Annual Report

2020

YellowPages™

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Message to Shareholders

Dear Shareholders,

I am gratified to report that 2020 was another year of good performance and significant accomplishment by your company. Your management team and all of our YP colleagues continued to strengthen and increase the value of our company, despite a global pandemic, generating strong cash while continuing to lay the groundwork for the future. Notable accomplishments included:

- **Produced strong profitability.** For the year, our profit (measured as Adjusted EBITDA margin[1]) was 39% of revenues, despite our investments in revenue initiatives.
- **Continued to build cash.** As of the end of December 2020, our cash on hand was approximately $154 million.
- **Launched a NCIB for our common stock.** Under our Normal Course Issuer Bid program, during 2020 the company purchased 273,190 common shares for cash of $3.3 million.
- **Paid significant quarterly cash dividends.** We initiated in the second quarter of 2020 a regular quarterly dividend of 11 cents per common share per quarter and paid 33 cents per common share during 2020.
- **Positioned the company to be debt-free by June 1.** We announced our intention to pay off our Exchangeable Debentures, at par, which are our only remaining debt, excluding lease obligations, on or around May 31, 2021. Our cash on hand at the end of January 2021 already significantly exceeded the $107 million principal amount of that debt.
- **Navigated the sholes of the COVID-19 pandemic to produce only a modest effect.** During the pandemic, we have continued our operations unabated and produced financial results affected by only a handful of percentage points.
- **Advanced our revenue initiatives.** To prepare for the future, we have doubled our tele-sales capacity to significantly ramp up our acquisition of new accounts, and we are executing on our programs to add to our strong portfolio of products.

We believe we have produced strong results and set our company on a promising course for the future.

Thank you for your continued support.

David A. Eckert
President and Chief Executive Officer

(1) Adjusted EBITDA is equal to Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA), as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues. Adjusted EBITDA and Adjusted EBITDA margin are not performance measures defined under IFRS and are not considered an alternative to income from operations or net earnings in the context of measuring Yellow Pages performance. Adjusted EBITDA and Adjusted EBITDA margin do not have a standardized meaning under IFRS and are therefore not likely to be comparable to similar measures used by other publicly traded companies. Adjusted EBITDA and Adjusted EBITDA margin should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, income taxes, interest payments, pension funding, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 26 of our MD&A. Management uses Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of its business as it reflects its ongoing profitability. Management believes that certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and to meet other payment obligations or as common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business.

Management's Discussion and Analysis

February 10, 2021

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Limited and its subsidiaries for the years ended December 31, 2020 and 2019 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2020 and 2019. Please also refer to Yellow Pages Limited's press release announcing its results for year ended December 31, 2020 issued on February 11, 2021. Quarterly reports, the Annual Report, Supplemental Disclosure and the Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and under the ''Investor Relations – Reports & Filings'' section of our corporate website: https://corporate.yp.ca/en. Press releases are available on SEDAR and under the ''News – Press Releases'' section of our corporate website.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the financial information herein was derived from those statements.

All amounts in this MD&A are in Canadian dollars, unless otherwise specified. Please refer to the section ''Definitions Relative to Understanding Our Results'' for a list of defined non-IFRS financial measures and key performance indicators.

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance.

In this MD&A, the words ''we'', ''us'', ''our'', the ''Company'', the ''Corporation'', ''Yellow Pages'' and ''YP'' refer to Yellow Pages Limited and its subsidiaries (including Yellow Pages Digital & Media Solutions Limited, 411 Local Search Corp. (411.ca) dissolved as of September 30, 2020, YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA).

Caution Regarding Forward-Looking Information

This MD&A contains assertions about the objectives, strategies, financial condition, including potential full repayment of the Company's remaining exchangeable debentures on or shortly after May 31, 2021, at par; to its common shareholders, a cash dividend payment of $0.11 per share per quarter; and results of operations and businesses of YP. These statements are considered ''forward-looking'' because they are based on current expectations, as at February 10, 2021, about our business and the markets we operate in, and on various estimates and assumptions.

Forward-looking information and statements are based on several assumptions which may lead to actual results that differ materially from our expectations expressed in, or implied by, such forward-looking information and statements, and that our business strategies, objectives and plans may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking information and statements are included in this MD&A for the purpose of assisting investors and others in understanding our business strategies, objectives and plans. Readers are cautioned that such information may not be appropriate for other purposes. In making certain forward-looking statements, we have made the following assumptions:

- that general economic conditions in Canada will not deteriorate significantly further and will begin to recover later in the year as the COVID-19 pandemic activity restrictions are lifted;
- that we will be able to attract and retain key personnel in key positions;
- that we will be able to introduce, sell and provision the products and services that support our customer base and drive improvement in average revenue per customer (''ARPC'');
- that the decline in print revenues will remain at or below approximately 25% per annum;
- that YP segment gross profit margins will not deteriorate materially from current levels;
- that continuing reductions in spending will mitigate the cash flow impact of revenue declines on cash flows; and
- that exposure to foreign exchange risk arising from foreign currency transactions will remain insignificant.

Forward-looking information and statements are also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the anticipated or expected results described in the forward-looking information and statements will occur.

When used in this MD&A, such forward-looking statements may be identified by words such as ''aim'', ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''goal'', ''intend'', ''objective'', ''may'', ''plan'', ''predict'', ''seek'', ''should'', ''strive'', ''target'', ''will'', ''would'' and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as at the date of this MD&A. The Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Corporation, its business, results from operations and financial condition, including, but not limited to, the following risk factors discussed under the ''Risks and Uncertainties'' section of this MD&A, and those described in the ''Risk Factors'' section of our AIF:

- Failure by the Corporation to stabilize or grow its revenues and customer base;
- The inability of the Corporation to attract, retain and upsell customers;
- Substantial competition could reduce the market share of the Corporation;
- A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits;
- The inability of the Corporation to successfully enhance and expand its offering of digital marketing and media products;
- The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its customers;
- A prolonged economic downturn in principal markets of the Corporation;
- A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margins, such as services and resale;
- The Corporation's inability to attract and retain key personnel;
- The Corporation's business depends on the usage of its online and mobile properties and failure to protect traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business;
- Failure by either the Corporation or the Telco Partners to fulfill their obligations set forth in the agreements between the Corporation and the Telco Partners;
- Work stoppages and other labour disturbances;
- Challenge by tax authorities of the Corporation's position on certain income tax matters;
- The loss of key relationships or changes in the level or service provided by mapping applications and search engines;
- The failure of the Corporation's computers and communication systems;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions;
- Incremental contributions by the Corporation to its pension plans; and
- An outbreak or escalation of a contagious disease may adversely affect the Corporation's business greater than anticipated.

Definitions Relative to Understanding Our Results

Income from Operations before Depreciation and Amortization and Restructuring and Other Charges (Adjusted EBITDA and Adjusted EBITDA Margin)

We report on our Income from operations before depreciation and amortization and restructuring and other charges (defined herein as Adjusted EBITDA) as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA and Adjusted EBITDA margin are not performance measures defined under IFRS and are not considered to be an alternative to income from operations or net earnings in the context of measuring Yellow Pages performance. Adjusted EBITDA and Adjusted EBITDA margin do not have a standardized meaning under IFRS and are therefore not likely to be comparable with similar measures used by other publicly traded companies. Adjusted EBITDA and Adjusted EBITDA margin should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, income taxes, interest payments, pension funding, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 26 of this MD&A.

Adjusted EBITDA is derived from revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of income. Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues. We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of our business as these reflect its ongoing profitability. We believe that certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business.

Adjusted EBITDA less CAPEX

Adjusted EBITDA less CAPEX is a non-IFRS financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other publicly traded companies. We define Adjusted EBITDA less CAPEX as Adjusted EBITDA, as defined above, less CAPEX, which we define as additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's consolidated statements of cash flows. We use Adjusted EBITDA less CAPEX as the key performance measure for our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX to evaluate the performance of businesses in our industry. Adjusted EBITDA less CAPEX is also one component in the determination of short-term incentive compensation for all management employees.

The most comparable IFRS financial measure to Adjusted EBITDA less Capex is Income from operations before depreciation and amortization and restructuring and other charges (defined above as Adjusted EBITDA) as shown in Yellow Pages Limited's consolidated statements of income. Refer to page 6 and page 11 of this MD&A for a reconciliation of CAPEX and Adjusted EBITDA less CAPEX, respectively.

This MD&A is divided into the following sections:

1. Our Business and Customer Offerings
2. Results
3. Liquidity and Capital Resources
4. Critical Assumptions and Estimates
5. Risks and Uncertainties
6. Controls and Procedures

1. Our Business and Customer Offerings

Our Business

Yellow Pages, a leading digital media and marketing solutions provider in Canada, offers targeted tools to local businesses, national brands and consumers allowing them to interact and transact within today's digital economy.

Customer Offerings

Yellow Pages offers, through its YP segment, small and medium-sized enterprises (SMEs) across Canada full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, notably online and mobile priority placement on Yellow Pages digital media properties, content syndication, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production and e-commerce solutions as well as print advertising. The Company's dedicated sales force and customer care team of approximately 300 professionals offer this full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 125,400 SMEs.

Media Properties

The Company's media properties, primarily desktop, mobile and print, continue to serve as effective marketplaces for Canadian local merchants, brands and consumers. The Company's network of media properties enables Canadians to discover businesses in their neighbourhoods across the services, real estate, dining and retail verticals. Descriptions of the Company's digital media properties, are found below:

- YP™ – Available both online at YP.ca and as a mobile application, YP allows users to discover and transact within their local neighbourhoods through comprehensive merchant profiles, relevant editorial content, reviews and booking functionalities;
- Canada411 (C411) – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information;
- The Corporation is the official directory publisher for Bell, Telus, Bell Aliant, MTS Allstream, and a number of other incumbent telephone companies; and
- 411.ca – A digital directory service to help users find and connect with people and local businesses.

Key Analytics

The success of our business is dependent upon continuing to improve operating profitability and capital spending efficiency. Longer-term improvements in profitability are dependent upon growth in digital revenues and retaining and growing our customer base. Key analytics for the year ended December 31, 2020 include:

- Adjusted EBITDA – Adjusted EBITDA declined to $129.4 million or 38.8% of revenues for the year ended December 31, 2020, relative to $161.3 million or 40.0% of revenues for the same period last year.
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX decreased to $123.9 million for the year ended December 31, 2020 compared to $151.6 million for the same period last year.
- YP Segment Revenues – YP Segment digital revenues decreased 17.0% year-over-year and amounted to $333.5 million for the year ended December 31, 2020.
- YP Customer Count[1] and ARPC[2] – YP Segment customer count decreased to 125 400 customers for the year ended December 31, 2020, as compared to 153,300 customers for same period last year. The customer count reduction of 27,900 for the year ended December 31, 2020 compares to a decline of 33,400 in the comparable period of the previous year. YP Segment ARPC for the year ended December 31, 2020 was $2,540 as compared to $2,567 for the year ended December 31, 2019 representing a modest decrease of 1.1% driven by decreased print spend per customer.

[1] *YP Customer Count is defined as the number of customers advertising through one of our products as at the end of the reporting period on a trailing twelve-month basis excluding 411.ca customers.*

[2] *YP ARPC is defined as the YP average contracted revenue per customer on a trailing twelve-month basis excluding 411.ca.*

CAPEX

(In thousands of Canadian dollars)

For the three-month periods and years ended December 31,		2020		2019		2020		2019
Additions to intangible assets	**$**	**1,386**	$	1,973	**$**	**5,328**	$	9,647
Additions to property and equipment		**88**		8		**245**		91
CAPEX	**$**	**1,474**	$	1,981	**$**	**5,573**	$	9,738

Headcount[1]

As at December 31,	2020	2019	Change
YP Total Headcount	**686**	768	(82)

[1] *The Company defines headcount as total employees excluding employees on short term and long-term disability leave, and on maternity leave.*

2. Results

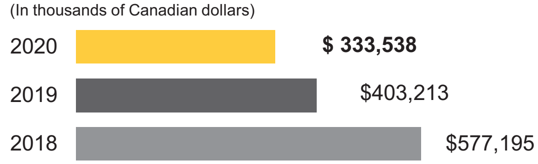
This section provides an overview of our financial performance in 2020 compared to 2019 and 2018. We present several metrics to help investors better understand our performance, including certain metrics which are not measures recognized by IFRS. Definitions of these non-IFRS financial metrics are provided on page 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

Highlights

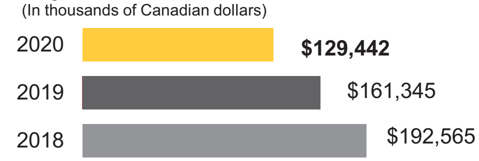
(In thousands of Canadian dollars, except per share and percentage information)

For the years ended December 31,		2020		2019		2018
Revenues	**$**	**333,538**	$	403,213	$	577,195
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	**$**	**129,442**	$	161,345	$	192,565
Adjusted EBITDA margin		**38.8%**		40.0%		33.4%
Net earnings	**$**	**60,298**	$	94,669	$	82,809
Basic earnings per share	**$**	**2.27**	$	3.57	$	3.13
CAPEX	**$**	**5,573**	$	9,738	$	12,036
Adjusted EBITDA less CAPEX	**$**	**123,869**	$	151,607	$	180,529
Cash flows from operating activities	**$**	**126,998**	$	144,759	$	134,659

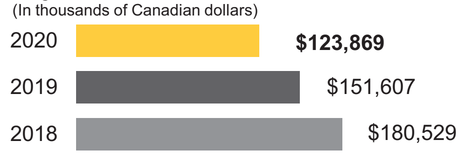
Revenues
(In thousands of Canadian dollars)



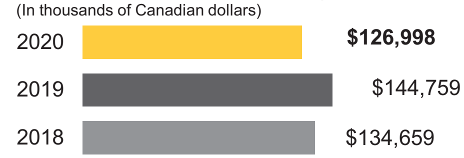
Adjusted EBITDA
(In thousands of Canadian dollars)



Adjusted EBITDA less CAPEX
(In thousands of Canadian dollars)



Cash Flows from Operating Activities
(In thousands of Canadian dollars)



Consolidated Operating and Financial Results

(In thousands of Canadian dollars, except per share and percentage information)

For the years ended December 31,	2020	% of Revenues	2019	% of Revenues	2018[1]	% of Revenues
Revenues	$ 333,538		$ 403,213		$ 577,195	
Cost of sales	127,789	38.3%	158,674	39.4%	237,541	41.2%
Gross profit	205,749	61.7%	244,539	60.6%	339,654	58.8%
Other operating costs	76,307	22.9%	83,194	20.6%	147,089	25.5%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	129,442	38.8%	161,345	40.0%	192,565	33.4%
Depreciation and amortization	27,664	8.3%	39,109	9.7%	76,094	13.2%
Restructuring and other charges	8,131	2.4%	12,499	3.1%	15,862	2.7%
Income from operations	93,647	28.1%	109,737	27.2%	100,609	17.4%
Financial charges, net	14,512	4.4%	39,600	9.8%	54,729	9.5%
Loss (gain) on sale of businesses	423	0.1%	367	0.1%	(6,129)	(1.1%)
Earnings before income taxes	78,712	23.6%	69,770	17.3%	52,009	9.0%
Provision for (recovery of) income taxes	18,414	5.5%	(24,899)	(6.2%)	(30,800)	(5.3%)
Net earnings	$ 60,298	18.1%	$ 94,669	23.5%	$ 82,809	14.3%
Basic earnings per share	$ 2.27		$ 3.57		$ 3.13	
Diluted earnings per share	$ 2.10		$ 3.16		$ 2.78	

As at December 31,	2020	2019	2018
Total assets	$ 367,913	$ 326,878	$ 442,369
Senior Secured Notes (including current portion)	$ –	$ –	$ 167,489
Exchangeable debentures	$ 101,115	$ 98,537	$ 96,179
Total Senior Secured Notes and Exchangeable debentures to total assets	27.5%	30.1%	59.6%

[1] *Certain comparative information has been restated to conform to the 2020 presentation.*

Segmented Information

The Company's operations are categorized into two reportable segments: YP and Other.

The YP segment provides small and medium-sized businesses across Canada digital and traditional marketing solutions, including online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising. This segment also includes the 411.ca digital directory service helping users find and connect with people and local businesses which was integrated with the Company's wholly owned subsidiary, Yellow Pages Digital & Media Solutions Limited, as at September 30, 2019.

The Other segment includes YP Dine digital property allowing users to discover, search for and book local restaurants in addition to offering online ordering capabilities until its sale on April 30, 2019. This segment also includes Mediative until its liquidation on January 31, 2019. Mediative's offers included dedicated marketing and performance media services to national clients Canada-wide. The operations of the businesses sold in 2018 were also included in this segment until their respective disposal date, namely:

- Totem which provided customized content creation and delivery for global brands until its sale on May 31, 2018;
- Western Media Group, magazines generating local lifestyle content specific to the Western Canada region until its sale as of May 31, 2018;
- RedFlagDeals.com™, a Canadian provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018;
- ComFree/DuProprio (CFDP) provided homeowners in Canada with media to sell their homes in a cost-effective manner until its sale on July 6, 2018;
- Yellow Pages NextHome until its sale on July 23, 2018; and
- JUICE Mobile's proprietary Programmatic Direct and Real-Time Bidding platforms that facilitated the automatic buying and selling of mobile advertising between brands and advertisers, until its sale on December 31, 2018.

