MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND TWELVE-MONTH PERIODS ENDED DECEMBER 31, 2014

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated February 20, 2015, of Supremex Inc. (the "Company") should be read together with the accompanying audited consolidated financial statements and related notes of the Company for the year ended December 31, 2014. These consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of shares outstanding for the three and twelve-month periods ended December 31, 2014.

This MD&A contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to these statements. In addition to our results reported in accordance with IFRS, the MD&A may contain other non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "EBITDA" or other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and therefore may not be directly comparable to similar measures used by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. See "Definition of EBITDA and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.

Overview

Supremex is Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and a growing provider of packaging and specialty products. Supremex is the only national envelope manufacturer in Canada, with facilities across six provinces and one facility in the United States and employs approximately 500 people. This national presence allows Supremex to manufacture products tailored to the specifications of major national customers such as leading corporations, national resellers and governmental entities, as well as paper merchants and process and solution providers.

2014 Highlights and Overall Performance

Revenue in the fourth quarter of 2014 amounted to $35.1 million compared with $33.6 million in the fourth quarter of 2013, up by $1.5 million or 4.5%. This increase is mainly attributable to an increase of 28.6% in the volume of units sold in the U.S. envelope market and also fuelled by slightly higher average selling prices both in the Canadian and the U.S. envelope markets, which largely compensated for decrease of 3.1% in the volume of units sold in Canada. Sales of specialty products remained at the same level as last year.

Net earnings in the fourth quarter of 2014 amounted to $2.7 million or $0.09 per share, equivalent to the corresponding period of last year.

Revenue for the year ended December 31, 2014 increased to $131.9 million compared to $129.0 million in the same period of last year, an increase of $2.9 million or 2.3%. This year's performance was mostly driven by growth of 10% in the volume of units sold in the U.S. envelope

market, a higher U.S. average selling price from a change in product mix, and an increase of 8.1% in revenues of specialty products. The Canadian envelope market saw a 5% reduction in volume, which was mitigated by higher average selling prices resulting from increased costs of raw material.

Net earnings for year 2014 amounted to $11.0 million compared to $11.5 million last year. Net earnings per share totalled $0.38 for 2014 compared to $0.40 in 2013. Last year's financial performance was comparatively stronger because of a $2.8 million pre-tax non-cash gain resulting from amendments to the defined benefit pension plans.

Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

	Three-month periods ended		Twelve-month periods ended	
	Dec. 31, 2014	Dec. 31 2013	**Dec. 31, 2014**	Dec. 31, 2013
	$	$	**$**	$
Net Earnings	**2,728**	2,737	**11,047**	11,531
Income tax expense	**1,080**	811	**4,101**	3,913
Financing charges	**223**	735	**1,334**	2,854
Amortization of property, plant and equipment	**925**	875	**3,567**	3,575
Amortization of intangible assets	**1,541**	1,541	**6,164**	6,164
Loss (gain) on disposal of property, plant and equipment	**-**	15	**6**	(58)
EBITDA [1]	**6,497**	6,714	**26,219**	27,979
Adjustments				
Less: Gain on pension plans' amendments	**-**	-	**(264)**	(2,845)
Plus: Claim settlement expense	**665**	-	**665**	-
Adjusted EBITDA [1]	**7,162**	6,714	**26,620**	25,134

[1] See "Definition of EBITDA." EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

EBITDA stood at $6.5 million in the fourth quarter of 2014 compared to $6.7 million for last year's comparable period. The decrease in EBITDA during the fourth quarter of 2014 is attributable to a claim settlement with a former executive. Excluding this unusual item, adjusted EBITDA in the fourth quarter grew by $0.5 million or 6.7% to $7.2 million. This result mainly from increased sales in the U.S. envelope market combined with higher average selling prices in the Canadian envelope market, reflecting increases in the cost of raw material.

In 2014, EBITDA amounted to $26.2 million compared with $28.0 million during the previous year. By excluding the gains of $0.3 million in 2014 and $2.8 million in 2013 resulting from various amendments to the defined benefit pension plans and removing the claim settlement expense, the annual adjusted EBITDA stood at $26.6 million compared to $25.1 million last year, representing an increase of $1.5 million or 5.9%. This result is attributable to a higher volume of units sold combined with a better product mix in the U.S. envelope market. Also contributing to this improvement are higher average selling prices in the Canadian and U.S. envelope markets reflecting notably increased costs in raw materials and continued control over operating costs.

During 2014, the Company repaid a total of $15.4 million of its secured credit facilities and paid $4.8 million in dividends, compared to a debt repayment of $12.0 million and dividend payments of $3.8 million in 2013.

On February 20, 2015, the Board of Directors declared a quarterly dividend of $0.05 per share, payable on April 14, 2015 to shareholders of record at the close of business on March 31, 2015.

Key Factors Affecting the Business

The Company's operating results and financial condition are subject to a number of risks and uncertainties, and are affected by a number of factors outside management's control. See "Risk Factors" for a discussion of these risks.

Corporate Outlook

Entering 2015, the emphasis will be placed on the ramp-up of the contract signed in 2014 with one of our U.S. customers, further growing the contribution of specialty products, taking advantage of U.S. market opportunities, maintaining a tight control over expenses, managing the impact of the rapidly changing foreign exchange rate, and further reducing debt level.

Summary of Quarterly Results

Supremex' revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of units sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fundraising, the holidays and tax seasons. The number of units sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, Supremex' revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year. To maintain production efficiencies, Supremex uses warehouse capabilities to inventory envelopes as required and thereby counter predictable seasonal variations in sales volume.

The following table presents a summary of operating results of the Company on a quarterly basis from January 1, 2013 to December 31, 2014.

(In thousands of dollars, except for per share amounts)

	Dec. 31, 2014	Sept. 30 2014	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30 2013	June 30, 2013	Mar. 31, 2013
	$	$	$	$	$	**$**	$	$
Revenue	**35,097**	32,241	30,634	33,916	33,583	29,776	31,941	33,666
Adjusted EBITDA [(1)]	**7,162**	6,296	5,816	7,345	6,714	5,370	6,087	6,963
Earnings before income taxes	**3,808**	3,638	3,102	4,601	3,548	2,166	3,307	6,423
Net earnings	**2,728**	2,621	2,331	3,368	2,737	1,577	2,462	4,755
Net earnings per share	**0.09**	0.09	0.08	0.12	0.09	0.05	0.09	0.16

(1) See "Definition of EBITDA." EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

While the business is affected by a general decline in the envelope market, the Company achieved higher sales during the first, third and fourth quarter of 2014 when compared to the comparable periods of 2013. Notwithstanding this industry decline, the Company's EBITDA margin remained relatively constant throughout 2013 and 2014.

Selected Consolidated Financial Information
(In thousands of dollars, except for per share amounts)

	Three-month periods ended December 31,			Twelve-month periods ended December 31,		
	2014	**2013**	**2012 (2)**	**2014**	**2013**	**2012 (2)**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**35,097**	33,583	33,737	**131,888**	128,966	131,875
Operating expenses	**23,659**	22,561	22,258	**88,723**	85,259	90,359
Selling, general and administrative expenses	**4,941**	4,308	4,385	**16,946**	15,728	16,909
EBITDA (1)	**6,497**	6,714	7,094	**26,219**	27,979	24,607
Amortization of property, plant and equipment	**925**	875	916	**3,567**	3,575	3,499
Amortization of intangible assets	**1,541**	1,541	1,541	**6,164**	6,164	6,164
Loss (gain) on disposal of property, plant and equipment	**—**	15	—	**6**	(58)	(18)
Impairment of goodwill	**—**	—	—	**—**	—	28,862
Operating earnings (loss)	**4,031**	4,283	4,637	**16,482**	18,298	(13,900)
Financing charges	**223**	735	764	**1,334**	2,854	3,167
Earnings (loss) before income taxes	**3,808**	3,548	3,873	**15,148**	15,444	(17,067)
Income taxes expenses	**1,080**	811	892	**4,101**	3,913	2,578
Net earnings (loss)	**2,728**	2,737	2,981	**11,047**	11,531	(19,645)
Basic and diluted net earnings (loss) per share	**0.09**	0.09	0.10	**0.38**	0.40	(0.67)
Dividend paid per share	**0.045**	0.04	0.03	**0.165**	0.13	0.12
Total assets	**109,792**	126,754	129,565	**109,792**	126,754	129,565
Secured credit facilities	**22,577**	38,000	50,000	**22,577**	38,000	50,000

(1) See “Definition of EBITDA.”

(2) Restated following the transition to the new accounting standard IAS 19 *Employee Benefits* as described in note 4 to the Company’s audited consolidated financial statements for the year ended December 31, 2013.

Results of Operations

Three-month period ended December 31, 2014 compared with three-month period ended December 31, 2013

Revenue

Revenue for the three-month period ended December 31, 2014 amounted to $35.1 million compared with $33.6 million for the three-month period ended December 31, 2013, an increase of $1.5 million or 4.5%.

Revenue in Canada increased by $0.4 million or 1.6% to $31.0 million and revenue in the United States increased by $1.1 million or 33.5%, from $3.0 million to $4.1 million.

Revenue in the Canadian envelope market was driven by a 4.7% increase in average selling price, necessitated by increased costs of raw materials, that was partially offset by a volume decrease of 3.1% in units sold. The decrease in the number of units sold was mainly in the corporate sector market.

Revenue in the U.S. envelope market grew significantly with a 28.6 % increase in the volume of units sold and average selling price increase of 6.5% resulting from changes in the product mix.

Revenue of specialty products during the quarter remained constant when compared to the equivalent quarter of 2013.

Operating expenses

Operating expenses for the three-month period ended December 31, 2014 amounted to $23.7 million compared with $22.6 million for the same period in 2013, an increase of $1.1 million or 4.9%. This increase is mainly attributable to increased costs of raw materials, the effect of which was mitigated by tight control over operating costs.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $4.9 million for the three-month period ended December 31, 2014 compared with $4.3 million for the same period in 2013, representing an increase of $0.6 million or 14.7% attributable to the settlement of a claim by a former executive.

EBITDA and Adjusted EBITDA

As a result of the changes described above, EBITDA stood at $6.5 million for the three-month period ended December 31, 2014 compared with $6.7 million for the same period in 2013, a decrease of $0.2 million or 3.2%. Excluding the expense incurred for the settlement of a claim by a former executive, adjusted EBITDA improved at $7.2 million compared with $6.7 million for the same period in 2013, an increase of $0.5 million or 6.7%.

