DATA GROUP LTD.

ANNUAL REPORT 2014

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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 1,640 employees working from 34 locations across Canada and the United States to accomplish this.

Dear fellow shareholders:

DATA Group earned net income of $4.5 million or $0.19 per share in the year ended December 31, 2014 versus a loss in the prior year.

I am particularly encouraged by our results in the second half of 2014 as revenue increased by 1.4% and Adjusted EBITDA stabilized compared to the same period in 2013.

Debt Reduction

During the year, DATA Group repaid $6.5 million of debt, bringing its total debt including its convertible debentures to $90.1 million. During the fourth quarter we extended the term of our senior debt credit facilities to August 31, 2016.

Revenue Stabilization/Growth

Our intent in 2014 was to stabilize our revenue and position ourselves for longer term revenue growth. During 2014, DATA Group had revenues of $313.2 million, a 1.2% decline from 2013. Our revenues included strong growth from our U.S. customers. During the second half of 2014 overall revenue grew by 1.4% compared to the same period in 2013. We continue with our plans to;

- Add new sales talent
- Win market share in our traditional print business
- Invest in the key growth areas we have identified; labels, marketing print and digital communications
- Bundling our digital services with our print offerings
- Expand our U.S. revenue

In the fourth quarter we made a number of investments in this regard, highlighted by new sales leadership in Western Canada, the creation of a dedicated, new Marketing function and a decision to upgrade our print capability at our new Calgary facility that will come on-line in early 2015.

Cost Reduction

We are reducing our costs to balance productive capacity with demand in declining markets while investing selectively in growth areas. When we started the restructuring process in 2013, we had a target to take out 35% of our manufacturing floor space and 20% of our headcount at all levels. We are well advanced in achieving our targets. By the middle of 2015 we will have reduced our manufacturing floor space by 26% and our headcount by 20%. While doing this, we have successfully sublet three of the exited facilities in which we had ongoing lease commitments. We are continuing with these initiatives and look forward to reporting further progress.

Last fall we announced plans for the consolidation of four existing manufacturing locations in Western Canada into one new, modern print and marketing communications centre located in Calgary, Alberta. We are on schedule to finish this project by the end of first quarter of 2015 as originally planned. Since last fall, we have identified further savings opportunities we expect to act on in the first half of 2015. These savings will come from the reorganization of several locations, process improvements and strategic sourcing initiatives. Including the Western Canadian consolidations announced, we anticipate annual savings of $9.0 million to $11.0 million as a result of these actions, with associated restructuring charges in the first half of 2015 of $5.0 million to $6.0 million. The majority of these actions will take place in the first quarter of 2015.

Why is a Transformation Plan Required?

Our industry has seen wholesale changes over the last number of years, mostly due to rapid technological advances. The competitive environment has become even more challenging as our industry transforms to more digital forms of communications and adapts to new client demands for blended print and digital solutions. DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value. Our Transformation Plan is showing results in the three key areas we have targeted; cost reduction, debt reduction and revenue stabilization/growth.

2015 Outlook

For 2015, DATA Group expects to report higher net income and continued reductions in total indebtedness. To support this, our revenue growth and cost reduction strategies will continue. The associated restructuring expenses will be more than offset by efficiency gains. Management has set the following financial targets for 2015:

- Net income of at least $6.0 million;
- Debt reduction of at least $10.0 million;
- Revenues equal to or better than 2014; and,
- Return on shareholders' equity of at least 25% after taxes

Conclusion

During 2014 our Transformational Plan showed a number of positive trends. During 2015 we intend to intensify our focus and accelerate our results regarding on our key goals of cost reduction, debt reduction and revenue growth. We will do this with a sense of urgency, while also being mindful of maintaining the operational business stability that is a precondition to maintaining our valued customer relationships.

For a full description of our financial results for the fourth quarter and full 2014 year, please refer to our audited consolidated financial statements for the year ended December 31, 2014 and related management's discussion and analysis, copies of which are available at www.sedar.com or by contacting us at 905-791-3151.

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.

(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 "DATA Group") for the years ended December 31, 2014 and 2013. This MD&A should be read in conjunction with the DATA Group's audited consolidated financial statements and accompanying notes for the years ended December 31, 2014 and 2013.

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 4, 2015. Additional information relating to DATA Group, including its most recently filed audited consolidated financial statements, 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 reducing the size of its legacy print business, reducing costs, reducing or refinancing its long-term debt and growing its digital communications business; 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; DATA Group's ability to grow its sales or even maintain historical levels of its sales of printed business documents; 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, 2014 means EBITDA adjusted for restructuring charges and gains on the cancellation of convertible debentures. Adjusted EBITDA for the year ended December 31, 2013 means EBITDA adjusted for restructuring charges and goodwill impairment charges. 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. 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 derives its revenues from two sources: document management solutions, which provide 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 has approximately 1,640 employees working from 34 locations across Canada and the United States, and operates as two reporting segments. DATA East and West (which provided approximately 95% of DATA Group's total revenue in 2014) sells a broad range of document management services, marketing solutions and printed products directly to customers in the Canadian and United States markets. Multiple Pakfold (which provided approximately 5% of DATA Group's total revenue in 2014) sells forms and labels to independent brokers and resellers in the Canadian market. Certain elements of the DATA Group's gift card and direct mail businesses and the buying pattern of certain major customers of DATA Group have historically generated higher revenues and profit in the fourth quarter than the other three quarters, which results in seasonal fluctuations in sales of those products.

DATA Group continues to make progress on its Transformation Plan and remains focused on creating long-term enterprise value appreciation for its shareholders. See "Outlook" below.

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, 2014, 2013 and 2012

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

	January 1 to December 31, 2014	January 1 to December 31, 2013	January 1 to December 31, 2012
Revenues	**$ 313,175**	$ 316,961	$ 336,315
Cost of revenues	**238,563**	236,879	249,143
Gross profit	**74,612**	80,082	87,172
Selling, general and administrative expenses	**57,074**	59,826	63,963
Restructuring expenses	**2,804**	7,034	—
Impairment of goodwill	**—**	44,000	44,000
Gain on cancellation of convertible debentures	**(103)**	—	—
Corporate conversion costs	**—**	—	84
Gain on settlement of pension plan	**—**	—	(243)
Amortization of intangible assets	**1,916**	8,370	9,242
	61,691	119,230	117,046
Income (loss) before finance costs and income taxes	**12,921**	(39,148)	(29,874)
Finance costs			
Interest expense	**6,124**	6,657	6,659
Interest income	**(21)**	(15)	(15)
Amortization of transaction costs	**591**	568	617
	6,694	7,210	7,261
Income (loss) before income taxes	**6,227**	(46,358)	(37,135)
Income tax expense (recovery)			
Current	**69**	2,916	4,220
Deferred	**1,679**	(3,432)	(3,848)
	1,748	(516)	372
Net income (loss) for the year	**$ 4,479**	$ (45,842)	$ (37,507)
Net income (loss) attributable to shareholders	**$ 4,479**	$ (45,831)	$ (37,451)
Basic and diluted earnings (loss) per share	**$ 0.19**	$ (1.95)	$ (1.59)
Weighted average number of shares	**23,490,592**	23,490,592	23,490,592

	As at December 31, 2014	As at December 31, 2013	As at December 31, 2012
Current assets	$ 83,619	$ 78,717	$ 84,069
Current liabilities	46,176	42,545	40,316
Total assets	164,977	166,597	224,629
Total non-current liabilities	100,388	105,977	122,199
Shareholders' equity	18,413	18,075	61,978
Non-controlling interests	—	—	136
Total equity	18,413	18,075	62,114

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, 2014, 2013 and 2012

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

	January 1 to December 31, 2014	January 1 to December 31, 2013	January 1 to December 31, 2012
Revenues			
DATA East and West	$ 298,860	$ 304,243	$ 322,894
Multiple Pakfold	15,710	13,883	14,537
Intersegment	(1,395)	(1,165)	(1,116)
	$ 313,175	$ 316,961	$ 336,315
Gross profit			
DATA East and West	$ 71,654	$ 77,492	$ 84,349
Multiple Pakfold	2,958	2,590	2,823
	$ 74,612	$ 80,082	$ 87,172
Gross profit, as a percentage of revenues			
DATA East and West	24.0%	25.5%	26.1%
Multiple Pakfold	18.8%	18.7%	19.4%
	23.8%	25.3%	25.9%
Selling, general and administrative expenses	$ 57,074	$ 59,826	$ 63,963
As a percentage of revenues	18.2%	18.9%	19.0%
Adjusted EBITDA (see Table 3)	$ 22,478	$ 25,586	$ 28,936
Adjusted EBITDA margin, as a percentage of revenues	7.2%	8.1%	8.6%
Net income (loss) for the year	$ 4,479	$ (45,842)	$ (37,507)

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, 2014, 2013 and 2012

(in thousands of Canadian dollars, unaudited)

	January 1 to December 31, 2014	January 1 to December 31, 2013	January 1 to December 31, 2012
Net income (loss) for the year	$ 4,479	$ (45,842)	$ (37,507)
Interest expense	6,124	6,657	6,659
Interest income	(21)	(15)	(15)
Amortization of transaction costs	591	568	617
Current income tax expense	69	2,916	4,220
Deferred income tax expense (recovery)	1,679	(3,432)	(3,848)
Depreciation of property, plant and equipment	4,940	5,330	5,727
Amortization of intangible assets	1,916	8,370	9,242
EBITDA	$ 19,777	$ (25,448)	$ (14,905)
Restructuring expenses	2,804	7,034	—
Impairment of goodwill	—	44,000	44,000
Gain on cancellation of convertible debentures	(103)	—	—
Corporate conversion costs	—	—	84
Gain on settlement of pension plan	—	—	(243)
Adjusted EBITDA	$ 22,478	$ 25,586	$ 28,936

Results of operations

REVENUES

For the year ended December 31, 2014, DATA Group recorded revenues of $313.2 million, a decrease of $3.8 million or 1.2% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a $5.4 million decrease in the DATA East and West segment and was partially offset by a $1.8 million increase in the Multiple Pakfold segment. 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, 2014, cost of revenues increased to $238.6 million from $236.9 million for the same period in 2013. Gross profit for the year ended December 31, 2014 was $74.6 million, which represented a decrease of $5.5 million or 6.8% from $80.1 million for the same period in 2013. The decrease in gross profit for the year ended December 31, 2014 was attributable to a gross profit decrease of $5.8 million in the DATA East and West segment and was partially offset by a gross profit increase of $0.4 million in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 23.8% for the year ended December 31, 2014 compared to 25.3% for the same period in 2013.

