a gain on the settlement of a pension plan, goodwill impairment charges, and a deferred income tax recovery as a result of the Fund's conversion to a corporation.

During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill charge of $25.0 million related to its DATA East and West CGU and recorded restructuring expenses of $0.4 million related to its comprehensive three-year cost reduction program. During the fourth quarter of 2012, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing an impairment of goodwill charge of $44.0 million related to its DATA East and West CGU and a $0.2 million gain on the settlement of a pension plan.

DATA Group's net income for the third quarter of 2013 included restructuring expenses of $0.6 million related to its comprehensive three-year cost reduction program, an impairment of goodwill charge of $19.0 million related to its DATA East and West CGU. DATA Group's net income for the third quarter of 2012 included costs associated with an increased investment it its growth strategy.

DATA Group's net income for the second quarter of 2013 included restructuring expenses of $5.2 million related to its comprehensive three-year cost reduction program, and costs related to its continued investment in its growth strategy. DATA Group's net income for the second quarter of 2012 included costs associated with an increased investment in its growth strategy.

DATA Group's net income for the first quarter of 2013 included restructuring expenses of $0.8 million related to its comprehensive three-year costs reduction program, and costs related to its continued investment in its growth strategy. DATA Group's net income for the first quarter of 2012 included a deferred income tax recovery totalling $1.4 million, costs of $0.1 million and higher current income tax expense as a result of the conversion of the Fund to a corporation. On January 1, 2012, DATA Group re-measured its deferred tax assets and liabilities at the corporate tax rates applicable to corporations, which are lower than the top marginal tax rate for individuals used by the Fund. As a result of the Fund's conversion to a corporation, the Fund's conversion option liabilities were reclassified as equity on January 1, 2012 and the associated deferred tax asset was reversed.

During 2012, DATA Group incurred severance costs of $0.7 million as part of its ongoing productivity improvement initiatives to reduce its cost of operations. Included in DATA Group's quarterly net income for 2013 are restructuring and severance expenses of $0.1 million, $0.3 million and $0.3 million incurred during first, second and third quarters of 2013, respectively.

Critical accounting estimates

A summary of significant accounting policies is included under notes 2 and 3 of the Notes to the audited consolidated financial statements of DATA Group for the year ended December 31, 2013. Critical accounting estimates require management to make certain judgments and estimates, some of which may be uncertain. Changes in these accounting estimates may have an impact on the financial results of DATA Group. Details of the critical accounting estimates are discussed below.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off.

INVENTORY RESERVES

DATA Group maintains a reserve for slow-moving or obsolete inventory, which is reviewed periodically based upon usage and inventory age to determine its adequacy in order to carry inventory at the lower of cost and net realizable value. Physical inventories are taken throughout each year.

GOODWILL

Goodwill represents the excess of the aggregate of consideration transferred in a business combination and the non-controlling interest in the acquired business over the net fair value of net identifiable assets and liabilities acquired. Goodwill is allocated to the CGU or 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 CGU, 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. The estimated fair value less costs to sell is determined by discounting expected future cash flows in accordance with recognized valuation methods. The process of determining those fair values requires DATA Group to make a number of estimates and assumptions, such as projected future revenues, costs of revenues, operating margins, market conditions well into the future, and discount rates. These assumptions are based on management's best estimates and require judgment. As a result, there is inherent uncertainty and actual results may differ from the estimates (see "Measurement uncertainty" below). 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.

INTANGIBLE ASSETS

DATA Group has recognized intangible assets that are comprised of customer relationships, trademarks, trade names and technology. These intangible assets have finite lives. These intangibles are amortized over their estimated useful lives of three to twelve years. Management's judgment is required to determine the useful life of the intangible assets and, where it is believed to be required, an impairment provision is provided when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life of between three and twelve years is determined by reviewing the length of customer relationships and other factors.

PENSION PLANS

DATA Group accounts for its defined benefit pension plans in accordance with GAAP, which requires assumptions concerning future events. Such actuarial assumptions include projected salary increases, discount rates, retirement age, mortality rates and withdrawal rates, among others. DATA Group manages its pension plans by meeting with the actuarial consultants and the fund manager on a regular basis and reviewing 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. Management's estimates are outlined in the table below. Changes in assumptions may have a material impact on the amount of pension expense recognized in any period.

Under the defined contribution provision of the DATA Group Pension Plan, DATA Group's annual pension expense is based on amounts contributed in respect of eligible employees when they are due.

During the year ended December 31, 2013, DATA Group contributed $2.3 million to the defined benefit provision of the DATA Group Pension Plan, $1.9 million to the defined contribution provision of the DATA Group Pension Plan, $0.6 million to the SERP and $0.7 million to the SRDF. DATA Group expects that, in 2014, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $2.9 million, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1.9 million, contributions to the SERP will be $0.6 million and contributions to the SRDF will be approximately $0.7 million.

DATA Group increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2013 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumptions remained unchanged at December 31, 2013. The following table summarizes the rates used in fiscal 2013 and 2012 to calculate DATA Group's defined benefit obligations.

Significant actuarial assumptions adopted in measuring DATA Group's defined benefit plan obligations

	December 31, 2013	December 31, 2012
DATA Group Pension Plan		
Discount rate	**5.00%**	4.40%
Rate of compensation increase	**3.00%**	3.00%
SERP		
Discount rate	**4.70%**	4.10%

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, 2013	December 31, 2012
Retiring at the end of the reporting period:		
Male	**21.3**	19.8
Female	**23.5**	22.1
Retiring in 25 years after the end of the reporting period:		
Male	**22.6**	21.6
Female	**24.4**	23.1

In 2013, the discount rate applied to the defined benefit obligation for the DATA Group Pension Plan and the SERP was increased to 5.00% and 4.70%, respectively, from 4.40% and 4.10%, respectively, reflecting long-term interest rates at December 31, 2013. The primary impact of these changes was actuarial gains of $5.0 million for the DATA Group Pension Plan and of $0.5 million for the SERP which were recognized in comprehensive loss for the year ended December 31, 2013. In 2013, the mortality tables used to calculate the defined benefit obligation for the DATA Group Pension Plan and the SERP were updated and resulted in actuarial losses of $2.3 million for the DATA Group Pension Plan and $0.3 million for the SERP, which were recognized in comprehensive loss for the year ended December 31, 2013.

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2013 is 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.

	Impact on defined benefit obligations		
(in thousands of Canadian dollars, unaudited)	Change in assumption	Increase assumption	Decrease in assumption
Discount rate	0.25%	$ (2,108)	$ 2,221
Salary growth rate	0.25%	429	(450)
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		$ 1,293	$ (1,342)

Through its defined benefit plans, DATA Group 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 Group Pension Plan currently holds a significant proportion of equities, 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 Group Pension Plan's investment time horizon is a key input in deciding on the proportion of equities held.

The defined benefit provision of the DATA Group Pension Plan is closed to new membership which means the investment time horizon is shrinking as the plan matures. As the plan matures, the defined benefit provision of the DATA Group Pension Plan's level of investment risk will be reduced by lowering the proportion of equities and increasing the proportion of bonds which are a better match to the plan liabilities. This shift from equities to better matching bonds commenced in 2012 and is expected to conclude in 2026. This period was selected based on analysis of projected pension benefit cash flows. Through the derisking schedule, the defined benefit provision of the DATA Group Pension Plan will lower its interest rate risk, inflation risk and equity risk. In 2011, the defined benefit provision of the DATA Group Pension Plan had 60% equities and 40% bonds. In 2026, the defined benefit provision of the DATA Group Pension Plan is expected to have 15% equities and 85% bonds. This derisking strategy is reviewed annually to consider the current environment and may be revised at any point in time.

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

Each sensitivity analysis disclosed in this report 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 obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation 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 statement of financial position.

INCOME TAXES

Management uses judgment to estimate current and deferred income tax expenses and recoveries. This involves determining taxable income, temporary differences between tax and accounting carrying values and income tax loss carry-forwards.

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.

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

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.

In the ordinary course of business, DATA Group enters into transactions where the ultimate tax determination may be uncertain. These uncertainties require that DATA Group make estimates of its ultimate tax liabilities and, accordingly, the provision for income taxes. While DATA Group believes these estimates are reasonable and appropriate, additional liabilities may result when uncertain tax positions are resolved or settled at amounts that differ from those estimates. DATA Group, its subsidiaries and predecessors may also be reassessed for taxes from time to time. Such reassessments, the impact of which is not expected to be material, together with the associated interest and penalties, could adversely affect DATA Group.

VALUATION OF ASSETS AND LIABILITIES ACQUIRED AND CONSIDERATION TRANSFERRED

The purchase price of an acquired business is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgment and estimates. Adjustments to fair value assessments are recorded to goodwill over the measurement period, not exceeding one year from the date of acquisition.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the period reported. Management must also make estimates and judgments about future results of operations, related specific elements of the business and operations in assessing recoverability of assets and recorded value of liabilities. Significant areas of measurement uncertainty include the determination of the impairment of goodwill and intangible assets which are impacted by estimates of the fair value of CGUs, assumptions of future cash flows, and achieving forecasted business results. These assumptions can be impacted by economic conditions and also require considerable judgment by management. Declines in business results or declines in the fair value of DATA Group's reporting segments could result in impairments in future periods. Changing the assumptions selected by management, in particular the discount rate and growth assumptions used in the cash flow projections, could significantly affect DATA Group's impairment evaluation and hence results.

Other significant areas requiring the use of estimates and assumptions include the determination of the allowance for doubtful accounts, the determination of the reserve for obsolete inventory, the determination of the impairment of property, plant and equipment, the determination of pension obligations, the determination of deferred income tax assets and liabilities and the selection of accounting policies. Actual results could differ from estimates and judgments made by management.

New accounting policies

(a) New and amended standards adopted

DATA Group has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 13 *Fair Value Measurement* provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. DATA Group adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by DATA Group to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

DATA Group has adopted the amendments to International Accounting Standards ("IAS") 1 *Presentation of Items of Other Comprehensive Income* effective January 1, 2013. These amendments required DATA Group to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. DATA Group has reclassified comprehensive income items for the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 *Employee Benefits* (amended in 2011), amends certain accounting requirements for defined benefit pension plans and termination benefits and was adopted as of January 1, 2013.

IAS 19 (Revised 2011) requires the net defined benefit liability (asset) to be recognized on the statement of financial position without deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net income (loss) when incurred. The expected rate of return on assets ("EROA") assumption is no longer used in the measurement of post-employment benefits expense. Instead, post-employment benefits expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Re-measurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the assets ceiling are recognized in other comprehensive income (loss). DATA Group continues to immediately recognize in retained earnings (deficit) all pension adjustments recognized in other comprehensive income (loss). DATA Group began recognizing interest expense (income) on net defined benefit liabilities (assets) in finance expense (income) in the statement of income (loss) that were previously recognized in general and administration expenses effective January 1, 2012. Administration costs of running DATA Group Pension Plan which were included in the EROA are now recognized as period costs in general and administration expenses in the statement of income (loss) when incurred effective January 1, 2012.

The standard also requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or recognize any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided. This amendment did not require DATA Group to change its accounting policy for termination benefits when future services are required.

DATA Group adopted these amendments retrospectively. General and administration expense, finance expense and deferred income tax expense for the comparative period have been adjusted to reflect the accounting changes for defined benefit plans. The adjustments for each financial statement line item affected are presented in the tables below.