Subsequent to the second quarter of 2019, there are no longer any operations being reported in the Other segment.

Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The Company accounts for transactions between reportable segments in the same manner it accounts for transactions with external customers and eliminates them on consolidation. There were no transactions between the reportable segments for the years ended December 31, 2020 and 2019.

Analysis of Consolidated and Segmented Operating and Financial Results

Fiscal year 2020 versus 2019

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2020	2019	% Change
Digital	**$ 252,252**	$ 298,762	(15.6%)
Print	**81,286**	103,177	(21.2%)
YP	**$ 333,538**	$ 401,939	(17.0%)
Digital	**–**	1,274	nm
Print	**–**	–	nm
Other	**–**	1,274	nm
Digital	**$ 252,252**	$ 300,036	(15.9%)
Print	**$ 81,286**	$ 103,177	(21.2%)
Total revenues	**$ 333,538**	$ 403,213	(17.3%)

Total revenues for the year ended December 31, 2020 decreased by 17.3% year-over-year and amounted to $333.5 million as compared to $403.2 million for the same period last year.

Total digital revenues decreased 15.9% year-over-year and amounted to $252.3 million for the year ended December 31, 2020 compared to $300.0 million for the year ended December 31, 2019.

Total print revenues decreased 21.2% year-over-year and amounted to $81.3 million for the year ended December 31, 2020 as compared to print revenues of $103.2 million for the year ended December 31, 2019.

As there are no longer any operations in the Other segment subsequent to the second quarter of 2019, the lower revenues for the year ended December 31, 2020 is due to the YP Segment.

Reportable Segments Revenues

YP

Revenues for the YP segment for the year ended December 31, 2020 decreased by $68.4 million or 17.0% year-over-year and amounted to $333.5 million compared to $401.9 million for the same period last year. The decrease for the year ended December 31, 2020 is due to the decline of our higher margin YP digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins. Revenues for 2020 were also impacted by the COVID-19 pandemic which impacted customer spend and to a lesser extent customer renewal rates.

Digital revenues decreased 15.6% year-over-year and amounted to $252.3 million for the year ended December 31, 2020, this compares to $298.8 million for the same period last year. The revenues were adversely impacted by a decline in the number of digital customers partially offset by a tenth consecutive quarter of higher spend per customer despite pressure on spend due to the pandemic.

Print revenues decreased 21.2% year-over-year and amounted to $81.3 million for the year ended December 31, 2020. The revenues were adversely impacted by a decline in the number of print customers and lower spend per customer.

Other

Due to the divestitures there were no revenues generated by the Other segment for the year ended December 31, 2020, resulting in a year-over-year decline of $1.3 million.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2020	% of Revenues		2019	% of Revenues	% Change
YP	$	205,749	61.7%	$	243,889	60.7%	(15.6%)
Other		–	nm		650	51.0%	nm
Total gross profit	$	**205,749**	**61.7%**	$	244,539	60.6%	(15.9%)

Gross profit decreased to $205.7 million or 61.7% of revenues for the year ended December 31, 2020, compared to $244.5 million, or 60.6% of revenues, for the same period last year. The decrease in gross profit and increase in gross profit as a percentage of revenues is attributable to the YP segment.

Reportable Segments Gross Profit

YP

Gross profit for the year ended December 31, 2020 totalled $205.7 million or 61.7% of revenues, compared to $243.9 million, or 60.7% of revenues, for the same period in 2019. The decrease in gross profit is a result of the pressures from lower overall revenues and change in product mix which were partially offset by efficiencies in sales and operations from optimization and cost reductions resulting in an increase in gross profit as a percentage of revenues.

Other

Due to the divestitures there was no gross profit generated by the Other segment for the year ended December 31, 2020, resulting in a year-over-year decline of $0.7 million in Other gross profit for the year ended December 31, 2020.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2020	% of Revenues		2019	% of Revenues	% Change
YP	$	129,442	38.8%	$	161,014	40.1%	(19.6%)
Other		–	–		331	nm	nm
Total Adjusted EBITDA	$	**129,442**	**38.8%**	$	161,345	40.0%	(19.8%)

Adjusted EBITDA decreased by 19.8% to $129.4 million or 38.8% of revenues for the year ended December 31, 2020, relative to $161.3 million or 40.0% of revenues for the same period last year. The year-over-year results for the year ended December 31, 2020 were attributable to the YP Segment.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2020 totalled $129.4 million or 38.8% of revenues compared to $161.0 million or 40.1% of revenues for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2020 is the result of the overall revenue pressures in the segment partially offset by efficiencies in sales and operations from continued optimization and reductions in other operating costs including reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint and other spending reductions across the segment. The Company received a total of $7.3 million in emergency wage subsidies during the year ended December 31, 2020. In addition, the first quarter of 2019 was favorably impacted by an adjustment to the variable compensation expense due to employee attrition and previous year performances. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will create some pressure on margin in upcoming quarters.

Other

Due to the divestitures there was no Adjusted EBITDA generated by the Other segment for the year ended December 31, 2020, resulting in a year-over-year decline of $0.3 million.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the year ended December 31,		2020		2019	% Change
Adjusted EBITDA	$	**129,442**	$	161,014	(19.6%)
CAPEX		**5,573**		9,460	(41.1%)
YP	$	**123,869**	$	151,554	(18.3%)
Adjusted EBITDA		**–**		331	nm
CAPEX		**–**		278	nm
Other		**–**		53	nm
Adjusted EBITDA	$	**129,442**	$	161,345	(19.8%)
CAPEX	$	**5,573**	$	9,738	(42.8%)
Total Adjusted EBITDA less CAPEX	$	**123,869**	$	151,607	(18.3%)

Adjusted EBITDA less CAPEX decreased by $27.7 million to $123.9 million for the year ended December 31, 2020, compared to $151.6 million during the same period last year.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the YP segment for the year ended December 31, 2020 totalled $123.9 million compared to $151.6 million for the same period last year. The decrease for the year ended December 31, 2020 is mainly due to lower Adjusted EBITDA partially offset by lower capital expenditures due to decreased spending in software development.

Depreciation and Amortization

Depreciation and amortization decreased to $27.7 million for the year ended December 31, 2020 compared to $39.1 million for the same period last year primarily due to lower software development expenditures.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the years ended December 31,		2020		2019
Severance, benefits and outplacement	$	**2,895**	$	10,767
Settlement of litigation		**–**		(99)
Impairment of right-of-use assets and property and equipment and provision for future operation costs related to lease contracts for offices closed		**5,512**		371
Pension settlement (recovery) costs and past service (recovery) costs, net		**–**		(980)
Other (recoveries) costs		**(276)**		2,440
Total restructuring and other charges	$	**8,131**	$	12,499

Yellow Pages Limited recorded restructuring and other charges of $8.1 million for the year ended December 31, 2020 consisting mainly of restructuring charges of $2.6 million associated with workforce reductions, a $2.1 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a $4.6 million charge related to the impairment of property and equipment and right-of-use assets related to vacated office space, partially offset by a $1.2 million recovery related to the surrender of vacated office space.

Restructuring and other charges of $12.5 million were recorded for the year ended December 31, 2019 consisting of restructuring charges of $12.1 million relating to workforce reductions, a $1.9 million charge related to future operation costs provisioned related to lease contracts for office closures, a $0.3 million charge related to software disposal, offset by a net recovery of $1.8 million from more favorable lease recoveries than anticipated.

Financial Charges

Financial charges decreased to $14.5 million for the year ended December 31, 2020 compared to $39.6 million for the same period last year. The decrease is primarily due to a lower level of indebtedness due to the full repayment of the Senior Secured Notes in 2019. The Company's effective average interest rate on our debt portfolio excluding lease obligations as at December 31, 2020 was 8.0% (2019 – 9.0%).

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.5% for the year ended December 31, 2020 and 26.8% for the same period in 2019. The Company recorded an expense of $18.4 million for the year ended December 31, 2020, including the recognition of previously unrecognized tax attributes and temporary differences of $2.8 million. In comparison, the company recorded a recovery of income tax of $24.9 million for the year ended December 31, 2019, including recognition of previously unrecognized tax attributes and temporary differences of $44.2 million. The Company recorded an income tax expense of 23.4% of earnings for the year ended December 31, 2020 (2019 – an income tax recovery of 35.7%). These recoveries are non-cash items.

The difference between the effective and the statutory rates for the years ended December 31, 2020 and 2019 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net earnings

Net earnings for the year ended December 31, 2020 amounted to $60.3 million as compared to net earnings of $94.7 million for the same period last year due to higher recognition of previously unrecognized tax attributes and temporary differences in 2019. Earnings before taxes increased from $69.8 million in 2019 to $78.7 million for the year-ended December 31, 2020 as lower Adjusted EBITDA was more than offset by lower restructuring and other charges, financial charges and depreciation and amortization expenses.

Fiscal year 2019 versus 2018

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2019	2018	% Change
Digital	$ 298,762	$ 357,705	(16.5%)
Print	103,177	127,897	(19.3%)
YP	$ 401,939	$ 485,602	(17.2%)
Digital	1,274	84,534	(98.5%)
Print	–	8,043	(100.0%)
Other	1,274	92,577	(98.6%)
Digital	–	(958)	nm
Print	–	(26)	nm
Intersegment eliminations	–	(984)	nm
Digital	$ 300,036	$ 441,281	(32.0%)
Print	$ 103,177	$ 135,914	(24.1%)
Total revenues	$ 403,213	$ 577,195	(30.1%)

Total revenues for the year ended December 31, 2019 decreased by $174.0 million or 30.1% year-over-year and amounted to $403.2 million as compared to $577.2 million for the same period in 2018. The decline in total revenues was due to the divestitures in the Other segment as well as lower digital and print revenues in the YP segment.

Total digital revenues decreased by $141.2 million or 32.0% year-over-year and amounted to $300.0 million for the year ended December 31, 2019 compared to $441.3 million for the year ended December 31, 2018. The digital revenue decline was attributable to the divestitures in the Other segment as well as lower revenues in the YP segment.

Total print revenues decreased by $32.7 million or 24.1% year-over-year and amounted to $103.2 million for the year ended December 31, 2019. The print revenue decline for the year ended December 31, 2019 is a result of lower revenues in the YP segment and the divestitures in the Other segment.

Reportable Segments Revenues

YP

Revenues for the YP segment for the year ended December 31, 2019 decreased by $83.7 million or 17.2% year-over year and amounted to $401.9 million compared to $485.6 million for the same period in 2018. The decrease for the year ended December 31, 2019 is mainly due to the decline of our higher margin YP digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins.

Digital revenues decreased 16.5% year-over-year and amounted to $298.8 million for the year ended December 31, 2019, compared to $357.7 million for the same period in 2018. Digital revenues were adversely impacted by a decline in the number of digital customers partially offset by a sixth consecutive quarter of higher spend per customer. The lower digital customer count is mostly attributable to a lower level of acquisition, driven in part by our focus on profitability.

Print revenues decreased by 19.3% year-over-year to $103.2 million for the year ended December 31, 2019. The results were adversely impacted by a decline in the number of print customers and lower spend per customer.

Other

Other revenues amounted to $1.3 million for the year ended December 31, 2019 as compared to $92.6 million for the same period in 2018. The decline in other revenues is due to the divestitures.

Gross Profit[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2019	% of Revenues		2018	% of Revenues	% Change
YP	$	243,889	60.7%	$	306,157	63.0%	(20.3%)
Other		650	51.0%		33,660	36.4%	(98.1%)
Intersegment eliminations		–	–		(163)	nm	nm
Total gross profit	$	244,539	60.6%	$	339,654	58.8%	(28.0%)

[1] *Certain comparative information has been restated to conform with the 2019 presentation.*

Gross profit for the year ended December 31, 2019 decreased to $244.5 million or 60.6% of total revenues compared to $339.7 million, or 58.8% of total revenues, for the same period last year. The decrease in gross profit is due to the pressures from lower overall revenues and change in product mix in the YP segment and to the divestitures in the Other segment. The increase in gross profit as a percentage of revenues is due to the dilutive effect on profitability of the lower margin Other segment in 2018.

Reportable Segments Gross Profit

YP

Gross profit for the year ended December 31, 2019 totalled $243.9 million, or 60.7% of revenues, compared to $306.2 million, or 63.0% of revenues, for the same period in 2018. The decrease in gross profit and gross profit as a percentage of revenues is a result of the pressures from lower overall revenues and change in product mix as well as investments in customer care starting in the second quarter of 2019 and investments in new customer acquisitions in the fourth quarter of 2019. The revenue pressures and customer care and new customer acquisition investments were partially offset by higher efficiencies in sales and operations from optimizations and cost reductions, as well as an increased focus on the profitability of our products and services. These measures included workforce reductions primarily in non-customer facing areas in the first quarter of 2018 and call center consolidations and optimization of our servicing model in the second quarter of 2018.

Other

Gross profit for the Other segment totalled $0.7 million, for the year ended December 31, 2019, as compared to $33.7 million, or 36.4% of revenues, for the same period in 2018. The decrease in gross profit margin for the year ended December 31, 2019 is due to divestitures.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2019	% of Revenues		2018	% of Revenues	% Change
YP	$	161,014	40.1%	$	185,026	38.1%	(13.0%)
Other		331	nm		7,539	8.1%	(95.6%)
Total Adjusted EBITDA	$	161,345	40.0%	$	192,565	33.4%	(16.2%)

For the year ended December 31, 2019, Adjusted EBITDA decreased by $31.2 million or 16.2% to $161.3 million, compared to $192.6 million for the same period last year. The Company's Adjusted EBITDA margin amounted to 40.0% for the year ended December 31, 2019 compared to 33.4% for the same period in 2018. The decrease in Adjusted EBITDA was the result of the revenue pressures in the YP segment as well as the divestitures in the Other segment. The increase in Adjusted EBITDA margin for the year ended December 31, 2019 is mainly due to the dilutive effect on profitability of the lower margin Other segment in 2018 and reductions in both our cost of sales and other operating costs. The reductions fully offset the revenue pressures in the YP segment for the year ended December 31, 2019.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2019 totalled $161.0 million compared to $185.0 million for the same period in 2018. The decrease in Adjusted EBITDA is a result of lower overall revenues, pressures from the change in product mix and investments in customer care. The Adjusted EBITDA margin for the YP segment for the year ended December 31, 2019 increased to 40.1% from 38.1% for the same period in 2018. The increase in Adjusted EBITDA margin for the year ended December 31, 2019 is due to the revenue pressures and investments in customer care and investments in new customer acquisition being fully offset by an increased focus on the profitability of our products and services and reductions in both our costs of sales and other operating costs. The decrease in cost of sales was mainly due to workforce reductions primarily in non-customer facing areas in the first quarter of 2018 and to call center consolidations and optimization of our servicing model in the second quarter of 2018. The decrease in other operating costs included reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint, other spending reductions across the segment as well as an adjustment to the variable compensation expense in the first quarter of 2019 mainly due to employee attrition and previous year performances.

Other

Adjusted EBITDA for the Other segment for the year ended December 31, 2019, amounted to $0.3 million. This compares to $7.5 million, or 8.1% of revenues, for the same period in 2018. The year-over-year decrease is due to the divestitures.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2019	2018	% Change
Adjusted EBITDA	$ 161,014	$ 185,026	(13.0%)
CAPEX	9,460	9,556	(1.0%)
YP	$ 151,554	$ 175,470	(13.6%)
Adjusted EBITDA	331	7,539	(95.6%)
CAPEX	278	2,480	(88.8%)
Other	53	5,059	(99.0%)
Adjusted EBITDA	$ 161,345	$ 192,565	(16.2%)
CAPEX	$ 9,738	$ 12,036	(19.1%)
Total Adjusted EBITDA less CAPEX	$ 151,607	$ 180,529	(16.0%)

For the year ended December 31, 2019, Adjusted EBITDA less CAPEX decreased by $28.9 million or 16.0% to $151.6 million compared to $180.5 million for the same period in 2018. Adjusted EBITDA less CAPEX for the year ended December 31, 2019 was mainly impacted by lower Adjusted EBITDA partially offset by decreased spending on software development and was further negatively impacted by lease incentives received in 2018.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the year ended December 31, 2019 totalled $151.6 million compared to $175.5 million for the same period in 2018. The decrease for the year ended December 31, 2019 is mainly due to lower Adjusted EBITDA, partially offset by decreased spending on software development and was further negatively impacted by lease incentives received in 2018.

Other

Adjusted EBITDA less CAPEX for the Other segment for the year ended December 31, 2019 is minimal, as compared to $5.1 million in the same period in 2018. The year-over-year decrease is a result of the divestitures.

Depreciation and Amortization

Depreciation and amortization decreased to $39.1 million for the year ended December 31, 2019 compared to $76.1 million for the same period in 2018 primarily due to lower software development expenditures.

Restructuring and Other Charges

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2019	2018
Severance, benefits and outplacement	$ 10,767	$ 31,231
Settlement of litigation	(99)	(14,095)
Impairment of right-of-use assets and future operation costs (recovery) related to lease contracts for offices closed	371	(2,029)
Pension settlement (recovery) costs and past service (recovery) costs, net	(980)	755
Other costs	2,440	–
Total restructuring and other charges	$ 12,499	$ 15,862

The Company recorded restructuring and other charges of $12.5 million for the year ended December 31, 2019 consisting of restructuring charges of $12.1 million relating to workforce reductions, a $1.9 million charge related to future operation costs provisioned related to lease contracts for office closures, a $0.3 million charge related to software disposal, offset by a net recovery of $1.8 million from more favorable lease recoveries than anticipated.