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, 2014 decreased $2.8 million or 4.6% to $57.1 million compared to $59.8 million for the same period of 2013. The decrease in SG&A expenses for the year ended December 31, 2014 was attributable to the benefits realized from cost savings initiatives implemented in 2013, which included simplifying DATA Group's organizational structure and centralizing a number of functions. As a percentage of revenues, these costs were 18.2% and 18.9% of revenues for the years ended December 31, 2014 and 2013, respectively.

For the year ended December 31, 2014, DATA Group incurred restructuring expenses related to headcount reductions, management changes, consulting fees and the closure of one manufacturing location of $2.8 million as part of its 2014 restructuring initiatives. 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. Those 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 certain operations from Markham, Ontario to DATA Group's existing facility in Mississauga, Ontario.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2014, DATA Group performed its annual review for impairment of goodwill 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 DATA Group concluded that no goodwill impairment charges were required.

During the third quarter of 2013, market factors, 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 CGU to the CGU's carrying value. As a result of that review and market factors, 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 and concluded that the fair value of its DATA East and West CGU was less than its carrying value. Accordingly, DATA Group recognized a further impairment of goodwill charge of $25.0 million related to the DATA East and West CGU in fourth quarter of 2013.

GAIN ON CANCELLATION OF CONVERTIBLE DEBENTURES

For the year ended December 31, 2014, DATA Group began a Normal Course Issuer Bid ("NCIB") to purchase a portion of its outstanding 6.00 % Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures") and record a gain of $0.1 million related to the cancellation of debentures purchased under the NCIB.

ADJUSTED EBITDA

For the year ended December 31, 2014, Adjusted EBITDA was $22.5 million, or 7.2% of revenues. Adjusted EBITDA for the year ended December 31, 2014 decreased $3.1 million or 12.1% from the same period in the prior year and the Adjusted EBITDA margin for the year, as a percentage of revenues, decreased from 8.1% of revenues in 2013 to 7.2% of revenues in 2014. The decrease in Adjusted EBITDA was attributable to the continued investment in new products and services, a decline in revenues in first half of 2014 and the fourth quarter of 2014 due to pricing concessions and changes in product mix, and was partially offset by cost savings realized as a result of prior restructuring initiatives.

INTEREST EXPENSE

Interest expense on long-term debt outstanding under DATA Group's credit facilities, the 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $6.1 million for the year ended December 31, 2014 compared to $6.7 million for the same period in 2013. Interest expense for the year ended December 31, 2014 was lower than the same period in the prior year primarily as a result of reductions in discount rates used to measure DATA Group's employee benefit plans and a reduction in long-term debt outstanding under DATA Group's credit facilities.

INCOME TAXES

DATA Group reported income before income taxes of $6.2 million, a current income tax expense of $0.1 million and a deferred income tax expense of $1.7 million for the year ended December 31, 2014 compared to 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. 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, 2014 and 2013, respectively. The decrease in the current income tax expense for the year ended December 31, 2014 was primarily due to the use of tax non-capital loss carry-forwards. The deferred income tax expense and deferred income tax recovery were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the years ended December 31, 2014 and 2013.

NET INCOME (LOSS)

Net income for the year ended December 31, 2014 was $4.5 million compared to a net loss of $45.8 million for the year ended December 31, 2013. The increase in comparable profitability for the year ended December 31, 2014 was substantially due to cost savings realized as a result of prior restructuring initiatives that led to a decline in SG&A expenses, the absence of any goodwill impairment charges, a reduction in restructuring expenses, amortization of intangible assets and current income tax expense during the year ended December 31, 2014, respectively. The increase in comparable profitability was partially offset by lower gross profit as a result of lower revenues and a larger deferred tax expense during the year ended December 31, 2014.

DATA East and West

Revenues at DATA Group's DATA East and West segment for the year ended December 31, 2014 decreased $5.4 million or 1.8% to $298.9 million from $304.2 million for the same period in the prior year. The decrease in revenues occurred primarily in the first, second and fourth quarters and was primarily due to orders from existing customers for print-related products and services which did not repeat in 2014, aggressive pricing by DATA Group's competitors supplying similar products and services, technological change and a change in product mix. Third quarter revenues increased as a result of an increase in sales to existing customers, an improvement in product mix and price increases passed through to customers for increased material costs. The segment generally continued to experience revenue gains from new business, which partially offset declines in revenues from existing customers due to non-repeating orders, technological change and competitive activity.

For the year ended December 31, 2014, gross profit decreased $5.8 million or 7.5% to $71.7 million from $77.5 million in the same period in 2013. Gross profit as a percentage of revenues for the year ended December 31, 2014 decreased to 24.0% from 25.5% for the same period in 2013. The decline in gross profit as a percentage of revenues for the year ended December 31, 2014 was due to a decrease in revenues and the impact of competitive pricing and changes in product mix, which were offset by cost reductions realized from prior savings initiatives. These cost savings included headcount reductions and the renegotiation of agreements for a number of raw material input costs. During the year ended December 31, 2014, 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, 2014 increased $1.8 million or 13.2% to $15.7 million from $13.9 million for the same period in the prior year. The increase in revenues for the year ended December 31, 2014 was primarily due to new business which arose as a result of the bankruptcy of a competitor.

For the year ended December 31, 2014, gross profit increased $0.4 million or 14.2% to $3.0 million from $2.6 million in the same period in 2013. Gross profit as a percentage of revenues for the year ended December 31, 2014 increased to 18.8% from 18.7% for the same period in 2013. The increase in the gross profit as a percentage of revenues for the year ended December 31, 2014 was due to higher revenues and benefits realized from cost savings initiatives instituted in 2013.

Liquidity and capital resources

LIQUIDITY

DATA Group maintains credit facilities (the "Credit Facilities") with a syndicate of Canadian chartered banks (the "Lenders") pursuant to a Third Amended and Restated Agreement (the "Amended Credit Agreement") dated December 19, 2014. The Credit Facilities mature on August 31, 2016 and have a maximum available principal amount of $55.0 million, comprised of a $10.0 million revolving facility, a $5.0 million swing line facility, and a $40.0 million amortizing term loan. The $40.0 million amortizing term loan was permanently reduced by $0.25 million on December 31, 2014 and will be permanently reduced as follows: by $1.0 million on the last day of March, June, September and December of 2015 and by $1.5 million on the last day of March and June of 2016, such that on maturity the maximum available principal amount of the term loan will be $32.75 million. As at December 31, 2014, DATA Group had made a principal repayment towards the revolving facility of $0.5 million.

The Amended Credit Agreement also contains financial covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. Those covenants require DATA Group to maintain, at all times, a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA"). The maximum ratio allowed for a 12-month trailing period is 2.50 at December 31, 2014 and March 31, 2015, respectively. The maximum ratio allowed for a 12-month trailing period declines to 2.25 at June 30, September 30, December 31 of 2015 and at March 31, 2016, respectively, and declines further to 2.0 after March 31, 2016. As at December 31, 2014, this ratio was calculated at 2.10 (2013 – 2.08). DATA Group is also required to maintain, at all times, a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges. The minimum ratio allowed for a 12-month trailing period is 1.25. As at December 31, 2014, this ratio was calculated at 1.61 (2013 – 2.14). The Amended Credit Agreement contains restrictive covenants which limit the discretion of management with respect to certain business matters and the declaration or payment of dividends on its common shares without the prior consent of the Lenders. A failure by DATA Group to comply with its obligations under the Amended Credit Agreement, together with certain other events including a change of control of DATA Group, could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness under those credit facilities. The Credit Facilities are secured by conventional security charging all the property and assets of DATA Group and its subsidiary.

As at December 31, 2014, DATA Group had outstanding borrowings of $47.3 million under the Credit Facilities and was in compliance with its covenants under the Amended Credit Agreement. As at December 31, 2014, all of DATA Group's indebtedness outstanding under the Credit Facilities was subject to a floating interest rate of 4.59% per annum.

As at December 31, 2014, DATA Group had an aggregate principal amount of $44.7 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, 2014, which is available on SEDAR at www.sedar.com.

Market conditions could affect the availability and terms of any replacement credit facilities or other funding sought by DATA Group from time to time or upon the maturity of the Credit Facilities, the 6.00% Convertible Debentures or other indebtedness of DATA Group.

As at December 31, 2014, DATA Group had cash and cash equivalents of $0.8 million compared to cash and cash equivalents of $0.5 million at December 31, 2013. During the year ended December 31, 2014, DATA Group used $6.3 million in cash to repay a portion of the Credit Facilities 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 the Credit Facilities, DATA Group had access to $7.5 million of available credit less letters of credit granted of $2.2 million at December 31, 2014.

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 credit facilities, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing 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 restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures. DATA Group anticipates that its maintenance capital expenditures will be approximately $5.0 million in 2015. 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.

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 plan is 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. Actuarial valuations are required on the DATA Group Pension Plan every three years, beginning January 1, 2014. Based on these valuations, the annual cash contributions to this plan will be determined 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, 2014, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2014, the DATA Group Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA Group's annual cash contributions for the next three years to the defined benefit provision of the DATA Group Pension Plan decreased to $1.3 million from $2.3 million effective from January 1, 2014. During the year ended December 31, 2014, DATA Group made all the required payments related to its funding requirement for the defined benefit provision of the DATA Group Pension Plan for 2014, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014. 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 funding obligation for the defined benefit provision of the DATA Group Pension Plan for 2015 is $1.3 million.

The SRDF is a negotiated contribution defined benefit, multi-employer pension plan which provides retirement benefits to unionized employees in the printing industry. The SRDF is jointly-trusteed by representatives of the employers of SRDF members and the unions which represent SRDF members in collective bargaining. DATA Group makes contributions to the SRDF based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of who are employed at DATA Group facilities located in the Province of Québec. Based upon the terms of those applicable collective agreements, DATA Group's estimated annual funding obligation for the SRDF for 2015 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 pension 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 its portion of the solvency deficiency. Under current Québec pension legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of its 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 $30.0 million or 16.0% 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.

On February 18, 2015, Bill 34 (An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans) was tabled in the Québec legislature. Bill 34, as currently drafted, would amend the Québec pension legislation for the SRDF to, among other things, require employers to contribute only those amounts specified in the applicable collective agreements negotiated with the relevant unions; eliminate the employer's obligation to fund solvency deficiencies; allow for the reduction of accrued benefits; and remove the responsibility of participating employers to fund their share of the solvency deficit upon withdrawal from the plan or termination of the plan, except in certain circumstances when withdrawal from the plan or termination of the plan occurs within five years of Bill 34 being adopted. Bill 34 has not yet been passed into law and there can be no assurance that this proposed legislation will be adopted in its current form or at all.