Amortization

Aggregate amortization expense for the three-month period ended December 31, 2014 amounted to $2.5 million compared with $2.4 million for the comparable period of 2013, representing an increase of $0.1 million or 2.1%.

Financing charges

Financing charges for the three-month period ended December 31, 2014 amounted to $0.2 million compared with $0.7 million for the same period in 2013, resulting mainly from the impact of the reduced level of debt in 2014 combined to a better financial position of the pension plans.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes totalled $3.8 million for the three-month period ended December 31, 2014 compared with $3.5 million for the same period in 2013, an increase of $0.3 million or 7.3%.

Provision for income taxes

During the three-month period ended December 31, 2014, the Company recorded a provision for income taxes of $1.1 million compared with $0.8 million for the three-month period ended December 31, 2013, an increase of $0.3 million or 33.3%. The increase is mainly attributable to lower earnings before income taxes in 2013.

Net earnings

As a result of the changes described above, net earnings amounted to $2.7 million for the three-month period ended December 31, 2014 compared with $2.7 million for the same period in 2013.

Other comprehensive loss

The decrease in the discount rate used to calculate the accrued plan benefit obligations and lower than expected return on assets have generated net actuarial losses of $1.4 million. This variation impacted the Company's other comprehensive income and deficit.

Twelve-month period ended December 31, 2014 compared with twelve-month period ended December 31, 2013

Revenue

Revenue for the year ended December 31, 2014 amounted to $131.9 million compared with $129.0 million for the year ended December 31, 2013, an increase of $2.9 million or 2.3%.

Revenue generated by the Canadian envelope market segment decreased by $0.7 million or by 0.7% to $107.3 million in 2014. An increase of 4.5% in the average selling price resulting from higher costs of raw material offset a decrease of 5.0% in the volume of units sold in Canada.

This year's total revenue increase is mainly attributable to growth in the U.S. envelope market segment, which totalled $14.8 million compared to $11.8 million last year, an improvement of $3.0 million or 24.8%. Both an increase of 10.0% in the volume of units sold and a higher average selling price of 13.4% from a change in product mix, contributed to this result. This increase in revenue was also positively affected by the weakening of the Canadian dollar against to the U.S. dollar in 2014. The average U.S. dollar exchange rate U.S. during the year had a positive impact of 7.3% upon converting U.S. sales into Canadian dollars.

Revenue of specialty products increased by 8.1% or $0.7 million to $9.8 million in 2014 as a result of an increase in the volume of units sold.

Operating expenses

Operating expenses for the year ended December 31, 2014 amounted to $88.7 million compared with $85.3 million for the same period in 2013, an increase of $3.4 million or 4.1%. While the impact of a weaker Canadian dollar inflated raw material costs in 2014, operating expenses in 2013 were also comparatively lower because of a non-cash gain of $2.1 million that resulted from amendments to the defined benefits pension plan, compared to a lower non-cash gain of $0.2 million recorded in 2014. Overall, tight control over operating costs and lower employee benefit costs helped mitigate the increase.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $16.9 million for the year ended December 31, 2014 compared with $15.7 million for the same period in 2013, an increase of $1.2 million or 7.7%. The increase was mainly attributable to a lower non-cash gain of $0.1 million recorded in 2014 compared to the $0.7 million recorded in 2013, which both resulted from amendments to the defined benefits pension plan. Furthermore, the settlement of a claim from a former executive contributed to higher selling, general and administrative expenses in 2014.

EBITDA and Adjusted EBITDA

As a result of the changes described above, EBITDA was $26.2 million for the year ended December 31, 2014 compared with $28.0 million for the same period in 2013, representing a decrease of $1.8 million or 6.3%. Without taking into account the expense for the settlement of a claim by a former executive and excluding the gains on the pension plan amendments which represented $0.3 million in 2014 and $2.8 million in 2013, adjusted EBITDA stood at $26.6 million compared with $25.1 million for the same period in 2013, an increase of $1.5 million or 5.9%.

Amortization

Aggregate amortization expense for the year ended December 31, 2014 remained stable at $9.7 million.

Financing charges

Financing charges for the year ended December 31, 2014 amounted to $1.3 million compared with $2.9 million for the same period in 2013, representing a decrease of $1.6 million or 53.3%, resulting mainly from the impact of the reduced level of debt combined to a better financial position of the pension plans.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, earnings before income taxes totalled $15.1 million for the year ended December 31, 2014 compared with earnings before income taxes of $15.4 million for the same period in 2013, a decrease of $0.3 million or 1.9%.

Provision for income taxes

During the year ended December 31, 2014, the Company recorded a provision for income taxes of $4.1 million compared with $3.9 million for the year ended December 31, 2013, an increase of $0.2 million or 4.8%.

Net earnings

As a result of the changes described above, net earnings amounted to $11.0 million for the year ended December 31, 2014 compared with the net earnings of $11.5 million for the same period in 2013, a decrease of $0.5 million.

Other comprehensive loss

A lower than expected return on assets of the Company's defined benefit pension plan combined with a decrease of the discount rate used to calculate the accrued plan benefit obligations generated net actuarial losses of $6.2 million. These variations affected the Company's other comprehensive income and deficit.

Related Party Transactions

During the year ended December 31, 2014, the Company has, in the normal course of business, received services in the amount of $37,334 (2013 - $239,493) from a former major shareholder, Clarke Inc., and its subsidiaries.

Segmented Information

The Company currently operates in one business segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to $78.6 million in Canada and $0.7 million in the United States as at December 31, 2014 as compared to $94.4 million and $0.8 million as at December 31, 2013, respectively.

In Canada, the Company's revenue amounted to $31.0 million and to $116.4 million for the three and twelve-month periods ended December 31, 2014 compared to $30.6 million and $116.8 million for the same periods in 2013, representing an increase of $0.4 million or 1.6% quarter-over-quarter and a decrease of $0.4 million or 0.3% year-over-year. In the United States, the Company's revenue amounted to $4.1 million and to $15.5 million for the three and twelve-month periods ended December 31, 2014 compared to $3.0 million and $12.2 million for the same periods in 2013, representing an increase of $1.1 million or 33.5% quarter-over-quarter and $3.3 million or 26.4% year-over-year.

Liquidity and Capital Resources

Operating activities

Operating activities generated net cash of $21.8 million during the year ended December 31, 2014 compared with $13.3 million during the same period of 2013. The increase in net cash flows from operating activities was primarily due to stronger earnings from operations, before consideration of the non-cash gain from the defined benefit plan amendments, but also to the net change in non-cash working capital balances, which generated inflows when compared to the considerable outflows in 2013.

The lower non-cash working capital level as at December 31, 2014 compared with December 31, 2013, resulted mainly from lower inventory levels and higher accounts payable and accrued liabilities, mainly due to timing of payment to suppliers. Accounts receivable were higher mainly because of timing and due to a higher volume of sales in the fourth quarter of 2014.

Investing activities

Investing activities used $2.0 million of cash during the year ended December 31, 2014 compared with a use of $1.1 million in 2013, an increase of $0.9 million mainly related to increased investments in manufacturing equipment, mostly for the agreement signed in the second quarter of 2014 with a customer in the U.S. for packaging products.

Financing activities

Financing activities used $21.0 million during the year ended December 31, 2014, compared with $15.8 million in 2013, an increase of $5.2 million mainly due to the acceleration of reimbursement of the credit facilities, which totalled $15.4 million in 2014 and to increases in dividend payout.

Liquidity and capital resources summary

Supremex' ability to generate cash flows from operations combined with its availability under existing credit facilities are expected to provide sufficient liquidity to meet anticipated needs for existing and future projects.

Contractual Obligations and Off-Balance Sheet Arrangements

The following chart outlines the Company's contractual obligations as at December 31, 2014.

(in thousands of dollars)

		Payments due by fiscal year		
	Total	**2015**	**2016**	**2017 and thereafter**
Secured credit facilities	**22,576**	5,221	3,571	13,784
Operating leases	**4,764**	1,570	1,258	1,936
Total	**27,340**	6,791	4,829	15,720

The Company has no other off-balance sheet arrangements.

Financing

On August 15, 2014 the Company renewed its credit facilities with a three-year agreement, which consist of a $15 million committed operating facility ("Operating Facility") and a $25 million committed non-revolving loan ("Term Loan").

These credit facilities were used to refinance existing credit facilities maturing on November 4, 2015, and may be used to finance working capital requirements and for other general corporate purposes. The Operating Facility and the Term Loan mature on August 15, 2017. The Term Loan is repayable in monthly principal instalments of $297,619 and must be entirely repaid on the 3rd anniversary of the closing date. In addition, a mandatory prepayment equal to 50% of the annual excess cash flow must be directed to the repayment of principal advanced under the Term Loan within 150 days of the Borrower's fiscal year end.

As at December 31, 2014, the Company had outstanding letters of credit for a total of $1,145,000 [2013 – $50,000].

The facilities bear interest at a floating rate based on the Canadian prime rate or bankers' acceptance rate, plus an applicable margin on those rates. As at December 31, 2014, the interest rate on the credit facilities was 3.42%. The Company was in compliance with the covenants of its credit facilities during 2014.

As at January 14, 2011, Supremex Inc. entered into an interest rate swap agreement for an amount of $30 million at a fixed rate of 2.92% until January 14, 2016, excluding all applicable margins, which ranges from 1.75% to 2.00%.

The credit facilities are collateralized by a hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

Capitalization

As at February 20, 2015, the Company had 28,750,967 common shares outstanding, a decrease of 206,200 shares following the repurchase done under the NCIB program since its implementation for a total consideration of $567,343.

Financial Instruments

Interest rate and foreign exchange risk

The Company's credit facilities bear interest at a floating rate which gives rise to the risk that its earnings and cash flows may be adversely affected by fluctuations in interest rates. As at January 14, 2011, Supremex Inc. entered into an interest rate swap agreement for an amount of $30 million at a fixed rate of 2.92% until January 14, 2016, excluding the applicable margin.

The Company operates in Canada and the United States, which exposes its earnings and cash flows to fluctuations in the exchange rate between the U.S. and Canadian dollar. A portion of Supremex' revenue is earned in U.S. dollars while a large portion of its expenses, including most of its paper and other raw materials costs as well as certain capital expenditures, are incurred in U.S. dollars. Supremex also derives a portion of its revenue from Canadian dollar sales to certain customers for whom the selling price is sensitive to U.S. competition (see "Risk Factors"). Cash, accounts receivable and accounts payable and accrued liabilities include balances denominated in U.S. dollars at the end of the year.