During the year ended December 31, 2018, the Company recorded restructuring and other charges of $15.9 million consisting of restructuring charges of $32.0 million mainly due to workforce reductions, offset by the $14.1 million impact of a favorable litigation settlement on a contractual obligation with a vendor. Additionally, the restructuring charges were offset by a net recovery of $1.6 million from more favorable lease recoveries than anticipated partially offset by the impairment of right-of-use assets and a net recovery of $0.4 million from future operation costs related to lease contracts for office closures.

Financial Charges

Financial charges decreased to $39.6 million for the year ended December 31, 2019 compared to $54.7 million for the same period in 2018. The decrease is primarily due to a lower level of indebtedness due to repayments of the Senior Secured Notes. The Company's effective average annual interest rate on our debt portfolio excluding capital leases as at December 31, 2019 was 9.0% (2018 – 9.2%).

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.8% for the year ended December 31, 2019 and 26.9% for the same period in 2018. The Company recorded a recovery of income tax of $24.9 million for the year ended December 31, 2019, comprised of recognition of previously unrecognized tax attributes and temporary differences of $44.2 million. The Company recorded an income tax recovery of 35.7% of earnings for the year ended December 31, 2019 (2018 – an income tax recovery of 59.2%). These recoveries are non-cash items.

In comparison, the Company recorded a recovery of income taxes of $30.8 million for the year ended December 31, 2018, comprised of recognition of previously unrecognized tax attributes of $8.5 million and a resolution of uncertain tax positions of $38.6 million. These recoveries are non-cash items.

The Company recorded an income tax recovery of 35.7% of earnings for the year ended December 31, 2019 this compares to an income tax recovery of 59.2% recorded for the year ended 2018. The difference between the effective and the statutory rates for the year ended December 31, 2019 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and non-deductibility of certain expenses for tax purposes. The difference between the effective and the statutory rates for the year ended December 31, 2018 is mainly due to recognition of previously unrecognized tax attributes, a resolution of uncertain tax positions and non-deductibility of certain expenses for tax purposes.

Net earnings

The Company recorded net earnings of $94.7 million for the year ended December 31, 2019 as compared to $82.8 million for the same period in 2018. The increase in net earnings for the year ended December 31, 2019 compared to the same period in 2018 is mainly due to the lower depreciation and amortization expenses and lower financial charges from a reduced level of indebtedness due to repayment of the Senior Secured Notes partially offset by lower Adjusted EBITDA and lower recovery of income taxes.

Summary of Consolidated Quarterly Results

The following table shows selected consolidated financial data of Yellow Pages for the eight most recent quarters.

(In thousands of Canadian dollars, except per share and percentage information)

				2020				2019
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
YP revenues	**$ 76,669**	$ 80,281	$ 88,280	$ 88,308	$ 93,507	$ 98,147	$ 106,610	$ 103,675
Other revenues and Intersegment Eliminations	**–**	–	–	–	–	–	162	1,112
Total revenues	**$ 76,669**	$ 80,281	$ 88,280	$ 88,308	$ 93,507	$ 98,147	$ 106,772	$ 104,787
Operating costs	**49,030**	52,969	46,352	55,745	58,751	60,361	63,350	59,406
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	**27,639**	27,312	41,928	32,563	34,756	37,786	43,422	45,381
Adjusted EBITDA margin	**36.0%**	34.0%	47.5%	36.9%	37.2%	38.5%	40.7%	43.3%
Depreciation and amortization	**6,249**	6,624	7,190	7,601	8,678	9,221	10,082	11,128
Restructuring and other charges	**221**	4,461	134	3,315	5,719	2,347	1,571	2,862
Income from operations	**21,169**	16,227	34,604	21,647	20,359	26,218	31,769	31,391
Financial charges, net	**2,014**	4,196	4,121	4,181	7,360	7,019	11,456	13,765
(Gain) loss on sale of businesses	**–**	(79)	4	498	10	160	197	–
Earnings before income taxes	**19,155**	12,110	30,479	16,968	12,989	19,039	20,116	17,626
Provision for (recovery of) income taxes	**2,340**	3,069	8,440	4,565	(40,608)	5,200	5,543	4,966
Net earnings	**$ 16,815**	$ 9,041	$ 22,039	$ 12,403	$ 53,597	$ 13,839	$ 14,573	$ 12,660
Basic earnings per share	**$ 0.63**	$ 0.34	$ 0.83	$ 0.47	$ 2.02	$ 0.52	$ 0.55	$ 0.48
Diluted earnings per share	**$ 0.58**	$ 0.34	$ 0.73	$ 0.44	$ 1.70	$ 0.49	$ 0.51	$ 0.45

Year-over-year the quarterly revenues have decreased principally due to revenue declines in the YP segment associated with overall lower customer count partially offset by an increasing ARPC over the nine quarters prior to the fourth quarter of 2020. The decline in ARPC in the fourth quarter of 2020 was driven by the lower print spend per customer, while digital spend per customer continued to increase. Revenues were also affected by the COVID-19 pandemic starting in the second quarter of 2020, impacting customer spend and to a lesser extent customer renewal rates. The decline in revenues of the Other segment is a result of the divestitures or liquidation of unprofitable or non-synergistic businesses completed in the second quarter of 2019.

Operating costs decreased over the quarters due to lower Cost of sales, driven by an increased focus on the profitability of our products and services and reductions in our cost structure from efficiencies in sales and operations, as well as lower Other operating costs from reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint and other spending reductions across the YP segment. The second quarter of 2020 benefited from the receipt of a $4.8 million emergency wage subsidy and paused campaign spending related to the COVID-19 pandemic while the third quarter was impacted by a $4.0 million increase for the expense related to the vesting of the CEO's long term incentive plan (LTIP) upon completion of his first contract term, resulting from the increase in the Company's share price, resumed spending mainly for the fulfillment of paused campaigns related to the COVID-19 pandemic partially offset by a $1.2 million emergency wage subsidy.

The Company also received a $1.3 million emergency wage subsidy in the fourth quarter of 2020, Furthermore in 2019, the first quarter benefited from an adjustment to the variable compensation expense, mainly due to employee attrition and previous year performances, while operating costs reduced subsequent to the completion of the liquidation of Mediative division in the first quarter and the sale of YP Dine and Bookenda in the second quarter.

The Adjusted EBITDA margin declined through the quarters mainly due to lower revenue and pressures from the change in product mix partially offset by reductions in our cost structure and emphasis on the profitability of our products and services. Furthermore in 2020, the second quarter benefited from the receipt of a $4.8 million emergency wage subsidy and paused campaign spending related to the COVID-19 pandemic while the third quarter was impacted by a $4.0 million increase for the expense related to the vesting of the CEO's long term incentive plan (LTIP) and resumed spending mainly for the fulfillment of paused campaigns related to the COVID-19 pandemic partially offset by a $1.2 million emergency wage subsidy. The Company also received a $1.3 million emergency wage subsidy in the fourth quarter of 2020. Furthermore in 2019, the first quarter benefited from an adjustment to the variable compensation expense, mainly due to employee attrition and previous year performances.

Depreciation and amortization have been decreasing due to lower intangible assets resulting from decreasing software development expenditures as well as lower intangible assets following the impairment recorded in the fourth quarter of 2017.

The Company's restructuring and other charges mainly relate to workforce reductions and impairments of right-of-use assets and future operating costs related to lease contracts for offices closed. The second quarter of 2020 benefited from a net recovery of $1.2 million relating to the surrender of some of the previously vacated office space.

The financial charges have been declining as a result of lower indebtedness. Financial charges in the fourth quarter of 2020 were further impacted by the recognition of the $2.6 million change in fair value of the redemption option for cash for the Company's exchangeable debentures (''Redemption Option'').

Earnings before income taxes has been relatively stable as decreasing Adjusted EBITDA was offset by decreasing restructuring and other charges, financial charges and depreciation and amortization expense. Net earnings for the fourth quarters of 2019 and 2020 benefited from the recording of previously unrecognized tax attributes and temporary differences of $44.2 million and $2.8 million in the provision for income taxes, respectively.

Analysis of Fourth Quarter 2020 Results

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	**2020**	2019	% Change
Digital	**$ 58,904**	$ $70,162	(16.0%)
Print	**17,765**	23,345	(23.9%)
YP	**$ 76,669**	$ 93,507	(18.0%)
Digital	–	–	–
Print	–	–	–
Other	–	–	–
Digital	**$ 58,904**	$ 70,162	(16.0%)
Print	**$ 17,765**	$ 23,345	(23.9%)
Total revenues	**$ 76,669**	$ 93,507	(18.0%)

Total revenues for the fourth quarter ended December 31, 2020 decreased by 18.0% year-over-year and amounted to $76.7 million as compared to $93.5 million for the same period last year. The decrease for the quarter ended December 31, 2020 is due to the decline of our higher margin YP digital media and print products and to a lesser extent to our lower margin digital services products, thereby creating pressure on our gross profit margins. Revenues for the fourth quarter of 2020 were also impacted by the COVID-19 pandemic which impacted customer spend and to a lesser extent customer renewal rates.

Total digital revenues decreased 16.0% year-over-year and amounted to $58.9 million during the fourth quarter of 2020 compared to $70.2 million for the same period last year. The revenues were adversely impacted by a decline in the number of digital customers partially offset by a tenth consecutive quarter of higher spend per customer despite pressure on spend during the quarter due to the pandemic.

Total print revenues decreased 23.9% year-over-year and amounted to $17.8 million during the fourth quarter of 2020 as compared to print revenues of $23.3 million in the fourth quarter of 2019. The revenues were adversely impacted by a decline in the number of print customers and lower spend per customer.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2020	% of Revenues	2019	% of Revenues	% Change
YP	$ 46,424	60.6%	$ 54,799	58.6%	(15.3%)
Other	–	–	–	–	–
Total gross profit	$ **46,424**	**60.6%**	$ 54,799	58.6%	(15.3%)

Gross profit totalled $46.4 million or 60.6% of revenues for the three-month period ended December 31, 2020, compared to $54.8 million, or 58.6% of revenues, for the same period last year. The decrease in gross profit for the three-month period ended December 31, 2020 is a result of the pressures from lower overall revenues and change in product mix which were partially offset by efficiencies in sales and operations from optimization and cost reductions, resulting in an increase in gross profit as a percentage of revenues.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2020	% of Revenues	2019	% of Revenues	% Change
YP	$ 27,639	36.0%	$ 34,756	37.2%	(20.5%)
Other	–	–	–	–	–
Total Adjusted EBITDA	$ **27,639**	**36.0%**	$ 34,756	37.2%	(20.5%)

Adjusted EBITDA decreased to $27.6 million or 36.0% of revenues in the fourth quarter ended December 31, 2020, relative to $34.8 million or 37.2% of revenues for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin in the three-month period ended December 31, 2020 is the result of the revenue pressures partially offset by efficiencies in sales and operations from optimization and reductions in other operating costs including reductions in our workforce and associated employee expenses, reductions in the Company's office space footprint and other spending reductions across the segment. The Company also received a $1.3 million emergency wage subsidy during the three-month period ended December 31, 2020. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will create some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2020		2019	% Change
Adjusted EBITDA	$	**27,639**	$	34,756	(20.5%)
CAPEX		**1,474**		1,981	(25.6%)
YP	$	**26,165**	$	32,775	(20.2%)
Adjusted EBITDA		**–**		–	–
CAPEX		**–**		–	–
Other		**–**		–	–
Adjusted EBITDA	$	**27,639**	$	34,756	(20.5%)
CAPEX	$	**1,474**	$	1,981	(25.6%)
Total Adjusted EBITDA less CAPEX	$	**26,165**	$	32,775	(20.2%)

Adjusted EBITDA less CAPEX decreased by $6.6 million to $26.2 million during the fourth quarter of 2020, compared to $32.8 million during the same period last year. The decrease in Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2020 is mainly due to lower Adjusted EBITDA partially offset by lower capital expenditures due to decreased spending in software development.

Depreciation and Amortization

Depreciation and amortization decreased to $6.2 million for the three-month period ended December 31, 2020 compared to $8.7 million for the same period last year. The decrease is primarily due to lower software development expenditures.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the three-month periods ended December 31,		2020		2019
Severance, benefits and outplacement	$	**926**	$	5,844
Impairment of right-of-use assets and property and equipment and provision for future operation costs (recovery) related to lease contracts for offices closed		**(752)**		(336)
Pension settlement costs and past services costs (recovery), net		**–**		(980)
Other costs		**47**		1,191
Total restructuring and other charges	$	**221**	$	5,719

Restructuring and other charges of $0.2 million were recorded for the three-month period ended December 31, 2020 consisting mainly of restructuring charges of $1.0 million associated with workforce reductions, a $1.1 million recovery for future operation costs provisioned related to lease contracts for offices closured, as well as a $0.3 million charge related to the impairment of property and equipment and right-of-use assets related to vacated office space. For the three-month period ended December 31, 2019, the Company recorded restructuring and other charges of $5.7 million consisting of restructuring charges of $6.0 million relating to workforce reductions, and a $0.8 million charge relating to future operation costs provisioned related to lease contracts for office closures, offset by a $1.1 million recovery from more favorable lease recoveries than anticipated.

Financial Charges

Financial charges decreased to $2.0 million for the three-month period ended December 31, 2020 compared to $7.4 million for the same period last year. The decrease is due to the recognition of a $2.6 million change in fair value of the Redemption Option in the quarter ended December 31, 2020 and a lower level of indebtedness due to the full repayment of the Senior Secured Notes in 2019.

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.5% and 26.8% for the three-month periods ended December 31, 2020 and 2019, respectively. The Company recorded an expense of $2.3 million, including a recovery for the recognition of previously unrecognized tax attributes and temporary differences of $2.8 million for the three-month period ended December 31, 2020. In comparison, the company recorded a recovery for income taxes of $40.6 million, including a recovery for the recognition of previously unrecognized tax attributes and temporary differences of $44.2 million for the three-month period ended December 31, 2019. These recoveries were non-cash items.

The difference between the effective and the statutory rates during the three-month period ended December 31, 2020 and 2019 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net earnings

Net earnings for the three-month ended December 31, 2020 amounted to $16.8 million as compared to net earnings of $53.6 million for the same period last year due to higher recognition of previously unrecognized tax attributes and temporary differences in 2019. Earnings before taxes increased from $13.0 million for the fourth quarter of 2019 to $19.2 million for the three-month period ended December 31, 2020, as lower Adjusted EBITDA was more than offset by lower restructuring and other charges, financial charges and depreciation and amortization expenses.

3. Liquidity and Capital Resources

This section examines the Company's capital structure, sources of liquidity and various financial instruments including its debt instruments.

Capital Structure

(In thousands of Canadian dollars, except percentage information)

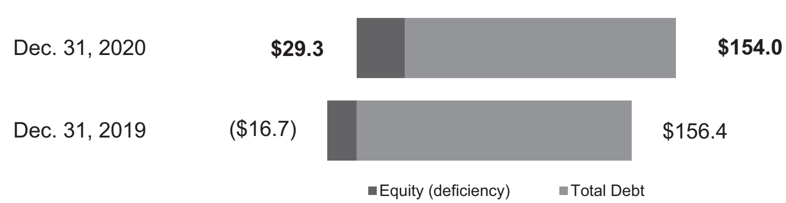
As at December 31,		**2020**		2019
Cash	**$**	**153,492**	$	44,408
Exchangeable debentures		**101,115**		98,537
Lease obligations		**52,874**		57,885
Total debt	**$**	**153,989**	$	156,422
Equity (deficiency)		**29,301**		(16,660)
Total capitalization	**$**	**183,290**	$	139,762
Total debt net of cash to total capitalization		**0.3%**		80.1%

As at December 31, 2020, Yellow Pages had $0.5 million of total debt net of cash, compared to $112.0 million as at December 31, 2019.

The total debt net of cash to latest Twelve-Month Adjusted EBITDA[1] ratio as at December 31, 2020 was nil compared to 0.7 times as at December 31, 2019. The decrease is mainly due to a higher cash balance at December 31, 2020 entirely offsetting the lower Adjusted EBITDA.

Total Debt Net of Cash to Latest Twelve-Month Adjusted EBITDA[1] Ratio

Capital Structure
(In millions of Canadian dollars)



[1] *Latest twelve-month income from operations before depreciation and amortization and restructuring and other charges (Latest Twelve-Month Adjusted EBITDA). Latest Twelve-Month Adjusted EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 3 for a definition of Adjusted EBITDA.*

Asset-Based Loan

On October 19, 2017, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, renewed its five-year $50.0 million asset-based loan (ABL) and extended the term of the ABL to August 2022. At the request of the Company, the ABL agreement was amended on November 18, 2019 to reduce the total commitment from $50.0 million to $25.0 million. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is subject to an availability reserve of $5.0 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at December 31, 2020, the Company's fixed charge coverage ratio was 3.5 times. The Company had $3.4 million of letters of credit issued and outstanding under the ABL. As such, $21.6 million of the ABL was available as at December 31, 2020.

The loan agreement governing the ABL contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions (to the extent permitted by the Exchangeable Debentures indenture, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, and certain transactions with affiliates and its business activities.

As at December 31, 2020, the Company was in compliance with all covenants under the loan agreement governing the ABL.