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

CASH FLOW FROM OPERATIONS

Changes in working capital decreased cash by $0.4 million during the year ended December 31, 2014. The trade receivables balance increased by $0.6 million as a result of the timing of payments by DATA Group's customers. Inventory levels increased by $2.4 million as a result of timing of shipments of products to customers of the DATA East and West segment. Prepaid expenses and other current assets increased by $1.6 million due to the prepayment of customer incentives, a deposit for new printing equipment and a lease deposit for a new manufacturing facility in Calgary, Alberta, in which DATA Group is consolidating its Calgary operations. The trade payables balance increased by $2.9 million as a result of the timing of payments to suppliers for purchases during the fourth quarter of 2014. Deferred revenues increased by $1.3 million due to the timing of shipments during the fourth quarter of 2014.

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, 2014 of $3.2 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 for the year ended December 31, 2014, DATA Group repaid $6.3 million of the Credit Facilities outstanding.

Normal course issuer bid

Pursuant to a Notice of Intention to Make a Normal Court Issuer Bid (the "Notice") dated May 12, 2014, DATA Group commenced a normal course issuer bid ("NCIB") to purchase up to a maximum of $4,475,640 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the "public float" of the 6.00% Convertible Debentures outstanding as at May 1, 2014. The daily average trading volume of the 6.00% Convertible Debentures for the six calendar months preceding May 1, 2014 represents $76,113 aggregate principal amount of 6.00% Convertible Debentures. Daily purchases are limited to $19,028 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. The 6.00% Convertible Debentures are quoted based on $100 principal amounts with all trades being made in multiples of $1,000. As of December 31, 2014, DATA Group had $44.7 million aggregate principal amount of 6.00% Convertible Debentures outstanding. Purchases under the NCIB commenced on the Toronto Stock Exchange (the "TSX") on May 15, 2014 and will terminate on the earlier of May 14, 2015, the date DATA Group completes its purchases pursuant to the Notice filed with the TSX and the date of notice by DATA Group of termination of the bid. The 6.00% Convertible Debentures purchased under the NCIB will be cancelled. Purchase and payment for the 6.00% Convertible Debentures will be made by DATA Group in accordance with the rules and policies of the TSX and the price that DATA Group will pay for any 6.00% Convertible Debentures acquired by it will be at the market price of the 6.00% Convertible Debentures at the time of acquisition. As at the date of this report, $0.3 million 6.00% Convertible Debentures have been purchased under the NCIB. The actual number of 6.00% Convertible Debentures made by DATA Group pursuant to the NCIB and the timing of any such purchases will occur when management believes that the market price of the 6.00% Convertible Debentures may be attractive and that the purchase of 6.00% Convertible Debentures would be an appropriate use of corporate funds in light of potential benefits to remaining shareholders.

Shareholders can obtain a copy of the Notice filed with the regulators by DATA Group, without charge, by contacting DATA Group Ltd., 9195 Torbram Road, Brampton, ON, L6S 6H2 or by calling 905-791-3151.

Outstanding share data

At March 4, 2015, December 31, 2014 and December 31, 2013, there were 23,490,592 common shares of DATA Group outstanding. At March 4, 2015 and December 31, 2014, there was $44.7 million aggregate principal amount of 6.00% Convertible Debentures outstanding compared to $45.0 million at December 31, 2013. 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 has established and adopted a dividend policy. DATA Group does not currently pay dividends on its common shares and does not intend on doing so for the foreseeable future. The dividend policy 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, the 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.

Under the terms of the Amended Credit Agreement, DATA Group is not permitted to declare or pay dividends on its common shares without the prior consent of the Lenders.

Financial instruments and Risk management

DATA Group's financial instruments consisted of cash and cash equivalents, trade receivables, trade payables, and long-term debt, the amounts of which are included in DATA Group's consolidated statements of financial position as at December 31, 2014 and December 31, 2013, 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, and trade payables, approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of DATA Group's Credit Facilities 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 $27.9 million at December 31, 2014 compared to a book value of $43.2 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, 2014, $2.0 million or 5.3%, of trade receivables were more than 90 days old, an increase from $1.3 million or 3.4%, of trade receivables that were more than 90 days old at December 31, 2013.

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, 2014 and 2013, 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, 2014 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, 2014. 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, 2014

(in thousands of Canadian dollars, unaudited)

	Total	2015	2016	2017	2018	2019	2020 and thereafter
Pension funding contributions (1)	$ 8,520	$ 1,878	$ 1,866	$ 1,859	$ 1,851	$ 533	$ 533
Long-term debt (2)	50,633	6,100	44,533	—	—	—	—
Convertible debentures (3)	51,410	2,682	2,682	46,046	—	—	—
Operating leases	33,758	12,557	9,362	5,317	2,362	1,529	2,631
Total	$ 144,321	$ 23,217	$ 58,443	$ 53,222	$ 4,213	$ 2,062	$ 3,164

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 the Credit Facilities. As at December 31, 2014, outstanding borrowings under the Credit Facilities totalled $47.3 million and bore interest at an average floating rate of 4.59% per annum. The outstanding borrowings under the Credit Facilities will be reduced by principal repayments of $1.0 million at the end of each quarter of 2015 and by principal repayments of $1.5 million on March 31 and June 30 of 2016. The Credit Facilities mature on August 31, 2016. Estimated interest amounts in respect of 2015 and 2016 have been calculated based upon total borrowings outstanding during the periods and the average annual floating interest rate in effect at December 31, 2014.

(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, 2014 of $2.7 million. Included in the 2017 amount is interest of $1.3 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, 2014, there were regular intercompany activities between DATA Group and its subsidiary 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 DATA Group or any of its subsidiaries and therefore the directors and officers of DATA Group's subsidiaries are considered related parties. Neither DATA Group nor its subsidiary entered into any transactions with related parties as defined above during the year ended December 31, 2014.

Operating results for the fourth quarter of 2014 and 2013

(in thousands of Canadian dollars, unaudited)

	October 1 to December 31, 2014	October 1 to December 31, 2013
Revenues	$ 80,371	$ 82,147
Cost of revenues	61,627	61,257
Gross profit	18,744	20,890
Selling, general and administrative expenses	13,715	14,175
Restructuring expenses	769	396
Impairment of goodwill	—	25,000
Gain on cancellation of convertible debentures	(43)	—
Amortization of intangible assets	479	1,617
Income (loss) before finance costs and income taxes	3,824	(20,298)
Finance costs		
Interest expense	1,486	1,691
Interest income	(6)	(2)
Amortization of transaction costs	175	134
	1,655	1,823
Income (loss) before income taxes	2,169	(22,121)
Income tax expense (recovery)		
Current	36	1,055
Deferred	553	(312)
	589	743
Net income (loss) for the period	$ 1,580	$ (22,864)
Net income (loss) attributable to common shareholders	$ 1,580	$ (22,868)
Adjusted EBITDA [1]	$ 6,215	$ 8,071

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 2014 means EBITDA adjusted for restructuring expenses and gains on the cancellation of convertible debentures; and (ii) fourth quarter of 2013 means EBITDA adjusted for restructuring expenses and a goodwill impairment charge.

(in thousands of Canadian dollars, unaudited)

	October 1 to December 31, 2014	October 1 to December 31, 2013
Net income (loss) for the period	$ 1,580	$ (22,864)
Interest expense	1,486	1,691
Interest income	(6)	(2)
Amortization of transaction costs	175	134
Current income tax expense	36	1,055
Deferred income tax expense (recovery)	553	(312)
Depreciation of property, plant and equipment	1,186	1,356
Amortization of intangible assets	479	1,617
EBITDA	5,489	(17,325)
Restructuring expenses	769	396
Impairment of goodwill	—	25,000
Gain on cancellation of convertible debentures	(43)	—
Adjusted EBITDA	$ 6,215	$ 8,071

REVENUES

For the quarter ended December 31, 2014, DATA Group recorded revenues of $80.4 million, a decrease of $1.8 million or 2.2% compared with the same period in 2013. The decrease, before intersegment revenues, was the result of a $2.2 million decrease in the DATA East and West segment and was partially offset by a $0.4 million increase in the Multiple Pakfold segment. The decrease in revenues in the DATA East and West segment was due to declines in revenues from existing customers due to pricing concessions and changes in product mix. The decrease was partially offset by revenue gains from new business wins. The increase in revenues in the Multiple Pakfold segment was primarily due to new business which arose as a result of the bankruptcy of a competitor.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2014, cost of revenues increased to $61.6 million from $61.3 million for the same period in 2013. Gross profit for the quarter ended December 31, 2014 was $18.7 million, which represented a decrease of $2.1 million or 10.3% from $20.9 million for the same period in 2013. The decrease in gross profit for the quarter ended December 31, 2014 was attributable to a gross profit decrease of $2.2 million in the DATA East and West segment and was partially offset by a $0.1 million increase in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 23.3% for the quarter ended December 31, 2014 compared to 25.4% for the same period in 2013.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING EXPENSES

SG&A expenses, excluding amortization of intangible assets, for the quarter ended December 31, 2014 decreased $0.5 million or 3.2% to $13.7 million compared to $14.2 million in the same period in 2013. As a percentage of revenues, these costs were 17.1% of revenues for the quarter ended December 31, 2014 compared to 17.3% of revenues for the same period in 2013. The decrease in SG&A expenses was attributable to the benefits realized from cost savings initiatives implemented in 2013 and early 2014.

For the quarter ended December 31, 2014, DATA Group incurred restructuring expenses of $0.8 million related to headcount reductions, management changes, consulting fees and the closure of one manufacturing location as part of its 2014 restructuring initiatives. For the year 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 2014, DATA Group performed its annual review for impairment of goodwill, which resulted in DATA Group recognizing no impairment of goodwill charges. 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.

ADJUSTED EBITDA

For the quarter ended December 31, 2014, Adjusted EBITDA was $6.2 million, or 7.7% of revenues. Adjusted EBITDA for the quarter ended December 31, 2014 decreased $1.9 million or 23.0% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 9.8% of revenues in 2013 to 7.7% of revenues in 2014. The decrease in Adjusted EBITDA was due to the continued investment in new products and services, a decline in revenues due to pricing concessions and changes in product mix, and was partially offset by cost savings realized as a result of prior restructuring initiatives.

INTEREST EXPENSE

Interest expense on long-term debt outstanding under DATA Group's credit facilities, the 6.00% Convertible Debentures, certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was $1.5 million for the quarter ended December 31, 2014 compared to $1.7 million for the same period in 2013. Interest expense for the quarter ended December 31, 2014 was lower than the same period in the prior year primarily as a result of reductions in discount rates used to measure DATA Group's employee benefit plans and a reduction in long-term debt outstanding under DATA Group's credit facilities.