Fair value

The fair value of the Company's financial instruments is indicated in note 20 to the Company's audited consolidated financial statements for the year ended December 31, 2014.

Financial Position Highlights

(In thousands of dollars)

	December 31, 2014 $	December 31, 2013 $
Working capital	**5,839**	11,080
Total assets	**109,792**	126,754
Total secured credit facilities[1]	**22,406**	37,583
Equity	**63,752**	65,623

[1] Net of deferred financing costs of $170,916 ($416,966 as at December 31, 2013)

As at December 31, 2014, the Company had an accrued pension benefit liability of $0.6 million compared to an $8.2 million accrued pension benefit asset as at December 31, 2013. This deterioration was a result of lower than anticipated investment returns combined to a decrease in interest rates.

Supremex pays quarterly dividends to shareholders at the discretion of the Board of Directors. A dividend of $1.4 million or $0.05 per share was declared in the fourth quarter of 2014 and paid subsequent to year-end. Other dividend payments that occurred previously in 2014 were declared and paid at a rate of $0.04 per share until July 11, 2014 and $0.045 per share on October 10, 2014.

Controls and Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Company has filed certifications signed by the President and Chief Executive Officer and the Vice-President, Finance, that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the President and Chief Executive Officer and the Vice-President, Finance, particularly during the period in which annual filings are being prepared. The President and Chief Executive Officer and the Vice-President, Finance, evaluated the effectiveness of the Company's disclosure controls and procedures and concluded, based on its evaluation, that such disclosure controls and procedures were effective as of December 31, 2014.

Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Vice-President, Finance, evaluated the effectiveness of the Company’s internal control over financial reporting and concluded, based on its evaluation, that such internal control over financial reporting was effective as of December 31, 2014. In making its evaluation, the President and Chief Executive Officer and the Vice-President, Finance, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Finally, there has been no change in the Company’s internal control over financial reporting during the year ended December 31, 2014 that materially affected, or is likely to materially affect, the Company’s internal control over financial reporting.

Significant accounting policies and estimates

The Company prepares its financial statements in conformity with IFRS, which requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to intangible assets and goodwill, employee future benefits and income taxes. Management bases its estimates on historical experience and other assumptions, which it believes are reasonable under the circumstances. Management also assesses its estimates on an ongoing basis. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period a change occurs.

The significant accounting policies of the Company are described in note 2 to the Company’s audited consolidated financial statements for the year ended December 31, 2014.

The policies the Company believes are most critical to assist in fully understanding and evaluating its reported results include the following:

Intangible assets and goodwill

Intangible assets and goodwill arise out of business combinations for which the Company has applied the purchase method of accounting. The purchase method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future.

As at December 31, 2014, the Company performed a goodwill impairment test using the discounted cash flows method based upon management's best estimates which reflect the Company's planned course of action in light of market conditions. The Company concluded that there was no impairment in the carrying amount of its goodwill. The Company will continue to monitor the resulting impact of market changes.

Valuation technique

The Company uses the discounted cash flows ("DCF") method to determine the value in use of its cash-generating unit and has not made any changes to the valuation methodology used to assess goodwill impairment since the last annual impairment test.

Significant assumptions

The income approach is predicated upon the value of the future cash flows that a business will generate going forward. The DCF method which was used as at December 31, 2014 involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth or decline rates, operating margins, tax rate and discount rate.

Growth or decline of revenue

The assumptions used were based on the Company's internal budget. The Company projected revenue, operating margins and cash flows for a period of four years that reflect lower demand and applied a perpetual long-term decline rate for the period thereafter. In arriving at its forecasts, the Company considered past experience, economic trends as well as industry and market trends.

Discount rate

The Company assumed a pre-tax discount rate to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in a similar industry. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows.

The key assumptions used in performing the impairment test were as follows:

	Assumptions
Pre-tax discount rate	18.3%
Tax rate	26.0%
Perpetual decline rate	3.0%

Sensitivity

In the most recent impairment test performed, if the pre-tax discount rate had increased from 18.3% to 20.2% or the perpetual decline rate had increased from 3.0% to 3.7%, the recoverable amount of the cash generating unit would have then equaled the carrying amount as at December 31, 2014.

Employee future benefits

The Company sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the discount rate to measure obligations, the expected mortality, the expected retirement age, the expected rate of future compensation increase and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation. Actual results will differ from estimated results which are based on assumptions.

Significant assumptions:

Discount rate for accrued benefit obligation	4.00%
Discount rate for net pension cost	4.80%
Rate of compensation increase	3.25%

Discount rate

As at December 31, 2014, we used the *Fiera Capital's CIA Method Accounting Discount Rate Curve* which follows the methodology suggested in the CIA Education Note on *Accounting Discount Rate Assumption for Pension and Post-employment Benefit Plans*. For the Company, a 0.25% increase or decrease in the discount rate would have decreased or increased the defined benefit obligation by approximately $3.9 million as at December 31, 2014.

Rate of compensation

Future salary increases are based on expected future inflation rates.

Medical cost trend

The medical cost trend is based on our actuarial medical claims experience and future projections of medical costs. The average medical cost trend rate used was 8.0% for 2014, which is expected to decline to 5.0% in 2024. A one-percentage-point change in assumed health care cost trend rates would have no material impact.

Income taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, the actual amount of the income tax expense becomes final only upon filing and acceptance of the tax return by the relevant authorities, which take place subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before they expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the normal course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's 2014 effective tax rate was 27.1% of earnings before income tax.

Recent Accounting Pronouncements

IFRS 9, *Financial Instruments*
IFRS 9, *Financial Instruments* ("IFRS 9"), which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IFRS will be effective on January 1, 2018.

The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*
In May 2014, the International Accounting Standards Board (IASB) issued a revenue recognition standard, IFRS 15 *Revenue from Contracts with Customers*, which replaces all existing IFRS revenue requirements IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, *Presentation of Financial Statements*
In December 2014, IASB issued amendments to IAS 1 *Presentation of Financial Statements* and an exposure draft (ED) proposing amendments to IAS 7 *Statement of Cash Flows* as part of its Disclosure Initiative. The IASB's Disclosure Initiative is made up of a number of implementation and research projects, including a materiality project, a fundamental review of IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and a general review of disclosure requirements in existing standards.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The Company is assessing the impact of this new standard on its consolidated financial statements.

Recent Event

On February 20, 2015, the Board of Directors has declared a quarterly dividend of $0.05 per common share, payable on April 14, 2015 to shareholders of record at the close of business on March 31, 2015.

Risk Factors

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of Supremex' management.

Decline in Envelope Consumption

Supremex' envelope manufacturing business is highly dependent upon the demand for envelopes sent through the mail. Supremex may compete with product substitutes, which can impact demand for its products. Usage of the Internet and other electronic media continues to grow. Consumers use these media to purchase goods and services, and for other purposes such as paying utility and credit card bills. Advertisers use the Internet and electronic media for targeted campaigns directed at specific electronic user groups. Large and small businesses use electronic media to conduct business, send invoices and collect bills. The demand for envelopes and other printed materials for transactional purposes is expected to continue to decline in the future.

The North American envelope manufacturing and mailing industries are expected to continue to decline in the foreseeable future, due to a general progressive decline in the use of traditional paper-based products. The business depends on transactional mail and direct mail activities. Transactional mail volumes are thought to have declined in the last few years due in part to the increasing use of non-traditional means of communication and information transfer, such as electronic mail and the Internet. While management believes that the significant decline experienced in the direct mail volume in the last few years was related to the economic conditions, we have no choice but to admit that many companies have reduced their marketing spend as well as redirected some of their overall marketing expenditures to other media channels. There is no assurance that the direct mail industry will regain. As a result, there can be no assurance that Supremex will be able to grow or even maintain historical sales levels.

To reduce this risk, the Company continually strives to improve operational efficiency and develop new products such as the packaging directed toward e-commerce fulfillment.

Postal Services

Because the majority of envelopes consumed in Canada and the United States are mailed, any strike or other work stoppage by unionized postal workers would result in a temporary suspension of the mail activities of most of Supremex' customers and could have a material adverse effect on Supremex. In the summer of 2011, there was a work stoppage at Canada Post that lasted about 3 weeks. During that period, envelope shipments to customers were slightly affected and some direct mail orders were cancelled. Adoption of e-billing also increased during that period. Many large corporations used the work stoppage at Canada Post to promote the advantages of e-billing. It is impossible to quantify the impact of the work stoppage due to its long-term potential effect.

In addition, postal rates are a significant factor affecting envelope usage and any increases in postal rates, relative to changes in the cost of alternative delivery means or advertising media, could result in reductions in the volume of mail sent. To that effect, in December 2013, Canada Post announced a Five-Point action plan by which, notably:

- Over the next five years, the one third of Canadian household that receive their mail at their door will be converted to community mailbox delivery;
- A new pricing structure for Letter Mail mailed within Canada will be introduced in March 2014 (increases from 14.75% for machineable standard letter mail to 35% for individual stamps);
- The retail network will be strengthened by opening more franchise postal outlets in stores across Canada;
- Changes to internal operations to obtain a more efficient flow of parcels and mail through the network and to the customers; and
- Changes to the business model, which will require fewer employees.

No assurance can be provided that future increases in postal rates will not have a negative effect on the level of mail sent or the volume of envelopes purchased.

Finally, there has been growing talk of “do-not-mail” legislation in the U.S. with respect to the direct marketing industry. “Do-not-mail” legislation is instituted at the state level. In 2008, such legislation was introduced but not passed in some states. That being said, if such legislation were to be passed, it would have a negative impact on the Company’s sales volume.

Relation with customers

Supremex typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with Supremex at any time. In addition, even if customers decide to continue their relationship with Supremex, there can be no guarantee that they will purchase the same amount as in the past, or that purchases will be on similar terms. Supremex’ customer base is solidly diversified with no single account representing more than 10% of sales, thus reducing dependence on any given single customer.

Competition

Despite Supremex’ leading market position in Canada, new entrants into the Canadian envelope market may have an impact on sales and margins. In recent years, the strengthening of the Canadian dollar against the U.S. dollar created an incentive for US-based competitors to increase market penetration in Canada in the five years preceding 2013. The large U.S. envelope manufacturers are using their excess capacity to penetrate the Canadian envelope market. As long as the U.S. market stays relatively soft, there will be pricing pressure in the Canadian market. However, the costs of freight, coupled with delivery inefficiencies are barriers to servicing any significant customer volume from a distance. Since the beginning of 2014, the Canadian dollar started weakening against the U.S. dollar, a situation that has continued into January 2015 with a decrease in value of more than 15% over this period. While the weakening of the Canadian dollar may decrease the ability of U.S based competitors to penetrate further the market envelope in Canada, it also puts an upward pressure on the Company’s raw material costs.