Exchangeable Debentures

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $107.5 million of senior subordinated exchangeable debentures (the Exchangeable Debentures) due November 30, 2022. As at December 31, 2020, and December 31, 2019, the face value of the Exchangeable Debentures was $107.0 million and $107.1 million, respectively. As at December 31, 2020, the value of the Exchangeable Debentures less unaccreted interest was $101.1 million compared to $98.5 million as at December 31, 2019.

Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% per annum, for the applicable interest period, if the Company makes a Payment in Kind election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

The indenture governing the Exchangeable Debentures contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of indebtedness and other transactions.

The indenture permits the Company to make restricted payments, including payment of dividends and common stock buybacks and certain payments associated with management's equity-based compensation, in an aggregate amount not to exceed $20.0 million since the date of the indenture. As at December 31, 2020, the Company has made a cumulative total of $14.5 million of restricted payments, comprised of $8.8 million of dividend payments, $3.3 million related to common stock buyback and $2.4 million related to certain management equity-based compensation payments, since the indenture went into effect. As at December 31, 2020, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

The Exchangeable Debentures are exchangeable at the holder's option into common shares at any time at an exchange price per common share equal to $19.04, subject to adjustment for specified transactions.

Optional Redemption

The Company may redeem all or part of the Exchangeable Debentures at its option, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

The Redemption Option is recorded at fair value in Financial and other assets on the consolidated statements of financial position with changes in fair value recognized in financial charges. The fair value as at December 31,2020 was $2.6 million and was insignificant as at December 31, 2019.

The Company entered into a Normal Course Issuer Bid (''NCIB'') to purchase up to $6.6 million principal amount of its Exchangeable Debentures starting on April 20, 2020 and ending on April 19, 2021. The price which Yellow Pages Digital & Media Solutions Limited will pay for any such Exchangeable Debentures will be the prevailing market price at the time of acquisition. All Exchangeable Debentures will be purchased for cancellation. As at December 31, 2020, YP purchased Exchangeable Debentures under this NCIB program, with a carrying value of $52 thousand for cash and a face value of $56 thousand.

As announced on February 13, 2020, the Company intends to make an optional redemption payment to fully repay the remaining balance of its Exchangeable Debentures on or shortly after May 31, 2021, according to the terms above (i.e., at redemption price of 100%).

Credit Ratings

Standard and Poor's Global Ratings
B-/Corporate credit rating – stable outlook B/Credit rating for Exchangeable Debentures

Liquidity

The Company's principal source of liquidity is cash generated from operations and cash on hand. The Company expects to generate sufficient liquidity in the short term and the long term to fund capital expenditures, working capital requirements and current obligations, and service its outstanding debt obligations. As at December 31, 2020, the Company had $153.5 million of cash and $21.6 million available under the ABL. As at January 31, 2021, the Company had approximately $163.7 million of cash and $21.6 million available under the ABL

Options

On December 20, 2012, as part of the implementation of Yellow Pages Limited's Recapitalization transaction, a new stock option plan (the ''Stock Option Plan'') was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees of Yellow Pages Limited who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Pages Limited through the transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. A maximum of 1,290,612 stock options may be granted under the Stock Option Plan. On May 11, 2018, an amendment to the Stock Option Plan was approved, increasing the maximum number of common shares authorized for issuance upon the exercise of options, from 1,290,612 to 2,806,932. Participants are required to hold 25% of the common shares received pursuant to the exercise of the stock options until the Participants meet the ownership guidelines which apply to their respective position.

At the Annual and Special Meeting of Shareholders held on May 13, 2020 an amendment to the 2012 Stock Option Plan was approved to provide for a cashless exercise feature, payable in cash, without a full deduction of the underlying shares from the plan reserve. Subject to approval of the Board or the Human Resources and Compensation Committee at the time of exercise, an option holder may elect to surrender an exercisable option for cancellation in exchange for a cash payment equal to the amount by which the fair market value of the share on the date of surrender exceeds the exercise price. The underlying shares in respect of the surrendered option will be added back to the plan reserve.

Stock options granted that are payable in cash upon certain conditions being met are presented as a liability.

Share Data

Outstanding Share Data

As at	February 10, 2021	December 31, 2020	December 31, 2019
Common shares outstanding	27,786,487	27,828,906	28,075,308
Exchangeable Debentures outstanding[1]	5,621,481	5,621,481	5,624,422
Common share purchase warrants outstanding	2,995,483	2,995,484	2,995,484
Stock options outstanding[2]	2,717,779	2,717,779	1,983,102

1 *As at February 10, 2020, Yellow Pages had $107.0 million principal amount of Exchangeable Debentures outstanding, which amount is exchangeable into 5,621,481 common shares of Yellow Pages Limited at an exchange price of $19.04, subject to adjustment for specified transactions pursuant to the indenture governing the Exchangeable Debentures.*

2 *Included in the stock options outstanding balance of 2,717,779 as at February 10, 2021 and December 31, 2020, nil stock options were exercisable as at those dates. Included in the stock options outstanding balance of 1,983,102 as at December 31, 2019, of which nil stock options exercisable as at that date.*

The Company entered into a normal course issuer bid (''NCIB''), commencing August 10, 2020, to purchase up to $5.0 million of Common Shares in the open market for cancellation, on or before August 9, 2021. As at December 31, 2020, the Company had purchased under this NCIB program 273,190 common shares for cash of $3.3 million. The related historical carrying value of these shares was reclassified from shareholder's capital to deficit.

Dividend policy

On May 12th, 2020, the Company's Board of Directors adopted a dividend policy of paying a quarterly cash dividend to its common shareholders of $0.11 per share. YP's dividend payout policy and the declaration of dividends on any of the Company's outstanding common shares are subject to the discretion of the Board and, consequently, there can be no guarantee that the dividend payout policy will be maintained or that dividends will be declared. Dividend decisions will continue to be dependent on YP's operations and financial results subject to the Board's assessment on a quarterly basis which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

During the year-ended December 31, 2020, the Company declared three quarterly dividends of $0.11 per common share. The dividends were paid on June 15, September 15 and December 15 of 2020 for a total consideration of $8.8 million to common shareholders.

On February 10, 2021, the Board of Directors declared a cash dividend of $0.11 per common share, payable on March 15, 2021 to shareholders of record as at February 26, 2021. Future quarterly dividends will be subject to Board approval.

Contractual Obligations and Other Commitments

(in thousands of Canadian dollars)

		Payments due for the years following December 31, 2020			
	Total	**1 year**	**2 – 3 years**	**4 – 5 years**	**Thereafter**
Lease obligations[1,2]	**$ 52,874**	$ 3,011	$ 6,330	$ 7,578	$ 35,955
Exchangeable Debentures (2022)[1]	**107,033**	–	107,033	–	–
Operating portion of lease obligations	**49,280**	3,691	7,539	7,639	30,411
Other	**30,260**	15,680	12,314	1,204	1,062
Total contractual obligations	**$ 239,447**	$ 22,382	$ 133,216	$ 16,421	$ 67,428

1 *Principal amount.*

2 *Net present value.*

Lease obligations

We entered into finance lease agreements for premises. As at December 31, 2020, minimum payments under these finance leases up to 2033 total $52.9 million.

Operating portion of lease obligations

We rent our premises and office equipment under various leases for which an operating portion is recognized. As at December 31, 2020, minimum payments for the operating portion under these leases up to 2033 total $49.3 million.

Purchase obligations

We use the services of outside suppliers to distribute and print our directories and have entered into long-term agreements with a number of these suppliers. These agreements expire between 2021 and 2032. We also have purchase obligations under service contracts for both operating and capital expenditures. As at December 31, 2020, we have an obligation to purchase services for $30.3 million over the next five years and thereafter. Cash from operations will be used to fund these purchase obligations.

Pension Obligations

YP sponsors a pension plan registered with the Canada Revenue Agency and the Financial Services Commission of Ontario with defined benefit (DB) for employees hired prior to January 1, 2006, and defined contribution (DC) components for the non-Québec based employees hired on or after January 1, 2006 (the YP Pension Plan) as well as a DC plan registered with the Régie des Rentes du Québec (the YP Québec Plan), for the Québec based employees hired on or after January 1, 2006. Both plans together cover substantially all employees of the Company.

As at December 31, 2020, the DB component of the YP Pension Plan's assets market value totalled $503.7 million and were invested in a diversified portfolio of Canadian fixed income securities and Canadian and international equity securities. Its rate of return on assets was 14.17% for 2020, 0.17% above our benchmark portfolio.

The most recent actuarial valuation of the DB component of the YP Pension Plan for funding purposes was performed as at December 31, 2019. The valuation was prepared consistent with the Ontario funding basis, which requires no solvency deficit contribution if the plan is above 85% solvent. It also includes a requirement to fund on a going-concern basis a Provision for Adverse Deviation (''PfAD''), which is determined based on plan characteristics. There is no resulting solvency contribution, as it was determined that the plan was above the 85% solvency threshold, but the annual required contribution to cover the PfAD will increase to $4.7 million from $1.8 million for a 10-year period starting in 2021. The next actuarial valuation for funding purposes will be prepared no later than as of December 31, 2022. For the benefit of our retirees, as of June 2020 the Company doubled the monthly contributions to fund the deficit in our Defined Benefit Pension Plan, bringing the Company's contribution for the year ended December 31, 2020 from the required $1.8 million to $2.8 million.

As of December 31, 2019, the Company's Defined Benefit Plan had a Prior Year Credit Balance (''PYCB'') of $7.3 million. During 2020, the Company drew down $1.4 million, thereby reducing cash payments required and leaving a PYCB of $5.9 million as of December 31, 2020. The total cash payments for pension and other benefit plans made by the Company in 2020 were $9.2 million (2019 – $10.2 million). Total cash payments for pension and other benefit plans expected in 2021 amount to approximately $9.5 million.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the years ended December 31,		2020		2019
Cash flows from operating activities				
Cash flows from operations, excluding change in operating assets and liabilities	$	**105,463**	$	113,346
Change in operating assets and liabilities		**21,535**		31,413
	$	**126,998**	$	144,759
Cash flows used in investing activities				
Additions to intangible assets	$	**(5,328)**	$	(9,647)
Additions to property and equipment		**(245)**		(91)
Payments received from net investment in subleases		**1,002**		466
Proceeds on sale of businesses		**1,564**		1,936
Business acquisition		**–**		(400)
	$	**(3,007)**	$	(7,736)
Cash flows used in financing activities				
Repayment of senior secured notes	$	**–**	$	(170,231)
Repurchase of exchangeable debentures		**(56)**		–
Repurchase of common shares		**(3,277)**		–
Issuance of lease obligations		**223**		–
Payment of lease obligations		**(2,989)**		(3,836)
Dividends paid		**(8,808)**		–
	$	**(14,907)**	$	(174,067)
NET INCREASE IN CASH	$	**109,084**	$	(37,044)
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD		**44,408**		81,452
CASH, END OF PERIOD	$	**153,492**	$	44,408

Cash flows from operating activities

Cash flows from operating activities decreased by $17.8 million to $127.0 million for the year ended December 31, 2020 from $144.8 million for the same period last year. The decrease is mainly due to lower Adjusted EBITDA of $31.9 million and a reduction of $9.9 million from the change in operating assets and liabilities offset by the lower interest paid of $16.1 million and lower payments for restructuring and other charges of $8.0 million.

Cash flows used in investing activities

Cash flows used in investing activities decreased by $4.7 million year-over-year mainly due to lower investments in software development.

Cash flows used in financing activities

Cash flows used in financing activities decreased by $159.2 million to $14.9 million for the year ended December 31, 2020 compared to $174.1 million for the same period last year due to the repayment of senior secured notes in 2019 partially offset by the $8.8 million of dividends paid over the last three quarters of the year ended December 31, 2020 and $3.3 million paid to repurchase its common shares in 2020 under the NCIB program.

Financial and Other Instruments

(See Note 21 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2020 and 2019).

The Company's financial instruments primarily consist of cash, trade and other receivables, trade and other payables and Exchangeable Debentures.

As at December 31, 2020, the fair value of the Redemption Option was $2.6 million and was insignificant as at December 31, 2019. The fair value is calculated, using a binomial option pricing model based on year-end markets rates and prices as well as historical volatility data.

4. Critical Assumptions and Estimates

When we prepare our consolidated financial statements in accordance with IFRS, we must make certain estimates and assumptions about our business. These estimates and assumptions in turn affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements.

In this section, we provide detailed information on these important estimates and assumptions which are under continuous evaluation by the Company.

Significant estimates

Management has revised the assumptions and estimates it would normally use to apply the Company's accounting policies affecting the carrying value of certain assets and the information disclosed in the notes to the consolidated financial statements in order to reflect the estimated impact of the COVID-19 pandemic. Any estimate of the length and severity of these developments is subject to significant uncertainty, and, accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. The impact of these changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

The changes to the estimates and assumptions made by management that are critical to the determination of the carrying value of assets are addressed below.

Allowance for revenue adjustments

The Company records an allowance for revenue adjustments as a reduction to revenue. This reflects an estimate of claims expected from customers. The Company updates its estimate of the allowance for revenue adjustments based on historical experience related to claims, as well as client-related factors. The Company updated its assumptions related to its estimate of the allowance for revenue adjustments to reflect the potential impact of the COVID-19 pandemic on the rate of claims expected from customers. This significant estimate could affect Yellow Pages Limited's future results if actual claims are higher or lower than previously anticipated.

Estimate of the lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and assesses whether it will extend the lease at the end of the lease contract, or exercise an early termination option. The Company determined that the term of its leases is the original lease term as it is not reasonably certain that the extension of termination options will be exercised. This significant estimate could affect Yellow Pages Limited's future results if the Company extends the lease or exercises an early termination option.

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired, particularly when it vacates an office space and it must determine the recoverability of the asset, depending on its capacity to sublease the assets or surrender the lease and recover its costs. The Company will examine its lease conditions as well as local market conditions and estimate its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect Yellow Pages Limited's future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

Measurement of the ECL allowance on trade receivables

In relation to the impairment of trade receivables (including contract assets), the Company uses the expected credit losses (''ECL'') model, which requires the Company to account for the ECL and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable. The ECL related to doubtful accounts for trade receivables (also referred to as allowance for doubtful accounts) is established based on various factors, including amongst others the age of the exposure and in some case the customer's solvency. As a result of the COVID-19 pandemic the Company applied the policy as described above using an additional factor in assessing the credit risk applied to the ECL, based on the customer's line of business and an estimation of the degree they may have been impacted by the pandemic. This significant estimate could affect the Company's future results if there is a further significant change in economic conditions or customer solvency or any new information that may impact our assumptions.

Determining the discount rate for leases

IFRS 16 requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (''IBR''). The Company generally used its IBR rate when recording leases initially, since the implicit rates were not readily available due to information not being available from the Lessor regarding the fair value of underlying assets and directs costs incurred by the Lessor related to the leased assets. The IBR for each lease was based on the commencement date of the lease and recalculated at the remeasurement date where applicable.

Useful lives of intangible assets and property and equipment

Yellow Pages Limited reviews the estimated useful lives of its intangible assets and property and equipment at the end of each reporting period. At the end of the current reporting period, management determined that the useful lives of its intangible assets and property and equipment were adequate.

Employee future benefits

The present value of the defined benefit obligation is determined by employing the projected benefit method prorated on service 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. Determination of the net benefit costs (recovery) requires assumptions such as the discount rate to measure defined benefit obligations and expected return on plan assets, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. Actual results may differ from results which are estimated based on assumptions.

COVID-19 may have various impacts on all benefit plans such as on mortality rates, volatile discount rates, and return on plan assets from the resulting global financial turbulence. It may also have specific impacts on post-retirement benefits such as on claiming patterns of covered members and trend rates. The assumptions used to remeasure the defined benefit obligation reflect current known market conditions. The effect of the outbreak on the mortality incidence for the plans is unknown at this time and therefore no adjustments to the mortality assumptions or to any other assumptions have been made as of December 31, 2020.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Pages Limited's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions changes, Yellow Pages Limited would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. The carrying value of deferred tax assets is reviewed at each reporting date, remeasured to the extent that probable sufficient taxable profits will be available, or reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future. The Company updated its assumptions related to the carrying value of the deferred tax assets to reflect the estimated impact of the COVID-19 pandemic as well as other factors to determine whether an adjustment would be required to its valuation allowance as at December 31, 2020.

New significant accounting policies

Government grant

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received. Government grants related to an expense are recognized in profit or loss as a reduction in the related expense for which the grants are intended to compensate.

In response to the negative economic impact of COVID-19, various government programs have been enacted to provide financial relief to businesses. The Company determined that it qualified for the Canada Emergency Wage Subsidy (''CEWS'') program under the COVID-19 Economic Response plan for certain periods. The contributions received are recorded as a reduction to operating costs in the consolidated statements of income.

Accounting standards

Standards, interpretations and amendments to published standards that are issued but not yet effective on the consolidated financial statements

Amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*

On May 14, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*, specifying which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments to IAS 37, clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. Earlier application is permitted. The Company is assessing the impact of adopting these amendments on its financial statements.

5. Risks and Uncertainties

The following section examines the major risks and uncertainties that could materially affect YP's future business results.