INCOME TAXES

DATA Group reported income before income taxes of $2.2 million and a deferred income tax expense of $0.6 million for the quarter ended December 31, 2014 compared to a loss before income taxes of $22.1 million, a current income tax expense of $1.1 million and a deferred income tax recovery of $0.3 million for the quarter ended December 31, 2013. The current tax expense was primarily related to the income tax payable on DATA Group's estimated taxable income for the quarter ended December 31, 2013. The decrease in the current income tax expense for the quarter ended December 31, 2014 was primarily due to the use of tax non-capital loss carry-forwards. The deferred income tax expense and deferred income tax recovery were mainly due to changes in the estimate of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2014 and 2013.

NET INCOME (LOSS)

Net income for the quarter ended December 31, 2014 was $1.6 million compared to a net loss of $22.9 million for the quarter ended December 31, 2013. The increase in comparable profitability for the quarter ended December 31, 2014 was substantially due to cost savings realized as a result of prior restructuring initiatives that led to a decline in SG&A expenses, the absence of any goodwill impairment charges, a reduction in amortization of intangible assets and current income tax expense during the quarter ended December 31, 2014. The increase in comparable profitability was partially offset by lower gross profit as a result of lower revenues, higher restructuring expenses, and a larger deferred tax expense during the quarter ended December 31, 2014.

Eight quarter results of operations — Summary

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

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$80,371**	**$ 78,128**	**$ 76,773**	**$ 77,903**	$ 82,147	$ 74,129	$ 77,822	$ 82,863
Net income (loss) attributable to shareholders	**1,580**	**1,849**	**254**	**796**	(22,868)	(20,164)	(3,652)	853
Basic earnings (loss) per share	**0.07**	**0.08**	**0.01**	**0.03**	(0.97)	(0.86)	(0.16)	0.04
Diluted earnings (loss) per share	**0.07**	**0.08**	**0.01**	**0.03**	(0.97)	(0.86)	(0.16)	0.04

The variations in DATA Group's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2014 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 and goodwill impairment charges.

During the fourth quarter of 2014, DATA Group recorded restructuring expenses of $0.8 million related to its cost reduction initiatives. 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 cost reduction initiatives.

DATA Group's net income for the third quarter of 2014 included restructuring expenses of $0.3 million related to its cost reduction initiatives. DATA Group's net income for the third quarter of 2013 included restructuring expenses of $0.6 million related to its cost reduction initiatives and an impairment of goodwill charge of $19.0 million related to its DATA East and West CGU.

DATA Group's net income for the second quarter of 2014 included restructuring expenses of $0.9 million related to its cost reduction initiatives. DATA Group's net income for the second quarter of 2013 included restructuring expenses of $5.2 million related to its cost reduction initiatives, and costs related to its continued investment in its growth strategy.

DATA Group's net income for the first quarter of 2014 included restructuring expense of $0.9 million related to its cost reduction initiatives. DATA Group's net income for the first quarter of 2013 included restructuring expenses of $0.8 million related to its costs reduction initiatives, and costs related to its continued investment in its growth strategy.

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, 2014. 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, cost 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 an actuarial consultant and the fund managers 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, 2014, DATA Group contributed $2.0 million to the defined benefit provision of the DATA Group Pension Plan, $1.8 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 2015, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $1.3 million, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1.8 million, contributions to the SERP will be approximately $0.6 million and contributions to the SRDF will be approximately $0.7 million.

DATA Group decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2014 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumptions remained unchanged at December 31, 2014. The following table summarizes the rates used in fiscal 2014 and 2013 to calculate DATA Group's defined benefit obligations.

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

	December 31, 2014	December 31, 2013
DATA Group Pension Plan		
Discount rate	**4.00%**	5.00%
Rate of compensation increase	**3.00%**	3.00%
SERP		
Discount rate	**3.80%**	4.70%

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, 2014	December 31, 2013
Retiring at the end of the reporting period:		
Male	**21.4**	21.3
Female	**23.9**	23.5
Retiring in 25 years after the end of the reporting period:		
Male	**22.8**	22.6
Female	**25.1**	24.4

In 2014, the discount rate applied to the defined benefit obligation for the DATA Group Pension Plan and the SERP was decreased to 4.00% and 3.80%, respectively, from 5.00% and 4.70%, respectively, reflecting long-term interest rates at December 31, 2014. The primary impact of these changes was actuarial losses of $8.3 million for the DATA Group Pension Plan and of $0.7 million for the SERP, which were recognized in comprehensive income (loss) for the year ended December 31, 2014.

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2014 and at December 31, 2013 are set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	December 31, 2014		
	Impact on defined benefit obligations		
(in thousands of Canadian dollars, except percentages, unaudited)	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**$ (2,485)**	**$ 2,632**
Salary growth rate	**0.25%**	**682**	**(700)**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**$ 1,667**	**$ (1,706)**

	December 31, 2013		
	Impact on defined benefit obligations		
(in thousands of Canadian dollars, except percentages, unaudited)	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)

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 small proportion of equities, 14% of total assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The defined benefit provision of the DATA Group Pension Plan's investment time horizon and financial position are key inputs in deciding on the proportion of equities held.

The defined benefit provision of the DATA Group Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. Beginning in 2012 and as the plan matured, the defined benefit provision of the DATA Group Pension Plan's level of investment risk was 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 was 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 lowered 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 was expected to have 15% equities and 85% bonds. This derisking strategy was reviewed annually to consider the current environment and may be revised at any point in time. In 2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Group Pension Plan. With a significant improvement in the financial position, the defined benefit provision of DATA Group Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics.

CHANGES IN BOND YIELDS

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

SALARY RISK

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

LIFE EXPECTANCY

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

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 its 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 DATA Group to 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 subsidiary 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, 2014. These changes were made in accordance with the applicable transitional provisions.

In October 2012, the IASB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and International Accounting Standards ("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 assessed its consolidation conclusions on January 1, 2014 and determined that the adoption of these amendments did not result in any change in the consolidation status of any of its subsidiaries.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted.

IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. 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, 2014. Based on that evaluation, those officers have concluded that, as of December 31, 2014, 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, 2014. In making this evaluation, the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework was used to design the internal controls over financial reporting. Based on that evaluation, those officers have concluded that, as of December 31, 2014, 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, 2014 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 earned net income of $4.5 million or $0.19 per share in the year ended December 31, 2014 versus a loss in the prior year. DATA Group is encouraged by its results in the second half of 2014 as revenues increased by 1.4% and Adjusted EBITDA stabilized compared to the same period in 2013.

During the year, DATA Group reduced its outstanding long-term debt by $6.5 million, bringing its total long-term indebtedness including its 6.00% Convertible Debentures to $90.1 million. During the fourth quarter of 2014, DATA Group extended the term of its senior debt credit facilities to August 31, 2016.

DATA Group's intent in 2014 was to stabilize its revenues and position DATA Group for longer term growth. During 2014, DATA Group had revenues of $313.2 million, a 1.2% decline from 2013. DATA Group's revenues included strong growth from its U.S. customers. During the second half of 2014 overall revenues grew by 1.4% compared to the same period in 2013. DATA Group continues with its plans to;

- Add new sales personnel
- Win market share in its traditional print business
- Invest in the key growth areas DATA Group has identified; labels, marketing print and digital communications
- Bundling DATA Group's digital services with its print offerings
- Expand its U.S. revenues

In the fourth quarter of 2014, DATA Group made a number of investments in this regard, highlighted by new sales leadership in Western Canada, the creation of a dedicated, new Marketing function and a decision to upgrade its print capability at its new Calgary facility that will come on-line in early 2015.

DATA Group is reducing its costs to balance productive capacity with demand in declining markets while investing selectively in growth areas. When DATA Group started its restructuring process in 2013, it had targets to reduce its manufacturing floor space and reduce its headcount at all levels.

In October 2014, DATA Group announced plans for the consolidation of four existing manufacturing locations in Western Canada into one new, modern print and marketing communications centre located in Calgary, Alberta. DATA Group is on schedule to complete this project by the end of the first quarter of 2015 as originally planned. DATA Group has identified further savings opportunities that it expects to act on in the first half of 2015. These savings will come from the reorganization of several locations, process improvements and strategic sourcing initiatives. Including the previously announced Western Canadian consolidations, DATA Group anticipates annual savings of $9.0 million to $11.0 million as a result of these actions, with associated restructuring charges in first half of 2015 of $5.0 million to $6.0 million. The majority of these actions will take place in the first quarter of 2015.

The Transformation Plan is required because DATA Group's industry has seen wholesale changes over the last number of years, mostly due to rapid technological advances. The competitive environment in which DATA Group operates has become even more challenging as DATA Group's industry transforms to more digital forms of communications and adapts to new client demands for blended print and digital solutions. DATA Group has responded with a Transformation Plan that establishes clear goals, all of which aim to enhance shareholder value. DATA Group's Transformation Plan is showing results in the three key areas it has targeted; cost reduction, debt reduction and revenue stabilization/growth.

For 2015, DATA Group expects to report higher net income and continued reductions in total long-term indebtedness. To support this, DATA Group's revenue growth and cost reduction strategies will continue. The associated restructuring expenses will be more than offset by efficiency gains. Management of DATA Group has set the following financial targets for 2015:

- Net income of at least $6.0 million;
- Debt reduction of at least $10.0 million;
- Revenues equal to or better than 2014; and,
- Return on shareholders' equity of at least 25% after taxes

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 three 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 4, 2015
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 subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of income (loss), comprehensive income (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 subsidiary as at December 31, 2014 and December 31, 2013 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 4, 2015
Toronto, Ontario

Consolidated statements of financial position

(in thousands of Canadian dollars)	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 812	$ 478
Trade receivables (note 4)	37,175	36,551
Inventories (note 5)	40,045	37,585
Prepaid expenses and other current assets	5,587	3,929
Income taxes receivable	—	174
	83,619	78,717
NON-CURRENT ASSETS		
Deferred income tax assets (note 12)	1,508	1,687
Property, plant and equipment (note 6)	15,523	17,266
Pension asset (note 14)	—	2,684
Intangible assets (note 7)	7,261	9,177
Goodwill (note 8)	57,066	57,066
	$ 164,977	$ 166,597
LIABILITIES		
CURRENT LIABILITIES		
Current portion of Credit facilities (note 10)	$ 3,500	$ 4,000
Trade payables	29,061	26,061
Provisions (note 9)	2,042	2,369
Income taxes payable	154	—
Deferred revenue	11,419	10,115
	46,176	42,545
NON-CURRENT LIABILITIES		
Provisions (note 9)	1,361	2,368
Credit facilities (note 10)	43,382	49,109
Convertible debentures (note 11)	43,222	42,909
Deferred income tax liabilities (note 12)	50	—
Other non-current liabilities (note 13)	548	858
Pension obligations (note 14)	8,949	8,102
Other post-employment benefit plans (note 15)	2,876	2,631
	$ 146,564	$ 148,522
EQUITY		
SHAREHOLDERS' EQUITY		
Shares (note 17)	$ 215,336	$ 215,336
Conversion options (note 11)	513	516
Accumulated other comprehensive income	92	30
Deficit	(197,528)	(197,807)
	$ 18,413	$ 18,075
	$ 164,977	$ 166,597