Adjustments to the consolidated statements of loss

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
NET LOSS BEFORE ACCOUNTING CHANGE	$ (45,087)	$ (37,128)
INCREASE IN:		
Interest expense	763	777
General and administration expenses excluding amortization of intangible assets	261	–
DECREASE IN:		
General and administration expenses excluding amortization of intangible assets	–	(262)
Deferred income tax expense	(269)	(136)
Change to net loss	755	379
NET LOSS AFTER ACCOUNTING CHANGE	$ (45,842)	$ (37,507)
NET LOSS ATTRIBUTABLE TO:		
Common shareholders	$ (45,831)	$ (37,451)
Non-controlling interest	(11)	(56)
	$ (45,842)	$ (37,507)
LOSS PER SHARE AFTER ACCOUNTING CHANGE		
Basic	$ (1.95)	$ (1.59)
Diluted	$ (1.95)	$ (1.59)

Adjustments to the consolidated statements of comprehensive loss

(in thousands of Canadian dollars, unaudited)

	For the year ended December 31, 2013	For the year ended December 31, 2012
COMPREHENSIVE LOSS BEFORE ACCOUNTING CHANGE	$ (38,753)	$ (40,800)
INCREASE IN:		
Re-measurement of actuarial (gains) losses on post-employment benefit obligations	1,024	515
DECREASE IN:		
Net loss	(755)	(379)
Deferred income tax expense	(269)	(136)
Change to comprehensive loss	–	–
COMPREHENSIVE LOSS AFTER ACCOUNTING CHANGE	$ (38,753)	$ (40,800)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Common shareholders	$ (38,742)	$ (40,744)
Non-controlling interest	(11)	(56)
	$ (38,753)	$ (40,800)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted.

In October 2012, the ISAB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to include an exception to the consolidation requirements for investment entities as defined in the amendments issued by the IASB. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. DATA Group is currently evaluating the impact, if any, of adopting the amendments on its consolidated financial statements.

IFRS 9 *Financial Instruments* was issued in November 2009 and October 2010. The issuance of IFRS 9 is the first phase of the three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement* by improving and simplifying the reporting for financial instruments. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

Disclosure controls and procedures and Internal controls over financial reporting

With the supervision and participation of DATA Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA Group have evaluated the effectiveness of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of DATA Group as of December 31, 2013. Based on that evaluation, those officers have concluded that, as of December 31, 2013, such disclosure controls and procedures were sufficiently effective to provide reasonable assurance that (i) material information relating to DATA Group was made known to management and (ii) information required to be disclosed by DATA Group 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.

With the supervision and participation of DATA Group's senior management team, the Chief Executive Officer and the Chief Financial Officer of DATA Group have evaluated the effectiveness of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of DATA Group as of December 31, 2013. In making this evaluation, the criteria set forth in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework was used to design the internal controls over financial reporting. Based on that evaluation, those officers have concluded that, as of December 31, 2013, such internal controls over financial reporting were sufficiently effective to provide reasonable assurance regarding the reliability of DATA Group's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

DATA Group's management has determined that there were no changes in the internal controls over financial reporting of DATA Group during the year ended December 31, 2013 reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA Group.

Outlook

DATA Group continues to make progress on its Transformation Plan. DATA Group remains focused on creating long-term enterprise value appreciation for its shareholders. In 2013 DATA Group reduced its costs by $13.0 million on an annualized basis, generated $11.3 million in revenues from the selected growth areas the Corporation has targeted and reduced its debt by $4.5 million.

The Transformation Plan is required because portions of DATA Group's traditional print business, which continues to generate a significant portion of its revenues, face increased competitive pressures and unprecedented change with the shift towards digital communications technologies. These factors adversely impacted DATA Group's financial results for 2013. In response to these market driven forces, DATA Group is transforming its business to reposition it for sustained profit growth by:

- continuing to significantly reduce DATA Group's costs
- reducing DATA Group's indebtedness
- stabilizing DATA Group's revenues

In 2013, DATA Group began a comprehensive, three-year cost reduction program. During the year, DATA Group closed three production sites, downsized two others, simplified its organizational structure, centralized a number of functions, reduced its workforce by 145 staff (8%) and renegotiated a number of raw material input costs, resulting in $13.0 million in annualized savings. DATA Group is committed to this program and is continuing its efforts, including engaging a major consulting firm to assist in identifying and acting on additional cost savings opportunities for 2014 and beyond.

DATA Group reduced its outstanding long-term debt by $4.5 million in 2013. DATA Group intends to accelerate its rate of debt reduction in 2014 and has reduced outstanding long-term debt by $2.0 million year-to-date.

DATA Group's strategy in 2014 is to stabilize its revenues. DATA Group will achieve this by investing selectively in new personnel, focusing on winning market share in its traditional print business and prudently investing in growth capabilities. Since the third quarter of 2013 DATA Group has made a number of changes in its sales management and executive teams, and it has invested in its direct mail and in-store retail signage capabilities. DATA Group's digital services, such as e-marketing and document scanning, will be closely bundled with its print offerings to increase the value DATA Group provides to its customers and increase the contribution these services are making to its overall revenues and profitability. This strategy also includes selectively expanding into the U.S. with DATA Group's existing clients who have U.S. operations and making acquisitions that accelerate its expansion into new products and services.

Risks and uncertainties

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

Financial reporting responsibility of management

The accompanying consolidated financial statements of DATA Group Ltd (the "DATA Group") have been prepared by management and approved by the Board of Directors of the DATA Group. Management of DATA Group 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 judgments 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, DATA Group maintains a system of internal controls which are designed to provide reasonable assurance that DATA Group'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 DATA Group's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

PricewaterhouseCoopers LLP, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements of DATA Group Ltd. 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 DATA Group Ltd.

The Board of Directors has appointed an Audit Committee composed of four directors who are not members of management of DATA Group. 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 DATA Group'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 DATA Group's auditors. In addition, the Board of Directors may refer to the Audit Committee other matters and questions relating to the financial position of DATA Group Ltd. and its subsidiaries.

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 DATA Group.

(Signed) Michael Suksi

Michael Suksi

President and Chief Executive Officer
DATA Group Ltd.

(Signed) Paul O'Shea

Paul O'Shea

Chief Financial Officer
DATA Group Ltd.

March 5, 2014
Brampton, Ontario

Independent auditor's report

TO THE SHAREHOLDERS OF DATA GROUP LTD.

We have audited the accompanying consolidated financial statements of DATA Group Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DATA Group Ltd. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

March 5, 2014
Toronto, Ontario

Consolidated statements of financial position

(in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 478	$ –
Trade receivables (note 4)	36,551	41,580
Inventories (note 5)	37,585	38,085
Prepaid expenses and other current assets	3,929	4,404
Income taxes receivable	174	–
	78,717	84,069
NON-CURRENT ASSETS		
Deferred income tax assets (note 12)	1,687	1,534
Property, plant and equipment (note 6)	17,266	20,420
Pension asset (note 14)	2,684	–
Intangible assets (note 7)	9,177	17,540
Goodwill (note 8)	57,066	101,066
	$ 166,597	$ 224,629
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	$ –	$ 1,161
Current portion of Revolving bank facility (note 10)	4,000	–
Trade payables	26,061	28,289
Provisions (note 9)	2,369	308
Income taxes payable	–	1,699
Deferred revenue	10,115	7,586
Dividends payable	–	1,273
	42,545	40,316
NON-CURRENT LIABILITIES		
Provisions (note 9)	2,368	867
Revolving bank facility (note 10)	49,109	57,553
Convertible debentures (note 11)	42,909	42,311
Deferred income tax liabilities (note 12)	–	766
Other non-current liabilities (note 13)	858	1,137
Pension obligations (note 14)	8,102	16,839
Other post-employment benefit plans (note 15)	2,631	2,726
	$ 148,522	$ 162,515
EQUITY		
SHAREHOLDERS' EQUITY		
Shares (note 17)	$ 215,336	$ 215,336
Conversion options (note 11)	516	516
Accumulated other comprehensive income	30	1
Deficit	(197,807)	(153,875)
	$ 18,075	$ 61,978
NON-CONTROLLING INTERESTS	$ –	$ 136
	$ 18,075	$ 62,114
	$ 166,597	$ 224,629

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

APPROVED BY BOARD OF DIRECTORS

(Signed) Michael Suksi — Director

(Signed) Derek Ridout — Director

Consolidated statements of loss

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
REVENUES	$ 316,961	$ 336,315
COST OF REVENUES	236,879	249,143
GROSS PROFIT	80,082	87,172
EXPENSES (INCOME)		
Selling, commissions and expenses	36,137	37,317
General and administration expenses excluding amortization of intangible assets	23,689	26,646
Restructuring expenses (note 9)	7,034	–
Impairment of goodwill (note 8)	44,000	44,000
Corporate conversion costs (note 1)	–	84
Gain on settlement of pension plan (note 14)	–	(243)
Amortization of intangible assets (note 7)	8,370	9,242
	119,230	117,046
LOSS BEFORE FINANCE COSTS AND INCOME TAXES	(39,148)	(29,874)
FINANCE COSTS		
Interest expense	6,657	6,659
Interest income	(15)	(15)
Amortization of transaction costs	568	617
	7,210	7,261
LOSS BEFORE INCOME TAXES	(46,358)	(37,135)
INCOME TAX EXPENSE (RECOVERY) (note 12)		
Current	2,916	4,220
Deferred	(3,432)	(3,848)
	(516)	372
NET LOSS FOR THE YEAR	$ (45,842)	$ (37,507)
NET LOSS ATTRIBUTABLE TO:		
Common shareholders	$ (45,831)	$ (37,451)
Non-controlling interest	(11)	(56)
	$ (45,842)	$ (37,507)
BASIC LOSS PER SHARE (note 19)	$ (1.95)	$ (1.59)
DILUTED LOSS PER SHARE (note 19)	$ (1.95)	$ (1.59)

Certain comparatives have been restated for a change in accounting policy. See note 3.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive loss

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
NET LOSS FOR THE YEAR	$ (45,842)	$ (37,507)
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET LOSS		
Foreign currency translation	29	1
	29	1
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET LOSS		
Deferred income tax recovery on conversion to a corporation	–	406
Actuarial gains (losses) on post-employment benefit obligations	9,573	(5,013)
Taxes related to post-employment adjustment above	(2,513)	1,313
	7,060	(3,294)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	7,089	(3,293)
COMPREHENSIVE LOSS FOR THE YEAR	$ (38,753)	$ (40,800)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Common shareholders	$ (38,742)	$ (40,744)
Non-controlling interest	(11)	(56)
	$ (38,753)	$ (40,800)

Certain comparatives have been restated for a change in accounting policy. See note 3.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars)

	Attributable to Shareholders							
	Shares	Units	Conversion options	Accumulated other compre-hensive income	Deficit	Total Share-holders' Equity	Non-controlling interests	Total Equity
Balance as at December 31, 2011	$ –	$ 215,336	$ –	$ –	$ (97,973)	$ 117,363	$ 313	$ 117,676
Effect of conversion to a corporation (notes 1, 11 and 12)	215,336	(215,336)	516	–	–	$ 516	–	$ 516
	$ 215,336	$ –	$ 516	$ –	$ (97,973)	$ 117,879	$ 313	$ 118,192
Net loss for the year	–	–	–	–	(37,451)	(37,451)	(56)	(37,507)
Other comprehensive loss for the year	–	–	–	1	(3,294)	(3,293)	–	(3,293)
Total comprehensive loss for the year	–	–	–	1	(40,745)	(40,744)	(56)	(40,800)
Acquisition of non-controlling interest	–	–	–	–	121	121	(121)	–
Dividends declared	–	–	–	–	(15,278)	(15,278)	–	(15,278)
Balance as at December 31, 2012	$ 215,336	$ –	$ 516	$ 1	$(153,875)	$ 61,978	$ 136	$ 62,114
BALANCE AS AT DECEMBER 31, 2012	**$215,336**	**$ –**	**$ 516**	**$ 1**	**$ (153,875)**	**$ 61,978**	**$ 136**	**$ 62,114**
Net loss for the year	**–**	**–**	**–**	**–**	**(45,831)**	**(45,831)**	**(11)**	**(45,842)**
Other comprehensive income for the year	**–**	**–**	**–**	**29**	**7,060**	**7,089**	**–**	**7,089**
Total comprehensive (loss) income for the year	**–**	**–**	**–**	**29**	**(38,771)**	**(38,742)**	**(11)**	**(38,753)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**125**	**125**	**(125)**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**(5,286)**	**(5,286)**	**–**	**(5,286)**
BALANCE AS AT DECEMBER 31, 2013	**$215,336**	**$ –**	**$ 516**	**$ 30**	**$ (197,807)**	**$ 18,075**	**$ –**	**$ 18,075**