Understanding and managing risks are important parts of YP's strategic planning process. The Board requires that our senior management identify and properly manage the principal risks related to our business operations. To understand and manage risks at YP, our Board and senior management analyze risks in three major categories:

1. Strategic risks - which are primarily external to the business;
2. Financial risks - generally related to matters addressed in the Financial Risk Management Policy and in the Pension Statement of Investment Policy and Procedures; and
3. Operational risks - related principally to risks across key functional areas of the organization.

YP has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Please refer to the ''Risk Factors'' section of our AIF for a complete description of these risk factors. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful.

Failure by the Corporation to stabilize or grow its revenues and customer base could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The inability of the Corporation to attract, retain and upsell customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation competes with other directory, advertising media and classified advertising businesses and across various media and platforms. This includes the internet, newspapers, television, radio, mobile telecommunication devices, magazines, billboards and direct mail advertising. In particular, the directories business faces substantial competition due to increased online penetration, through the use of online search engines and social networking organizations. The Corporation may not be able to compete effectively with these online competitors, some of which may have greater resources. The Corporation's internet strategy and its directories business may be adversely affected if major search engines build local sales forces or otherwise begin to more effectively reach local businesses for local commercial search services. These competitors may reduce their prices to increase their market share or may be able to offer their services at lower costs than the Corporation can.

The Corporation may be forced to reduce its prices or offer and perform other services in order to remain competitive. The Corporation's failure to compete effectively with its current or future competitors could have a number of impacts such as a reduction in its advertiser base, lower rates and increased costs. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation could be materially adversely affected if the usage of print telephone directories declines at a rate higher than anticipated. The development of new technologies and the widespread use of the internet is causing changes in preferences and consumer habits. The usage of internet-based products providing information, formerly exclusively available in print directories, has increased rapidly. The internet has become increasingly accessible as an advertising medium for businesses of all sizes. Further, the use of the internet, including as a means to transact commerce through mobile devices, has resulted in new technologies and services that compete with traditional advertising mediums. In particular, this has a significant impact on print products, and the decrease in usage gradually leads to lower advertising revenues. References to print business directories may decline faster than expected as users increasingly turn to digital and interactive media delivery devices for local commercial search information.

The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The transition from print to digital causes uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues. If revenue from the Corporation's digital products does not increase significantly, the Corporation's cash flow, results of operations and financial condition will be materially adversely affected.

The Corporation expects to derive a greater portion of its total revenue from its digital and other new media products, as directory usage continues to shift from print directories to digital and other new media products.

The Corporation's transformational expansion towards digital and new media products is subject to a variety of challenges and risks, including the following:

- the Corporation may not continue to grow usage on its digital properties at the same rate as other providers or may grow at a slower rate than currently anticipated;
- internet usage as a source of information and a medium for advertising may not continue to grow, or may grow at a slower rate than currently anticipated, as a result of factors that the Corporation cannot predict or control;
- the Corporation may incur substantial additional costs and expenses related to investments in its information technology, modifications to existing products and development of new products and this may reduce profit margins in the future;
- the Corporation may be unable to develop and market new products in a timely and efficient manner, as the Corporation's markets are characterized by rapidly changing technology, introductions and enhancements to existing products and shifting advertising customer and end-user demands, including technology preferences;
- the Corporation may be unable to improve its information technology systems so as to efficiently manage increased levels of traffic on the Corporation's digital properties and provide new services and products;

- the Corporation may be unable to keep apprised of changes to search engines' terms of service or algorithms, which could cause the Corporation's digital properties, or its advertising customers' digital properties, to be excluded from or ranked lower in search results or make it more difficult or more expensive for the Corporation to provide search engine marketing and search engine optimisation solutions to its advertising customers;
- the Corporation's advertising customers may be unwilling to grow their investment in digital advertising; and
- the Corporation may be unable to increase or maintain the prices of its products and services in the future.

If any of the above-mentioned risks were to occur, the Corporation's digital revenue, as well as its business, results from operations and financial condition could be materially adversely affected.

The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation anticipates that it will continue to depend on various third-party relationships in order to grow its business, such as technology and content providers, real-time advertising exchanges and other strategic partners. The Corporation may not be able to maintain such relationships and these third parties may experience disruptions or performance problems, which could negatively affect the Corporation's efficiency and reputation.

In addition, the Corporation relies heavily on information technology systems to manage critical functions of its digital and mobile marketing solutions. The future success of the Corporation will depend in part upon its ability to continuously enhance and improve its existing solutions in a timely manner with features and pricing that meet changing advertiser needs. As marketing via new digital advertising channels, such as mobile advertising is emerging, it may evolve in unexpected ways, and the failure of the Corporation to adapt successfully to market evolution could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

A prolonged economic downturn in principal markets of the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation derives revenues principally from the sale of advertising in Yellow Pages print and digital directories across Canada. The Corporation's advertising revenues, as well as those of directories publishers in general, typically do not fluctuate widely with economic cycles. However, a prolonged economic downturn or recession affecting the Corporation's markets, or any deterioration in general economic conditions, could have a material adverse effect on the Corporation's business. The adverse effects of an economic downturn or recession on the Corporation could be compounded by the fact that the majority of the Corporation's customers are SMEs. Such businesses have fewer financial resources and higher rates of failure than larger businesses and may be more vulnerable to prolonged economic downturns. Therefore, these SMEs may be more likely to reduce or discontinue advertising with the Corporation, which could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margins, such as services and resale, could have a material adverse effect on the Corporation's profitability

Digital advertising sold on the Corporation's owned and operated media currently operate at the highest level of profitability relative to digital service (websites, search engine optimization, content syndication and Facebook) solutions and resale (SEM) solutions. Revenues sourced from digital service and resale solutions that are proportionally materially higher than anticipated may have an adverse impact on the Corporation's profitability.

The Corporation's inability to attract and retain key personnel could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The success of the Corporation depends on the abilities, experience and personal efforts of senior management of the Corporation, including their ability to retain and attract skilled employees. The Corporation is also dependent on the number and experience of its sales representatives and ISIT employees. The loss of the services of such key personnel could have a material adverse effect on the Corporation, its business, its results from operations and financial condition.

The Corporation's business depends on the usage of its online and mobile properties and failure to protect traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business

The success of numerous of our customers' marketing campaigns is dependent on how well they can attract valuable audiences. The Corporation will invest in order to protect digital audiences across its network of online and mobile properties by enhancing the quality, completeness and relevance of the content distributed to its properties, and by providing compelling verticalized sites and applications for local discovery. The Corporation may not be able to protect or grow traffic across its digital properties and such investments may not prove to be cost-effective. There can be no assurance that current traffic or potential growth in traffic across the Corporation's digital properties may maintain or increase advertising customer renewal rates and/or annual spending or lead to a measurable increase in advertising customers.

Failure by either the Corporation or the Telco Partners to fulfill their obligations set forth in the agreements between the Corporation and the Telco Partners could result in a material adverse effect on the Corporation, its business, results from operations and financial condition

We have three billing and collection services agreements. The agreement with Bell Canada (''Bell'') expires on December 31, 2023 and the agreement with Northwestel Inc., an affiliate of Bell expires, November 29, 2032. The agreement with TELUS Communications Inc. (TELUS) expires in 2031. Through these agreements, our billing is included as a separate line item on the telephone bills of Bell and TELUS customers who use our services. Bell and TELUS (the Telco Partners) contract with third parties to conduct monthly billing of customers who use them as their local telephone service providers. In addition, the Telco Partners provide collection services for the Corporation with those customers who are also their customers. Additionally, the Corporation has entered into publishing agreements with each Telco Partner. If the Corporation fails to perform its obligations under these agreements and the agreements are consequently terminated by such Telco Partner, other agreements with such Telco Partner may also be terminated, including the Bell Canada Trademark License Agreement, the TELUS Trademark License Agreement, the MTS Inc. Branding and Trademark Agreement and the Bell Canada Inc. Branding and Trademark Agreement, as well as non-competition covenants we benefit from with such Telco Partners.

We have agreements with outside service suppliers to print and distribute our directories and publications. These agreements are for services that are integral to our business.

The failure of the Telco Partners or any of our other suppliers to fulfill their contractual obligations under these agreements could result in a material adverse effect on our business.

Customers who do not use the Telco Partners as their local telephone provider as well as all new customers are billed directly by the Corporation.

Successfully prosecuted legal action against the Corporation, could adversely affect the results of operations and financial condition of the Corporation.

From time to time, the Corporation may be the subject of litigation arising out of its operations. The Corporation is not currently a party to any material litigation. However, if any legitimate cause of action arose which was successfully prosecuted against the Corporation, the results of operations and financial condition could be adversely affected. Claims under such litigation may be material or may be indeterminate. Various types of claims may be made including, without limitation, breach of contract, negligence, tax and employment matters. The outcome of such litigation is uncertain and may materially impact the Corporation's financial condition or results of operations and the Corporation may be required to incur significant expenses or devote significant resources in defense against any such litigation. Moreover, unfavorable outcomes or settlements of litigation could encourage the commencement of additional litigation.

Work stoppages and other labour disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition

Certain non-management employees of the Corporation are unionized. The Corporation currently has seven union agreements. Each of the union agreements have been successfully renegotiated, four of which expire on December 31, 2021, two others on June 30, 2022 and the last on March 31, 2023. If the Corporation is unable to renew the agreements with its unionized staff as they come up for renegotiation from time to time, it could result in additional work stoppages and other labour disturbances, which could have a material adverse effect on our business.

Challenge by tax authorities of the Corporation's position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition

In the normal course of the Corporation's activities, the tax authorities are carrying out ongoing reviews. In that respect, the Corporation is of the view that all expenses claimed by the different entities of the group are reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties have been correctly determined. There is no assurance that the tax authorities may not challenge these positions. Such challenge, if successful, may have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The loss of key relationships or changes in the level of service provided by mapping applications and search engines could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation has entered into agreements with mapping applications and search engines to promote its online directories. These agreements facilitate access to the Corporation's content and customer advertising, allow the Corporation to generate a higher volume of traffic than it would on its own as well as generate business leads for its advertisers, while retaining the client relationship. Loss of key relationships or changes in the level of service provided by the mapping applications and search engines could impact performance of the Corporation's internet marketing solutions. In addition, internet marketing services are provided by many other competitors within the markets the Corporation serves and its clients could choose to work with other, sometimes larger providers of these services, or with other search engines directly. The foregoing could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The failure of the Corporation's computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's business activities rely significantly on the efficient and uninterrupted operation of computers and communications systems as well as those of third parties. The Corporation's media properties, sales and advertising processing, data storage, production, billing, collection and day-to-day operations could be adversely impaired by cyber-attacks, or the failure of such technology, which could in turn have a material adverse effect on the Corporation, its business, results from operations and financial condition.

In addition, the Corporation's computer and ISIT systems may be vulnerable to damage or interruption from a variety of sources and its disaster recovery systems may be deemed ineffective. Any failure of these systems could impair the Corporation's business. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The ability of the Corporation to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance. There can be no assurance that the Corporation will be able to generate sufficient cash from its operations to pay its debt obligations. The Corporation's ability to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions is, to a large extent, subject to economic, financial, competitive, operational and other factors, many of which are beyond the Corporation's control.

There can be no assurance that the Corporation will continue to be able to obtain on a timely basis sufficient funds on terms acceptable to the Corporation to provide adequate liquidity and to finance the operating and capital expenditures necessary to overcome the challenges associated with the evolution of its business and support its business strategy if cash flows from operations and cash on hand are insufficient.

Failure to generate sufficient funds, whether from operations or debt or equity financings or refinancing transactions, could require the Corporation to delay or abandon some of its anticipated expenditures or to modify its business strategy and could have a material adverse effect on the Corporation, its business, results from operations and financial condition. Furthermore, competitors with greater liquidity or their ability to raise money more easily and on less onerous terms could create a competitive disadvantage for the Corporation.

Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation may be required to make incremental contributions to its pension plans in the future depending on various factors including future returns on pension plan assets, long-term interest rates and changes in pension regulations, which may have a materially negative effect on the Corporation's liquidity and results from operations.

The funding requirements of the Corporation's pension plans, resulting from valuations of its pension plan assets and liabilities, depend on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from the Corporation's current estimates and could require the Corporation to make incremental contributions to its pension plans in the future and, therefore, could have a materially negative effect on the Corporation's liquidity, business, results from operations and financial condition.

There is no assurance that the Corporation's pension plans will be able to earn their assumed rate of return. A material portion of the Corporation's pension plans' assets is invested in public equity securities. As a result, the ability of the Corporation's pension plans to earn the rate of return that management has assumed depends significantly on the performance of capital markets. The market conditions also impact the discount rate used to calculate the Corporation's solvency obligations and thereby could also significantly affect the Corporation's cash funding requirements.

An outbreak or escalation of a contagious disease may adversely affect the Corporation's business

A local, regional, national or international outbreak or escalation of a contagious disease, including the COVID-19 virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, or fear of the foregoing, could adversely impact the ability of the Corporation's sales force to interact with customers and potential customers, cause economic uncertainty decreasing the willingness of customers to purchase services from the Corporation, cause labour shortages for the Corporation, interrupt supplies from third parties upon which the Corporation relies, increase operating costs, result in governmental regulation adversely impacting the Corporation's business and otherwise have an adverse effect on the Corporation's business, financial condition and results of operations.

6. Controls and Procedures

As a public entity, we must take steps to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of YP. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures (DC&P)

The evaluation of the design and effectiveness of DC&P (as defined in National Instrument 52-109) was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They concluded that the Company's DC&P were effective, as at December 31, 2020.

Internal Control over Financial Reporting (ICFR)

The design and effectiveness of ICFR (as defined in National Instruments 52-109) were evaluated under the supervision of the President and Chief Executive Officer and Chief Financial Officer. Based on the evaluations, they concluded that the Company's ICFR was effective, as at December 31, 2020.

During the quarter beginning on October 1, 2020 and ended on December 31, 2020, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yellow Pages Limited

Opinion

We have audited the consolidated financial statements of Yellow Pages Limited (the ''Company''), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the ''financial statements'').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (''IFRS'').

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (''Canadian GAAS''). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Deferred Tax Assets — Refer to Notes 3.20.2, 3.22 and 14 to the financial statements

Key Audit Matter Description

The Company recognizes deferred income taxes for tax attributes and differences between the carrying values and tax basis of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The carrying value of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Given the significant estimation uncertainty related to future taxable income and the determination of the probability that the deferred tax asset will be realized, auditing these estimates required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort including the involvement of income tax specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to future taxable income and the determination of the probability that the deferred income tax assets will be realized included the following, among others:

- Evaluated future taxable income by:
  - Evaluating the Company's ability to accurately estimate future taxable income by comparing actual results to the Company's historical estimates.
  - Assessing the reasonability of estimates of future taxable income by evaluating key inputs to the estimates such as revenue and earnings margins against historical performance, projections and trends.
  - Evaluating whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit.
- With the assistance of income tax specialists, assessed the probability that the deferred income tax assets will be realized by:
  - Assessing the existing temporary differences available for future utilization to evaluate deferred income tax assets available to the Company.

- Assessing the period and sufficiency over which the Company expects to utilize the underlying future tax deductions against future taxable income before they expire.
- Evaluating whether the taxable income in historical periods was of the appropriate character and available under the tax law.

Revenues and Allowance for Revenue Adjustments— Refer to Notes 3.18, 3.22, 5, 17 and 21 to the financial statements

Key Audit Matter Description

The Company's revenues consist of contract-based fees made up of a significant volume of low-dollar value transactions and relate to digital and print revenues. While digital revenues are primarily recognized over the term of the contract from the point at which service is first provided over the life of the contract, revenues from print products are recognized at a point in time upon delivery of the print directories. Further, the Company estimates an allowance for revenue adjustments, which is recorded as a reduction of revenue and reflects an estimate for claims expected from customers. This estimate is based in part on the Company's historical claims experience.

Auditing of revenues and the allowance for revenue adjustments required significant audit effort due to the volume of transactions, the highly manual process associated with portions of the revenue recognition process and the estimation uncertainty inherent to the determination of the allowance. This required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to revenues and the estimate related to the allowance for revenue adjustments included the following, among others:

- Evaluated revenues by:
  - Testing the mathematical accuracy of the Company's revenue recognition that is reliant upon manual processes.
  - Assessing the customer contracts and fulfillment of service for a selection of revenue transactions and evaluating whether the contracts were properly recognized into revenues based on the terms and conditions of each contract.
  - Analyzing revenue recorded by comparing actuals to independently developed expectations.
  - Inspecting evidence from a combination of sources, where necessary, assessing considerations for contradictory evidence and evaluating whether revenue was appropriately recognized.
- Evaluated the allowance for revenue adjustments by:
  - Assessing the methodologies used by the Company to estimate the allowance for revenue adjustments by understanding the processes adopted to monitor and manage claims and collections, testing the mathematical accuracy of this calculation and testing the data used to establish this estimate.
  - Assessing the Company's ability to accurately estimate the allowance for revenue adjustments by comparing actual results to the Company's historical estimates. For a selection of historical customer claims, assessed claims to credits issued, debits recorded to revenue, the original contract, correspondence between the customer and the sales representative, and other supporting documents.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Gianmarco Lombardi.