In the current market, the Canadian envelope manufacturers are more aggressive on pricing in order to generate new sales to replace their lost sales. Given the Company’s large market share in Canada, most of the gains by smaller competitors in Canada are made at the expense of Supremex’ accounts.

Nonetheless, to mitigate this risk, the Company continues to focus on continuous improvement programs, cost reduction initiatives and development of value-added services and products around its core businesses, and still believes in the value of having local service and representation in all the major Canadian markets.

Economic Cycles

A significant risk that Supremex faces and over which it has no control is related to economic cycles. In a soft economy, the market most affected at Supremex is its direct mail market. There is a direct correlation between growth/decline in the gross domestic product and direct mail volume. Because of the economic conditions faced recently, the Company has experienced a significant direct mail volume decline. The effects of this decline are limited for Supremex, since direct mail represents approximately 20% of Supremex' total annual volume. For transactional mail, which represents about 50% of Supremex' annual volume, economic cycles have a lesser impact than on direct mail since businesses must still mail out bills to their customers, and the online billing penetration is fairly low in this segment. In the long term, transactional mail volume has been declining.

Raw Material Price Increases

The primary raw materials the Company uses are paper, window material, glue and ink. Fluctuations in raw material and energy prices affect operations.

First, the current tightening in the paper market, due to paper mill closures, has resulted in a decrease in the supply of paper which could in turn lead to paper price increases. While paper costs were generally a pass through in the past, an increase in the price of paper can negatively affect our operations if it changes the purchasing habits of customers, especially in the current economic conditions. Moreover, an increase in the price of paper negatively affects Supremex' profitability if the increases cannot be passed on to the customer. To mitigate this risk, the Company does not rely on any one supplier and is generally disciplined in passing on any raw material increases to its customers.

Fluctuations in the price of oil, a core ingredient in the composition of window material, glue and ink have a direct impact on their price. An increase in the price of oil can have a negative effect on operations if it changes the purchasing habits of customers.

Exchange Rate

A portion of Supremex' revenue is earned in U.S. dollars while a large portion of its expenses, including most of its paper and other raw materials costs as well as certain capital expenditures are incurred in U.S. dollars. Supremex also derives a portion of its revenue from Canadian dollar sales to certain customers for whom selling price is sensitive to U.S. competition.

Net exposure to the U.S. dollar has decreased in 2014 due to lower U.S. dollar purchases. Revenue generated in the United States represented 11.7% of consolidated revenue in fiscal 2014, up from 9.5% in fiscal 2013.

Environment

The Company operates in an industry which uses large quantities of paper in its day-to-day operations. With society's mounting concern over the protection of the environment and sustainable development, Supremex' products and services are under pressure to be more environmentally friendly. For instance, the growing concern over the environment could change the consumption habits of consumers and new regulations could force the Company to use more expensive environmentally friendly materials in its production process. To mitigate this risk, the Company tries to be at the forefront of its industry in terms of commitment to the environment and, in collaboration with its suppliers, seeks on an ongoing basis to reduce its impact on the environment. Supremex is also a leader in the Canadian envelope market in the marketing of environmental friendly products, such as 100% recycled paper.

Availability of Capital

In 2014, the Company completed the refinancing of its credit facilities totalling $40 million consisting of a $15 million Operating Facility and a $25 million Term Loan. These facilities mature on August 15, 2017. Although the Company carried out this refinancing successfully, there is no guarantee that additional funds will be available in the future, and if they are, that they will be provided in a timeframe and under conditions acceptable to the Company.

Credit

The Company is exposed to credit risk with respect to trade receivables. To mitigate this risk, the Company analyzes and reviews the financial health of its current customers on an ongoing basis. A specific credit limit is established for each customer and reviewed periodically by the Company. Supremex is protected against any concentration of credit risk through its clientele and geographic diversity. No single customer accounts for more than 10% of consolidated accounts receivable. Supremex' customer base is solidly diversified and consists mainly of large national customers, such as large Canadian corporations, nationwide resellers and governmental bodies, as well as paper merchants and solution and process providers. Historically, the level of bad debt has been low given the nature of the customers. As at December 31, 2014, the maximum credit risk exposure for receivables corresponds to their carrying value.

Interest Rate

The Company is exposed to market risks related to interest rate fluctuations. On January 14, 2011, a $30 million interest swap was contracted. The Company's policy is to neutralize potential variations of a portion of its long-term debt. Under this swap, the fixed-rate portion represented 43% at the time it was entered into. It represented 133% as at December 31, 2014. Floating-rate debt bears interest based on bankers' acceptance rates. This swap converts the variable interest rate, based on bankers' acceptance rates, to an average fixed interest rate of 2.92% until January 14, 2016, excluding applicable margins, which ranges from 1.75% to 2.00% as at December 31, 2014.

Litigation

Supremex, like other manufacturing and sales organizations, is subject to potential liabilities connected with its business operations, including expenses associated with product defects, performance, reliability or delivery delays. Supremex is from time to time threatened with, or named as a defendant in, legal proceedings, including lawsuits based on product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Supremex or the imposition of a significant fine or penalty, as a result of a finding that Supremex failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on Supremex' business, financial condition, results of operations and cash available for distributions.

Employee future benefits

The Company maintains three registered defined benefit pension plans substantially covering all of its employees. Two of these plans are hybrid and included a defined contribution component. In the third quarter of 2012, the Company converted, for future services, its defined benefit pension plans into defined contributions plans. In the past, the Company has also provided post-retirement and post-employment benefits, including health care, dental care and life insurance, to a limited number of employees.

The level of the contributions may vary depending on pension fund performance and the discount rate, which could affect the financial condition of Supremex.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this MD&A. Such assumptions, expectations and estimates are discussed throughout our MD&A for fiscal 2014.

Forward-looking information is subject to certain risks and uncertainties, and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such risks and uncertainties are discussed throughout our MD&A for fiscal 2014 and, in particular, in "Risk Factors". Consequently, we cannot guarantee that any forward-looking statements or information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Definition of EBITDA and Non-IFRS Measures

References to "EBITDA" are to earnings (loss) before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets, (loss) gain on disposal of property, plant and equipment and impairment of goodwill. Supremex believes that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

References to "Adjusted EBITDA" are to EBITDA before adjustments to remove non-recurring items such as gains from amendments made to the defined benefit pension plan in 2013 and 2014, and the non-recurring claim settlement expense. Supremex believes that Adjusted EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

EBITDA, or Adjusted EBITDA, is not an earnings measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA or Adjusted EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA or Adjusted EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Consolidated Financial Statements

Supremex Inc.

December 31, 2014 and 2013

All amounts expressed in Canadian dollars

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Supremex Inc.

We have audited the accompanying consolidated financial statements of Supremex Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended, and 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.

Auditors' 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 audit 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 auditors' 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 auditors consider 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 Supremex as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada,
February 20, 2015

[1] CPA auditor, CA, public accountancy permit no. A118111

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31	**Notes**	**2014 $**	**2013 $**
ASSETS			
Current assets			
Cash		**364,079**	1,506,205
Accounts receivable	**5**	**18,560,419**	17,375,214
Inventories	**6**	**10,978,732**	12,147,658
Prepaid expenses		**558,564**	522,033
Total current assets		**30,461,794**	31,551,110
Property, plant and equipment	**7**	**24,333,630**	25,880,298
Accrued pension benefit assets	**8**	**—**	8,161,800
Intangible assets	**9**	**8,107,329**	14,271,229
Goodwill	**10**	**46,889,125**	46,889,125
Total assets		**109,791,878**	126,753,562
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**11**	**16,419,302**	14,418,279
Dividend payable	**17**	**1,437,733**	—
Provisions	**12**	**337,401**	411,276
Income tax payable		**1,207,692**	891,201
Current portion of secured credit facilities	**13**	**5,221,115**	4,750,000
Total current liabilities		**24,623,243**	20,470,756
Secured credit facilities	**13**	**17,184,599**	32,833,034
Deferred income tax liabilities	**14**	**2,218,415**	5,982,971
Accrued pension benefit liability	**8**	**566,464**	—
Other post-retirement benefit obligations	**8**	**899,900**	888,500
Derivative financial liability	**13**	**547,562**	954,925
Equity			
Share capital	**15**	**9,814,628**	9,885,008
Contributed surplus	**15**	**279,611,054**	280,108,017
Deficit		**(225,695,059)**	(224,318,659)
Foreign currency translation reserve		**21,072**	(50,990)
Total equity		**63,751,695**	65,623,376
Total liabilities and equity		**109,791,878**	126,753,562

Commitments, contingencies and guarantees [*note 18*]

Subsequent event [*note 23*]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)
Director

By: signed (Mathieu Gauvin)
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31	**Notes**	**2014** **$**	**2013** **$**
Revenue		**131,888,065**	128,966,408
Operating expenses	**6, 16**	**88,723,062**	85,259,978
Selling, general and administrative expenses	**16**	**16,945,995**	15,727,930
Operating earnings before amortization, loss (gain) on disposal of property, plant and equipment		**26,219,008**	27,978,500
Amortization of property, plant and equipment	**7**	**3,567,177**	3,574,848
Amortization of intangible assets	**9**	**6,163,900**	6,163,900
Loss (gain) on disposal of property, plant and equipment		**5,617**	(58,231)
Operating earnings		**16,482,314**	18,297,983
Financing charges	**13**	**1,333,699**	2,853,971
Earnings before income taxes		**15,148,615**	15,444,012
Income tax expense	**14**	**4,101,273**	3,912,964
Net earnings		**11,047,342**	11,531,048
Basic and diluted net earnings per share		**0.3822**	0.3982
Weighted average number of shares outstanding		**28,905,181**	28,960,867

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31	Notes	2014 $	2013 $
Net earnings		**11,047,342**	11,531,048
Other comprehensive income (loss)			
Other comprehensive income to be reclassified to earnings in subsequent periods			
Foreign currency translation adjustments		**72,062**	32,989
Net other comprehensive income to be reclassified to earnings in subsequent periods		**72,062**	32,989
Items not to be reclassified to earnings in subsequent periods			
Recognized actuarial (loss) gain on defined benefit pension plans, net of income tax recovery of $2,167,348 [2013 – expense of $7,069,220]	**8**	**(6,181,452)**	20,161,980
Recognized actuarial loss on other post-retirement benefit, net of income tax recovery of $11,526 [2013 – $85,772]	**8**	**(32,874)**	(244,628)
Net other comprehensive income (loss) not being reclassified to earnings in subsequent periods		**(6,214,326)**	19,917,352
Other comprehensive income (loss)		**(6,142,264)**	19,950,341
Total comprehensive income		**4,905,078**	31,481,389