Financial figures presented prior to January 1, 2012 are those of The DATA Group Income Fund, the predecessor to DATA Group Inc. See note 1.
Certain comparatives have been restated for a change in accounting policy. See note 3.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	For the year ended December 31, 2013	For the year ended December 31, 2012
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	$ (45,842)	$ (37,507)
Adjustments to net loss		
Depreciation of property, plant and equipment	5,330	5,727
Amortization of intangible assets	8,370	9,242
Pension expense and gain on settlement of pension plan (note 14)	929	680
Loss on disposal of property, plant and equipment	192	6
Impairment of goodwill (note 8)	44,000	44,000
Provisions	7,034	747
Amortization of transaction costs	568	617
Accretion of convertible debentures	298	299
Other non-current liabilities	(337)	(411)
Other post-employment benefit plans, net	22	63
Tax credits recognized	(471)	–
Income taxes (recovery) expense	(516)	372
	19,577	23,835
Changes in working capital (note 21)	6,272	(254)
Contributions made to pension plans, net (note 14)	(2,894)	(2,759)
Provisions paid	(3,472)	(990)
Income taxes paid	(4,318)	(4,454)
	15,165	15,378
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,344)	(2,028)
Purchase of intangible assets	(7)	(415)
Proceeds on disposal of property, plant and equipment	103	24
	(2,248)	(2,419)
FINANCING ACTIVITIES		
Repayment of revolving bank facility (note 10)	(4,500)	(2,500)
Finance costs	(212)	(388)
Finance lease payments	(17)	–
Dividends or distributions paid (note 20)	(6,559)	(15,278)
	(11,288)	(18,166)
DECREASE IN BANK OVERDRAFT AND (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,629	(5,207)
(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	$ (1,161)	$ 4,046
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	10	–
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT) – END OF YEAR	$ 478	$ (1,161)

Certain comparatives have been restated for a change in accounting policy. See note 3.
The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 General information

DATA Group Inc. (the "Corporation") is the successor to The DATA Group Income Fund (the "Fund"). Until December 31, 2011, the Fund was an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Amended and Restated Declaration of Trust dated May 12, 2010. As of December 31, 2011, the Fund owned directly and indirectly all of the outstanding partnership units of The DATA Group Limited Partnership (the "Partnership") and all the outstanding shares of the Partnership's general partner, Data Business Forms Limited ("DBFL"). On January 1, 2012, the Fund completed a reorganization of its income trust structure into a publicly traded corporation pursuant to a plan of arrangement (the "Arrangement") under the Business Corporations Act (Ontario) ("OBCA") involving the Fund, the Corporation, the Partnership and DBFL. Pursuant to the Arrangement, the Fund and the Partnership were wound up and dissolved and DBFL changed its name to "DATA Group Ltd." ("DGL") and DGL continued the operations of the business previously operated by the Fund's subsidiaries. As a result of the Arrangement, the Fund's units were reclassified to share capital of the Corporation on a one for one basis. Under the Arrangement, unitholders of the Fund received, on a tax deferred, roll-over basis, one common share of the Corporation for each unit of the Fund held. The transaction was accounted for as a reorganization using the continuity of interest method. On November 1, 2011, a subsidiary of the Fund acquired all of the outstanding shares of The Fulfillment Solutions Advantage Inc. ("FSA"). FSA subsequently acquired all of the outstanding shares of FSA Datalytics Canada Inc. ("Datalytics") not owned by FSA on November 1, 2011. DGL also owns all of the outstanding shares of DATA Group (US) Corp.

The common shares of the Corporation are listed on the Toronto Stock Exchange ("TSX") under the symbol "DGI". The address of the registered office of the Corporation is 9195 Torbram Road, Brampton, Ontario. On January 1, 2014, DATA Group Inc. completed an internal reorganization to simplify its corporate structure. Pursuant to the internal reorganization, DATA Group Inc. amalgamated with its Canadian subsidiaries to form a new corporation called "DATA Group Ltd.". See note 27.

References in these notes to the "DATA Group" mean the Fund in respect of periods prior to January 1, 2012 and mean the Corporation from and after January 1, 2012.

DATA Group is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business process. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. DATA Group derives its revenues from two sources: document management solutions, which provides its customers with a comprehensive suite of customized printed and electronic products, logistics and workflow enhancing services that help them better manage administrative elements of their business, maintain brand consistency and reduce the systemic cost of their documents and workflows; and marketing solutions, which provide an integrated set of services that enables its customers to plan, create, deploy and monitor their print and electronic marketing campaigns across multiple media channels. DATA Group operates in the following reporting segments:

a. DATA East and West - sells a broad range of document management services, marketing solutions and printed products directly to customers in the Canadian and US markets; and

b. Multiple Pakfold - sells forms and labels to independent brokers/resellers in the Canadian market.

DATA Group established operations in Niles, Illinois during the fourth quarter of 2012 in order to service the U.S. operations of a large customer. Sales of some of DATA Group's products are subject to seasonal fluctuations in demand. Certain elements of DATA Group's gift card and direct mail businesses as well as the buying patterns of certain major customers of DATA Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters.

2 Basis of presentation and significant accounting policies

BASIS OF PRESENTATION

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

These consolidated financial statements were approved by the Board of Directors of DATA Group Ltd., the successor of the DATA Group Inc., on March 5, 2014.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF MEASUREMENT

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

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

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1; that are observable for the asset or liability; either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

PRINCIPLES OF CONSOLIDATION

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

(a) Subsidiaries

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

DATA Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by DATA Group or one of its subsidiaries. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. DATA Group recognizes a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest(s) recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recorded directly in the statement of income (loss).

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

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

(c) Disposal of subsidiaries

When DATA Group 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 income (loss) in respect of that entity are accounted for as if DATA Group 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 income (loss).

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each entity within DATA Group 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 DATA Group's functional currency. The functional currency of DATA Group's United States operations is U.S. dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rate during the period. Foreign currency differences are recognized in other comprehensive 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, bank overdraft and highly liquid short-term interest bearing securities with maturities of three months or less at the date of purchase.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when DATA Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and DATA Group has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, DATA Group classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* 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 income (loss) and are included in finance costs. Gains and losses arising from changes in fair value are presented in the statement of income (loss) within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

(ii) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. DATA Group's loans and receivables are comprised of trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, if applicable, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) *Other Financial liabilities which are measured at amortized cost:* Financial liabilities measured at amortized cost include trade payables, dividends payable, revolving bank facility and convertible debentures. Trade payables, dividends payable are initially recognized at the amount required to be paid less, if applicable, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. The revolving bank facility and the non-derivative component of convertible debentures are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. The Fund's convertible debentures contained a host contract and an embedded derivative. The host contract (the debt portion of the convertible debenture) is measured as the residual of the proceeds after deducting the fair value of the embedded derivative, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(iv) *Derivative financial instruments:* The Fund had issued convertible debentures with a conversion option that entitles the holder to acquire Fund units for a fixed price. Since the Fund units were redeemable in certain circumstances, IFRS required the conversion option to be accounted for as a financial liability. As a result of the conversion of the Fund into a corporation, the debentures are convertible into common shares of Data Group Inc. The conversion options are classified as equity and are no longer accounted for as a financial liability from January 1, 2012. DATA Group may also use derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. All derivatives have been classified as held for trading, are included on the statement of financial position within other assets or other liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement of interest rate swaps that do not meet the hedge criteria and of the written put options are included in finance costs. At December 31, 2013 and 2012, DATA Group has not entered into any interest rate swap agreements.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, DATA Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statement of comprehensive income (loss).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment is recognized in the statement of comprehensive income (loss). DATA Group recognizes an impairment loss, as follows:

Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount through the use of an allowance account.

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

DATA Group 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 amortization 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 income (loss).

INTANGIBLE ASSETS

Intangible assets that are acquired are measured cost at the acquisition date. These assets include customer relationships, existing software and technology, trademarks and trade names. Management's judgement is required to determine the useful lives of intangible assets including reviewing the length of customer relationships and other factors. These finite life assets are amortized over their estimated useful lives as outlined below.

	Basis	Rate
Customer relationships	straight-line	3 to 12 years
Software and technology	straight-line	7 years
Trademarks and trade names	straight-line	9 years

GOODWILL

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recorded as impairment provisions within accumulated depreciation for depreciable assets. DATA Group 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.

EMPLOYEE BENEFITS

DATA Group maintains a defined benefit and defined contribution pension plan (the "DATA Group Pension Plan") for some of its employees. Pension benefits are primarily based on years of service, compensation and accrued contributions with investment earnings. DATA Group's funding policy is to fund the annual amount required to meet or exceed the minimum statutory requirements. DATA Group is currently required to perform an actuarial valuation for the DATA Group Pension Plan every year. Annual actuarial valuations are required on the DATA Group Pension Plan until the solvency deficiency is reduced to a level under which the applicable pension regulations allow the valuations to be completed every three years.

DATA Group also contributes to the Graphics Communications Supplemental Retirement and Disability Fund of Canada ("SRDF") for certain employees at its Drummondville and Granby plants in Québec. The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining.

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. Under the defined contribution provision of the DATA Group Pension Plan, DATA Group'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. DATA Group accrues its obligations for the defined benefit provision of the DATA Group Pension Plan 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 DATA Group, 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 DATA Group. An economic benefit is available to DATA Group 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. Administration costs incurred by the DATA Group Pension Plan are recognized as period costs. Curtailments and settlements are accounted for as period costs. Current service costs, administration costs and past services costs are recognized in general and administration expenses in the statement of income (loss). Net interest is calculated by applying the discount rate at the beginning of the period to the net benefit liability or asset and is recognized in finance expense (income) in the statement of income (loss).

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 net income (loss).

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

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

The SERP is unfunded.

The SRDF is a negotiated contribution defined benefit multi-employer plan, however, the trustees of this plan are not able to provide sufficient information for DATA Group to account for this plan as a defined benefit plan. DATA Group's members in the SRDF plan are in Québec and therefore the funded status of the accrued benefit obligation for these employees are subject to pension regulations in that province. DATA Group makes contributions to the SRDF based on a percentage of the wages of unionized employees covered by the respective negotiated collective bargaining agreements and the expense recorded in the statement of income (loss) is equal to DATA Group's contributions payable to this plan. The most recent funding actuarial report in respect of the Québec members of the plan discloses a solvency deficiency and a gap between the minimum total contributions required under applicable Québec legislation and total employer contributions determined pursuant to collective agreements. There is no contractual agreement as to how the share of the deficiency is determined or funded in respect of each participating employer. These issues also affect other industry groups and are currently being negotiated by the relevant parties. DATA Group may be required to make additional ongoing contributions towards funding DATA Group's portion of the solvency deficiency. Under Québec legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of DATA Group's employees, pensioners and vested deferred members if, in the future, DATA Group withdraws from the plan or the plan is terminated. Based on the most recent actuarial report and additional information supplied by the multi-employer plan actuary and administrator, the portion of the plan solvency deficiency in respect of DATA Group's employees, pensioners and vested deferred members is estimated to be approximately $28.0 million or 15.5% of the total plan solvency deficiency as of December 31, 2013. Currently, there is uncertainty and a lack of complete information to support the allocation of assets and liabilities used to determine this estimate. There is also uncertainty over DATA Group's funding obligation in respect of a solvency deficiency while the plan is ongoing. DATA Group has accounted for this plan on a defined contribution basis as DATA Group does not believe there is sufficient information to recognize participation on a defined benefit basis.

(c) Other long-term employee benefit plans

Certain employees of DATA Group are provided with post-employment benefits, including health care and life insurance benefits on retirement to certain former employees, their beneficiaries and covered dependents. DATA Group's net obligation in respect of its other post-employment benefit 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 other post-employment benefit plans are recognized in other comprehensive income (loss) in the period in which they arise and will not be reclassified to net income (loss). DATA Group also provides other long-term employee benefit plans including pension, health care and dental care benefits for employees on long-term disability. DATA Group's net obligation in respect of its other long-term employee benefit plans 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 post-employment benefit plans are recognized in the statement of income (loss) 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 DATA Group's obligations. These other post-employment and other long-term employee benefit plans are funded on a pay-as-you-go basis.

PROVISIONS

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

(i) *Restructuring:* A provision for restructuring is recognized when DATA Group 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:* DATA Group 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. Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured on a non-discounted basis at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

LEASES

Leases are classified as financing or operating depending on the terms and conditions of the contracts. Lease agreements where DATA Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset class. Obligations recorded under finance leases are reduced by lease payments net of imputed interest. Other lease agreements are operating leases and the leased assets are not recognized in DATA Group's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. The unamortized portion of lease incentives and the difference between the straight-line rent expense and the payments, as stipulated under the lease agreement, are included in other non-current liabilities.