(signed) Deloitte LLP[1]

Montréal, Québec
February 10, 2021

[1] CPA auditor, CA, public accountancy permit No. A125494

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash	**$ 153,492**	$ 44,408
Trade and other receivables (Notes 5 and 21)	**64,430**	87,250
Prepaid expenses	**4,826**	5,563
Deferred publication costs	**2,115**	2,492
Net investment in subleases (Note 6)	**1,206**	926
Income taxes receivable (Note 14)	**–**	344
TOTAL CURRENT ASSETS	**226,069**	140,983
NON-CURRENT ASSETS		
Deferred commissions	**1,921**	3,610
Financial and other assets (Notes 12 and 21)	**4,009**	829
Right-of-use assets (Note 6)	**11,081**	14,060
Net investment in subleases (Note 6)	**25,609**	25,611
Property and equipment (Note 7)	**6,609**	12,309
Intangible assets (Note 8)	**70,700**	89,749
Deferred income taxes (Note 14)	**21,915**	39,727
TOTAL NON-CURRENT ASSETS	**141,844**	185,895
TOTAL ASSETS	**$ 367,913**	$ 326,878
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables (Note 9)	**$ 35,056**	$ 33,662
Provisions (Note 10)	**22,076**	26,644
Deferred revenues (Note 5)	**1,496**	2,667
Current portion of lease obligations (Note 6)	**3,011**	2,767
TOTAL CURRENT LIABILITIES	**61,639**	65,740
NON-CURRENT LIABILITIES		
Provisions (Note 10)	**986**	1,576
Post-employment benefits (Note 11)	**125,009**	122,567
Lease obligations (Note 6)	**49,863**	55,118
Exchangeable debentures (Note 13)	**101,115**	98,537
TOTAL NON-CURRENT LIABILITIES	**276,973**	277,798
TOTAL LIABILITIES	**338,612**	343,538
CAPITAL AND RESERVES	**6,555,780**	6,595,802
DEFICIT	**(6,526,479)**	(6,612,462)
TOTAL EQUITY (DEFICIENCY)	**29,301**	(16,660)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	**$ 367,913**	$ 326,878

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

Consolidated Statements of Income

(in thousands of Canadian dollars, except share and per share information)

For the years ended December 31,	**2020**	2019
Revenues (Note 17)	**$ 333,538**	$ 403,213
Operating costs (Note 16)	**204,096**	241,868
Income from operations before depreciation and amortization, and restructuring and other charges	**129,442**	161,345
Depreciation and amortization (Notes 6,7 and 8)	**27,664**	39,109
Restructuring and other charges (Note 10)	**8,131**	12,499
Income from operations	**93,647**	109,737
Financial charges, net (Note 19)	**14,512**	39,600
Loss on sale of businesses (Note 4)	**423**	367
Earnings before income taxes	**78,712**	69,770
Provision for (recovery of) income taxes (Note 14)	**18,414**	(24,899)
Net earnings	**$ 60,298**	$ 94,669
Basic earnings per share	**$ 2.27**	$ 3.57
Weighted average shares outstanding – basic earnings per share (Note 15)	**26,602,728**	26,523,234
Diluted earnings per share	**$ 2.10**	$ 3.16
Weighted average shares outstanding – diluted earnings per share (Note 15)	**32,558,101**	32,526,598

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

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

For the years ended December 31,		2020		2019
Net earnings	**$**	**60,298**	$	94,669
Other comprehensive (loss) income:				
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains (Note 11)		**(1,931)**		9,814
Income taxes relating to items that will not be reclassified subsequently to net earnings		**512**		(2,634)
Other comprehensive (loss) income		**(1,419)**		7,180
Total comprehensive income	**$**	**58,879**	$	101,849

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

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

For the years ended December 31,

2020	**Shareholders' capital (Note 15)**	**Restricted shares**	**Warrants**	**Compound financial instruments[1]**	**Stock-based compensation and other reserves**	**Reduction of capital reserve**	**Total capital and reserves**	**Deficit**	**Total equity**
Balance, December 31, 2019	$ 4,031,685	$ (21,421)	$ 1,456	$ 3,619	$ 123,410	$ 2,457,053	$ 6,595,802	$ (6,612,462)	**$ (16,660)**
Other comprehensive loss	–	–	–	–	–	–	–	(1,419)	**(1,419)**
Net earnings	–	–	–	–	–	–	–	60,298	**60,298**
Total comprehensive income	–	–	–	–	–	–	–	58,879	**58,879**
Repurchase of exchangeable debentures (Note 13)	–	–	–	(2)	–	–	(2)	–	**(2)**
Repurchase of common shares	(39,231)	–	–	–	–	–	(39,231)	35,954	**(3,277)**
Shared issued under the stock option plan (Note 18)	300	–	–	–	(77)	–	223	–	**223**
Dividends to shareholders (Note 15)	–	–	–	–	42	–	42	(8,850)	**(8,808)**
Restricted shares settled	–	2,103	–	–	(2,103)	–	–	–	–
Restricted shares (Note 18)	–	–	–	–	(642)	–	(642)	–	**(642)**
Stock options (Note 18)	–	–	–	–	567	–	567	–	**567**
Common shares subject to repurchase (Note 15)	–	–	–	–	(979)	–	(979)	–	**(979)**
Balance, December 31, 2020	**$ 3,992,754**	**$ (19,318)**	**$ 1,456**	**$ 3,617**	**$ 120,218**	**$ 2,457,053**	**$ 6,555,780**	**$ (6,526,479)**	**$ 29,301**

2019	Shareholders' capital (Note 15)	Restricted shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total deficiency
Balance, December 31, 2018	$ 4,031,685	$ (23,421)	$ 1,456	$ 3,619	$ 124,755	$ 2,457,053	$ 6,595,147	$ (6,714,311)	$ (119,164)
Other comprehensive income	–	–	–	–	–	–	–	7,180	7,180
Net earnings	–	–	–	–	–	–	–	94,669	94,669
Total comprehensive income	–	–	–	–	–	–	–	101,849	101,849
Restricted shares settled	–	2,000	–	–	(2,000)	–	–	–	–
Restricted shares (Note 18)	–	–	–	–	(515)	–	(515)	–	(515)
Stock options (Note 18)	–	–	–	–	1,170	–	1,170	–	1,170
Balance, December 31, 2019	$ 4,031,685	$ (21,421)	$ 1,456	$ 3,619	$ 123,410	$ 2,457,053	$ 6,595,802	$ (6,612,462)	$ (16,660)

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2019 - $1.3 million).*

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the years ended December 31,	2020	2019
OPERATING ACTIVITIES		
Net earnings	**$ 60,298**	$ 94,669
Adjusting items		
Stock-based compensation (recovery) expense equity settled	**(75)**	655
Depreciation and amortization	**27,664**	39,109
Restructuring and other charges	**8,131**	12,499
Financial charges, net	**14,512**	39,600
Loss on sale of businesses (Note 4)	**423**	367
Provision (recovery) for income taxes	**18,414**	(24,899)
Change in operating assets and liabilities	**21,535**	31,413
Funding of post-employment benefit plans in excess of costs	**(3,364)**	(4,043)
Restructuring and other charges paid (Note 10)	**(10,038)**	(17,994)
Interest paid	**(10,762)**	(26,881)
Income taxes received, net	**260**	264
	126,998	144,759
INVESTING ACTIVITIES		
Additions to intangible assets	**(5,328)**	(9,647)
Additions to property and equipment	**(245)**	(91)
Payments received from net investment in subleases	**1,002**	466
Proceeds on sale of businesses (Note 4)	**1,564**	1,936
Business acquisition	**–**	(400)
	(3,007)	(7,736)
FINANCING ACTIVITIES		
Repayment of senior secured notes (Note 12)	**–**	(170,231)
Repurchase of exchangeable debentures (Note 13)	**(56)**	–
Repurchase of common shares (Note 15)	**(3,277)**	–
Issuance of common shares (Note 15)	**223**	–
Payment of lease obligations (Note 6)	**(2,989)**	(3,836)
Dividends paid (Note 15)	**(8,808)**	–
	(14,907)	(174,067)
NET INCREASE (DECREASE) IN CASH	**109,084**	(37,044)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	**44,408**	81,452
CASH, END OF YEAR	**$ 153,492**	$ 44,408

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

1. Description

Yellow Pages Limited, through its subsidiaries, offers local and national businesses access to digital and print media and marketing solutions to reach consumers in all the provinces and territories of Canada. References herein to Yellow Pages Limited (or the ‘‘Company’’) represent the financial position, financial performance, cash flows and disclosures of Yellow Pages Limited and its subsidiaries on a consolidated basis.

Yellow Pages Limited’s registered head office is located at 1751 Rue Richardson, Montreal, Québec, Canada, H3K 1G6 and the common shares of Yellow Pages Limited are listed on the Toronto Stock Exchange (‘‘TSX’’) under the symbol ‘‘Y’’.

The Board of Directors (the ‘‘Board’’) approved the consolidated financial statements for the years ended December 31, 2020 and 2019 on February 10, 2021 for publication on February 11, 2021.

2. Revised standards

2.1 Standards, interpretations and amendments to published standards that are issued but not yet effective on the consolidated financial statements

Amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*

On May 14, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*, specifying which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments to IAS 37, clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. Earlier application is permitted. The Company is assessing the impact of adopting these amendments on its financial statements.

3. Basis of presentation and significant accounting policies

3.1 Statement of compliance

These consolidated financial statements of Yellow Pages Limited and its subsidiaries were prepared by management in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with the following significant accounting policies that have been applied consistently to all periods presented throughout the consolidated entities.

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities (including derivative instruments) at fair value as explained in the policies below.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of Yellow Pages Limited.

3.4 Basis of consolidation

3.4.1 Subsidiaries

Subsidiaries that are directly controlled by Yellow Pages Limited or indirectly controlled through other consolidated subsidiaries are fully consolidated. Subsidiaries are all entities over which Yellow Pages Limited exercises control.

Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal. Intercompany assets, liabilities, and transactions between fully consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated. Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at the Yellow Pages Limited level.

3.4.2 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Yellow Pages Limited in exchange for control of the acquired entity. Transaction costs associated with business acquisitions are recognized in the statement of income, as incurred.

3.5 Cash

3.5.1 Cash

Cash consists of funds on deposit and, from time to time, highly liquid investments with a purchased maturity of three months or less.

3.6 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.6.1 Financial assets

Initial recognition and measurement

Financial assets are classified into the following specified categories: ''amortized cost''; ''fair value through other comprehensive income for equity investment'' (''FVOCI – equity investment''); and ''fair value through profit or loss'' (''FVTPL'').

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial asset at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (''EIR'') method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade and other receivables, net investment in subleases, and cash.

Financial assets at fair value through other comprehensive income for equity investment (''FVOCI – equity investment'')

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 — *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Financial asset at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company has a loan receivable associated with a forward contract under this category. The loan receivable is included in other receivables.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if it is separated from the host when certain conditions are met and accounted for as a separate derivative. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

The redemption option for cash for the Company's exchangeable debentures (''Redemption Option'') acts as an embedded derivative.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

There is no reclassification on derecognition of equity investments at FVOCI.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (''ECL'') model. The ECL model requires the Company to account for the ECL and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. For trade receivables (including contract assets), the Company applied the simplified approach permitted under IFRS 9, which requires lifetime ECL to be recognized from initial recognition. While cash and other receivables and net investment in subleases are also subject to the impairment requirements under IFRS 9, the identified ECL was insignificant. The lifetime ECL related to doubtful accounts for trade receivables (also referred to as allowance for doubtful accounts) is established based on various factors, including amongst others the age of the exposure and in some case the customer's solvency.

At each reporting date, the Company assesses whether financial assets are credit impaired. The Company will consider a financial asset to be in default when the indebted party is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any). The Company elected to consider that default does not occur when a financial asset is 90 days past due as the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate and that default risk is not necessarily increased. In assessing whether an indebted party is in default, the Company will consider indicators that are qualitative (e.g. breach of conditions), quantitative (e.g. overdue status), and data developed internally and obtained from external sources. Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect circumstances. The same factors are considered when determining whether to write-off amounts charged to the ECL allowance for trade receivables against the customer accounts receivable. The assessment of the probability of default and loss given default is based on historical data adjusted for current customer circumstances. No customer accounts receivable is written-off directly to the bad debt expense.

3.6.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities designated at fair value through profit or loss (“FVTPL”), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, at fair value less transaction costs.

The Company’s financial liabilities include trade and other payables, lease obligations, loans and borrowings including bank overdrafts, and derivative financial instruments.

Yellow Pages Limited recognizes all financial liabilities, specifically exchangeable debentures, and trade and other payables, initially at fair value less transaction costs and subsequently at amortized cost, using the effective interest method.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance charges in the statement of profit or loss. This category applies to exchangeable debentures.

Derecognition

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.7 Deferred publication costs

Deferred publication costs are recognized for direct and incremental publication costs incurred during the sale, manufacturing and distribution of telephone print directories as well as the sale, provisioning and fulfillment of digital products and services. The intangible asset represents costs that will be recovered in future periods, when the related directories revenues, digital products and services revenues are recognized. An asset is capitalized when the following conditions are met:

- Yellow Pages Limited has control over the contract for which the costs were incurred;
- The control results from past events;
- Future economic benefits are expected to flow to Yellow Pages Limited; and
- The asset is identifiable, non-monetary and without physical substance.

Deferred publication costs are initially measured at cost and are recognized in operating costs upon delivery of the publication or fulfillment of the digital products and services.

3.8 Deferred commissions

Deferred commissions paid represent costs to obtain new sales contracts. These costs are amortized on a straight-line basis over a two-year period as this reflects the expected period of benefit. The Company recognizes as an expense the commissions paid for contract renewals with revenue recognized within one year or less.

3.9 Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and impairment losses. The various components of property and equipment are depreciated separately based on their estimated useful lives and therefore, their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying value of the asset or recognized as a separate component, where necessary, if it is probable that future economic benefits will flow to Yellow Pages Limited and the cost of the asset can be reliably measured. All other repair and maintenance costs are expensed in the year they are incurred. Depreciation is calculated using the straight-line method, based on the capitalized costs, less any residual value over a period corresponding to the useful life of each asset.

As at December 31, 2020, the expected useful lives are as follows:

Office equipment	10 years
Computer equipment	3 years
Leasehold improvements	Shorter of term of lease or useful life

The residual value, the depreciation method and the useful life of an asset are reviewed at a minimum annually. Property and equipment are tested for impairment when an indication of impairment exists. When the asset's recoverable amount is less than its net carrying value, an impairment loss is recognized. Where an individual asset does not generate independent cash inflows, Yellow Pages Limited determines the recoverable amount of the cash generating units (''CGUs'') or group of CGUs to which the asset belongs.

3.10 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

At inception, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices.

3.10.1 As a lessee

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation. Right-of-use assets are tested for impairment in accordance with IAS 36 – *Impairment of Assets,* and impairments are recorded in restructuring and other charges on the consolidated statements of income.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate (''IBR'') as the discount rate.

The lease obligation is subsequently measured at amortized cost using the effective interest method (EIR) and is adjusted for accrued interest and lease payments when there is a change in future lease payments arising from a change in an index or rate. It is remeasured if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there are modifications to the lease conditions such as a change of square footage of a lease, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, as permitted, the Company has opted to recognize a lease expense on a straight-line basis. This expense is presented within Operating Costs in the consolidated statements of income. The amounts related to these low value leases are insignificant.

3.10.2 As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company assessed and classified its subleases as finance leases, and therefore derecognized the right-of-use assets relating to the respective head leases being sublet, recognized lease receivables equal to the net investment in the subleases, retained the previously recognized lease obligations in its capacity as lessee, recognized the related interest expense thereafter and recognized interest income on the subleases receivable in its capacity as finance lessor.

3.11 Intangibles assets

Intangible assets acquired through a business combination are identified and recognized separately from goodwill where they arise from legal or contractual rights or are capable of being separated from the acquiree and sold, transferred, licensed or exchanged. The cost of such intangible assets is deemed to be their fair value at the acquisition date. Intangible assets not acquired through a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Internally-generated intangible assets, consisting of software used by the Company, are recognized to the extent the criteria in IAS 38 *Intangible Assets* are met. Development costs for internally-generated intangible assets are capitalized at cost if, and only if, Yellow Pages Limited can demonstrate:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are charged to the statement of income in the period in which they are incurred.

Internally-generated intangible assets include the cost of software tools and licenses used in the development of Yellow Pages Limited’s systems, as well as all directly attributable payroll and consulting costs. These items are not amortized until the assets are available for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. Intangibles assets are amortized, as follows:

Non-competition agreements	Straight-line over shorter of 7 years or life of agreement
Customer-related intangible assets	Straight-line over a period not exceeding 3 years
Trademarks	Straight-line over 10 years
Domain names	Straight-line over 4 – 12 years
Software	Straight-line over 3 years

The estimated useful life and amortization method are reviewed at the end of each reporting period or annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the de-recognition of an intangible asset, measured as the difference between the net disposal proceeds or fair value, as applicable, and the carrying value of the asset, are recognized in the statement of income when the asset is de-recognized.

3.12 Impairment of tangible and intangible assets

At each reporting date, Yellow Pages Limited determines whether there are any indications that the carrying values of its finite life tangible and intangible assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, Yellow Pages Limited estimates the recoverable amount of the CGU or group of CGUs to which the asset belongs. A CGU is the smallest identifiable group of assets that generate cash inflows that are independent of those from other assets.

Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill, if any, are tested for impairment annually, and whenever there is an indication that the asset may be impaired. A majority of the Company's intangible assets do not have cash inflows independent of those from other assets and as such, are tested within their respective CGUs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income.