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

APPROVED BY BOARD OF DIRECTORS

(Signed) Thomas R. Spencer

Director

(Signed) Michael Suksi

Director

Consolidated statements of income (loss)

(in thousands of Canadian dollars, except per share amounts)	For the year ended December 31, 2014	For the year ended December 31, 2013
REVENUES	$ 313,175	$ 316,961
COST OF REVENUES	238,563	236,879
GROSS PROFIT	74,612	80,082
EXPENSES (INCOME)		
Selling, commissions and expenses	35,162	36,137
General and administration expenses excluding amortization of intangible assets	21,912	23,689
Restructuring expenses (note 9)	2,804	7,034
Impairment of goodwill (note 8)	—	44,000
Gain on cancellation of convertible debentures	(103)	—
Amortization of intangible assets (note 7)	1,916	8,370
	61,691	119,230
INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES	12,921	(39,148)
FINANCE COSTS		
Interest expense	6,124	6,657
Interest income	(21)	(15)
Amortization of transaction costs	591	568
	6,694	7,210
INCOME (LOSS) BEFORE INCOME TAXES	6,227	(46,358)
INCOME TAX EXPENSE (RECOVERY) (note 12)		
Current	69	2,916
Deferred	1,679	(3,432)
	1,748	(516)
NET INCOME (LOSS) FOR THE YEAR	$ 4,479	$ (45,842)
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Common shareholders	$ 4,479	$ (45,831)
Non-controlling interest	—	(11)
	$ 4,479	$ (45,842)
BASIC EARNINGS (LOSS) PER SHARE (note 18)	$ 0.19	$ (1.95)
DILUTED EARNINGS (LOSS) PER SHARE (note 18)	$ 0.19	$ (1.95)

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

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars)

	For the year ended December 31, 2014	For the year ended December 31, 2013
NET INCOME (LOSS) FOR THE YEAR	$ 4,479	$ (45,842)
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)		
Foreign currency translation	62	29
	62	29
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)		
Actuarial (losses) gains on post-employment benefit obligations	(5,650)	9,573
Taxes related to post-employment adjustment above	1,450	(2,513)
	(4,200)	7,060
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX	(4,138)	7,089
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 341	$ (38,753)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Common shareholders	$ 341	$ (38,742)
Non-controlling interest	—	(11)
	$ 341	$ (38,753)

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	Conversion options	Accumulated other comprehensive income	Deficit	Total Shareholders' Equity	Non-controlling interests	Total Equity
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
BALANCE AS AT DECEMBER 31, 2013	**$ 215,336**	**$ 516**	**$ 30**	**$ (197,807)**	**$ 18,075**	**$ —**	**$ 18,075**
Net income for the year	**—**	**—**	**—**	**4,479**	**4,479**	**—**	**4,479**
Other comprehensive (loss) income for the year	**—**	**—**	**62**	**(4,200)**	**(4,138)**	**—**	**(4,138)**
Total comprehensive income for the year	**—**	**—**	**62**	**279**	**341**	**—**	**341**
Cancellation of convertible debentures	**—**	**(3)**	**—**	**—**	**(3)**	**—**	**(3)**
BALANCE AS AT DECEMBER 31, 2014	**$ 215,336**	**$ 513**	**$ 92**	**$ (197,528)**	**$ 18,413**	**$ —**	**$ 18,413**

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, 2014	For the year ended December 31, 2013
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 4,479	$ (45,842)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	4,940	5,330
Amortization of intangible assets	1,916	8,370
Pension expense (note 14)	530	929
(Gain) loss on disposal of property, plant and equipment	(149)	192
Impairment of goodwill (note 8)	—	44,000
Gain on cancellation of convertible debentures	(103)	—
Provisions (note 9)	2,804	7,034
Amortization of transaction costs	591	568
Accretion of convertible debentures	295	298
Other non-current liabilities	(270)	(337)
Other post-employment benefit plans, net	134	22
Tax credits recognized	(378)	(471)
Income tax expense (recovery)	1,748	(516)
	16,537	19,577
Changes in working capital (note 19)	(445)	6,272
Contributions made to pension plans (note 14)	(2,538)	(2,894)
Provisions paid (note 9)	(4,138)	(3,472)
Income taxes received (paid)	637	(4,318)
	10,053	15,165
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,207)	(2,344)
Purchase of intangible assets	—	(7)
Proceeds on disposal of property, plant and equipment	182	103
	(3,025)	(2,248)
FINANCING ACTIVITIES		
Repayment of Credit Facilities (note 10)	(6,250)	(4,500)
Repurchase of convertible debentures	(187)	—
Finance costs	(263)	(212)
Finance lease payments	(27)	(17)
Dividends paid	—	(6,559)
	(6,727)	(11,288)
INCREASE IN CASH AND CASH EQUIVALENTS AND DECREASE IN BANK OVERDRAFT DURING THE YEAR	301	1,629
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT) – BEGINNING OF YEAR	$ 478	$ (1,161)
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	33	10
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 812	$ 478

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

On January 1, 2014, DATA Group Ltd. ("DATA Group"), the successor to DATA Group Inc., completed an internal reorganization to simplify its corporate structure and to generate ongoing cost savings. Pursuant to the internal reorganization, DATA Group Inc. amalgamated with its Canadian subsidiaries to form a new corporation called "DATA Group Ltd.". 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. Pursuant to the amalgamation, DATA Group 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 DATA Group is the same as that of DATA Group Inc. immediately prior to the amalgamation becoming effective. The reorganization did not have any significant effect on the business and operations of DATA Group Inc. and its subsidiaries, which are now carried on by DATA Group and its subsidiary DATA Group (US) Corp.

The common shares of DATA Group are listed on the Toronto Stock Exchange ("TSX") under the symbol "DGI". The 6.00% Convertible Debentures are listed on the TSX under the symbol "DGI.DB.A". The address of the registered office of DATA Group is 9195 Torbram Road, Brampton, Ontario.

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.

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, which results in seasonal fluctuations in sales of those products.

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 4, 2015.

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, credit facilities and convertible debentures. Trade payables and 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 credit facilities 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. DATA Group'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:* 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, 2014 and 2013, DATA Group had 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 judgment is required to determine the useful lives of intangible assets including reviewing the length of customer relationships and other factors. These finite life assets are amortized over their estimated useful lives as outlined below.

	Basis	Rate
Customer relationships	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 a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is charged to income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recorded as impairment provisions within accumulated depreciation for depreciable assets. 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. 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. At January 1, 2014, the solvency deficiency had reduced to a level such that actuarial valuations are 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 the SERP 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 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. See (note 20).

(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 non-pension 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 non-pension 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 non-pension 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.

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.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting net income (loss) and weighted average number of shares outstanding during the period for the effects of dilutive potential shares, which includes 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 judgments, estimates and assumptions that affect the reported amount of certain assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the period reported. Management must also make estimates and judgments about future results of operations, related specific elements of the business and operations in assessing recoverability of assets and recorded value of liabilities. Significant areas of measurement uncertainty 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.

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, 2014. These changes were made in accordance with the applicable transitional provisions.

In October 2012, the IASB 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 assessed its consolidation conclusions on January 1, 2014 and determined that the adoption of these amendments did not result in any change in the consolidation status of any of its subsidiaries.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted.

IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. 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, 2014	December 31, 2013
Trade receivables	$ 37,835	$ 37,188
Provision for doubtful accounts	(660)	(637)
	$ 37,175	$ 36,551

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

5 Inventories

	December 31, 2014	December 31, 2013
Raw materials	$ 5,842	$ 5,856
Work-in-progress	3,369	3,038
Finished goods	30,834	28,691
	$ 40,045	$ 37,585

Raw materials and finished goods inventory amounts are net of obsolescence reserves of $1,323 (2013 – $1,602). The cost of inventories recognized as an expense in cost of revenues in 2014 was $229,035 (2013 – $225,835).

(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	Construction in progress	Total
Year ended December 31, 2014						
Opening net book value	$ 5,137	$ 530	$ 11,039	$ 560	$ —	$ 17,266
Additions	384	7	1,931	269	616	3,207
Effect of movement in exchange rates	9	2	6	6	—	23
Disposals	(27)	—	(6)	—	—	(33)
Depreciation for the year	(1,245)	(154)	(3,189)	(352)	—	(4,940)
Closing net book value	$ 4,258	$ 385	$ 9,781	$ 483	$ 616	$ 15,523
At December 31, 2014						
Cost	$ 13,205	$ 1,805	$ 47,520	$ 5,509	$ 616	$ 68,655
Accumulated depreciation	(8,947)	(1,420)	(37,739)	(5,026)	—	(53,132)
Net book value	$ 4,258	$ 385	$ 9,781	$ 483	$ 616	$ 15,523
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 the year ended December 31, 2014, DATA Group incurred costs related to the modifications to a leased building for its new manufacturing facility in Calgary, Alberta. These costs of $616 have been included in construction in progress and are not depreciated during the construction period.

During the 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, 2014				
Opening net book value	$ 8,922	$ 255	$ —	$ 9,177
Additions	—	—	—	—
Amortization for the year	(1,831)	(85)	—	(1,916)
Closing net book value	$ 7,091	$ 170	$ —	$ 7,261
At December 31, 2014				
Cost	$ 75,623	$ 10,422	$ 7,700	$ 93,745
Accumulated amortization	(68,532)	(10,252)	(7,700)	(86,484)
Net book value	$ 7,091	$ 170	$ —	$ 7,261
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 3 and 4 years.

8 Goodwill

	December 31, 2014	December 31, 2013
Opening balance	$ 57,066	$ 101,066
Impairment of goodwill	—	(44,000)
Ending balance	$ 57,066	$ 57,066

	December 31, 2014	December 31, 2013
Cost	$ 160,725	$ 160,725
Accumulated impairment losses	(103,659)	(103,659)
Net carrying value	$ 57,066	$ 57,066

During the fourth quarter of 2014, 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, DATA Group recorded no goodwill impairment charges.