SHARE CAPITAL

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

FUND UNITS

The Fund's units met the definition of puttable instruments classified as equity instruments under the revised IAS 32 *Financial Instruments: Presentation*. Consequently, the Fund's units were classified as equity instruments.

The issuance, acquisition and resale of Fund units and distributions to untiholders were accounted for as equity transactions. Upon issuance of Fund units, the consideration received was included in equity. Transaction costs incurred by the Fund in issuing, acquiring or reselling its own equity instruments were accounted for as a deduction from equity to the extent that they were incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Own equity instruments which were acquired were deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. No gain or loss were recognized in the statement of comprehensive income (loss) on the purchase, sale, issuance or cancellation of the Fund's own equity instruments.

REVENUE RECOGNITION

Revenue from the sale of product is recognized upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs, and risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. When customer payments exceed the revenue recognized, the excess is recorded as deferred revenue. Pre-production services have no standalone value, no reliable evidence of fair value and are therefore included with the final printed products as one unit of accounting. The majority of products are customized and product returns are not significant. Warehousing service and marketing service fees are recognized as the services are provided, when the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services with flow to DATA Group and the costs associated with these services can be reliably measured. If warehousing service fees are included in one overall selling price of a custom print product, the consideration is allocated to each component based on relative selling prices.

(LOSS) INCOME PER SHARE

Basic net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of shares outstanding during the period. Diluted net (loss) income per share is calculated by adjusting net (loss) income and weighted average number of shares outstanding during the period for the effects of dilutive potential shares, which includes the options granted and interest related to the DATA Group's convertible debentures.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgements, 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 judgements about future results of operations, related specific elements of the business and operations in assessing recoverability of assets and recorded value of liabilities. Significant areas of measurement uncertainty include the determination of the impairment of goodwill and intangible assets which are impacted by estimates of the fair value of CGUs, assumptions of future cash flows, and achieving forecasted business results. These assumptions can be impacted by economic conditions and also require considerable judgement by management. Declines in business results or declines in the fair value of DATA Group's reporting segments could result in impairments in future periods. Changing the assumptions selected by management, in particular the discount rate and growth assumptions used in the cash flow projections, could significantly affect DATA Group's impairment evaluation and hence results.

Other significant areas requiring the use of estimates and assumptions include the determination of the allowance for doubtful accounts, the determination of the reserve for obsolete inventory, the determination of the impairment of property, plant and equipment, the determination of pension obligations, the determination of deferred income tax assets and liabilities and the selection of accounting policies. Actual results could differ from estimates and judgements made by management.

3 Change in accounting policies

(a) New and amended standards adopted

DATA Group has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 13 *Fair Value Measurement* provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. DATA Group adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by DATA Group to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

DATA Group has adopted the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* effective January 1, 2013. These amendments required DATA Group to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. DATA Group has reclassified comprehensive income items for the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 *Employee Benefits* (amended in 2011), amends certain accounting requirements for defined benefit pension plans and termination benefits and was adopted as of January 1, 2013.

IAS 19 (Revised 2011) requires the net defined benefit liability (asset) to be recognized on the statement of financial position without deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net income (loss) when incurred. The expected rate of return on assets ("EROA") assumption is no longer used in the measurement of post-employment benefits expense. Instead, post-employment benefits expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Re-measurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the assets ceiling are recognized in other comprehensive income (loss). DATA Group continues to immediately recognize in retained earnings (deficit) all pension adjustments recognized in other comprehensive income (loss). DATA Group began recognizing interest expense (income) on net defined benefit liabilities (assets) in finance expense (income) in the statement of income (loss) that were previously recognized in general and administration expenses effective January 1, 2012. Administration costs of running DATA Group Pension Plan which were included in the EROA are now recognized as period costs in general and administration expenses in the statement of income (loss) when incurred effective January 1, 2012.

The standard also requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or recognize any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided. This amendment did not require DATA Group to change its accounting policy for termination benefits when future services are required.

DATA Group adopted these amendments retrospectively. General and administration expense, finance expense and deferred income tax expense for the comparative period have been adjusted to reflect the accounting changes for defined benefit plans. The adjustments for each financial statement line item affected are presented in the tables below.

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

Adjustments to the consolidated statements of loss

	For the year ended December 31, 2013	For the year ended December 31, 2012
NET LOSS BEFORE ACCOUNTING CHANGE	$ (45,087)	$ (37,128)
INCREASE IN:		
Interest expense	763	777
General and administration expenses excluding amortization of intangible assets	261	–
DECREASE IN:		
General and administration expenses excluding amortization of intangible assets	–	(262)
Deferred income tax expense	(269)	(136)
Change to net loss	755	379
NET LOSS AFTER ACCOUNTING CHANGE	$ (45,842)	$ (37,507)
NET LOSS ATTRIBUTABLE TO:		
Common shareholders	$ (45,831)	$ (37,451)
Non-controlling interest	(11)	(56)
	$ (45,842)	$ (37,507)
LOSS PER SHARE AFTER ACCOUNTING CHANGE		
Basic	$ (1.95)	$ (1.59)
Diluted	$ (1.95)	$ (1.59)

Adjustments to the consolidated statements of comprehensive loss

	For the year ended December 31, 2013	For the year ended December 31, 2012
COMPREHENSIVE LOSS BEFORE ACCOUNTING CHANGE	$ (38,753)	$ (40,800)
INCREASE IN:		
Re-measurement of actuarial (gains) losses on post-employment benefit obligations	1,024	515
DECREASE IN:		
Net loss	(755)	(379)
Deferred income tax expense	(269)	(136)
Change to comprehensive loss	–	–
COMPREHENSIVE LOSS AFTER ACCOUNTING CHANGE	$ (38,753)	$ (40,800)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Common shareholders	$ (38,742)	$ (40,744)
Non-controlling interest	(11)	(56)
	$ (38,753)	$ (40,800)

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

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted.

In October 2012, the ISAB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 Separate Financial Statements to include an exception to the consolidation requirements for investment entities as defined in the amendments issued by the IASB. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. DATA Group is currently evaluating the impact, if any, of adopting the amendments on its consolidated financial statements.

IFRS 9 *Financial Instruments* was issued in November 2009 and October 2010. The issuance of IFRS 9 is the first phase of the three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement* by improving and simplifying the reporting for financial instruments. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

4 Trade receivables

	December 31, 2013	December 31, 2012
Trade receivables	$ 37,188	$ 42,097
Provision for doubtful accounts	(637)	(517)
	$ 36,551	$ 41,580

Trade receivables are non-interest bearing with settlement terms from 0 to 90 days.

5 Inventories

	December 31, 2013	December 31, 2012
Raw materials	$ 5,856	$ 6,042
Work-in-progress	3,038	2,449
Finished goods	28,691	29,594
	$ 37,585	$ 38,085

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $1,602 (2012 – $1,715). The cost of inventories recognized as an expense in cost of revenues in 2013 was $225,835 (2012 – $235,696).

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

6 Property, plant and equipment

	Leasehold improvements	Office furniture and equipment	Presses and printing equipment	Computer hardware and software	Total
Year ended December 31, 2012					
Opening net book value	$ 6,306	$ 580	$ 16,468	$ 795	$ 24,149
Additions	328	72	1,097	531	2,028
Disposals	(4)	(1)	(26)	1	(30)
Depreciation for the year	(1,134)	(89)	(3,946)	(558)	(5,727)
Closing net book value	$ 5,496	$ 562	$ 13,593	$ 769	$ 20,420
At December 31, 2012					
Cost	$ 12,155	$ 1,902	$ 45,559	$ 5,163	$ 64,779
Accumulated depreciation	(6,659)	(1,340)	(31,966)	(4,394)	(44,359)
Net book value	$ 5,496	$ 562	$ 13,593	$ 769	$ 20,420
Year ended December 31, 2013					
Opening net book value	$ 5,496	$ 562	$ 13,593	$ 769	$ 20,420
Additions	832	82	1,231	319	2,464
Effect of movement in exchange rates	4	1	2	–	7
Disposals	(31)	(39)	(222)	(3)	(295)
Depreciation for the year	(1,164)	(76)	(3,565)	(525)	(5,330)
Closing net book value	$ 5,137	$ 530	$ 11,039	$ 560	$ 17,266
At December 31, 2013					
Cost	$ 12,928	$ 1,818	$ 45,901	$ 5,338	$ 65,985
Accumulated depreciation	(7,791)	(1,288)	(34,862)	(4,778)	(48,719)
Net book value	$ 5,137	$ 530	$ 11,039	$ 560	$ 17,266

During year ended December 31, 2013, DATA Group entered into a finance lease obligation for certain printing equipment of $120.

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

7 Intangible assets

	Customer relationships	Software and technology	Trademarks and trade names	Total
Year ended December 31, 2012				
Opening net book value	$ 24,681	$ –	$ 1,686	$ 26,367
Additions	–	415	–	415
Amortization for the year	(8,303)	(83)	(856)	(9,242)
Closing net book value	$ 16,378	$ 332	$ 830	$ 17,540
At December 31, 2012				
Cost	$ 75,623	$ 10,415	$ 7,700	$ 93,738
Accumulated amortization	(59,245)	(10,083)	(6,870)	(76,198)
Net book value	$ 16,378	$ 332	$ 830	$ 17,540
Year ended December 31, 2013				
Opening net book value	**$ 16,378**	**$ 332**	**$ 830**	**$ 17,540**
Additions	**–**	**7**	**–**	**7**
Amortization for the year	**(7,456)**	**(84)**	**(830)**	**(8,370)**
Closing net book value	**$ 8,922**	**$ 255**	**$ –**	**$ 9,177**
At December 31, 2013				
Cost	**$ 75,623**	**$ 10,422**	**$ 7,700**	**$ 93,745**
Accumulated amortization	**(66,701)**	**(10,167)**	**(7,700)**	**(84,568)**
Net book value	**$ 8,922**	**$ 255**	**$ –**	**$ 9,177**

The remaining useful lives of the customer relationships are between 4 and 5 years.

8 Goodwill

	December 31, 2013	December 31, 2012
Opening balance	**$ 101,066**	$ 145,200
Fair value adjustments	**–**	(134)
Impairment of goodwill	**(44,000)**	(44,000)
	$ 57,066	$ 101,066

	December 31, 2013	December 31, 2012
Cost	**$ 160,725**	$ 160,725
Accumulated impairment losses	**(103,659)**	(59,659)
Net carrying value	**$ 57,066**	$ 101,066

During the fourth quarter of 2013, DATA Group performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGUs carrying value. As a result of that review and market indicators, including the trading price of DATA Group's common shares, DATA Group concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $25,000 related to the DATA East and West CGU.

During the third quarter of 2013, market indicators, including the trading price of DATA Group's common shares and changes in the revenue trends and forecasted profits indicated that DATA Group's assets may be impaired. As result of this new information, DATA Group performed an impairment analysis by comparing the fair value of each CGU to the CGU's carrying value. As a result of that review, DATA Group concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $19,000 related to the DATA East and West CGU.

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

Revenue growth rates and operating margins were based on DATA Group's internal approved financial budgets or forecasts. DATA Group projected revenue, operating margins and cash flows for a period of five years, and applied a perpetual long-term growth rate thereafter. Based on the most recent forecasts, DATA Group is expecting negative growth of 1% over the next 5 years and a perpetual long-term growth rate of 0% (2012 – 1%) based on forecast GDP growth, inflation rates, the industry's expected growth rates and management experience. In arriving at its forecasts, DATA Group considered past experience, economic trends as well as industry and market trends. The projections also took into account the expected impact of new product and services initiatives, restructuring initiatives and the recent new contracts.

DATA Group assumed a discount rate to calculate the present value of the projected cash flows, representing a pre-tax discount rate using a weighted average cost of capital ("WACC") for DATA Group adjusted for tax, and is an estimate of the total overall required rate of return on an investment for both debt and equity owners. Determination of the WACC requires separate analysis of cost of equity and debt, and considers a risk premium based on the assessment of risks related to the projected cash flows of DATA Group. DATA Group used discount rates of 15.0% to 19.4% (2012 – 13.5% to 18.4%) reflecting management's judgement that sales channels and size of its CGU's would affect the volatility of each CGU's cash flows.