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31

	Share capital	**Contributed surplus**	**Deficit**	**Foreign currency translation reserve**	**Total equity**
	$	**$**	**$**	**$**	**$**
As at December 31, 2012	9,885,008	280,108,017	(252,002,146)	(83,979)	37,906,900
Net earnings	—	—	11,531,048	—	11,531,048
Other comprehensive income	—	—	19,917,352	32,989	19,950,341
Total comprehensive income	—	—	31,448,400	32,989	31,481,389
Dividends declared [*note 17*]	—	—	(3,764,913)	—	(3,764,913)
As at December 31, 2013	9,885,008	280,108,017	(224,318,659)	(50,990)	65,623,376
Net earnings	—	—	11,047,342	—	11,047,342
Other comprehensive income (loss)	—	—	(6,214,326)	72,062	(6,142,264)
Total comprehensive income			4,833,016	72,062	4,905,078
Dividends declared [*note 17*]	—	—	(6,209,416)	—	(6,209,416)
Shares repurchased and cancelled [*note 15*]	(70,380)	(496,963)	—	—	(567,343)
As at December 31, 2014	**9,814,628**	**279,611,054**	**(225,695,059)**	**21,072**	**63,751,695**

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended December 31

	Notes	2014 $	2013 $
OPERATING ACTIVITIES			
Net earnings		**11,047,342**	11,531,048
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment	**7**	**3,567,177**	3,574,848
Amortization of intangible assets	**9**	**6,163,900**	6,163,900
Amortization of deferred financing costs	**13**	**438,330**	227,435
Loss (gain) on disposal of property, plant and equipment		**5,617**	(58,231)
Gain on valuation of derivative financial instruments	**13**	**(407,363)**	(296,229)
Deferred income tax recovery	**14**	**(1,585,680)**	(824,051)
Change in employees benefits		**420,364**	(1,815,800)
		19,649,687	18,502,920
Working capital adjustments			
Variation in accounts receivable		**(1,185,205)**	(2,303,397)
Variation in inventories		**1,168,926**	869,647
Variation in prepaid expenses		**(36,531)**	83,225
Variation in accounts payable and accrued liabilities		**2,001,023**	(3,739,310)
Variation in provisions		**(73,875)**	(15,035)
Variation in income tax receivable and payable		**316,491**	902,316
Change in employee benefits		**(73,900)**	(1,023,900)
Net cash flows from operating activities		**21,766,616**	13,276,466
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	**7**	**(1,963,481)**	(1,178,767)
Proceeds from sale of property, plant and equipment		**8,000**	105,801
Net cash flows used in investing activities		**(1,955,481)**	(1,072,966)
FINANCING ACTIVITIES			
Repayment of secured credit facilities		**(15,423,371)**	(12,000,000)
Dividends paid	**17**	**(4,771,683)**	(3,764,913)
Purchase of share capital for cancellation	**15**	**(567,343)**	—
Financing cost incurred	**13**	**(192,280)**	—
Net cash flows used in financing activities		**(20,954,677)**	(15,764,913)
Net change in cash		**(1,143,542)**	(3,561,413)
Net foreign exchange difference		**1,416**	(26,258)
Cash, beginning of period		**1,506,205**	5,093,876
Cash, ending of period		**364,079**	1,506,205
Supplemental information (1)			
Interest paid		**1,809,904**	2,250,036
Interest received		**8,637**	15,441
Income taxes paid		**5,543,855**	3,895,689
Income taxes received		**185,822**	132,885

(1) Amounts paid and received for interest and for income taxes were reflected as cash flows from operating activities in the consolidated statements of cash flows.

See accompanying notes

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Supremex Inc. (the "Company" or "Supremex") was incorporated on March 31, 2006 under the *Canadian Business Corporation Act.* The common shares ("common share") of the Company are listed on the Toronto Stock Exchange ("TSX") under the symbol SXP. The registered office is located at 7213 Cordner Street in LaSalle, Quebec.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to seasonal advertising and mailing patterns of its customers since the highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons take place during that period.

These consolidated financial statements were approved by the Company's Board of Directors on February 20, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

Principles of consolidation

The consolidated financial statements comprise the financial statements of Supremex Inc. and its wholly-owned subsidiaries, Buffalo Envelope Inc., Montreal Envelope (2008) Inc. and Quebec Envelope (2008) Inc., as at December 31, 2014 and 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value at the date of the acquisition. Acquisition costs incurred are expensed.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Segment reporting

The Company operates in one reporting segment: the manufacturing and sale of a broad range of standard and custom envelopes and related products.

Foreign currency translation

Supremex' consolidated financial statements are presented in Canadian dollars, which is also its functional currency. Supremex and its subsidiaries each determine their own functional currency and items included in each of their financial statements are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of earnings.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Subsidiary

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of earnings are translated at average exchange rates of the period. The exchange differences arising on translation are recognized in other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of earnings.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts, and after eliminating intercompany sales.

Revenue from the sale of goods is recognized when the following criteria are met:

- The risks and rewards of ownership, including managerial involvement, have been transferred to the buyer;
- The amount of revenue can be measured reliably;
- The receipt of economic benefits is probable; and
- Costs incurred or to be incurred can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

In addition to the above general principles, the Company applies specific revenue recognition for bill and hold transactions. When customers request a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are shipped within a specified period of time and are segregated from other inventory, the risk of ownership of the goods is assumed by the customer, and the terms and collection experience on the related billings are consistent with all other sales.

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of earnings except to the extent it is related to items recognized in other comprehensive income (loss) or directly in equity.

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- Are generally recognized for all taxable temporary differences;
- Are recognized for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- Are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences (carry-forward of unused tax credits and unused tax losses) can be utilized ; and
- Are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. The transaction does not affect accounting profit or taxable profit upon completion. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- For accounts receivables and trade payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of the accounts payable and accrued liabilities in the consolidated statement of financial position.

Employee future benefits

The Company maintains three defined benefit pension plans, two of which are hybrid as they also have a defined contribution component, covering substantially all of its employees. In the third quarter of 2012, the Company converted its defined benefit pension plans into defined contribution plans for future services. All defined benefit pension plans are funded. The acquired businesses have also provided post-retirement and post-employment benefits plans to a limited number of employees covering health care, dental care and life insurance. These benefits are unfunded.

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The past service cost is recognized in the consolidated statement of earnings on the earlier of the date of the plan amendment or curtailment, and the date the Company recognizes pension plan restructuring related costs.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

The asset or liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets and the effect of the ceiling, if any. The present value of the defined benefit obligation for service accrued at year-end is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding net interest, are recognized immediately in other comprehensive income (loss). For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable taking into account future contributions for unfunded liability. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan. The interest expense of defined benefit obligation is calculated by applying the prior year's discount rate to the beginning balance of the accrued pension benefit liability and to the year's cash inflows. It is recognized in the financing charges of the consolidated statements of earnings. All the other administrative defined benefit plan expense components are recognized in the selling, general and administrative expenses of the consolidated statement of earnings.

Payments to defined contribution plans are expensed as incurred, i.e., as the related employee service is rendered.

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Basic and diluted net earnings per share

The Company presents basic net earnings per share for its common shares, calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the normal course of business, less applicable variable selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated using the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Leasehold improvements	Lease term
Machinery and equipment	Seven to 15 years
Office equipment	Three to five years
Computer equipment	Three years

Residual values, method of amortization and useful lives are reviewed annually prior to year-end and adjusted if appropriate.

Intangible assets

Upon acquisition, identifiable intangible assets are recorded at fair value if they result from a business acquisition, if not, at cost and are carried at cost less accumulated amortization. Intangible assets acquired are comprised of customer relationships and non-compete agreements which are amortized on a straight-line basis over ten years.

Impairment of non-financial assets

Impairments are recorded when the recoverable amount of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

The carrying values of all intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The Company bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of four years.

Impairment testing of goodwill

Goodwill is tested for impairment annually as at December 31 or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the recoverable amount of the cash-generating unit to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to earnings in the period in which the impairment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financing charge.

Restructuring provisions

Restructuring provisions are only recognized when general recognition criteria for provisions are fulfilled. Additionally, the Company needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time-line. The people affected must also have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing charge.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. Classification is re-assessed if the terms of the lease are changed.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized in the consolidated statement of earnings on a straight-line basis over the period of the lease.

Financial instruments

The Company classifies its financial assets in the following categories: at fair value through earnings or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition. Financial liabilities are classified, at initial recognition, at fair value through earnings. For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels of fair value hierarchy at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Fair value through earnings

Classification

Financial assets are classified at fair value through earnings if acquired principally for the purpose of selling in the short-term, such as financial assets held for trading, or if so designated by the Company. Assets in this category principally include derivatives which do not qualify for hedge accounting and cash.

Recognition and measurement

Financial assets carried at fair value through earnings are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statement of earnings. Transaction costs are expensed.

Loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise accounts receivable in the consolidated statement of financial position.

Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the consolidated statement of earnings.

Financial liabilities

Accounts payable and accrued liabilities, dividend payable, provisions and secured credit facilities are classified as financial liabilities. They are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently carried at amortized cost using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Intangible assets and goodwill

Intangible assets and goodwill arise out of business combinations for which the Company has applied the purchase method of accounting. The purchase method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future [see note 10].

Employee future benefits

The Company sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the discount rate to measure obligations, the expected mortality, the expected retirement age, the expected rate of future compensation increase and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process [see note 8]. Actual results will differ from estimated results which are based on assumptions.

3. SIGNIFICANT ACCOUNTING ESTIMATES [Cont'd]

Income taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before they expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the normal course of business. The Company maintains provision for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that, at some future date, an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were recently issued. The standards impacted that are applicable to the Company are as follows:

- IFRS 9, *Financial Instruments*
  IFRS 9, *Financial Instruments* ("IFRS 9") which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

  IFRS 9 will be effective on January 1, 2018.

  The Company is assessing the impact of this new standard on its consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENT [Cont'd]

- IFRS 15, *Revenue from Contracts with Customers*
  In May 2014, the International Accounting Standards Board (IASB) issued a revenue recognition standard, IFRS 15 *Revenue from Contracts with Customers*, which replaces all existing IFRS revenue requirements. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

  IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

  The Company is assessing the impact of this new standard on its consolidated financial statements.