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% (2013 – 1%) over the next 5 years and a perpetual long-term growth rate of 0% (2013 – 0%) 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 15.5% to 19.9% (2013 – 15.0% to 19.4%) reflecting management's judgment that sales channels and size of its CGU's would affect the volatility of each CGU's cash flows. The estimated recoverable amount of DATA East and West CGU exceeded its carrying value by approximately $1,200 and its recoverable amount would equal its carrying value if the discount rate was increased by 0.2% to 15.7%.

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 26.5% (2013 – 26.5%). 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.

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. Market indicators on December 31, 2013 resulted in an increase in the discount rates used to 15.0% to 19.4% from 13.5% to 18.4% and a decrease in the perpetual long-term growth rate of 1% compared to December 31, 2012. As a result of that review and market factors, 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 factors, 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.

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

9 Provisions

		Restructuring		Onerous contracts		Total
Balance – Beginning of year	$	1,600	$	3,137	$	4,737
Additional charge during the year		2,804		—		2,804
Utilized during the year		(3,104)		(1,034)		(4,138)
Balance – End of year	$	1,300	$	2,103	$	3,403
Less: Current portion of provisions		(1,069)		(973)		(2,042)
As at December 31, 2014	$	231		1,130		1,361

		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

During the year ended December 31, 2014, DATA Group continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. During the year ended December 31, 2014, these initiatives resulted in a $2,804 charge to restructuring expenses due to headcount reductions in the consolidated statement of income (loss) and comprehensive income (loss). During the year ended December 31, 2013, these initiatives resulted in a $4,364 charge to restructuring expenses due to headcount reductions and the closure of certain manufacturing locations and warehouses in the consolidated statement of income (loss) and comprehensive income (loss).

For the year ended December 31, 2014, cash payments of $3,104 (2013 – $2,870) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of $1,300 at December 31, 2014 is expected to be paid during 2015 and 2016.

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, 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.

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

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.

10 Credit facilities

	December 31, 2014	December 31, 2013
Term loan		
- 4.55% banker's acceptances, maturing January 30, 2015	$ 39,750	$ —
Revolving facility		
- 5.22% banker's acceptances, maturing January 27, 2014	—	52,000
- 4.55% banker's acceptances, maturing January 30, 2015	5,000	—
- Floating rate debt	2,500	1,500
Credit facilities	47,250	53,500
Unamortized transaction costs	(368)	(391)
	$ 46,882	$ 53,109
Less: Current portion of Credit facilities	(3,500)	(4,000)
Credit facilities	$ 43,382	$ 49,109

DATA Group maintains credit facilities (the "Credit Facilities") with a syndicate of Canadian chartered banks (the "Lenders") pursuant to a Third Amended and Restated Agreement (the "Amended Credit Agreement") dated December 19, 2014. The Credit Facilities mature on August 31, 2016 and have a maximum available principal amount of $55,000, comprised of a $10,000 revolving facility, a $5,000 swing line facility, and a $40,000 amortizing term loan. The $40,000 amortizing term loan was permanently reduced by $250 on December 31, 2014 and will be permanently reduced as follows: by $1,000 on the last day of March, June, September and December of 2015 and by $1,500 on the last day of March and June of 2016, such that on maturity the maximum available principal amount of the term loan will be $32,750. As at December 31, 2014, DATA Group had made a principal repayment towards the revolving facility of $500.

The Amended Credit agreement also contains financial covenants and restrictions, including the requirement to meet certain financial ratios and financial condition tests. Those covenants require DATA Group to maintain, at all times, a quarterly maximum ratio of total debt to adjusted earnings before interest, income taxes, depreciation and amortization ("Credit Agreement EBITDA"). The maximum ratio allowed for a 12-month trailing period is 2.50 at December 31, 2014 and March 31, 2015, respectively. The maximum ratio allowed for a 12-month trailing period declines to 2.25 at June 30, September 30, and December 31 of 2015 and at March 31, 2016, respectively, and declines further to 2.0 after March 31, 2016. As at December 31, 2014, this ratio was calculated at 2.10 (2013 – 2.08). DATA Group is also required to maintain, at all times, a quarterly minimum ratio of Credit Agreement EBITDA to fixed charges. The minimum ratio allowed for a 12-month trailing period is 1.25. As at December 31, 2014, this ratio was calculated at 1.61 (2013 – 2.14). The Amended Credit Agreement contains restrictive covenants which limit the discretion of management with respect to certain business matters and the declaration or payment of dividends on its common shares without the prior consent of the Lenders. A failure by DATA Group to comply with its obligations under the Amended Credit Agreement, together with certain other events including a change of control of DATA Group, could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness under those credit facilities. The Credit Facilities are secured by conventional security charging all the property and assets of DATA Group and its subsidiary.

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

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, 2014, all of DATA Group's indebtedness outstanding under the Credit Facilities was subject to a floating interest rate of 4.59% (2013 – 5.24%) per annum.

During the third quarter of 2013, the terms of DATA Group's then outstanding credit facilities were amended to extend the maturity date of the facilities to August 31, 2015, reduce the maximum available borrowings under the facilities to $70,000 and require DATA Group to make principal repayments of $3,000 on March 31 and September 30 of each year commencing on March 31, 2014. Those principal repayments permanently reduced the maximum available borrowings under the credit facilities by the amount of the repayment. As at December 31, 2013, DATA Group had made an early principal repayment of $2,000.

11 Convertible debentures

	December 31, 2014	December 31, 2013
6.00% convertible debentures, maturing June 30, 2017, interest payable in June and December, convertible at 81.967 shares per $1,000 of debenture	$ 43,966	$ 43,958
Unamortized transaction costs	(744)	(1,049)
	$ 43,222	$ 42,909

The 6.00% Convertible Debentures with an aggregate principal amount of $44,705 (2013 – $45,000) bear interest at a rate of 6.00% per annum payable semi-annually, in arrears, on June 30 and December 31. The 6.00% Convertible Debentures mature on June 30, 2017 and are convertible into common shares of DATA Group ("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.

NORMAL COURSE ISSUER BID

Pursuant to a Notice of Intention to Make a Normal Court Issuer Bid (the "Notice") dated May 12, 2014, DATA Group commenced a normal course issuer bid ("NCIB") to purchase up to a maximum of $4,476 aggregate principal amount of its outstanding 6.00% Convertible Debentures, representing 10% of the "public float" of the 6.00% Convertible Debentures outstanding as at May 1, 2014. The daily average trading volume of the 6.00% Convertible Debentures for the six calendar months preceding May 1, 2014 represents $76 aggregate principal amount of 6.00% Convertible Debentures. Daily purchases are limited to $19 principal amount of 6.00% Convertible Debentures, other than block purchase exemptions. The 6.00% Convertible Debentures are quoted based on $100 principal amounts with all trades being made in multiples of $1,000. As of December 31, 2014, DATA Group had $44,705 aggregate principal amount of 6.00% Convertible Debentures outstanding. Purchases under the NCIB commenced on the TSX on May 15, 2014 and will terminate on the earlier of May 14, 2015, the date DATA Group completes its purchases pursuant to the Notice filed with the TSX and the date of notice by DATA Group of termination of the bid. The 6.00% Convertible Debentures purchased under the NCIB will be cancelled. Purchase and payment for the 6.00% Convertible Debentures will be made by DATA Group in accordance with the rules and policies of the TSX and the price that DATA Group will pay for any 6.00% Convertible Debentures acquired by it will be at the market price of the 6.00% Convertible Debentures at the time of acquisition. As at December 31, 2014, $295 6.00% Convertible Debentures have been purchased under the NCIB. The actual number of 6.00% Convertible Debentures made by DATA Group pursuant to the NCIB and the timing of any such purchases will occur when management believes that the market price of the 6.00% Convertible Debentures may be attractive and that the purchase of 6.00% Convertible Debentures would be an appropriate use of corporate funds in light of potential benefits to remaining shareholders.

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

12 Deferred and current income taxes

Significant components of DATA Group's deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows:

December 31, 2014	Assets	Liabilities	Net
Pension obligations and other post-employment benefit plans	$ 3,035	$ —	$ 3,035
Unfavourable lease obligation	68	—	68
Lease escalation	152	—	152
Benefit of income tax loss and other carry-forwards	914	—	914
Deductible reserves	657	—	657
Convertible debentures	—	(190)	(190)
Property, plant and equipment greater than tax values	—	(1,279)	(1,279)
Intangible assets greater than tax values	—	(1,712)	(1,712)
Deferred finance fees	—	(155)	(155)
Other	—	(32)	(32)
Total deferred tax assets (liabilities)	$ 4,826	$ (3,368)	$ 1,458

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

Reflected in the consolidated statement of financial position as follows:	December 31, 2014	December 31, 2013
Deferred tax assets	$ 1,508	$ 1,687
Deferred tax liabilities	(50)	—
Net deferred tax assets (liabilities)	$ 1,458	$ 1,687

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

	Balance at January 1, 2014	Recognized in statement of income	Recognized in comprehensive income	Balance at December 31, 2014
Pension obligations and other post-employment benefit plans	$ 2,114	$ (529)	$ 1,450	$ 3,035
Unfavourable lease obligation	104	(36)	—	68
Lease escalation	189	(37)	—	152
Benefit of income tax loss and other carry-forwards	2,354	(1,440)	—	914
Deductible reserves	1,084	(427)	—	657
	$ 5,845	$ (2,469)	$ 1,450	$ 4,826
Convertible debentures	$ (276)	$ 86	$ —	$ (190)
Property, plant and equipment greater than tax values	(1,465)	186	—	(1,279)
Intangible assets greater than tax values	(2,255)	543	—	(1,712)
Deferred finance fees	(125)	(30)	—	(155)
Other	(37)	5	—	(32)
	$ (4,158)	$ 790	$ —	$ (3,368)
Total deferred tax assets (liabilities)	$ 1,687	$ (1,679)	$ 1,450	$ 1,458

	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)

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, 2014, DATA Group has non-capital loss carry-forwards of $3,692 (2013 – $8,765) primarily due to tax deductions for interest on DATA Group's convertible debentures. The non-capital loss carry-forwards expire in varying amounts from 2032 to 2033.

In the ordinary course of business, DATA Group and its subsidiary and predecessors have entered into transactions where the ultimate tax determination may be uncertain. These uncertainties require management to make estimates of the ultimate tax liabilities and, accordingly, the provision for income taxes. Since there are inherent uncertainties, additional tax liabilities may result if tax matters are ultimately resolved or settled at amounts different from those estimates.