DATA Group projects cash flows net of income taxes using substantively enacted tax rates effective during the forecast periods. DATA Group used a tax rate of 26.50% (2012 – 26.25%) and the overall tax rate was updated to reflect expected profit to be earned in the US jurisdiction. Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

On November 1, 2011, DATA Group acquired all of the shares of FSA. At the time of the acquisition, FSA owned 70% of the outstanding shares of Datalytics. On June 21, 2012, FSA increased its ownership to 82.35% of the outstanding shares of Datalytics for no additional consideration. On November 6, 2013, FSA increased its ownership to 100% of the outstanding shares of Datalytics for no additional consideration. As a result of finalizing the adjustments to fair value of the identifiable assets acquired and liabilities assumed during 2012, the fair value of trade receivables acquired was increased by $134 and accordingly goodwill was reduced by $134.

During the fourth quarter of 2012, DATA Group performed its annual review for impairment of goodwill by comparing the fair value of each of its CGU's to the CGUs carrying value. Market indicators on December 31, 2012 resulted in an increase in the discount rates to 13.5% to 18.4% from 12.5% to 17.4% and a decrease in the perpetual long-term growth rate of 1% compared to December 31, 2011. As a result of that review and market indicators, including the trading price of DATA Group's common shares, DATA Group concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized an impairment of goodwill charge of $44,000 related to the DATA East and West CGU.

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

9 Provisions

	Restructuring	Onerous contracts	Total
Balance – Beginning of year	$ 106	$ 1,069	$ 1,175
Additional charge during the year	4,364	2,670	7,034
Utilized during the year	(2,870)	(602)	(3,472)
Balance – End of year	$ 1,600	$ 3,137	$ 4,737
Less: Current portion of provisions	(1,334)	(1,035)	(2,369)
As at December 31, 2013	$ 266	$ 2,102	$ 2,368

	Restructuring	Onerous contracts	Total
Balance – Beginning of year	$ 163	$ 1,255	$ 1,418
Additional charge during the year	747	–	747
Utilized during the year	(804)	(186)	(990)
Balance – End of year	$ 106	$ 1,069	$ 1,175
Less: Current portion of provisions	(106)	(202)	(308)
As at December 31, 2012	$ –	$ 867	$ 867

RESTRUCTURING

During the year ended December 31, 2013, DATA Group continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. These initiatives resulted in a $4,364 charge during year ended December 31, 2013 to restructuring expenses due to headcount reductions and the closure of certain manufacturing locations and warehouses in the consolidated statement of loss and comprehensive loss. During the year ended December 31, 2012, the ongoing productivity improvement initiatives resulted in severance expense of $747 included within general and administration expenses.

For the year ended December 31, 2013, cash payments of $2,870 (2012 – $804) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $1,600 at December 31, 2013 is expected to be paid during 2014 and 2015.

ONEROUS CONTRACTS

During the year ended December 31, 2013, DATA Group closed its Anjou, Québec warehouse. A lease exit charge of $1,441, representing the liability, at present value, for remaining lease costs under the lease agreement and the building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2016.

During the year ended December 31, 2013, DATA Group closed its Brockville, Ontario facility. A lease exit charge of $1,229, representing the liability, at present value, for remaining lease costs under the lease agreement and the building maintenance costs of $1,877 and net of sublease income of $648, was recorded and is amortized over the remaining term of the lease, expiring in 2017.

During the year ended December 31, 2006, DATA Group assumed a lease agreement for its Drummondville, Québec facility with rent payments that exceeded the fair market value for rent and as a result DATA Group recorded an unfavourable lease obligation. The monthly rent payments for this lease are allocated between the unfavourable lease obligation and a reduction in rent expense over the lease term, expiring in 2016.

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

During the year ended December 31, 2009, DATA Group sublet its Dorval, Québec facility for the remainder of the term of the lease agreement. A lease exit charge of $866, representing the liability, at present value for remaining lease costs under the lease agreement of $2,166 and net of sublease income of $1,300, was recorded in 2009 and is amortized over the term of the lease, expiring in 2021.

10 Revolving bank facility

	December 31, 2013	December 31, 2012
4.48% banker's acceptances, maturing January 28, 2013	$ –	$ 58,000
5.22% banker's acceptances, maturing January 27, 2014	52,000	–
Floating rate debt	1,500	–
Revolving bank facility	53,500	58,000
Unamortized transaction costs	(391)	(447)
	$ 53,109	$ 57,553
Less: Current portion of Revolving bank facility	(4,000)	(–)
Revolving bank facility	$ 49,109	$ 57,553

DATA Group's amended and restated credit agreement (the "Amended Credit Agreement") with two Canadian chartered banks, provides for the establishment of credit facilities (the "Revolving Bank Facility") consisting of a committed revolving credit facility in the maximum principal amount of $70,000 (2012 – $90,000) and is secured by substantially all of the DATA Group's assets. During the third quarter ended of 2013, DATA Group completed an amending agreement to extend the maturity date of its existing credit facilities to August 31, 2015 and to reduce the available credit facilities to $70,000. That amending agreement also requires DATA Group to make principal repayments of $3,000 on March 31 and September 30 of each year commencing on March 31, 2014 which will reduce the revolving credit facility to $67,000 and $64,000, respectively. As at December 31, 2013, DATA Group had made an early principal repayment of $2,000. A portion of the credit facilities are subject to bankers' acceptance fees over the applicable banker's acceptance rates. Maturing bankers' acceptances are typically rolled into new bankers' acceptances. The floating rate debt is an advance that is subject to interest at the Canadian prime rate plus an applicable margin. At December 31, 2013, all of DATA Group's indebtedness outstanding under the credit facilities was subject to a floating interest rate of 5.24% per annum.

The Amended Credit agreement contains financial covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. DATA Group is required to at all times maintain a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA") as defined in the Amended Credit Agreement. The maximum ratio allowed for a 12-month trailing period is 2.50. As at December 31, 2013, this ratio was calculated at 2.08 (2012 – 1.96). DATA Group is also required to at all times maintain a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges. The minimum ratio allowed for a 12-month trailing period is 1.00. As at December 31, 2013, this ratio was calculated at 2.14 (2012 – 1.39).

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

11 Convertible debentures

	December 31, 2013	December 31, 2012
6.00% convertible debentures, maturing June 30, 2017, interest payable in June and December, convertible at 81.967 shares per $1,000 of debenture	$ 43,958	$ 43,660
Unamortized transaction costs	(1,049)	(1,349)
	$ 42,909	$ 42,311

On January 1, 2012, DATA Group became the successor debtor and assumed all the covenants and obligations in respect of the $45,000 aggregate principal amount of the 6.00% Convertible Debentures issued by the Fund on April 27, 2010. The 6.00% Convertible Debentures with an aggregate principal amount of $45,000 bear interest at a rate of 6.00% per annum payable semi-annually, in arrears, on June 30 and December 31 in each year commencing on December 31, 2010. The 6.00% Convertible Debentures mature on June 30, 2017 and are convertible into common shares of DATA Group Inc. ("Shares") at the option of the holder prior to maturity or redemption at a conversion price of $12.20 per Share, subject to adjustment in certain events described in greater detail in DATA Group's short form prospectus. The 6.00% Convertible Debentures could not be redeemed before June 30, 2013.

On or after June 30, 2013 and prior to June 30, 2015, the 6.00% Convertible Debentures may be redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the Shares (being the volume-weighted average trading price of the Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date) is at least 125% of the conversion price of the 6.00% Convertible Debentures. On or after June 30, 2015, the 6.00% Convertible Debentures may be redeemed by DATA Group in whole or in part, from time to time, at the option of DATA Group at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, DATA Group may, at its option, subject to regulatory approval and certain other conditions, elect to satisfy its obligation to pay the applicable redemption price for the principal amount of the 6.00% Convertible Debentures by issuing and delivering that number of Shares obtained by dividing the aggregate redemption price of the debentures to be redeemed, or the principal amount of outstanding debentures which have matured, by 95% of the current market price of the Shares on the date fixed for redemption or the maturity date.

The DATA Group capitalized transaction costs of $2,266 related to this issuance and amortization of these costs is recognized over the term of the 6.00% Convertible Debentures.

As a result of the Fund's conversion to a corporation on January 1, 2012, the Fund's conversion option liabilities of $516 were classified as equity due to the change in the nature of the underlying securities to Shares from units.

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

12 Deferred and current income taxes

As a result of the Fund's conversion to a corporation on January 1, 2012, DATA Group re-measured its deferred tax assets and liabilities in accordance with SIC-25: *Changes in Tax Structure of an Entity* using the tax rates applicable to a corporation, which do not vary depending on whether income is distributed or not. Also, as a result of the Fund's conversion to a corporation on January 1, 2012, the Fund's conversion option liabilities were classified as equity on the financial statements of the Corporation due to the change in the nature of the underlying security to shares from units and are no longer re-measured at fair value at each reporting date. The effect of the change in tax rate and reversal of the deferred tax asset associated with the conversion option liabilities was to reduce DATA Group's net deferred income tax liability at December 31, 2011 by $1,823, which was recorded as a deferred income tax recovery of $1,417 and $406 in other comprehensive loss during the year ended December 31, 2012.

Significant components of DATA Group's deferred tax assets and liabilities as of December 31, 2013 and 2012 are as follows:

December 31, 2013	Assets	Liabilities	Net
Pension obligations and other post-employment benefit plans	**$ 2,114**	**$ –**	**$ 2,114**
Unfavourable lease obligation	**104**	**–**	**104**
Lease escalation	**189**	**–**	**189**
Benefit of income tax loss and other carry-forwards	**2,354**	**–**	**2,354**
Deductible reserves	**1,084**	**–**	**1,084**
Convertible debentures	**–**	**(276)**	**(276)**
Property, plant and equipment greater than tax values	**–**	**(1,465)**	**(1,465)**
Intangible assets greater than tax values	**–**	**(2,255)**	**(2,255)**
Deferred finance fees	**–**	**(125)**	**(125)**
Other	**–**	**(37)**	**(37)**
Total deferred tax assets (liabilities)	**$ 5,845**	**$ (4,158)**	**$ 1,687**

December 31, 2012	Assets	Liabilities	Net
Pension obligations and other post-employment benefit plans	$ 5,130	$ –	$ 5,130
Unfavourable lease obligation	138	–	138
Lease escalation	236	–	236
Benefit of income tax loss and other carry-forwards	1,344	–	1,344
Deductible reserves	448	–	448
Convertible debentures	–	(355)	(355)
Property, plant and equipment greater than tax values	–	(1,718)	(1,718)
Intangible assets greater than tax values	–	(4,352)	(4,352)
Deferred finance fees	–	(76)	(76)
Other	–	(27)	(27)
Total deferred tax assets (liabilities)	$ 7,296	$ (6,528)	$ 768

Reflected in the consolidated statement of financial position as follows:	December 31, 2013	December 31, 2012
Deferred tax assets	**$ 1,687**	$ 1,534
Deferred tax liabilities	**–**	(766)
Net deferred tax assets (liabilities)	**$ 1,687**	$ 768

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

	Balance at January 1, 2013	Recognized in statement of loss	Recognized in comprehensive loss	Balance at December 31, 2013
Pension obligations and other post-employment benefit plans	$ 5,130	$ (503)	$ (2,513)	$ 2,114
Unfavourable lease obligation	138	(34)	–	104
Lease escalation	236	(47)	–	189
Benefit of income tax loss and other carry-forwards	1,344	1,010	–	2,354
Deductible reserves	448	636	–	1,084
	$ 7,296	$ 1,062	$ (2,513)	$ 5,845
Convertible debentures	$ (355)	$ 79	$ –	$ (276)
Property, plant and equipment greater than tax values	(1,718)	253	–	(1,465)
Intangible assets greater than tax values	(4,352)	2,097	–	(2,255)
Deferred finance fees	(76)	(49)	–	(125)
Other	(27)	(10)	–	(37)
	$ (6,528)	$ 2,370	$ –	$ (4,158)
Total deferred tax assets (liabilities)	$ 768	$ 3,432	$ (2,513)	$ 1,687

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

	Balance at January 1, 2012	Change in rate due to conversion to a corporation	Recognized in statement of loss	Recognized in comprehensive loss	Balance at December 31, 2012
Pension obligations and other post-employment benefit plans	$ 7,420	$ (3,614)	$ (395)	$ 1,719	$ 5,130
Unfavourable lease obligation	298	(128)	(32)	–	138
Lease escalation	434	(187)	(11)	–	236
Benefit of income tax loss and other carry-forwards	889	–	455	–	1,344
Deductible reserves	822	(345)	(29)	–	448
	$ 9,863	$ (4,274)	$ (12)	$ 1,719	$ 7,296
Convertible debentures	$ (503)	$ 93	$ 55	$ –	$ (355)
Property, plant and equipment greater than tax values	(2,825)	1,135	(28)	–	(1,718)
Intangible assets greater than tax values	(11,042)	4,416	2,274	–	(4,352)
Deferred finance fees	(93)	47	(30)	–	(76)
Other	(199)	–	172	–	(27)
	$ (14,662)	$ 5,691	$ 2,443	$ –	$ (6,528)
Total deferred tax assets (liabilities)	$ (4,799)	$ 1,417	$ 2,431	$ 1,719	$ 768

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2013, DATA Group has non-capital loss carry-forwards of $8,765 (2012 – $4,844) primarily due to tax deductions for interest on DATA Group's convertible debentures. The non-capital loss carry-forwards expire in varying amounts from 2030 to 2033.