- IAS 1, *Presentation of Financial Statements*
  In December 2014, IASB issued amendments to IAS 1 *Presentation of Financial Statements* and an exposure draft (ED) proposing amendments to IAS 7 *Statement of Cash Flows* as part of its Disclosure Initiative. The IASB's Disclosure Initiative is made up of a number of implementation and research projects, including a materiality project, a fundamental review of IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and a general review of disclosure requirements in existing standards.

  The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

  The Company is assessing the impact of this new standard on its consolidated financial statements.

5. ACCOUNTS RECEIVABLE

	December 31, 2014 $	**December 31, 2013 $**
Trade receivables	**17,533,332**	17,189,041
Less: Allowance for doubtful accounts	**(77,914)**	(197,681)
Trade receivables - net	**17,455,418**	16,991,360
Other receivables	**1,105,001**	383,854
	18,560,419	17,375,214

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

5. ACCOUNTS RECEIVABLE [Cont'd]

The aging analysis of trade receivables at each reporting date was as follows:

	December 31, 2014 $	December 31, 2013 $
Current	**12,272,608**	11,420,833
31 – 60 days	**3,893,495**	3,853,604
61 – 90 days	**1,056,440**	1,366,839
91 – 120 days	**240,796**	344,638
Over 120 days	**69,993**	203,127
	17,533,332	17,189,041

Allowance for doubtful accounts

The changes in the allowance for doubtful accounts were as follows:

	December 31, 2014 $	December 31, 2013 $
Balance, beginning of year	**197,681**	108,514
Charge for the year	**473**	150,272
Utilized	**(121,213)**	(63,182)
Impact of foreign exchange gains	**973**	2,077
Balance, end of year	**77,914**	197,681

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer credit worthiness is evaluated before credit is extended.

6. INVENTORIES

	December 31, 2014 $	December 31, 2013 $
Raw materials	**2,686,610**	3,008,114
Work in progress	**196,024**	70,788
Finished goods	**8,096,098**	9,068,756
	10,978,732	12,147,658

The cost of inventories recognized as an expense and included in operating expenses, including the related amortization of property, plant and equipment allocated to inventories, during the year ended December 31, 2014 is $92,136,451 [2013 - $88,585,207].

7. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements $	Machinery and equipment $	Office and computer equipment $	Total $
Cost:				
At December 31, 2012	15,243,285	35,902,789	1,621,999	52,768,073
Acquisition	129,337	857,814	191,616	1,178,767
Disposals	—	(289,533)	(128,480)	(418,013)
Translation adjustment	794	89,608	4,508	94,910
At December 31, 2013	15,373,416	36,560,678	1,689,643	53,623,737
Acquisition	—	1,902,046	61,435	1,963,481
Disposals	—	(40,057)	—	(40,057)
Translation adjustment	1,115	126,774	6,333	134,222
At December 31, 2014	**15,374,531**	**38,549,441**	**1,757,411**	**55,681,383**
Amortization:				
At December 31, 2012	2,460,697	20,751,709	1,290,965	24,503,371
Amortization	446,295	2,921,728	206,825	3,574,848
Disposals	—	(243,574)	(126,869)	(370,443)
Translation adjustment	794	30,361	4,508	35,663
At December 31, 2013	2,907,786	23,460,224	1,375,429	27,743,439
Amortization	450,030	3,006,551	110,596	3,567,177
Disposals	—	(26,440)	—	(26,440)
Translation adjustment	1,115	56,129	6,333	63,577
At December 31, 2014	**3,358,931**	**26,496,464**	**1,492,358**	**31,347,753**
Net book value:				
At December 31, 2013	12,465,630	13,100,454	314,214	25,880,298
At December 31, 2014	**12,015,600**	**12,052,977**	**265,053**	**24,333,630**

8. EMPLOYEE DEFINED BENEFIT PLANS

(a) Pension Plans

The Company maintains three defined benefit pension plans covering substantially all of salaried and hourly employees. Two of these pension plans are hybrid because they also have a defined contribution component. All defined benefit pension plans are funded. Two of these plans are governed by the *Pension Benefits Act of Ontario.* The benefits of one of these plans are based on the average earnings of the best three years and on the final average earnings of the five consecutive years for the other plan. The other plan is governed under the *Supplemental Pension Plans Act of the Régie des rentes du Québec.* The benefits for this plan are based on the average earnings of the best five consecutive years. During the third quarter of 2012, the Company converted, for future service, its defined benefit pension plans into defined contributions plans.

In 2013, amendments to the defined benefit plans were adopted, reducing early retirement and bridging benefits, effective January 1, 2013.

The pension plans are exposed to interest rate risks and change in the life expectancy for pensioners.

The defined benefit and defined contribution plans expenses included in operating, selling, general and administrative expenses are as follows:

	2014 **$**	**2013** **$**
Defined benefit plans		
Administration expenses	**187,000**	282,300
Past service costs	**(263,900)**	(2,844,900)
Defined benefit plans gain	**(76,900)**	(2,562,600)
Defined contribution plan expense	**1,347,300**	1,433,900
Pension plans loss (gain)	**1,270,400**	(1,128,700)

Interest revenue (expense) on pension benefit asset (liability) of $384,500 (2013 – ($724,400)) is included in the financing charges in the consolidated statement of earnings [see note 13].

8. EMPLOYEE DEFINED BENEFIT PLANS [Cont'd]

The following table presents the changes in the accrued benefit obligation and the fair value of plan assets, as well as the funded status of the defined benefit plans.

	December 31, 2014 $	December 31, 2013 $
Change in accrued benefit obligation		
Benefit obligation, beginning of the year	**87,104,100**	101,987,500
Interest cost	**4,083,800**	3,778,900
Employees contribution	**600**	900
Actuarial (gain) loss from change in financial assumptions	**10,810,013**	(12,317,700)
Actuarial loss from change in demographic assumptions	**—**	3,233,300
Actuarial gain from experience	**(797,713)**	(2,217,600)
Benefits paid	**(3,935,400)**	(4,516,300)
Past service cost	**(263,900)**	(2,844,900)
Benefit obligation, end of year	**97,001,500**	87,104,100
Change in plan assets		
Fair value of plan assets, beginning of the year	**95,265,900**	80,135,500
Interest income on plan assets	**4,468,300**	3,054,500
Actuarial gains	**1,663,500**	15,929,200
Employer contribution	**—**	944,400
Employees contribution	**600**	900
Use of surplus to pay for employer defined contributions	**(840,864)**	—
Benefits paid	**(3,935,400)**	(4,516,300)
Plan administration expenses	**(187,000)**	(282,300)
Fair value of plan assets, end of year	**96,435,036**	95,265,900
Net amount recognized as accrued pension benefit asset (liability)	**(566,464)**	8,161,800

8. EMPLOYEE DEFINED BENEFIT PLANS [Cont'd]

The defined benefit plans amount recognized in other comprehensive income (loss), before taxation, is as follows:

	2014 $	2013 $
Actuarial gains (losses)	**(8,348,800)**	27,231,200
	(8,348,800)	27,231,200

The cumulative amount of actuarial losses recognized in the consolidated statement of comprehensive income is $3,238,700 as at December 31, 2014 [2013 – gain of $5,110,100].

The assumptions used in computing the net pension cost were as follows:

	2014 %	2013 %
Discount rate for accrued benefit obligation	**4.00**	4.80
Discount rate for net pension cost	**4.80**	3.90
Rate of compensation increase	**3.25**	3.25

The weighted average allocation of plan assets as at December 31 is as follows:

	2014 %	2013 %
Equity securities		
Canadian	**28.2**	23.5
United States	**10.3**	19.6
Europe, Australia and Far East	**9.1**	24.8
Other	**2.3**	3.2
	49.9	71.1
Fixed income		
Canadian	—	26.8
Cash and short-term securities		
Canadian	**50.1**	2.1
Total	**100.0**	100.0

The pension plans have an investment policy with the following target asset allocations: 50% in equity securities and 50% in short-term securities. As at December 31, 2014, the pension plans were in compliance with the investment policy allocations.

As at December 31, 2013, the pension plans had an investment policy with the following target asset allocations: 57% equity securities, 42% debt securities and 1% short-term securities with a tolerable deviation of such allocation. As at December 31, 2013, the pension plans were in compliance with the investment policy allocations.

8. EMPLOYEE DEFINED BENEFIT PLANS [Cont'd]

As of December 31, 2014 and 2013, there were no Supremex shares held in the Company's pension plans.

The average duration of the defined benefit plan obligation, as at December 31, 2014 is 16.0 years [2013 – 15.7 years].

Sensitivity analysis

For the Company, a 0.25% increase or decrease in the discount rate would have decreased or increased the defined benefit liability by approximately $3.9 million as at December 31, 2014. A 0.25% increase or decrease in the rate of compensation would have increased or decreased the pension benefit liability by approximately $0.6 million as at December 31, 2014. The sensitivity analysis has been determined based on a method that determines the impact on the defined benefit liability of a 0.25% change in the key assumptions. There have been no changes in the methods and assumptions used to determine the sensitivity analysis from the comparative year.

(b) Post-retirement benefits other than pension

The following tables provide a reconciliation of the change in the accrued benefit obligation of the plans.

	December 31, 2014 $	**December 31, 2013 $**
Change in accrued benefit obligation		
Benefit obligation, beginning of year	**888,500**	615,200
Interest cost	**40,900**	22,400
Actuarial loss from experience	**—**	174,800
Actuarial loss from change in financial assumption	**44,400**	120,900
Actuarial loss from change in demographic assumptions	**—**	34,700
Benefits paid	**(73,900)**	(79,500)
Benefit obligation, end of year	**899,900**	888,500

Post-employment and other retirement benefits plans are not funded.

The other post-retirement benefits amount recognized in other comprehensive income, before taxation, consists of actuarial losses of $44,400 [2013 - $330,400]. The cumulative amount of actuarial losses recognized in the consolidated statement of comprehensive income is $471,500 as at December 31, 2014 [2013 - $427,100].

8. EMPLOYEE DEFINED BENEFIT PLANS [Cont'd]

The assumptions used in the measurement of the Company's other post-retirement benefit cost were as follows:

	2014 %	2013 %
Weighted-average assumptions		
Discount rate for benefit obligation	**4.00**	4.80
Discount rate for net periodic benefit cost	**4.80**	3.90

As at December 31, 2014, the assumed health care trend rate for 2014 was 8.0%, progressively declining to 5.0% in 2024. A one-percentage-point change in assumed health care cost trend rates would have no material impact. The average duration of the other post-retirements obligation, as at December 31, 2014, is of 7.1 years.