The major components of income tax expense (recovery) for the years ended December 31, 2014 and 2013 are set out below:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Current income tax expense:		
Current tax on profits for the year	**$ 69**	$ 2,916
Total current income tax expense	**69**	$ 2,916
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences described above	**1,679**	(3,432)
Total deferred income tax expense (recovery)	**1,679**	(3,432)
Total income tax expense (recovery) for the year	**$ 1,748**	$ (516)

Taxes on items recognized in comprehensive income (loss) for the years ended December 31, 2014 and 2013 are set out below:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Deferred income tax (recovery) expense on recognition of actuarial gains (losses) related to defined benefit plans	**$ (1,450)**	$ 2,513
Total deferred income tax (recovery) expense in comprehensive income (loss)	**$ (1,450)**	$ 2,513

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

Factors affecting tax expense (recovery) for the year

The 2014 statutory rate of Canadian corporate income tax is 25.67% (2013 – 26.25%). The following are reconciliations of income taxes calculated at the Canadian corporate rate to the tax expense (recovery) for the years ended December 31, 2014 and 2013.

	For the year ended December 31, 2014	For the year ended December 31, 2013
Income (loss) before tax multiplied by the statutory rate of Canadian corporate tax of 25.67% (2013 – 26.25%)	$ 1,598	$ (12,169)
Increase (reduction) in rate resulting from:		
Difference between Canadian rates and rates applicable to subsidiary in another country	37	—
Impairment of goodwill	—	11,550
Non-deductible expenses and other items	113	103
Total income tax expense (recovery) for the year	$ 1,748	$ (516)

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 25.67% (2013 – 26.25%). The tax rate for the current year is 0.58% lower than 2013 due to the effect of changes in statutory tax rates and the allocation of taxable income between provinces. 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 25.99% (2013 – 26.55%) based on the tax rates in years when the temporary differences are expected to reverse.

13 Other non-current liabilities

	December 31, 2014	December 31, 2013
Deferred lease inducement	$ 245	$ 368
Lease escalation liabilities	614	748
Finance lease liabilities	58	95
	$ 917	$ 1,211
Less: Current portion of other non-current liabilities	(369)	(353)
	$ 548	$ 858

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 2015 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.

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

14 Pension obligations, asset and expenses

Reflected in the consolidated statement of financial position as follows:

	December 31, 2014	December 31, 2013
Pension asset	$ —	$ (2,684)
Pension obligations	8,949	8,102
Pension obligations, net	$ 8,949	$ 5,418

Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Group Pension Plan. 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. At January 1, 2014, the solvency deficiency had reduced to a level such that actuarial valuations are to be completed every three years. Based on those valuations, the annual cash contributions in respect of the defined benefit provision of the DATA Group Pension Plan were be determined annually and depended on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others. Under applicable pension regulations, the plan's solvency deficiency can be funded over a maximum period of five years.

During the year ended December 31, 2014, DATA Group engaged actuaries to complete an updated actuarial valuation of the DATA Group Pension Plan, which confirmed that, as at January 1, 2014, the DATA Group Pension Plan had a reduced solvency deficit from January 1, 2013. Based upon the January 1, 2014 actuarial valuation report, DATA Group's annual cash contributions for the next three years to the defined benefit provision of the DATA Group Pension Plan decreased to $1,311 from $2,301 effective from January 1, 2014. During the year ended December 31, 2014, DATA Group made all the required payments related to its funding requirements for the defined benefit provision of the DATA Group Pension Plan for 2014, which assumes no change in Canadian economic conditions from those in effect as at January 1, 2014.

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

	December 31, 2014	December 31, 2013
Present value of funded obligations	$ 61,455	$ 51,836
Less: Fair value of plan assets	(61,129)	(54,520)
Deficit (surplus) of funded plans	326	(2,684)
Present value of unfunded obligations	8,623	8,102
Pension obligations, net	$ 8,949	$ 5,418

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

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS

	Funded	Unfunded	December 31, 2014
Balance – Beginning of year	**$ 51,836**	**$ 8,102**	**$ 59,938**
Interest expense	**2,547**	**370**	**2,917**
Benefits paid	**(2,347)**	**(579)**	**(2,926)**
Re-measurements:			
- Loss from change in demographic assumptions	**277**	**54**	**331**
- Loss from change in financial assumptions	**8,308**	**749**	**9,057**
- Experience losses (gains)	**834**	**(73)**	**761**
Balance – End of year	**$ 61,455**	**$ 8,623**	**$ 70,078**

	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

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

	Funded	Unfunded	December 31, 2014
Balance – Beginning of year	**$ 54,520**	**$ —**	**$ 54,520**
Interest income	**2,687**	**—**	**2,687**
Employer contributions	**1,959**	**579**	**2,538**
Benefits paid	**(2,347)**	**(579)**	**(2,926)**
Administrative expenses paid from plan assets	**(300)**	**—**	**(300)**
Re-measurements:			
- Return on plan assets, excluding amounts included in interest income	**4,610**	**—**	**4,610**
Balance – End of year	**$ 61,129**	**$ —**	**$ 61,129**

	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

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

DATA GROUP PENSION PLAN ASSET COMPOSITION

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Quoted	Percentage of plan assets	Quoted	Percentage of plan assets
Domestic equities	$ 3,772		$ 13,251	
Foreign equities	4,992		17,528	
Equity instruments	$ 8,764	14%	$ 30,779	56%
Short and mid-term bonds	$ 7,403		$ —	
Universe bonds	—		4,431	
Long bonds	40,861		14,864	
Real return bonds	—		649	
Commercial mortgages	3,811		3,600	
Debt instruments	$ 52,075	85%	$ 23,544	43%
Cash and cash equivalents	$ 290	1%	$ 197	1%
Total	$ 61,129	100%	$ 54,520	100%

ELEMENTS OF DEFINED BENEFIT EXPENSE RECOGNIZED IN THE STATEMENT OF INCOME (LOSS)

	Funded	Unfunded	December 31, 2014
Administration expenses	$ 300	$ —	$ 300
Interest expense	2,547	370	2,917
Interest income	(2,687)	—	(2,687)
Total net interest expense	(140)	370	230
Defined benefit expense recognized	$ 160	$ 370	$ 530

	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

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

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Funded	Unfunded	December 31, 2014
Re-measurements:			
- Loss from change in demographic assumptions	$ 277	$ 54	$ 331
- Loss from change in financial assumptions	8,308	749	9,057
- Experience losses (gains)	834	(73)	761
- Return on plan assets, excluding amounts included in interest income	(4,610)	—	(4,610)
	4,809	730	5,539
Deferred income tax effect	(1,235)	(187)	(1,422)
Defined benefit recovery recognized	$ 3,574	$ 543	$ 4,117

	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 expense recognized	$ (6,771)	$ (202)	$ (6,973)

DATA Group manages its pension plans by meeting with an actuarial consultant and the fund managers on a regular basis and reviews periodic reports outlining changes in the plan liabilities and the return on pension assets relative to the market. Assumptions are reviewed on an ongoing basis and adjustments are made whenever management believes that conditions have materially changed.

SIGNIFICANT ACTUARIAL ASSUMPTIONS ADOPTED IN MEASURING DATA GROUP'S DEFINED BENEFIT OBLIGATIONS

	December 31, 2014	December 31, 2013
DATA GROUP PENSION PLAN		
Discount rate	4.00%	5.00%
Rate of compensation increase	3.00%	3.00%
SERP		
Discount rate	3.80%	4.70%

DATA Group decreased the discount rate that was used to calculate its defined benefit obligations as at December 31, 2014 to better reflect current Canadian economic conditions and long-term interest rates. The salary increase assumption remained unchanged at December 31, 2014.

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

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Canada. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	December 31, 2014	December 31, 2013
RETIRING AT THE END OF THE REPORTING PERIOD:		
Male	**21.4**	21.3
Female	**23.9**	23.5
RETIRING IN 25 YEARS AFTER THE END OF THE REPORTING PERIOD:		
Male	**22.8**	22.6
Female	**25.1**	24.4

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 small proportion of equities, 14% of total assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The defined benefit provision of the DATA Group Pension Plan's investment time horizon and financial position are key inputs in deciding on the proportion of equities held.

The defined benefit provision of the DATA Group Pension Plan is closed to new membership, which means the investment time horizon is shrinking as the plan matures. Beginning in 2012 and as the plan matured, the defined benefit provision of the DATA Group Pension Plan's level of investment risk was 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 was 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 lowered 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 was expected to have 15% equities and 85% bonds. This derisking strategy was reviewed annually to consider the current environment and may be revised at any point in time. In 2014, the derisking strategy was reviewed against the investment time horizon and the financial position of the defined benefit provision of the DATA Group Pension Plan. With a significant improvement in the financial position, the defined benefit provision of the DATA Group Pension Plan asset mix was moved to 15% equities and 85% bonds, with the bond portfolio being adopted with liability cash flow matching characteristics.

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.

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

LIFE EXPECTANCY

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

The sensitivity of the defined benefit obligations to changes in assumptions at December 31, 2014 and at December 31, 2013 are set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	December 31, 2014		
	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.25%**	**$ (2,485)**	**$ 2,632**
Salary growth rate	**0.25%**	**682**	**(700)**

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	**$ 1,667**	**$ (1,706)**

	December 31, 2013		
	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 15.3 years (2013 – 14.5 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, 2014	**$ 2,652**	**$ 5,644**	**$ 6,066**	**$ 17,485**
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 who are covered by the respective collective bargaining agreements, all of whom are employed at DATA Group facilities located in the Province of Québec.

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
Defined contribution plan	$ 1,842	$ 1,933
Defined benefit multi-employer plan	$ 664	$ 662

DATA Group expects that, in 2015, contributions to the defined benefit provision of the DATA Group Pension Plan will be approximately $1,311, contributions to the defined contribution provision of the DATA Group Pension Plan will be approximately $1,750, contributions to the SERP will be approximately $567 and contributions to the SRDF will be approximately $685.