In the ordinary course of business, DATA Group 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.

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

The major components of income tax expense for the years ended December 31, 2013 and 2012 are set out below:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current income tax expense:		
Current tax on profits for the year	$ 2,916	$ 4,220
Total current income tax expense	2,916	4,220
Deferred income tax recovery:		
Effect of conversion to a corporation	–	(1,417)
Origination and reversal of temporary differences described above	(3,432)	(2,431)
Total deferred income tax recovery	(3,432)	(3,848)
Total income tax (recovery) expense for the year	$ (516)	$ 372

Taxes on items recognized in comprehensive loss for the years ended December 31, 2013 and 2012 are set out below:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Deferred income tax recovery on conversion to a corporation	$ –	$ (406)
Deferred income tax expense (recovery) on recognition of actuarial gains (losses) related to defined benefit plans	2,513	(1,313)
Total deferred income tax expense (recovery) in comprehensive loss	$ 2,513	$ (1,719)

Factors affecting tax (recovery) expense for the year

The 2013 statutory rate of Canadian corporate income tax is 26.25% (2012 – 26.22%). The following are reconciliations of income taxes calculated at the Canadian corporate rate to the tax (recovery) expense for the years ended December 31, 2013 and 2012.

	For the year ended December 31, 2013	For the year ended December 31, 2012
Loss before tax multiplied by the statutory rate of Canadian corporate tax of 26.25% (2012 – 26.22%)	$ (12,169)	$ (9,737)
Increase (reduction) in rate resulting from:		
Effect of conversion to a corporation	–	(1,417)
Impairment of goodwill	11,550	11,536
Non-deductible expenses and other items	103	(10)
Total income tax (recovery) expense for the year	$ (516)	$ 372

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.25% (2012 – 26.22%). The tax rate for the current year is 0.03% higher than 2012 due to the effect of increases in statutory tax rates. Deferred 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 tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.55% (2012 – 26.37%) based on the tax rates in years when the temporary differences are expected to reverse.

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

13 Other non-current liabilities

	December 31, 2013	December 31, 2012
Deferred lease inducement	$ 368	$ 490
Lease escalation liabilities	748	937
Finance lease liabilities	95	–
	$ 1,211	$ 1,427
Less: Current portion of other non-current liabilities	(353)	(290)
	$ 858	$ 1,137

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

During the year ended December 31, 2006, DATA Group entered into a lease agreement for its Edmonton, Alberta facility and that included lease inducements which were deferred and are recognized over the life of the lease, expiring in 2016.

DATA Group's operations are conducted in leased properties. DATA Group's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease, expiring in 2014 to 2018.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. During year ended December 31, 2013, DATA Group entered into a finance lease obligation for certain printing equipment of $120.

14 Pension obligations, asset and expenses

Reflected in the consolidated statement of financial position as follows:

	December 31, 2013	December 31, 2012
Pension asset	$ (2,684)	$ –
Pension obligations	8,102	16,839
Pension obligations, net	$ 5,418	$ 16,839

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Group Pension Plan. However, annual actuarial valuations are required on the DATA Group Pension Plan until the solvency deficiency is reduced to a level under which applicable pension regulations allow the valuations to be completed every three years. Based on these valuations, the annual cash contributions in respect of the defined benefit provision of the DATA Group Pension Plan will be determined annually and will depend on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others. Under applicable pension regulations, the plan's solvency deficiency can be funded over a maximum period of five years.

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

During the year ended December 31, 2013, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2013, the DATA Group Pension Plan had a significant solvency deficit. Based upon the January 1, 2013 actuarial valuation report, DATA Group's annual cash contributions to the defined benefit provision of the DATA Group Pension Plan decreased to $2,300 from $2,402 effective from January 1, 2013. During the year ended December 31, 2013, DATA Group made all the required payments related to its funding requirements for the defined benefit provision of the DATA Group Pension Plan for 2013, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2013.

During the year ended December 31, 2012, the benefit settlement of a predecessor corporation's defined benefit pension plan resulted in an over contribution and DATA Group recorded a gain on the finalization of the settlement of this pension plan of $243.

The following is a summary of DATA Group's net pension obligations:

	December 31, 2013	December 31, 2012
Present value of funded obligations	$ 51,836	$ 56,549
Less: Fair value of plan assets	(54,520)	(48,339)
(Surplus) deficit of funded plans	(2,684)	8,210
Present value of unfunded obligations	8,102	8,629
Pension obligations, net	$ 5,418	$ 16,839

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

	Funded	Unfunded	December 31, 2013
Balance – Beginning of year	$ 56,549	$ 8,629	$ 65,178
Interest expense	2,425	341	2,766
Benefits paid	(4,048)	(594)	(4,642)
Re-measurements:			
– Loss from change in demographic assumptions	2,284	312	2,596
– Gain from change in financial assumptions	(4,998)	(469)	(5,467)
– Experience gains	(376)	(117)	(493)
Balance – End of year	$ 51,836	$ 8,102	$ 59,938

	Funded	Unfunded	December 31, 2012
Balance – Beginning of year	$ 49,284	$ 8,371	$ 57,655
Plan settlement	(264)	–	(264)
Interest expense	2,580	394	2,974
Benefits paid	(2,176)	(656)	(2,832)
Re-measurements:			
– Loss from change in financial assumptions	7,189	657	7,846
– Experience gains	(64)	(137)	(201)
Balance – End of year	$ 56,549	$ 8,629	$ 65,178

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

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

	Funded	Unfunded	December 31, 2013
Balance – Beginning of year	$ 48,339	$ –	$ 48,339
Interest income	2,127	–	2,127
Employer contributions	2,300	594	2,894
Benefits paid	(4,048)	(594)	(4,642)
Administrative expenses paid from plan assets	(290)	–	(290)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest income	6,092	–	6,092
Balance – End of year	$ 54,520	$ –	$ 54,520

	Funded	Unfunded	December 31, 2012
Balance – Beginning of year	$ 43,612	$ –	$ 43,612
Interest income	2,341	–	2,341
Employer contributions	2,402	656	3,058
Refund of over contribution	(299)	–	(299)
Benefits paid	(2,176)	(656)	(2,832)
Administrative expenses paid from plan assets	(265)	–	(265)
Plan settlement	(21)	–	(21)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest income	2,745	–	2,745
Balance – End of year	$ 48,339	$ –	$ 48,339

DATA GROUP PENSION PLAN ASSET COMPOSITION

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Quoted	Percentage of plan assets	Quoted	Percentage of plan assets
Domestic equities	$ 13,251		$ 11,947	
Foreign equities	17,528		15,494	
Equity instruments	$ 30,779	56%	$ 27,441	57%
Universe bonds	4,431		11,928	
Long bonds	14,864		8,031	
Real return bonds	649		309	
Commercial mortgages	3,600		–	
Debt instruments	$ 23,544	43%	$ 20,268	42%
Cash and cash equivalents	$ 197	1%	$ 630	1%
Total	$ 54,520	100%	$ 48,339	100%

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

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENT OF LOSS

	Funded	Unfunded	December 31, 2013
Administration expenses	$ 290	$ –	$ 290
Interest expense	2,425	341	2,766
Interest income	(2,127)	–	(2,127)
Total net interest expense	298	341	639
Defined benefit expense recognized	$ 588	$ 341	$ 929

	Funded	Unfunded	December 31, 2012
Administration expenses	$ 290	$ –	$ 290
Gain on settlement of pension plan	(243)	–	(243)
Interest expense	2,580	394	2,974
Interest income	(2,341)	–	(2,341)
Total net interest expense	239	394	633
Defined benefit expense recognized	$ 286	$ 394	$ 680

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE LOSS

	Funded	Unfunded	December 31, 2013
Re-measurements:			
– Loss from change in demographic assumptions	$ 2,284	$ 312	$ 2,596
– Gain from change in financial assumptions	(4,998)	(469)	(5,467)
– Experience gains	(376)	(117)	(493)
– Return on plan assets, excluding amounts included in interest income	(6,092)	–	(6,092)
	(9,182)	(274)	(9,456)
Deferred income tax effect	2,411	72	2,483
Defined benefit recovery recognized	$ (6,771)	$ (202)	$ (6,973)

	Funded	Unfunded	December 31, 2012
Re-measurements:			
– Loss from change in demographic assumptions	$ 7,189	$ 657	$ 7,846
– Experience gains	(64)	(137)	(201)
– Return on plan assets, excluding amounts included in interest income	(2,770)	–	(2,770)
	4,355	520	4,875
Deferred income tax effect	(1,141)	(136)	(1,277)
Defined benefit expense recognized	$ 3,214	$ 384	$ 3,598

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

DATA Group manages its pension plans by meeting with actuarial consultants and the fund manager 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 DATA GROUP'S DEFINED BENEFIT OBLIGATIONS

	December 31, 2013	December 31, 2012
DATA GROUP PENSION PLAN		
Discount rate	**5.00%**	4.40%
Rate of compensation increase	**3.00%**	3.00%
SERP		
Discount rate	**4.70%**	4.10%

DATA Group increased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2013 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2013.

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, 2013	December 31, 2012
RETIRING AT THE END OF THE REPORTING PERIOD:		
Male	**21.3**	19.8
Female	**23.5**	22.1
RETIRING IN 25 YEARS AFTER THE END OF THE REPORTING PERIOD:		
Male	**22.6**	21.6
Female	**24.4**	23.1

Through its defined benefit plans, DATA Group 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 Group Pension Plan currently holds a significant proportion of equities, 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 Group Pension Plan's investment time horizon is a key input in deciding on the proportion of equities held.

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

The defined benefit provision of the DATA Group Pension Plan is closed to new membership which means the investment time horizon is shrinking as the plan matures. As the plan matures, the defined benefit provision of the DATA Group Pension Plan's level of investment risk will be reduced by lowering the proportion of equities and increasing the proportion of bonds which are a better match to the plan liabilities. This shift from equities to better matching bonds commenced in 2012 and is expected to conclude in 2026. This period was selected based on analysis of projected pension benefit cash flows. Through the derisking schedule, the defined benefit provision of the DATA Group Pension Plan will lower its interest rate risk, inflation risk and equity risk. In 2011, the DATA Group Pension Plan had 60% equities and 40% bonds. In 2026, the defined benefit provision of the DATA Group Pension Plan is expected to have 15% equities and 85% bonds. This derisking strategy is reviewed annually to consider the current environment and may be revised at any point in time.

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 are to 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 obligations to changes in assumptions at December 31, 2013 is 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.

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (2,108)	$ 2,221
Salary growth rate	0.25%	429	(450)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		$ 1,293	$ (1,342)

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 obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation 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 statement of financial position.

The weighted average duration of the defined benefit obligations is 14.6 years (2012 – 14.8 years).

Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Between 5 to 10 years
At December 31, 2013	$ 2,496	$ 5,355	$ 5,761	$ 17,228

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

The annual pension expense for the defined contribution provision of the DATA Group Pension Plan is based on the amounts contributed in respect of eligible employees. The annual pension expense for the SRDF, which is accounted for as a defined contribution plan, is based on amounts contributed based on a percentage of wages of unionized employees covered by the respective negotiated collective bargaining agreements.

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
Defined contribution plan	$ 1,933	$ 1,932
Defined benefit multi-employer plan	$ 662	$ 676

DATA Group expects that, in 2014, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $2,938, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1,900, contributions to the SERP will be approximately $581 and contributions to the SRDF will be approximately $683.

15 Other post-employment benefit plans

Costs related to other post-employment and other long-term employee benefit plans 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 DATA Group's other post-employment and other long-term employee benefit plans:

	December 31, 2013	December 31, 2012
Balance – Beginning of year	$ 2,726	$ 2,525
Current service cost	216	303
Interest expense	123	144
Benefits paid	(288)	(280)
Re-measurements:		
– (Gain)/loss from change in demographic assumptions	(209)	(121)
– (Gain)/loss from change in financial assumptions	(163)	221
– Experience (gains)/losses	226	(66)
Balance – End of year	$ 2,631	$ 2,726

ELEMENTS OF OTHER POST EMPLOYMENT BENEFIT EXPENSE RECOGNIZED IN THE STATEMENT OF LOSS

	December 31, 2013	December 31, 2012
Current service cost	$ 216	$ 303
Interest expense	123	144
Re-measurements:		
– Experience (gains)/losses	(29)	(104)
Benefit expense recognized	$ 310	$ 343

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

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE LOSS

	December 31, 2013	December 31, 2012
Re-measurements:		
– (Gain)/loss from change in demographic assumptions	$ (70)	$ 144
– (Gain)/loss from change in financial assumptions	(85)	(6)
– Experience (gains)/losses	38	–
	(117)	138
Deferred income tax effect	30	(36)
Benefit (recovery) expense recognized	$ (87)	$ 102

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

DATA GROUP OTHER LONG-TERM EMPLOYEE OBLIGATIONS	December 31, 2013	December 31, 2012
Discount rate	5.00%	4.40%
Health care cost trend rate – Initial	6.41%	7.76%
Health care cost trend rate declines by 2028 (2012 – 2030)	4.50%	4.75%

DATA GROUP OTHER POST-EMPLOYMENT OBLIGATION	December 31, 2013	December 31, 2012
Discount rate	5.00%	4.40%
Health care cost trend rate – Initial	6.89%	6.77%
Health care cost trend rate declines by 2028 (2012 – 2030)	4.50%	4.75%

SENSITIVITY ANALYSIS ON OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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.

	Impact on other post-employment benefit obligations		
At December 31, 2013	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (48)	$ 50
Health care cost trend rates	1.00%	182	(164)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	$ 65	$ (62)

Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Between 5 to 10 years
At December 31, 2013	$ 303	$ 517	$ 454	$ 909

DATA Group expects that, in 2014, contributions to its other post-employments benefit plans will be approximately $303.

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

16 Financial instruments

DATA Group's financial instruments consist of cash and cash equivalents, trade receivables, bank overdraft, trade payables, dividends payable, revolving bank facility, and convertible debentures, as indicated in DATA Group's statements of consolidated financial position as at December 31, 2013 and 2012. DATA Group does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, trade receivables, bank overdraft, trade payables, and dividends payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of the credit facilities are equivalent to their carrying value since their interest rates are comparable to market rates. The 6.00% Convertible Debentures are listed for trading on the TSX, and the debt portion is recorded at amortized cost. Based on the quoted market price, the 6.00% Convertible Debentures had a fair value of $17,640 at December 31, 2013 compared to a book value of $42,909 for the debt portion and of $516 for the conversion options recorded at its historical value.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIESES

The carrying values and the fair values of DATA Group's financial instruments are classified into the following categories as at December 31, 2013 and as at December 31, 2012:

December 31, 2013	**Carrying Value**	**Fair Value**
Loans and receivables [1]	$ 37,029	$ 37,029
Financial liabilities at amortized cost [2]	121,700	95,382

December 31, 2012	Carrying Value	Fair Value
Loans and receivables [1]	$ 40,419	$ 40,419
Financial liabilities at amortized cost [2]	129,339	116,054

Notes:
(1) Includes cash and cash equivalents, bank overdraft and trade receivables.
(2) Includes trade payables (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), dividends payable, revolving bank facility and convertible debentures.

There are no financial instruments recorded at fair value in the consolidated statement of financial position as at December 31, 2013 and 2012.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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 DATA Group to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included on the statement of consolidated position represents the maximum credit exposure.

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

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

DATA Group has trade receivables from clients engaged in various industries including financial institutions, insurance companies, oil and gas companies, retailers, and governmental agencies that are not concentrated in any specific geographic area. DATA Group 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 DATA Group's large client base.

Based on historical experience, DATA Group records a reserve for estimated uncollectible amounts. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 90 days in assessing DATA Group's credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off. As at December 31, 2013, $1,276 or 3.4%, of trade receivables were more than 90 days old, an increase from $1,251 or 3.0%, of trade receivables that were more than 90 days old at December 31, 2012. The movement in DATA Group's allowance for doubtful accounts for 2013 and 2012 are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Balance – Beginning of period	$ 517	$ 553
Provisions and revisions	120	(36)
Balance – End of period	$ 637	$ 517

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, DATA Group enters into derivative transactions only with highly rated Canadian financial institutions. At December 31, 2013 and 2012, no such transactions were outstanding.

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

LIQUIDITY RISK

Liquidity risk is the risk that DATA Group may encounter difficulties in meeting obligations associated with financial liabilities as they become due. As at December 31, 2013, DATA Group had access to $16,500 of available credit less letters of credit granted of $2,875 under its credit facilities.

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

December 31, 2013	Less than a year	1 to 3 years	4 years and greater	Total
Trade payables	$ 26,061	$ –	$ –	$ 26,061
Long-term debt [1]	6,725	51,163	–	57,888
Convertible debentures [2]	2,700	51,750	–	54,450
Total	$ 35,486	$ 102,913	$ –	$ 138,399

December 31, 2012	Less than a year	1 to 3 years	4 years and greater	Total
Bank overdraft	$ 1,161	$ -	$ -	$ 1,161
Trade payables	28,289	-	-	28,289
Dividends payable	1,273	-	-	1,273
Long-term debt [1]	2,598	59,732	-	62,330
Convertible debentures [2]	2,700	8,100	46,350	57,150
Total	$ 36,021	$ 67,832	$ 46,350	$ 150,203

Notes:

(1) Revolving bank facility, expiring on August 31, 2015. As at December 31, 2013, the outstanding balance totalled $53,500 and bore interest at an average floating rate of 5.24%. The outstanding balance has been reduced by principal repayments of $3,000 on March 31 and September 30 of each year commencing on March 31, 2014. The amounts at December 31, 2013 include estimated interest totalling $2,725 for 2014, and $1,663 for 2015. As at December 31, 2012, the outstanding balance totalled $58,000 and bore interest at an average floating rate of 4.48%. The amounts at December 31, 2012 include estimated interest totalling $2,598 for 2013, and $1,732 for 2014. The estimated interest has been calculated based on the total borrowings outstanding during the periods and the average annual floating interest rate in effect as at December 31, 2013 and 2012, respectively.

(2) 6.00% convertible debentures, maturing on June 30, 2017, convertible at 81.967 shares per $1,000 of debenture. The amounts at December 31, 2013 include interest totalling $2,700 for 2014 to 2016 and $1,350 for 2017. The amounts at December 31, 2012 include interest totalling $2,700 for 2013 to 2016 and $1,350 for 2017.

DATA Group also has significant contractual obligations in the form of operating leases (note 22), as well as contingent obligations in the form of letters of credit. DATA Group believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing and planned restructuring initiatives will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance capital expenditures and interest and scheduled repayments of borrowings under its credit facilities.

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

MARKET RISK

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. Non-derivative interest bearing assets are primarily short term liquid assets. DATA Group's interest rate risk arises from long-term debt issuances at fixed and floating interest rates.

At December 31, 2013, $53,500 of the DATA Group's indebtedness outstanding was subject to floating interest rates of 5.24%, a 1% increase/decrease in interest rates would have resulted in an increase/decrease in net income (loss) and comprehensive income (loss) by $559 for the year ended December 31, 2013 (2012 – $590), respectively. DATA Group's remaining outstanding convertible debentures are subject to a fixed interest rate of 6.00%.

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, DATA Group 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 DATA Group. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

17 Shares

DATA Group 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 of Directors. In the event of the liquidation, dissolution, winding up of DATA Group or other distribution of assets of DATA Group among its shareholders for the purpose of winding up its affairs, the holders of the common shares will, subject to the rights of the holders of any other class of shares of DATA Group entitled to receive assets of DATA Group upon such a distribution in priority to or concurrently with the holders of the common shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction. As a result of the Arrangement, the Fund's units were converted into common shares of the Corporation on a one for one basis on January 1, 2012.

The following summarizes the change in shares:

	Number of Common shares	Amount
Balance – January 1, 2013 and December 31, 2013	**23,490,592**	**$ 215,336**
Balance – January 1, 2012	–	$ –
Converted on January 1, 2012 from units	23,490,592	215,336
Balance – December 31, 2012	23,490,592	$ 215,336

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

18 Units

An unlimited number of units could have been issued pursuant to the declaration of trust. Units were redeemable by the holder at a price equal to the lesser of 90% of the market price of a unit during the ten consecutive trading day period ending on the trading day immediately prior to the date on which the units were surrendered for redemption and an amount based on the closing price on the redemption date. The Fund restricted the aggregate amount of cash redemptions to a monthly limit of $50. Each holder of units of the Fund participated pro rata in any distributions from the Fund. Income tax obligations related to the distributions by the Fund were obligations of the unitholders. Each unit was entitled to one vote at any meeting of unitholders. As a result of the Arrangement, the Fund's units were converted into common shares of the Corporation on a one for one basis on January 1, 2012.

The following summarizes the change in units:

	Number of Units	Amount
Balance – January 1, 2012	23,490,592	$ 215,336
Converted on January 1, 2012 to common shares	(23,490,592)	(215,336)
Balance – December 31, 2012	–	$ –

19 Loss per share

	For the year ended December 31, 2013	For the year ended December 31, 2012
BASIC LOSS PER SHARE		
Net loss for the year attributable to shareholders	$ (45,831)	$ (37,451)
Weighted average shares	23,490,592	23,490,592
Basic loss per share	$ (1.95)	$ (1.59)
DILUTED LOSS PER SHARE		
Net loss for the year attributable to shareholders	$ (45,831)	$ (37,451)
Weighted average shares	23,490,592	23,490,592
Diluted loss per share	$ (1.95)	$ (1.59)

6.00% Convertible Debentures in the aggregate principal amount of $45,000 and the related interest expense were excluded from the computation of diluted earnings per share as their effect would have been antidilutive.

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

20 Dividends

The Board of Directors has established and adopted a dividend policy. On November 7, 2013, the Board of Directors made a change to the dividend policy and decided to suspend the payment of dividends, effective immediately, until further notice. The dividends were suspended to allow DATA Group to focus on reducing its long-term debt outstanding and investing in DATA Group's cost savings and growth initiatives. Dividends under the previous policy were intended to be paid quarterly at a rate of $0.075 per share (or an annual rate of $0.30 per share) to shareholders of record on or about the last business day of March, June, September and December, with actual payment to be made to those shareholders on or about the 15th day of the following month, subject to any contractual restrictions on those dividends, including any agreements entered into with lenders to DATA Group.

The dividend policy of DATA Group is subject to the discretion of the Board of Directors and will be evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, DATA Group's earnings, financial requirements, growth opportunities, the satisfaction of solvency tests imposed by the Ontario Business Corporations Act for the declaration of dividends and other conditions existing at such future time.