9. INTANGIBLE ASSETS

	Customer relationships $	Non-compete agreements $	Total $
Cost	**60,884,000**	**755,000**	**61,639,000**
Accumulated amortization:			
At December 31, 2012	40,694,039	509,832	41,203,871
Amortization	6,088,400	75,500	6,163,900
At December 31, 2013	46,782,439	585,332	47,367,771
Amortization	6,088,400	75,500	6,163,900
At December 31, 2014	**52,870,839**	**660,832**	**53,531,671**
Net book value:			
At December 31, 2013	14,101,561	169,668	14,271,229
At December 31, 2014	**8,013,161**	**94,168**	**8,107,329**

10. GOODWILL

Impairment test of goodwill

The Company conducted its annual impairment test as at December 31, 2014, in accordance with its policy described in note 2. The recoverable amount of the cash-generating unit exceeded its carrying values. As a result, no goodwill impairment was recorded.

Valuation technique

The Company uses the discounted cash flows ("DCF") method to determine the value in use of its cash-generating unit and has not made any changes to the valuation methodology used to assess goodwill impairment since the last annual impairment test.

10. GOODWILL [Cont'd]

Significant assumptions

The income approach is predicated upon the value of the future cash flows that a business will generate going forward. The DCF method, which was used as at December 31, 2014, involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth or decline rates, operating margins, tax rate and discount rate.

Growth or decline of revenue

The assumptions used were based on the Company's internal budget. The Company projected revenue, operating margins and cash flows for a period of four years that reflect lower demand and applied a perpetual long-term decline rate for the period thereafter. In arriving at its forecasts, the Company considered past experience, economic trends as well as industry and market trends.

Discount rate

The Company assumed a pre-tax discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in a similar industry. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows.

The key assumptions used in performing the impairment test were as follows:

	2014	**2013**
Pre-tax discount rate	18.3%	17.8%
Tax rate	26.0%	26.0%
Perpetual decline rate	3.0%	3.0%

Sensitivity

In the most recent impairment test performed, if the pre-tax discount rate had increased by 10.4% or the perpetual decline rate had increased by 24.8%, the recoverable amount of the cash generating unit would have then equaled the carrying amount as at December 31, 2014.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014 $	December 31, 2013 $
Trade payables	**8,036,688**	6,578,912
Accrued liabilities	**8,382,614**	7,839,367
	16,419,302	14,418,279

Trade payables are non-interest bearing and are normally settled on 20 to 60 day terms.

12. PROVISIONS

In connection with the acquisitions of NPG Envelope ("NPG") in 2007, Montreal Envelope Inc. ("Montreal") in 2008 and Pioneer Envelopes Ltd. ("Pioneer") in 2010, the Company adopted a plan for the integration and restructuring of the acquired businesses. As a result, the Company recognized a provision for severance, relocation and exit costs relating to certain employees and facilities of the acquired businesses. As at December 31, 2014, the amount of the remaining accrued restructuring provision was $0.3 million [$0.4 million as at December 31, 2013]. This amount is related to deferred severance for employees on long-term disability and is payable on demand.

The Company incurred additional expenses during 2013 in the form of severances and other costs as a result of the restructuring to the Western region operations. All of these expenses were paid during 2013.

The following is a summary of amounts accrued and paid relating to restructuring expenses.

	December 31, 2014 $	December 31, 2013 $
Balance, beginning of year	**411,276**	426,311
Restructuring expenses charged against earnings	—	191,898
Cash payments	**(73,875)**	(206,933)
Balance, end of year	**337,401**	411,276

13. SECURED CREDIT FACILITIES

On August 15, 2014, the Company reimbursed its secured credit facilities and obtained new secured credit facilities consisting of a $15 million three-year committed operating facility and a $25 million three-year committed term loan. The facilities bear interest at a floating rate based on the Canadian prime rate or bankers' acceptance rate, plus an applicable margin on those rates. The term loan is repayable in monthly principal instalments of $297,619. In addition, 50% of the excess cash flow generated on a yearly basis will be used to repay the term loan.

13. SECURED CREDIT FACILITIES [Cont'd]

The secured credit facilities are used for working capital, capital expenditure and other general corporate purpose. They are collateralized by hypothec and security interests covering all assets of the Company and its subsidiaries and are subject to certain covenants, which the Company is required, among other conditions, to meet. The Company was in compliance with these covenants during 2014.

As at December 31, 2013, the Company had secured credit facilities consisting of a $15 million revolving facility and a $38 million term credit facility. These facilities beared interest at a floating rate based on the Canadian prime rate or bankers' acceptance rates, plus an applicable margin on those rates.

Amounts owed under revolving and term credit facilities are as follows:

	December 31, 2014	**December 31, 2013**
	$	**$**
Operating facility	**767,106**	—
Term loan	**21,809,524**	—
Term credit facility	—	38,000,000
Less: deferred financing costs, net	**(170,916)**	(416,966)
	22,405,714	37,583,034
Current portion	**(5,221,115)**	(4,750,000)
Long-term portion of secured credit facilities	**17,184,599**	32,833,034

Minimum required payments on secured credit facilities are as follows:

	$
2015	5,221,115
2016	3,571,429
2017	13,784,086

As at December 31, 2014, the Company had outstanding letters of credit for a total of $1,145,000 [2013 – $50,000].

As at December 31, 2014, the effective interest rate on the secured credit facilities was 3.42%, [3.53% on both facilities as at December 31, 2013]. On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of $30 million. Under this agreement, the fixed interest rate is 2.92% until January 14, 2016, excluding all applicable margins that range between 1.75% and 2.00%.

13. SECURED CREDIT FACILITIES [Cont'd]

Financing charges are as follows:

	2014 $	2013 $
Interest on secured credit facilities	**1,643,440**	2,191,448
Interest (income) on defined benefit plan obligation	**(384,500)**	724,400
Interest expense on post-retirement benefits	**40,900**	—
Other interest	**2,892**	6,917
Amortization of deferred financing costs	**438,330**	227,435
Gain on valuation of derivative financial instrument (interest rate swap)	**(407,363)**	(296,229)
	1,333,699	2,853,971

14. INCOME TAXES

Income tax expense

The major components of income tax expense recognized in the consolidated statement of earnings were as follows:

	2014 $	2013 $
Current income tax:		
Current income tax expense	**5,682,759**	4,712,466
Deferred income tax:		
Reversal of temporary differences	**(1,581,486)**	(799,502)
Income tax expense	**4,101,273**	3,912,964

Income taxes on items recognized in other comprehensive loss were as follows:

	2014 $	2013 $
Deferred income tax related to items imputed directly to equity during the year:		
Deferred tax expense (benefit) on recognized actuarial gain (loss) on defined benefit pension plans	**(2,167,348)**	7,069,220
Deferred tax benefit on recognized actuarial loss on other post-retirement benefit	**(11,526)**	(85,772)
Income tax expense (benefit) charged to other comprehensive income	**(2,178,874)**	6,983,448

14. INCOME TAXES [Cont'd]

The income tax expense differs from the expense that would be obtained by applying the combined Canadian income tax (federal and provincial) as follows:

	2014 $	2013 $
Earnings before income taxes	**15,148,615**	15,444,012
Income tax expense at combined federal and provincial statutory rate of 26.0% [2013 – 25.9%]	**3,934,095**	4,006,177
Effect of change in enacted tax rates	**2,754**	(3,061)
Income tax rate differential for foreign subsidiary	**58,626**	3,620
Non-deductible expenses and other	**105,798**	(93,772)
Income tax expense	**4,101,273**	3,912,964

Deferred income tax

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of earnings	
	December 31, 2014 $	December 31, 2013 $	December 31, 2014 $	December 31, 2013 $
Deferred tax assets				
Accrued pension benefit asset (liability)	**147,098**	(2,118,455)	**(98,204)**	706,267
Goodwill	**1,567,536**	1,745,681	**178,144**	187,267
Derivative financial liability	**142,189**	247,858	**105,669**	76,040
Other	**316,860**	332,843	**27,509**	108,458
Non-capital losses	—	16,407	**16,407**	15,276
	2,173,683	224,334	**229,525**	1,093,308
Deferred tax liabilities				
Property, plant and equipment	**2,779,381**	3,071,711	**292,329**	238,435
Intangible assets	**1,399,906**	2,918,583	**1,518,677**	1,504,321
Other	**212,811**	217,011	**5**	150,054
	4,392,098	6,207,305	**1,811,011**	1,892,810
Deferred tax recovery			**(1,581,486)**	(799,502)
Net deferred income tax liabilities	**(2,218,415)**	(5,982,971)		

14. INCOME TAXES [Cont'd]

Reconciliation of net deferred tax (liabilities) assets

	2014 $	2013 $
Balance – beginning of the year	**(5,982,971)**	176,426
Tax recovery during the year recognized in the consolidated statement of earnings	**1,581,486**	799,502
Tax benefit recognized in other comprehensive loss	**2,178,874**	(6,983,448)
Other	**4,196**	24,549
Balance – end of year	**(2,218,415)**	(5,982,971)

15. SHARE CAPITAL

An unlimited number of common shares are issuable. Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company, if any, and, in the event of any required distribution of all of the property of the Company, in the net assets of the Company remaining after satisfaction of all liabilities.

The change in share capital was as follows:

	Number of common shares	Share capital $
Balance, as of December 31, 2012	28,960,867	9,885,008
Balance, as of December 31, 2013	**28,960,867**	**9,885,008**
Purchase of share capital for cancellation	(206,200)	(70,380)
Balance, as of December 31, 2014	**28,754,667**	**9,814,628**

Pursuant to the normal course issuer bid, which began on May 12, 2014, the Company can purchase for cancellation up to 1,448,000 common shares until May 11, 2015. During the twelve month period ended December 31, 2014, the Company purchased for cancellation 206,200 common shares at a price ranging from $2.40 to $3.00 per common share. The excess of the purchase price of the common shares over their average book value of $496,963 was accounted for as a reduction of contributed surplus.