15 Other post-employment benefit plans

Costs related to non-pension 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 non-pension post-employment and other long-term employee benefit plans:

	December 31, 2014	December 31, 2013
Balance – Beginning of year	$ 2,631	$ 2,726
Current service cost	242	216
Interest expense	136	123
Benefits paid	(277)	(288)
Re-measurements:		
- Gain from change in demographic assumptions	(172)	(209)
- Loss (gain) from change in financial assumptions	218	(163)
- Experience losses	98	226
Balance – End of year	$ 2,876	$ 2,631

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

	December 31, 2014	December 31, 2013
Current service cost	$ 242	$ 216
Interest expense	136	123
Re-measurements:		
- Experience losses (gains)	33	(29)
Benefit expense recognized	$ 411	$ 310

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

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	December 31, 2014	December 31, 2013
Re-measurements:		
- Loss (gain) from change in demographic assumptions	$ 10	$ (70)
- Loss (gain) from change in financial assumptions	127	(85)
- Experience (gains) losses	(26)	38
	111	(117)
Deferred income tax effect	(28)	30
Benefit expense (recovery) recognized	$ 83	$ (87)

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

DATA GROUP OTHER LONG-TERM EMPLOYEE OBLIGATIONS	December 31, 2014	December 31, 2013
Discount rate	4.00%	5.00%
Health care cost trend rate – Initial	6.12%	6.41%
Health care cost trend rate declines by 2028 (2013 – 2028)	4.50%	4.50%

DATA GROUP OTHER POST-EMPLOYMENT OBLIGATION	December 31, 2014	December 31, 2013
Discount rate	4.00%	5.00%
Health care cost trend rate – Initial	6.74%	6.89%
Health care cost trend rate declines by 2028 (2013 – 2028)	4.50%	4.50%

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 defined benefit obligations		
At December 31, 2014	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	$ (54)	$ 56
Health care cost trend rates	1.00%	208	(186)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	$ 81	$ (78)

	Impact on defined benefit obligations		
As 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)

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

Expected maturity analysis of undiscounted other post-employment benefits:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Between 5 to 10 years
At December 31, 2014	**$ 312**	**$ 559**	**$ 477**	**$ 942**
At December 31, 2013	$ 303	$ 517	$ 454	$ 909

DATA Group expects that, in 2015, contributions to its other post-employments benefit plans will be approximately $312.

16 Financial instruments

DATA Group's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, credit facilities, and convertible debentures, as indicated in DATA Group's statements of consolidated financial position as at December 31, 2014 and 2013. 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, and trade payables approximates their carrying value because of the short-term maturity of these instruments.

The fair value of DATA Group's 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 $27,941 at December 31, 2014 compared to a book value of $43,222 for the debt portion and of $513 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, 2014 and as at December 31, 2013:

December 31, 2014	**Carrying Value**	**Fair Value**
Loans and receivables (1)	**$ 37,987**	**$ 37,987**
Financial liabilities at amortized cost (2)	**118,325**	**102,300**

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

Notes:
(1) Includes cash and cash equivalents 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), credit facilities and convertible debentures.

There are no financial instruments recorded at fair value in the consolidated statement of financial position as at December 31, 2014 and 2013.

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, 2014, $2,006 or 5.3%, of trade receivables were more than 90 days old, an increase from $1,276 or 3.4%, of trade receivables that were more than 90 days old at December 31, 2013. The movement in DATA Group's allowance for doubtful accounts for 2014 and 2013 are as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Balance – Beginning of period	$ 637	$ 517
Provisions and revisions	23	120
Balance – End of period	$ 660	$ 637

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, 2014 and 2013, 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, 2014, DATA Group had access to $7,500 of available credit less letters of credit granted of $2,207 under its Credit Facilities.

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

December 31, 2014	**Less than a year**	**1 to 3 years**	**4 years and greater**	**Total**
Trade payables	$ 29,061	$ —	$ —	$ 29,061
Long-term debt [(1)]	6,100	44,533	—	50,633
Convertible debentures [(2)]	2,682	48,728	—	51,410
Total	$ 37,843	$ 93,261	$ —	$ 131,104

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

Notes:

(1) Credit Facilities, expiring on August 31, 2016. As at December 31, 2014, the outstanding balance totalled $47,250 and bore interest at an average floating rate of 4.59% per annum. The outstanding balance will be reduced by principal repayments of $1,000 at the end of each quarter of 2015 and by principal repayments of $1,500 on March 31 and June 30 of 2016. The amounts at December 31, 2014 include estimated interest totalling $2,100 for 2015, and $1,283 for 2016. As at December 31, 2013, the outstanding balance totalled $53,500 and bore interest at an average floating rate of 5.24% per annum. The amounts at December 31, 2013 include estimated interest totalling $2,725 for 2014, and $1,663 for 2015. 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, 2014 and 2013, respectively.

(2) 6.00% Convertible Debentures, maturing on June 30, 2017, convertible at 81.967 shares per $1,000 of debenture. The aggregate principal amount totalled $44,705 as at December 31, 2014 and totalled $45,000 as at December 31, 2013, respectively. The amounts at December 31, 2014 include interest totalling $2,682 for 2015 to 2016 and $1,341 for 2017. The amounts at December 31, 2013 include interest totalling $2,700 for 2014 to 2016 and $1,350 for 2017.

DATA Group also has significant contractual obligations in the form of operating leases (note 20), as well as contingent obligations in the form of letters of credit. 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.

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, 2014, $47,250 of the DATA Group's indebtedness outstanding was subject to floating interest rates of 4.59% per annum, a 1% increase/decrease in interest rates would have resulted in an increase/decrease in net income (loss) and comprehensive income (loss) by $500 for the year ended December 31, 2014 (2013 – $559), respectively. DATA Group's remaining outstanding convertible debentures are subject to a fixed interest rate of 6.00% per annum.

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

CURRENCY RISK

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

The following summarizes the change in shares:

	Number of Common shares	Amount
Balance – January 1, 2014 and December 31, 2014	**23,490,592**	**$ 215,336**
Balance – January 1, 2013 and December 31, 2013	23,490,592	$ 215,336

18 Earnings (loss) per share

	For the year ended December 31, 2014	For the year ended December 31, 2013
BASIC EARNINGS (LOSS) PER SHARE		
Net income (loss) for the year attributable to shareholders	**$ 4,479**	$ (45,831)
Weighted average shares	**23,490,592**	23,490,592
Basic earnings (loss) per share	**$ 0.19**	$ (1.95)
DILUTED EARNINGS (LOSS) PER SHARE		
Net income (loss) for the year attributable to shareholders	**$ 4,479**	$ (45,831)
Weighted average shares	**23,490,592**	23,490,592
Diluted earnings (loss) per share	**$ 0.19**	$ (1.95)

6.00% Convertible Debentures in the aggregate principal amount of $44,705 (2013 – $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)

19 Changes in working capital

	For the year ended December 31, 2014	For the year ended December 31, 2013
Trade receivables	$ (585)	$ 5,040
Inventories	(2,414)	528
Prepaid expenses and other current assets	(1,645)	485
Trade payables	2,916	(2,308)
Deferred revenue	1,283	2,527
	$ (445)	$ 6,272

20 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, 2014
2015	$ 12,557
2016	9,362
2017	5,317
2018	2,362
2019	1,529
2020 and thereafter	2,631
	$ 33,758

DATA Group and its subsidiary 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 the Province of 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 pension 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 its portion of the solvency deficiency. Under current Québec pension legislation, DATA Group would be required to fund any outstanding solvency deficiency in respect of its 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 $30,000 or 16.0% 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.

On February 18, 2015, Bill 34 (An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans) was tabled in the Québec legislature. Bill 34, as currently drafted, would amend the Québec pension legislation for the SRDF to, among other things, require employers to contribute only those amounts specified in the applicable collective agreements negotiated with the relevant unions; eliminate the employer's obligation to fund solvency deficiencies; allow for the reduction of accrued benefits; and remove the responsibility of participating employers to fund their share of the solvency deficit upon withdrawal from the plan or termination of the plan, except in certain circumstances when withdrawal from the plan or termination of the plan occurs within five years of Bill 34 being adopted. Bill 34 has not yet been passed into law and there can be no assurance that this proposed legislation will be adopted in its current form or at all.

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

21 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 Credit Facilities is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests (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, 2014	December 31, 2013
Credit facilities	$ 46,882	$ 53,109
Convertible debentures	43,222	42,909
Total long-term debt	$ 90,104	$ 96,018
Total equity	$ 18,413	$ 18,075

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

22 Expenses by nature

	For the year ended December 31, 2014	For the year ended December 31, 2013
Raw materials and other purchases	$ 152,547	$ 152,223
Wages and benefits	110,514	111,469
Pension and other post-employment expenses	3,081	3,072
Occupancy costs	17,380	17,687
Restructuring expenses	2,804	7,034
Depreciation, amortization and impairments	6,856	57,700
Other expenses	7,072	6,924
Total cost of revenues and operating expenses	$ 300,254	$ 356,109

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

23 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, 2014	**DATA East and West**	**Multiple Pakfold**	**Intersegment**	**Total**
Revenues	$ 298,860	$ 15,710	$ (1,395)	$ 313,175
Gross profit	71,654	2,958	—	74,612
Income before under noted items	$ 22,490	$ 1,010	$ —	23,500
Restructuring expenses				2,804
Gain on cancellation of convertible debentures				(103)
Unallocated corporate expenses				7,878
Income before finance costs and income taxes				12,921
Finance costs				6,694
Current income tax expense				69
Deferred income tax expense				1,679
Net income for the year				$ 4,479

SUPPLEMENTAL INFORMATION

Depreciation of property, plant and equipment	$ 4,859	$ 81	$ —	$ 4,940
Purchase of property, plant and equipment	$ 3,191	$ 16	$ —	$ 3,207

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)

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

SUPPLEMENTAL INFORMATION

Depreciation of property, plant and equipment	$ 5,252	$ 78	$ —	$ 5,330
Purchase of property, plant and equipment	$ 2,291	$ 53	$ —	$ 2,344

SEGMENTED ASSET

December 31, 2014	DATA East and West	Multiple Pakfold	Corporate	Total
Assets (other than goodwill)	$ 101,709	$ 3,448	$ 2,754	$ 107,911
Goodwill	57,066	—	—	57,066
	$ 158,775	$ 3,448	$ 2,754	$ 164,977

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

Warehousing revenues were approximately 7% of total consolidated revenues for the year ended December 31, 2014 and were approximately 7% of total consolidated revenues for the year ended December 31, 2013.

24 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, 2014	For the year ended December 31, 2013
Salaries and other short-term employee benefits	$ 1,950	$ 1,839
Post-employment benefits	32	35
Total	$ 1,982	$ 1,874

During the year ended December 31, 2014, DATA Group's general and administration expenses include a charge of $356 (2013 – $279) for the duties performed by DATA Group's Board of Directors.

Corporate information

Directors and Officers

Thomas R. Spencer
Chairman, Director

Michael Blair [1, 3]
Director

Harinder S. Takhar [1, 2]
Director

William Albino [1, 3]
Director

J.R. Kingsley Ward [2]
Director

Rod Phillips [2, 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 Michael Blair)

2 Member, Compensation Committee (Chairperson is Harinder S. Takhar)

3 Member, Corporate Governance Committee (Chairperson is William Albino)

Executive Team

Michael Suksi
President and Chief Executive Officer

Paul O'Shea
Chief Financial Officer

Judy Holcomb-Williams
Vice-President
Human Resources

Cornell Pereira
Vice-President
Sales, Western Canada

Steve Wittal
Vice-President
Sales, Eastern Canada

Alan Roberts
Senior Vice-President,
Operations

Diane Schwind
Vice-President
Operations, Rotary and Labels

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

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