If the recoverable amount of a CGU or group of CGUs is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill, if any, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The Company does not reduce the carrying value of an asset below the highest of its fair value less costs of disposal and its value in use.

3.13 Trade and other payables

Trade and other payables, including accruals, are recorded when Yellow Pages Limited is required to make future payments as a result of purchases of assets or services. Trade and other payables are carried at amortized cost.

3.14 Provisions

Provisions are recognized when Yellow Pages Limited has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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 a financial charge. Provisions are reversed when new external factors, such as market conditions, or internal factors indicates that the recoverable amount is higher or lower than originally anticipated.

3.14.1 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where Yellow Pages Limited has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.14.2 Restructuring

A restructuring provision is recognized when Yellow Pages Limited has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.15 Employee benefits

3.15.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of income when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3.15.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Yellow Pages Limited's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the obligation. The discount rate is the yield at the reporting date on high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability adjusted for a spread to reflect any additional credit risk and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected benefit method prorated on service.

Yellow Pages Limited recognizes all actuarial gains and losses arising subsequently from defined benefit plans in OCI. Re-measurement, comprising actuarial gains and losses, the effects of changes to the asset ceiling, if applicable, and the return on plan assets, excluding net interest on the defined benefit obligation, is reflected immediately in the statement of financial position with a charge or credit recognized in OCI. Re-measurement recognized in OCI is reflected immediately in retained earnings and will not be classified to the statement of income. Past service costs are recognized in the statement of income in the period a plan amendment is announced to employees. The net interest amount, which is calculated by applying the discount rate to the net defined liability or asset of defined benefit plans, is included within net financial charges while service costs are recorded in operating expenses.

3.15.3 Other long-term employee benefits

Yellow Pages Limited's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related asset is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have terms to maturity approximating the terms of the related obligation. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in the period in which they arise.

3.15.4 Termination benefits

Termination benefits are recognized as an expense when Yellow Pages Limited can no longer withdraw the offer of those benefits, or if earlier, when there is no realistic possibility of withdrawal from a formal detailed plan to either terminate employment before the normal retirement date, or from providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if Yellow Pages Limited has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.15.5 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if Yellow Pages Limited has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

3.15.6 Share-based payment transactions

Yellow Pages Limited's restricted share units, performance share units, deferred share units, stock options and share appreciated rights granted to employees and directors are measured at the fair value of the equity instruments at the grant date.

The restricted share units, performance share units and deferred share units granted may be settled in cash or equity at the Company's option. If the restricted share unit and performance share unit plan is funded, eligible employees will receive, upon vesting of the instruments, common shares. The funded portion of these plans is treated as equity-settled instruments and recorded accordingly in equity and operating costs over the vesting period. In the event these plans are unfunded, Yellow Pages Limited will pay to the eligible employees and directors, upon vesting of the instruments, an amount in cash. The fair value determined at the grant date of the equity-settled instruments is expensed on a straight-line basis over the vesting period, based on Yellow Pages Limited's estimate of share-based instruments that will eventually vest.

The unfunded portion of these plans is treated as cash-settled instruments and recorded as a liability. The share appreciation rights are settled in cash and recorded accordingly as a liability. At each reporting period, the liabilities from these plans are re-measured at fair value with any changes recorded in operating costs. Certain of the Company's stock options and restricted share units will be settled in cash upon certain conditions being met. These stock options and restricted share units are recorded as a liability, which is re-measured at fair value at each reporting period with any changes recorded in operating costs.

At each reporting period, Yellow Pages Limited revises its estimate of the number of share-based instruments expected to vest. The impact of the revision of the original estimate, if any, is recognized in the statement of income, with a corresponding adjustment to the reserve or corresponding liability.

3.16 Equity instruments issued

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Yellow Pages Limited are recorded at the proceeds received, net of direct issue costs.

Transaction costs incurred by Yellow Pages Limited in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

3.17 Operating segments

Disclosure of segment information is reported in a manner consistent with the internal reports regularly reviewed by Yellow Pages Limited's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer. The Company's operations are divided into two reportable segments: YP and Other. The accounting policies the Company uses for its reportable segments are the same as those used in its consolidated financial statements. Subsequent to the second quarter of 2019 there are no longer any operations being reported in the Other segment.

3.18 Revenues

Yellow Pages Limited's revenues consist of contract-based fees made up of a significant volume of low-dollar value transactions and relate to digital and print revenues. The Company's revenues are measured at the fair value of the consideration received or receivable after deduction of an allowance for revenue adjustments and sales taxes. The consideration amounts are generally fixed.

Revenues from print products are recognized at a point in time upon delivery of the print directories. Print revenues are generally billed on a monthly basis over the year of publication.

Digital revenues from classified and display advertisements are recognized into income over the term of the contract on a monthly basis from the point at which service is first provided over the life of the contract, which is generally 12 months, since the customer receives and consumes the benefits of the advertisement simultaneously over the period of display of the advertisement. Certain revenues, such as website and video design fees, are recognized at a point in time upon completion of the design of the website and video since the satisfaction of performance obligation is completed at that time.

Unless the product description states otherwise, customer contracts are automatically renewed for consecutive subsequent periods equal in length to the initial term, unless the client gives the Company a written notice of non-renewal per the contract terms and conditions.

Payments terms for all customers are generally due upon receipt of the invoice. The disaggregation of revenue by product group and operating segment has been disclosed in the *Segmented Information* note.

The allowance for revenue adjustments is recorded as a reduction of revenue and reflects an estimate for claims expected from customers. This estimate is based in part on the Company's historical claims experience.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The Company currently has not capitalized any borrowing costs.

3.20 Taxation

Income tax expense represents the sum of the current and deferred tax.

3.20.1 Current income tax

Taxable profit differs from profit as reported in the consolidated statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Yellow Pages Limited's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3.20.2 Deferred tax

Deferred tax is recognized on differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where Yellow Pages Limited is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yellow Pages Limited expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and Yellow Pages Limited intends to settle its tax assets and liabilities on a net basis.

3.20.3 Current and deferred tax for the period

Current and deferred taxes are recognized as an expense or income in the statement of income, except when they relate to items that are recognized outside net earnings (whether in OCI or directly in equity), in which case the tax is also recognized outside net earnings, or where they arise from the initial accounting for a business combination. In the case of a business combination, the applicable tax effects are taken into account in the accounting for the business combination.

3.21 Government grant

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received. Government grants related to an expense are recognized in profit or loss as a reduction in the related expense for which the grants are intended to compensate.

In response to the negative economic impact of COVID-19, various government programs have been enacted to provide financial relief to businesses. The Company determined that it qualified for the Canada Emergency Wage Subsidy (“CEWS”) program under the COVID-19 Economic Response plan for certain periods. The contributions received are recorded as a reduction to operating costs in the consolidated statements of income.

3.22 Significant estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that can affect the carrying value of certain assets and liabilities, income and expenses and the information disclosed in the notes to the consolidated financial statements. Management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

Management has revised the assumptions and estimates it would normally use to apply the Company’s accounting policies affecting the carrying value of certain assets and the information disclosed in the notes to the consolidated financial statements in order to reflect the estimated impact of the COVID-19 pandemic. Any estimate of the length and severity of these developments is subject to significant uncertainty, and, accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company’s operations, financial results and condition in future periods are also subject to significant uncertainty. The impact of these changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

The estimates made by management that are critical to the determination of the carrying value of assets and liabilities are addressed below.

Significant estimates

Allowance for revenue adjustments

The Company records an allowance for revenue adjustments as a reduction to revenue. This reflects an estimate of claims expected from customers. The Company updates its estimate of the allowance for revenue adjustments based on historical experience related to claims, as well as client-related factors. The Company updated its assumptions related to its estimate of the allowance for revenue adjustments to reflect the potential impact of the COVID-19 pandemic on the rate of claims expected from customers. This significant estimate could affect Yellow Pages Limited’s future results if actual claims are higher or lower than previously anticipated.

Estimate of the lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and assesses whether it will extend the lease at the end of the lease contract, or exercise an early termination option. The Company determined that the term of its leases is the original lease term as it is not reasonably certain that the extension or early termination options will be exercised. This significant estimate could affect Yellow Pages Limited’s future results if the Company extends the lease or exercises an early termination option.

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired, particularly when it vacates an office space and it must determine the recoverability of the asset, to the extent that the Company can sublease the assets or surrender the lease and recover its costs. The Company will examine its lease conditions as well as local market conditions and estimate its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect Yellow Pages Limited's future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

Measurement of ECL allowance for trade receivables

In relation to the impairment of trade receivables (including contract assets), the Company uses the expected credit losses ("ECL") model, which requires the Company to account for the ECL and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable. The ECL related to doubtful accounts for trade receivables (also referred to as allowance for doubtful accounts) is established based on various factors, including amongst others the age of the exposure and in some cases the customer's solvency. As a result of the COVID-19 pandemic the Company applied the policy as described above using an additional factor in assessing the credit risk applied to the ECL, based on the customer's line of business and an estimation of the degree they may have been impacted by the pandemic. This significant estimate could affect the Company's future results if there is a further significant change in economic conditions or customer solvency or any new information that may impact our assumptions.

Determining the discount rate for leases

IFRS 16 requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its IBR. The Company generally used its IBR rate when recording leases initially, since the implicit rates were not readily available due to information not being available from the lessor regarding the fair value of underlying assets and directs costs incurred by the lessor related to the leased assets. The IBR for each lease was determined on the commencement date of the lease and recalculated at the remeasurement date where applicable.

Useful lives of intangible assets and property and equipment

Yellow Pages Limited reviews the estimated useful lives of its intangible assets and property and equipment at the end of each reporting period. At the end of the current reporting period, management determined that the useful lives of its intangible assets and property and equipment were adequate.

Employee future benefits

The present value of the defined benefit obligation is determined by employing the projected benefit method prorated on service 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. Determination of the net benefit costs (recovery) requires assumptions such as the discount rate to measure defined benefit obligations and expected return on plan assets, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. Actual results may differ from results which are estimated based on assumptions.

COVID-19 may have various impacts on all benefit plans such as on mortality rates, volatile discount rates, and return on plan assets from the resulting global financial turbulence. It may also have specific impacts on post-retirement benefits such as on claiming patterns of covered members and trend rates. The assumptions used to remeasure the defined benefit obligation reflect current known market conditions. The effect of the outbreak on the mortality incidence for the plans is unknown at this time and therefore no adjustments to the mortality assumptions or to any other assumptions have been made as of December 31, 2020.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Pages Limited's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions changes, Yellow Pages Limited would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. The carrying value of deferred tax assets is reviewed at each reporting date, remeasured to the extent that probable sufficient taxable profits will be available, or reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future. The Company updated its assumptions related to the carrying value of the deferred tax assets to reflect the estimated impact of the COVID-19 pandemic as well as other factors and to determine whether an adjustment would be required to its valuation allowance as at December 31, 2020.

(all tabular amounts are in thousands of Canadian dollars, except share information)

4. Loss on sale of businesses

On July 6, 2018, the Company's wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, sold ComFree/DuProprio (''CFDP'') to Purplebricks Group PLC (''PB'') for cash consideration of $51.0 million on a cash free debt free basis, subject to a working capital adjustment. Of the $1.8 million balance that had been placed in escrow, the Company received $1.4 million, and recorded a loss of $0.4 million related to the amount it no longer expects to receive for the year ended December 31, 2020.

On April 30, 2019, the Company sold its business in restaurant booking and table management through the asset sales of YP Dine, Bookenda and its 40% interest in the Bookenda International business for a total consideration of $2.2 million (including working capital adjustment). Of this amount, $0.2 million in escrow was released twelve (12) months after the sale on May 4, 2020. The sale resulted in the recognition of a $0.4 million loss in the consolidated statements of income for the year ended December 31, 2019.

5. Contract assets and liabilities

The following table provides information about contract assets, which are included in trade and other receivables.

As at	**December 31, 2020**	December 31, 2019
Contract assets	**$ 31,210**	$ 41,785
Allowance for revenue adjustments and ECL	**(2,892)**	(3,703)
Contract assets net of allowance for revenue adjustments and ECL	**$ 28,318**	$ 38,082

The contract assets, which are included in trade and other receivables, consist of payments for print products on delivered directories that are not yet due from the customer and represent the Company's right to consideration for the services rendered. Any amount previously recognized as a contract asset is reclassified to trade receivables once it is invoiced to the customer.

The change in contract assets for the year ended December 31, 2020 is primarily related to the fluctuation in print revenue. The contract liabilities consist of deferred revenues which primarily relate to the advanced consideration received from customers for which revenue is recognized over time. The revenues related to the performance obligations that are unsatisfied (or partially unsatisfied at the reporting date) are expected to be recognized over the next twelve (12) months.

6. Leases

During the years ended December 31, 2020 and 2019, the Company vacated some office locations which it has surrendered, subleased or anticipates to sublease resulting in a decrease in right-of-use assets and property and equipment related to these office locations, consisting mainly of leasehold improvements and office equipment, as well as a decrease in lease obligations and increase in investment in subleases. During the year ended December 31, 2020 the Company also acquired computer equipment under finance leases, resulting in an increase in right-of use assets as well as an increase in lease obligations.

The impact of the above resulted in the following:

- A reduction in right-of-use assets of $1.7 million (2019 - $17.5 million);
- A reduction in lease obligations of $2.0 million (2019 - $14.1 million);
- An increase in net investment in subleases of $0.1 million (2019 - $19.3 million); and
- A reduction in property and equipment of $3.9 million (2019 - $14.1 million).

As a result of the transactions described above the Company recorded a net expense of $3.4 million (2019 – net recovery of $1.8 million) to restructuring and other charges for the year ended December 31, 2020.

(all tabular amounts are in thousands of Canadian dollars, except share information)

Lease obligations

The following table summarizes the continuity of the lease obligations:

As at	December 31, 2020	December 31, 2019
Lease obligations, opening balance	$ 57,885	$ 75,320
Additions	2,027	496
Surrenders or disposals	(4,049)	(14,095)
Payment of lease obligations	(2,989)	(3,836)
Lease obligations, closing balance	$ 52,874	$ 57,885
Less current portion	3,011	2,767
Non-current portion	$ 49,863	$ 55,118

The following table provides the maturities of the contractual lease obligations on an undiscounted basis for the next five years and thereafter:

As at	December 31, 2020	December 31, 2019
Less than one year	$ 7,078	$ 7,109
One to five years	27,707	27,809
Thereafter	47,529	57,587
Total undiscounted lease obligations	$ 82,314	$ 92,505

Amounts recognized in the consolidated statements of income

For the years ended	December 31, 2020	December 31, 2019
Depreciation expense on right-of-use assets	$ (1,255)	$ (1,542)
Impairment on right-of-use assets	$ (973)	$ –
Interest expense on lease obligations	$ (4,110)	$ (4,799)
Interest income on investment in subleases	$ 1,885	$ 1,582

(all tabular amounts are in thousands of Canadian dollars, except share information)

6.1 As a lessee

The Company leases offices, which typically run for a period of 15 to 18 years. Some leases include an option to renew the lease for an additional period of five years after the end of the contract term.

6.1.1 Right-of-use assets[1]

		2020		2019
Right-of-use assets, opening balance	**$**	**14,060**	$	32,583
Additions		**2,027**		496
Depreciation expense		**(1,255)**		(1,542)
Impairment		**(973)**		–
Surrenders or disposals[2]		**(2,778)**		(17,477)
Right-of-use assets, closing balance	**$**	**11,081**	$	14,060

[1] Right-of-use assets consist primarily of office spaces.

[2] In 2019, the Company wrote-off office equipment under finance leases of $7.9 million cost and equivalent accumulated depreciation, therefore the impact on the net book value of the right-of-use-assets was $nil.

6.2 As a lessor

The Company subleases offices that it originally leased in 2014, 2015 and 2017. The Company has classified these subleases as finance leases, because the subleases cover the remaining term of the respective head lease.