16. OPERATING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2014 $	2013 $
Wages and salaries	31,502,045	30,652,836
Social security costs	4,309,728	5,063,211
Pension plans (gain) loss [see note 8]	1,270,400	(1,128,700)
Post-employment benefits other than pension [see note 8]	—	22,400
Share-based program expense	—	(42,238)
Employee benefits expenses	37,082,173	34,567,509
Raw materials and other purchases	53,343,163	50,456,121
Other	15,243,721	15,964,278
	105,669,057	**100,987,908**

17. DIVIDENDS

Dividends declared from January 1, 2014 to December 31, 2014 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 19, 2014	February 28, 2014	March 14, 2014	0.04	1,158,435
April 22, 2014	April 25, 2014	May 6, 2014	0.04	1,158,434
June 17, 2014	June 30, 2014	July 11, 2014	0.04	1,156,975
July 31, 2014	September 30, 2014	October 10, 2014	0.045	1,297,839
November 6, 2014	December 31, 2014	January 12, 2015	0.05	1,437,733
Total				**6,209,416**

Dividends declared from January 1, 2013 to December 31, 2013 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 20, 2013	March 4, 2013	March 15, 2013	0.03	868,826
May 6, 2013	May 31, 2013	June 14, 2013	0.03	868,826
August 1, 2013	August 16, 2013	August 30, 2013	0.03	868,826
November 7, 2013	November 30, 2013	December 13, 2013	0.04	1,158,435
Total				**3,764,913**

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Operating lease commitments

The Company has entered into operating leases mainly for buildings.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2014 $
Within one year	**1,569,656**
After one year but not more than five years	**3,194,240**
	4,763,896

Legal claim

In the normal course of its operations, the Company is exposed to various claims, disputes and legal proceedings. These disputes may involve numerous uncertainties and the outcome of individual cases is unpredictable. According to management, these disputes should not have a significant negative impact on the Company's financial position.

In 2014, a former executive instituted legal proceedings against the Company, claiming $1,077,474 following his departure. The Company settled the claim for an amount of $665,000 during the fourth quarter of 2014.

Guarantees

In the normal course of business, the Company has entered into agreements that contain features which meet the definition of a guarantee. These agreements may require the Company to compensate counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services, and environmental liabilities. These agreements provide for indemnification and guarantees to counterparties as follows:

Operating leases

The Company has general indemnity clauses in many of its real estate leases whereby it, as lessee, indemnifies the lessor against liabilities related to the use of leased property. These leases mature at various dates through September 2019 with renewal option for some leases. The nature of these indemnification agreements prevents the Company from estimating the total potential amount it would have to pay to lessors, since these events have not occurred yet. Historically, the Company has not made any significant payments under such agreements, has insurance coverage for certain of the obligations undertaken, and, as December 31, 2014, has not recorded any liability associated with these indemnifications.

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of Supremex is as follows:

	2014 $	2013 $
Short-term employee benefits	**1,338,813**	1,342,665
Post-employment benefits	**46,353**	52,627
Termination benefits	**665,000**	—
Share-based payment transactions	—	(42,238)
	2,050,166	1,353,054

The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel during the reporting period.

During the year ended December 31, 2014, the Company has, in the normal course of business, received services in an amount of $37,334 [2013 - $239,493] from a former major shareholder, Clarke Inc., and its subsidiaries.

20. FINANCIAL INSTRUMENTS

Financial assets and liabilities

Financial assets and liabilities in the statements of financial position were as follows:

December 31, 2014	Loans and receivables $	Assets at fair value through earnings $	Derivatives $	Other financial liabilities $	Total $
Cash	—	364,079	—	—	**364,079**
Accounts receivable	18,560,419	—	—	—	**18,560,419**
Accounts payable and accrued liabilities	—	—	—	(16,419,302)	**(16,419,302)**
Dividend payable	—	—	—	(1,437,733)	**(1,437,733)**
Provisions	—	—	—	(337,401)	**(337,401)**
Secured credit facilities	—	—	—	(22,576,630)	**(22,576,630)**
Derivative financial liability	—	—	(547,562)	—	**(547,562)**
Total	**18,560,419**	**364,079**	**(547,562)**	**(40,771,066)**	**(22,394,130)**

20. FINANCIAL INSTRUMENTS [Cont'd]

December 31, 2013	Loans and receivables $	Assets at fair value through earnings $	Derivatives $	Other financial liabilities $	Total $
Cash	—	1,506,205	—	—	**1,506,205**
Accounts receivable	17,375,214	—	—	—	**17,375,214**
Accounts payable and accrued liabilities	—	—	—	(14,418,279)	**(14,418,279)**
Provisions	—	—	—	(411,276)	**(411,276)**
Secured credit facilities	—	—	—	(38,000,000)	**(38,000,000)**
Derivative financial liability	—	—	(954,925)	—	**(954,925)**
Total	**17,375,214**	**1,506,205**	**(954,925)**	**(52,829,555)**	**(34,903,061)**

Fair values

The carrying amount of secured credit facilities approximates its fair value given its nature and floating interest rate.

The fair value of interest rate swap is measured using a generally accepted valuation technique, that is, the discounted value of the difference between the value of the swap based on variable interest rates (estimated using the yield curve for anticipated interest rates) and the value of the swap based on the swap's fixed interest rate. The Company's credit risk is also taken into consideration in determining fair value.

For the interest rate swap and secured credit facilities, the Company categorized the fair value measurement in Level 2, as it is primarily derived from observable market inputs, that is, interest rates.

Management of risks arising from financial instruments

In the normal course of business, the Company is exposed to a range of financial risks, which include credit risk, liquidity risk and market risk. To limit the effects of these risks on revenues, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and uses derivative financial instruments only to manage existing or anticipated risks, commitments or obligations based on past experience.

Credit risk

Credit risk arises from cash and accounts receivables. In order to minimize the credit exposure, the Company's cash is placed with Canadian Schedule 1 banks.

20. FINANCIAL INSTRUMENTS [Cont'd]

Credit risk stems primarily from the potential inability of clients to discharge their obligations. Accounts receivable credit risk is mitigated through established monitoring activities, lack of customer concentration and the Company's diversified customer base. Historically, the Company has never made any significant write-off of accounts receivable. As at December 31, 2014 and 2013, total trade accounts receivable over 90 days past due amounted to less than 5% [see note 5]. The Company does not hold collateral as security.

Liquidity risk

The Company is exposed to the risk of being unable to honour its financial commitments within the deadlines set out under the terms of such commitments and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash balances and by appropriately using the Company's secured credit facilities. The Company continuously reviews both actual and forecasted cash flows to ensure that it has adequate credit facility capacity. The Company continuously reviews its exposure to interest rate fluctuations and has decided to enter into an interest rate swap agreement [see note 13].

The table below sets forth the contractual undiscounted cash flows of the non-derivative and derivative financial liabilities by maturity based on the remaining period from December 31, to the contractual maturity date.

December 31, 2014	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	16,419,302	—	—	16,419,302
Dividend payable	1,437,733	—	—	1,437,733
Provisions	337,401	—	—	337,401
Secured credit facilities	892,857	4,328,258	17,355,515	22,576,630
Derivative financial liability	123,525	337,919	105,551	566,995
	19,210,818	**4,666,177**	**17,461,066**	**41,338,061**

December 31, 2013	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	14,418,279	—	—	14,418,279
Provisions	411,276	—	—	411,276
Secured credit facilities	1,187,500	3,562,500	33,250,000	38,000,000
Derivative financial liability	118,000	353,999	491,666	963,665
	16,135,055	**3,916,499**	**33,741,666**	**53,793,220**

20. FINANCIAL INSTRUMENTS [Cont'd]

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates will affect the value of the Company's financial instruments. The objective of market and risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk

The Company is exposed to interest rate fluctuations mainly on its secured credit facilities. The Company manages interest rate exposure by maintaining a balanced portfolio of fixed and variable loans and borrowings. Furthermore, interest rate fluctuations could have an impact on interest expense on its revolving and term credit facilities and on income the Company derives from cash. The Company invests its cash in highly liquid investment instruments to safeguard its capital while generating a reasonable return.

On December 31, 2014, a 25 basis-point rise or fall in interest rates, assuming all other variables remained unchanged, would have resulted, respectively, in a $4,156 increase or decrease in the Company's net earnings for the year ended December 31, 2014 [2013 - $32,060].

Foreign exchange risk

The Company is exposed to fluctuations in U.S. exchange rates because a portion of its activities are conducted in the United States and a portion of its purchases and capital expenditures are made in U.S. dollars. The Company continuously reviews its exposure to fluctuations in the U.S. exchange rate and has decided at this time not to enter into derivatives as the exposure is not significant.

As at December 31, 2014, net financial liabilities of the Company in Canadian dollars, denominated in U.S. dollars, totalled $2,211,939 [2013 - $1,350,485].

On December 31, 2014, a 5% rise or fall in the Canadian dollar against the U.S. dollar on financial instruments held at that date, assuming all other variables remained unchanged, would have resulted, respectively, in a $110,597 increase or decrease in the Company's net earnings for the year then ended [2013 - $67,524], whereas other comprehensive income (loss) would have remained unchanged.

21. CAPITAL MANAGEMENT

The Company's capital consists of equity and secured credit facilities. The Company maintains a capital level that enables it to meet several objectives:

- Assure the longevity of its capital to support continued operations;
- Satisfy certain financial covenants under the secured credit facilities;
- Preserve its financial flexibility to benefit from potential opportunities as they arise; and
- Sustain growth in share value.

21. CAPITAL MANAGEMENT [Cont'd]

The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments in view of the Company's strategy, economic conditions and the risk characteristics of the business to achieve the above objectives. The Company also monitors its capital to ensure full adherence to the "secured credit facilities/EBITDA" and "fixed charge coverage" ratios as defined in the credit facilities agreement.

The Company's capital structure is composed of equity and secured credit facilities less cash. The capital structure is as follows:

	December 31, 2014 $	December 31, 2013 $
Secured credit facilities	**22,576,630**	38,000,000
Cash	**(364,079)**	(1,506,205)
Net debt	**22,212,551**	36,493,795
Equity	**63,751,695**	65,623,376

The Company is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its secured credit facilities.

22. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to $78,640,750 in Canada and $689,334 in the United States as at December 31, 2014 [$94,437,158 and $765,294, respectively, as at December 31, 2013]. The Company's revenue amounted to $116,421,849 in Canada and $15,466,216 in the United States for the year ended December 31, 2014 based on customer location [2013 - $116,733,296 in Canada and $12,233,112 in the United States].

23. SUBSEQUENT EVENT

On February 20, 2015, the Board of Directors has declared a quarterly dividend of $0.05 per common share, payable on April 14, 2015 to shareholders of record at the close of business on March 31, 2015.

24. COMPARATIVE FIGURES

Certain comparative figures from the previous year were reclassified to conform to the presentation adopted for the current year.