Dividends declared by DATA Group for the year ended December 31, 2013 are as follows:

Record date	Payment date	Per Share	Amount
March 28, 2013	April 15, 2013	$ 0.075	$ 1,762
June 28, 2013	July 15, 2013	0.075	1,762
September 30, 2013	October 15, 2013	0.075	1,762
			$ 5,286

Dividends declared by DATA Group for the year ended December 31, 2012 are as follows:

Record date	Payment date	Per Share	Amount
January 31, 2012	February 15, 2012	$ 0.054	$ 1,273
February 29, 2012	March 15, 2012	0.054	1,273
March 30, 2012	April 13, 2012	0.054	1,274
April 30, 2012	May 15, 2012	0.054	1,273
May 31, 2012	June 15, 2012	0.054	1,273
June 29, 2012	July 13, 2012	0.054	1,274
July 31, 2012	August 15, 2012	0.054	1,273
August 31, 2012	September 14, 2012	0.054	1,273
September 28, 2012	October 15, 2012	0.054	1,273
October 31, 2012	November 15, 2012	0.054	1,273
November 30, 2012	December 14, 2012	0.054	1,273
December 31, 2012	January 15, 2013	0.054	1,273
			$ 15,278

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

21 Changes in working capital

	For the year ended December 31, 2013	For the year ended December 31, 2012
Trade receivables	$ 5,040	$ 2,200
Inventories	528	2,701
Prepaid expenses and other current assets	485	287
Trade payables	(2,308)	(3,989)
Deferred revenue	2,527	(1,453)
	$ 6,272	$ (254)

22 Commitments and contingencies

DATA Group leases real estate, printing equipment, trucks and office equipment in connection with its sales and manufacturing activities under non-cancellable lease agreements, which expire at various dates. Future commitments under non-cancellable operating leases are as follows:

	December 31, 2013
2014	$ 13,198
2015	10,754
2016	7,389
2017	3,709
2018	1,200
2019 and thereafter	1,498
	$ 37,748

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

DATA Group's members in the SRDF plan are in Québec and therefore the funded status of the accrued benefit obligation for these employees are subject to pension regulations in that province. The most recent funding actuarial report in respect of the Québec members of the plan discloses a solvency deficiency and a gap between the minimum total contributions required under applicable Québec legislation and total employer contributions determined pursuant to collective agreements. There is no contractual agreement as to how the share of the deficiency is determined or funded in respect of each participating employer. These issues also affect other industry groups and are currently being negotiated by the relevant parties. DATA Group may be required to make additional ongoing contributions towards funding DATA Group's portion of the solvency deficiency. Under Québec legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of DATA Group's employees, pensioners and vested deferred members if, in the future, DATA Group withdraws from the plan or the plan is terminated. Based on the most recent actuarial report and additional information supplied by the multi-employer plan actuary and administrator, the portion of the plan solvency deficiency in respect of DATA Group's employees, pensioners, and vested deferred members is estimated to be approximately $28,000 or 15.5% of the total plan solvency deficiency as of December 31, 2013. Currently, there is uncertainty and a lack of complete information to support the allocation of assets and liabilities used to determine this estimate.

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

23 Capital structure

The DATA Group's objectives when managing its capital structure are:

- To seek to ensure sufficient liquidity to safe guard the DATA Group's ability to continue as a going concern.
- To maintain a strong capital base so as to maintain shareholders', creditors' and market confidence.
- To provide a return to shareholders.

The DATA Group's capital structure consists of various types of long-term debt and shareholder's equity. The DATA Group's primary uses of capital are to finance increases to working capital, payments towards other long-term obligations, capital expenditures and acquisitions.

DATA Group's Revolving Bank Facility is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a subsidiary level (see note 10). Management also uses this ratio as a key indicator in managing the DATA Group's capital.

With respect to its equity, the current level of capital is considered adequate in the context of current operations and the present strategic plan of DATA Group. The equity component of capital increases primarily based upon the income of the business less the dividends paid. Management anticipates that any major acquisition would be financed in part with additional equity.

DATA Group's capital structure is as follows:

	December 31, 2013	December 31, 2012
Revolving bank facility	$ 53,109	$ 57,553
Convertible debentures	42,909	42,311
Total long-term debt	$ 96,018	$ 99,864
Total equity	$ 18,075	$ 62,114

DATA Group is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its Revolving Bank Facility, which relates mainly to permitted investments, acquisitions, lease agreements, dividends and subordinated debt.

24 Expenses by nature

	For the year ended December 31, 2013	For the year ended December 31, 2012
Raw materials and other purchases	$ 152,223	$ 162,156
Wages and benefits	111,469	116,199
Pension and other post-employment expenses	3,072	3,100
Occupancy costs	17,687	18,069
Restructuring expenses	7,034	–
Depreciation, amortization and impairments	57,700	58,969
Other expenses	6,924	7,696
Total cost of revenues and operating expenses	$ 356,109	$ 366,189

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

25 Segmented information

The president and chief executive officer ("CEO") of DATA Group is the chief operating decision-maker. Management has determined the reporting segments based on the information reviewed by the president and CEO for the purpose of allocating resources and assessing performance. DATA Group has two reporting segments organized on the basis of geography, channels and specialties as follows: DATA East and West and Multiple Pakfold. These reporting segments follow the same accounting policies as described in the summary of significant accounting policies, and all intersegment revenues are recorded at the exchange amount. Management evaluates the performance of each reporting segment based on income before interest, finance costs and income taxes. Corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segments. All significant external sales are to customers located in Canada. The DATA Group established operations in Niles, Illinois during the fourth quarter of 2012 in order to service the U.S. operations of a large customer.

For the year ended December 31, 2013	DATA East and West	Multiple Pakfold	Intersegment	Total
Revenues	$ 304,243	$ 13,883	$ (1,165)	$ 316,961
Gross profit	77,492	2,590	–	80,082
Impairment of goodwill	44,000	–	–	44,000
(Loss) income before under noted items	$ (20,914)	$ 698	$ –	(20,216)
Restructuring expenses				7,034
Unallocated corporate expenses				11,898
Loss before finance costs and income taxes				(39,148)
Finance costs				7,210
Current income tax expense				2,916
Deferred income tax recovery				(3,432)
Net loss for the year				$ (45,842)

SUPPLEMENTAL INFORMATION

Depreciation of property, plant and equipment	$ 5,251	$ 79	$ –	$ 5,330
Purchase of property, plant and equipment	$ 2,291	$ 53	$ –	$ 2,344

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

For the year ended December 31, 2012	DATA East and West	Multiple Pakfold	Intersegment	Total
Revenues	$ 322,894	$ 14,537	$ (1,116)	$ 336,315
Gross profit	84,349	2,823	–	87,172
Impairment of goodwill	44,000	–	–	44,000
(Loss) income before under noted items	$ (17,359)	$ 839	$ –	(16,520)
Corporate conversion costs				84
Gain on settlement of pension plan				(243)
Unallocated corporate expenses				13,513
Loss before finance costs and income taxes				(29,874)
Finance costs				7,261
Current income tax expense				4,220
Deferred income tax recovery				(3,848)
Net loss for the year				$ (37,507)

SUPPLEMENTAL INFORMATION

Depreciation of property, plant and equipment	$ 5,621	$ 106	$ –	$ 5,727
Purchase of property, plant and equipment	$ 2,019	$ 9	$ –	$ 2,028

SEGMENTED ASSET

December 31, 2013	**DATA East and West**	**Multiple Pakfold**	**Corporate**	**Total**
Assets (other than goodwill)	**$ 103,961**	**$ 3,156**	**$ 2,414**	**$ 109,531**
Goodwill	**57,066**	**–**	**–**	**57,066**
	$ 161,027	**$ 3,156**	**$ 2,414**	**$ 166,597**

December 31, 2012	DATA East and West	Multiple Pakfold	Corporate	Total
Assets (other than goodwill)	$ 117,471	$ 3,482	$ 2,610	$ 123,563
Goodwill	101,066	–	–	101,066
	$ 218,537	$ 3,482	$ 2,610	$ 224,629

Warehousing revenues are approximately 7% of total consolidated revenues for the year ended December 31, 2013 and approximately 8% of total consolidated revenues for the year ended December 31, 2012.

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

26 Related party transactions

DATA Group does not have transactions in the ordinary course of business with entities whose management, directors or trustees are also directors of DATA Group.

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be the CEO, chief financial officer and others. Compensation awarded to key management personnel included:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries and other short-term employee benefits	$ 1,839	$ 2,143
Post-employment benefits	35	39
Total	$ 1,874	$ 2,182

During the year ended December 31, 2013, DATA Group's general and administration expenses include a charge of $279 (2012 – $251) for the duties performed by DATA Group's Board of Directors.

27 Subsequent events

INTERNAL REORGANIZATION

On January 1, 2014, DATA Group Inc. completed an internal reorganization to simplify its corporate structure. Pursuant to the internal reorganization, DATA Group Inc. amalgamated with its Canadian subsidiaries to form a new corporation called "DATA Group Ltd.". The amalgamation became effective on January 1, 2014. Pursuant to the amalgamation, all of the issued and outstanding shares of DATA Group Inc.'s Canadian subsidiaries were cancelled and the assets and liabilities of the amalgamating corporations became the assets and liabilities of DATA Group Ltd. Pursuant to the amalgamation, DATA Group Ltd. also assumed all of the covenants and obligations of DATA Group Inc. under its outstanding 6.00% Convertible Debentures. No securities were issued in connection with the amalgamation and the authorized and issued share capital of DATA Group Ltd. is the same as that of DATA Group Inc. immediately prior to the amalgamation becoming effective.

The reorganization will not have any significant effect on the business and operations of DATA Group Inc. and its subsidiaries, which will now be carried on by DATA Group Ltd. and its subsidiary DATA Group (US) Corp.

The common shares of DATA Group Ltd. will trade under the symbol "DGI". The 6.00% Convertible Debentures of the amalgamated corporation will trade under the symbol "DGI.DB.A".

On January 1, 2014, DATA Group Ltd. (the successor to DATA Group Inc.) entered into a credit agreement (the "Second Amended Credit Agreement") with two Canadian chartered banks reflecting changes in the corporate structure as a result of its internal reorganization. The terms of the Second Amended Credit Agreement are otherwise substantially similar to those contained in the credit facility previously maintained by a subsidiary of DATA Group Inc. with the same lending syndicate.

Corporate information

Directors and Officers

Derek Ridout [2]
Chairman, Director

Ronald A. Fotheringham [1, 2]
Director

John H. Greenhough [1,3]
Director

Thomas R. Spencer [1, 2, 3]
Director

William Albino [1, 3]
Director

Michael Suksi
Director and Officer
President and Chief Executive Officer

Paul O'Shea
Officer
Chief Financial Officer and Corporate Secretary

1 Member, Audit Committee (Chairperson is Thomas R. Spencer)

2 Member, Compensation Committee (Chairperson is Ronald A. Fotheringham)

3 Member, Corporate Governance Committee (Chairperson is John H. Greenhough)

Executive Team

Michael Suksi
President and Chief Executive Officer

Paul O'Shea
Chief Financial Officer

Judy Holcomb-Williams
Vice-President
Human Resources

Rick Barron
Vice-President, Sales and Marketing, Western Canada

Steve Wittal
Vice-President, Sales and Marketing, Eastern Canada

Diane Schwind
Vice-President, Operations, Eastern Canada and Multiple Pakfold

Alan Roberts
Vice-President, Operations – On Demand Services, FSA and Western Canada

Ian Halliday
Vice-President, Document Process Management

Paul Dunkerley
Vice-President
Digital Marcom Services

Corporate Information

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

Corporate Office
9195 Torbram Road
Brampton, Ontario L6S 6H2
Telephone: 905-791-3151
Facsimile: 905-791-1713

Website
www.datagroup.ca

Toronto Stock Exchange Symbols
DGI and DGI.DB.A

WE ARE DEFINED BY OUR VALUES

Our success owes much to a set of corporate values which define and drive our culture.

We do what we say we will do.

We will be innovative, indeed visionary, in developing solutions for our customer's benefit... regardless of the technology.

We are committed to customer service and quality.

We conduct our business ethically and legally.

We are a people-oriented company committed to employment equity, safety and the environment.

We strive for market leadership and take pride in our products and services.

We encourage decision-making and initiative at all levels of our company.

DATA Group Ltd., 9195 Torbram Road, Brampton, ON L6S 6H2
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