6.2.1 Net investment in subleases

		2020		2019
Net investment in subleases, opening balance	**$**	**26,537**	$	7,392
Additions		**48**		19,287
Accretion of net investment in subleases		**1,232**		324
Payment received from sub-lessees		**(1,002)**		(466)
Net investment in subleases, closing balance	**$**	**26,815**	$	26,537
Less current portion		**1,206**		926
Non-current portion	**$**	**25,609**	$	25,611

(all tabular amounts are in thousands of Canadian dollars, except share information)

6.2.2 Maturity analysis – contractual undiscounted cash flows

As at	**December 31, 2020**	December 31, 2019
Less than one year	**$ 2,307**	$ 3,022
One to two years	**3,146**	3,066
Two to three years	**3,157**	3,128
Three to four years	**3,196**	3,143
Four to five years	**3,350**	3,255
Thereafter	**25,406**	27,919
Total undiscounted lease payments receivable	**$ 40,562**	$ 43,533
Unearned interest income	**13,747**	16,996
Net investment in subleases	**$ 26,815**	$ 26,537

(all tabular amounts are in thousands of Canadian dollars, except share information)

7. Property and equipment

	Office equipment	Computer equipment	Leasehold improvements	**2020 Total**
Cost				
As at December 31, 2019	$ 8,355	$ 41,455	$ 15,254	**$ 65,064**
Additions	–	79	166	**245**
Disposals, write-offs and transfers	(1,011)	(1,522)	(4,726)	**(7,259)**
As at December 31, 2020	**$ 7,344**	**$ 40,012**	**$ 10,694**	**$ 58,050**
Accumulated depreciation				
As at December 31, 2019	$ 7,006	$ 39,262	$ 6,487	**$ 52,755**
Depreciation expense	153	1,297	580	**2,030**
Disposals, write-offs and transfers	(456)	(1,463)	(1,425)	**(3,344)**
As at December 31, 2020	**$ 6,703**	**$ 39,096**	**$ 5,642**	**$ 51,441**
Net book value as at December 31, 2020	**$ 641**	**$ 916**	**$ 5,052**	**$ 6,609**

	Office equipment	Computer equipment	Leasehold improvements	2019 Total
Cost				
As at December 31, 2018	$ 20,604	$ 43,052	$ 51,336	$ 114,992
Additions	25	91	–	116
Disposals, write-offs and transfers	(12,274)	(1,688)	(36,082)	(50,044)
As at December 31, 2019	$ 8,355	$ 41,455	$ 15,254	$ 65,064
Accumulated depreciation				
As at December 31, 2018	$ 12,429	$ 38,561	$ 34,484	$ 85,474
Depreciation expense	247	2,222	806	3,275
Disposals, write-offs and transfers	(5,670)	(1,521)	(28,803)	(35,994)
As at December 31, 2019	$ 7,006	$ 39,262	$ 6,487	$ 52,755
Net book value as at December 31, 2019	$ 1,349	$ 2,193	$ 8,767	$ 12,309

(all tabular amounts are in thousands of Canadian dollars, except share information)

8. Intangible assets

2020	Trademarks and domain names	Non-competition agreements	Software[1]	**Total intangible assets**
Cost				
As at December 31, 2019	$ 90,611	$ 258,983	$ 258,825	**$ 608,419**
Additions	–	–	5,328	**5,328**
Disposals, write-offs and transfers	–	–	(188)	**(188)**
As at December 31, 2020	**$ 90,611**	**258,983**	**$ 263,965**	**$ 613,559**
Accumulated amortization				
As at December 31, 2019	$ 27,807	$ 258,983	$ 231,880	**$ 518,670**
Amortization expense	7,851		16,528	**24,379**
Disposals, write-offs and transfers	–	–	(190)	**(190)**
As at December 31, 2020	**$ 35,658**	**$ 258,983**	**$ 248,218**	**$ 542,859**
Net book value as at December 31, 2020	**$ 54,953**	**$ –**	**$ 15,747**	**$ 70,700**

2019	Trademarks and domain names	Non-competition agreements	Software[1]	Total intangible assets
Cost				
As at December 31, 2018	$ 90,689	$ 259,669	$ 381,967	$ 732,325
Additions			9,647	9,647
Disposals, write-offs and transfers[2]	(78)	(686)	(132,789)	(133,553)
As at December 31, 2019	$ 90,611	$ 258,983	$ 258,825	$ 608,419
Accumulated amortization				
As at December 31, 2018	$ 20,062	$ 259,669	$ 335,498	$ 615,229
Amortization expense	7,823		26,469	34,292
Disposals, write-offs and transfers[2]	(78)	(686)	(130,087)	(130,851)
As at December 31, 2019	$ 27,807	$ 258,983	$ 231,880	$ 518,670
Net book value as at December 31, 2019	$ 62,804	$ –	$ 26,945	$ 89,749

1 *Software under development amounted to $3.6 million (2019 - $1.9 million).*

2 *Disposals and write-offs mainly relate to decommissioned software.*

(all tabular amounts are in thousands of Canadian dollars, except share information)

Impairment of intangible assets

As a majority of the intangible assets do not generate cash inflows that are largely independent of those from other assets or group of assets, the Company performs its impairment analysis of its intangible assets at the CGU level. Following the organizational changes made throughout fiscal 2018 and during the first quarter of 2019, the Company has one remaining group of CGUs to which assets belong: YP (refer to Note 17). In 2020 and 2019, the Company performed an assessment of indicators of impairment on the finite life intangible assets and no further impairment analysis was required.

Yellow Pages Limited has accumulated impairment losses on intangible assets and property and equipment in the amounts of $1,379.6 million and $21.9 million, respectively.

9. Trade and other payables

As at	**December 31, 2020**	December 31, 2019
Trade	**$ 18,726**	$ 18,557
Accrued interest on exchangeable debentures	**723**	723
Payroll related	**3,235**	4,123
Long-term incentive plans	**6,981**	5,106
Other accrued liabilities	**4,412**	5,153
Common shares subject to repurchase (Note 15)	**979**	–
	$ 35,056	$ 33,662

10. Provisions

Yellow Pages Limited recorded restructuring and other charges of $8.1 million for the year ended December 31, 2020 consisting mainly of restructuring charges of $2.6 million associated with workforce reductions, a $2.1 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a $4.6 million charge related to the impairment of property and equipment and right-of-use assets related to vacated office space, partially offset by a $1.2 million recovery related to the surrender of vacated office space.

Yellow Pages Limited recorded restructuring and other charges of $12.5 million for the year ended December 31, 2019 consisting of restructuring charges of $12.1 million relating to workforce reductions, a $1.9 million charge related to future operation costs provisioned related to lease contracts for office closures, a $0.3 million charge related to software disposals offset by a net recovery of $1.8 million from more favorable lease recoveries than anticipated.

The provisions for restructuring and other charges represent the present value of the best estimate of the future outflow of economic benefits that will be required to settle the provisions and may vary as a result of new events affecting the severances and charges that will need to be paid.

Other provisions include provisions primarily for vacation and short-term incentive plans.

	Provisions for restructuring[1]	Provisions for other charges[1]	Other provisions	**Total provisions**
As at December 31, 2019	$ 7,429	$ 1,642	$ 19,149	$ 28,220
Charges	2,883	3,712	17,320	23,915
Payments	(8,005)	(2,033)	(19,035)	(29,073)
As at December 31, 2020	$ 2,307	$ 3,321	$ 17,434	$ 23,062
Less current portion	**2,018**	**2,624**	**17,434**	**22,076**
Non-current portion	**$ 289**	**$ 697**	**$ –**	**$ 986**

[1] *Included in the restructuring and other charges of $8.1 million on the statement of income is a net recovery of $1.5 million not affecting the provision.*

(all tabular amounts are in thousands of Canadian dollars, except share information)

	Provisions for restructuring[1]	Provisions for other charges[1]	Other provisions	Total provisions
As at December 31, 2018	$ 9,131	$ 4,586	$ 25,766	$ 39,483
Charges	10,839	2,509	13,202	26,550
Payments	(12,541)	(5,453)	(19,819)	(37,813)
As at December 31, 2019	$ 7,429	$ 1,642	$ 19,149	$ 28,220
Less current portion	6,187	1,513	18,944	26,644
Non-current portion	$ 1,242	$ 129	$ 205	$ 1,576

[1] *Included in the restructuring and other charges of $12.5 million on the statement of income is a net recovery of $0.8 million not affecting the provision.*

11. Post-employment benefits

Yellow Pages Limited maintains pension plans with defined benefit and defined contribution components which cover substantially all of the employees of Yellow Pages Limited. Yellow Pages Limited maintains unfunded supplementary defined benefit pension plans for certain executives and also maintains other retirement and post-employment benefits (''other benefits'') plans which cover substantially all of its employees.

The defined benefit plans typically expose the Company to actuarial risks such as investment, interest rate, longevity and salary risks.

Investment risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the actual return on plan assets is below the assumed rate, it will create a plan deficit. Currently, the defined benefit plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the defined benefit plan obligation, the pension committee considers it appropriate that a reasonable portion of the plan assets should be invested in equity instruments to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the defined benefit plan obligation, particularly on a solvency basis. Although this will be partially offset by an increase in the return of the defined benefit plan's investments, the impact may be material as pension liabilities are sensitive to variations in interest rates.
Longevity risk	The present value of the defined benefit plan obligation is calculated based on assumptions regarding mortality rates of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.
Inflation risk	The present value of the defined benefit plan obligation is calculated by reference to the inflation rate. As such, a higher inflation rate than projected will increase the defined benefit plan's liability.

The present value of the defined benefit obligation and the related current service cost and past service costs were measured using the projected benefit method prorated on service. This was based on the actuarial valuation and the present value of the defined benefit plan obligation which was carried out by Morneau Shepell, Fellows of the Canadian Institute of Actuaries and Society of Actuaries, as at December 31, 2019, and extrapolated to December 31, 2020. For funding purposes, an actuarial valuation of the defined benefit component of the Yellow Pages pension plans was also performed as at December 31, 2019. The actuarial valuation for the other benefits was performed by HUB International as at November 1, 2018 and the results were extrapolated to December 31, 2020.

(all tabular amounts are in thousands of Canadian dollars, except share information)

The changes in the defined benefit obligations and in the fair value of assets and the reconciliation of the funded status of the defined benefit plans to the amount recorded on the consolidated statements of financial position as at December 31, 2020 and 2019 were as follows:

As at	**December 31, 2020**		December 31, 2019	
	Pension benefits[1]	Other benefits	Pension benefits[1]	Other benefits[2]
Fair value of plan assets, beginning of year	**$ 484,029**	**$ –**	$ 443,861	$ –
Employer contributions	**4,448**	**2,412**	5,025	2,374
Employee contributions	**430**	**–**	673	–
Interest income	**14,450**	**–**	16,093	–
Return on plan assets excluding interest income	**47,368**	**–**	66,115	–
Benefit payments	**(44,153)**	**(2,412)**	(47,320)	(2,374)
Administration costs	**(654)**	**–**	(418)	–
Fair value of plan assets, end of year	**$ 505,918**	**$ –**	$ 484,029	$ –
Accrued benefit obligation, beginning of year	**$ 572,740**	**$ 33,856**	$ 543,106	$ 33,107
Current service cost	**2,905**	**8**	2,974	6
Employee contributions	**430**	**–**	673	–
Benefit payments	**(44,153)**	**(2,412)**	(47,320)	(2,374)
Interest cost	**17,231**	**1,023**	19,939	1,164
Recovery of past service costs	**–**	**–**	–	(980)
Actuarial (gains) losses due to:				
Experience adjustments	**4,564**	**–**	(1,026)	–
Changes in financial assumptions	**42,510**	**2,225**	54,394	2,933
Defined benefit obligation, end of year	**$ 596,227**	**$ 34,700**	$ 572,740	$ 33,856
Net defined benefit obligation	**$ (90,309)**	**$ (34,700)**	$ (88,711)	$ (33,856)

1 *Including unfunded supplementary defined benefit pension plans.*

2 *As at May 16, 2019, there was a remeasurement resulting from the elimination of the Medical Services Plan ("MSP") premiums for British Columbia residents. The past service cost for the elimination of the MSP premiums was calculated based on the April 30, 2019 discount rates.*

While all the plans are not considered fully funded for financial reporting purposes, registered plans are funded in accordance with the applicable statutory funding rules and regulations governing the particular plans.

(all tabular amounts are in thousands of Canadian dollars, except share information)

The significant assumptions adopted in measuring Yellow Pages Limited's pension and other benefit obligations as at December 31, 2020 and 2019 were as follows:

As at	**December 31, 2020**		December 31, 2019	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Post-employment benefit obligation				
Discount rate, end of year	**2.60%**	**2.60%**	3.10%	3.10%
Rate of compensation increase[1]	**1.85%**	**n.a**	1.90%	n.a
Inflation Rate	**1.50%**	**2.00%**	1.40%	2.00%
Net benefit plan costs				
Discount rate (current service cost), end of preceding year	**3.20%**	**3.20%**	3.90%	3.80%
Discount rate (interest expense), end of preceding year	**3.10%**	**3.10%**	3.80%	3.80%
Rate of compensation increase[1]	**1.90%**	**n.a**	1.90%	n.a
Inflation Rate	**1.40%**	**2.00%**	1.40%	2.00%
Weighted average duration (years)	**14**	**14**	15	13

[1] *As at December 31, 2020: 1.50% plus a productivity, merit and promotional scale, and as at December 31, 2019: 1.40% plus a productivity, merit and promotional scale.*

For measurement purposes, actual per capita cost of covered medical care benefits was used for 2020, and the rate of increase was assumed at 5.28% for the next 4 years followed by a linear decrease to 3.42% by 2040 and to remain at that level thereafter. For dental care benefits, actual per capita cost was used for 2020, and the rate of increase was assumed at 4.00% for the next 4 years followed by a linear decrease to 3.57% by 2040 and to remain at that level thereafter.

The following table shows how the defined benefit obligation as at December 31, 2020 would have been affected by changes that were reasonably possible at that date in each significant actuarial assumption:

	Pension benefits	**Other benefits**
Decrease of 0.25% in discount rate, end of year	**$ 21,501**	**$ 1,199**
Increase of 0.25% in the inflation rate	**$ 6,978**	**$ –**
Increase of 1% in health care cost trend rates	**$ n.a**	**$ 2,299**

(all tabular amounts are in thousands of Canadian dollars, except share information)

The net benefit plan costs included in the statements of income and other comprehensive income are comprised of the following components:

For the years ended December 31,	**2020**		2019	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost[1]	**$ 2,905**	**$ 8**	$ 2,974	$ 6
Administration costs[1]	**654**	**–**	418	–
Recovery of past service costs[2]	**–**	**–**	–	(980)
Service cost	**$ 3,559**	**$ 8**	$ 3,392	$ (974)
Interest cost	**$ 17,231**	**$ 1,023**	$ 19,939	$ 1,164
Interest income	**(14,450)**	**–**	(16,093)	–
Net interest on the net defined benefit obligation (Note 19)	**$ 2,781**	**$ 1,023**	$ 3,846	$ 1,164
Net benefit costs recognized in the statement of income	**$ 6,340**	**$ 1,031**	$ 7,238	$ 190
Actuarial (gains) losses recognized in OCI	**$ (294)**	**$ 2,225**	$ (12,747)	$ 2,933
Total net benefit plan costs (recovery) for the Yellow Pages (“YP”) defined benefit plans	**$ 6,046**	**$ 3,256**	$ (5,509)	$ 3,123
Net benefit plan costs for the YP defined contribution plans[1]	**2,275**	**–**	2,792	–
Total net benefit plan costs (recovery)	**$ 8,321**	**$ 3,256**	$ (2,717)	$ 3,123

[1] *Included in operating costs.*

[2] *Included in restructuring and other charges.*

No significant workforce reductions occurred during the years ended December 31, 2020 and 2019.

For the postretirement plan, the May 16, 2019 announcement regarding the elimination of the British Columbia Medical Services Plan (“MSP”) premiums gave rise to a recovery of past service cost of $1.0 million in 2019.

Plan assets include primarily Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages. Plan assets are held in trust and the asset allocation was as follows as at December 31, 2020 and 2019:

(in percentages - %)	**December 31, 2020**	December 31, 2019
Fair value of the plan assets:		
Pooled fund units		
Canadian pooled equity funds	**6.5**	7.5
Global pooled equity funds	**28.0**	30.0
Emerging markets pooled equity funds	**12.0**	12.5
Canadian pooled fixed-income funds	**42.5**	44.5
Pooled real estate funds	**9.0**	4.0
Pooled private equity funds	**1.0**	0.5
Pooled infrastructure funds	**0.5**	0.5
Cash and cash equivalents	**0.5**	0.5

As at December 31, 2020 and 2019, the publicly traded equity securities did not directly include any shares of Yellow Pages Limited.

The total cash payments for pension and other benefit plans made by Yellow Pages Limited amounted to $9.2 million for 2020 (2019 – $10.2 million). Total cash payments for pension and other benefit plans expected in 2021 amount to approximately $9.5 million.

Yellow Pages Limited’s funding policy is to make contributions to its pension plans based on various actuarial cost methods as permitted by pension regulatory bodies. Yellow Pages Limited is responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

(all tabular amounts are in thousands of Canadian dollars, except share information)

In addition, Yellow Pages Limited recorded an expense for provincial, federal and state pension plans of $2.3 million for the year ended December 31, 2020 (2019 – $3.0 million).

As at December 31, 2020, Yellow Pages Limited had recognized an accumulated balance of $52.0 million, net of income taxes of $16.7 million, in actuarial losses in OCI.

12. Senior secured notes

The table below represents the continuity of the Senior secured notes:

As at	December 31, 2020	December 31, 2019
Senior secured notes, opening balance	$ –	$ 167,489
Repayment of senior secured notes	–	(170,231)
Discount accretion for the year[1]	–	2,742
Senior secured notes, closing balance	**$ –**	$ –

[1] *The variance of unaccreted discount for the year ended December 31, 2019.*

Senior Secured Notes

On October 19, 2017, Yellow Pages Limited, through its wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, issued $315.0 million aggregate principal amount of 10.00% Senior Secured Notes (the ''Notes'') due November 1, 2022 at an issue price of $980 per $1,000 principal amount of the Notes, a $6.3 million discount. The Company had the option to redeem all of part of the Notes prior to due date at premiums decreasing from 102% to 100% beginning November 1, 2018. The Notes accrued interest at a rate of 10.00% per annum and were payable in semi-annual instalments in arrears on May 1 and November 1 of each year. In 2019, the Company made, in aggregate, mandatory principal redemption payments of $100.7 million and optional redemption payments of $69.6 million, and fully repaid the outstanding balance of the Notes.

Asset-Based Loan

On October 19, 2017, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, renewed its five-year $50.0 million asset-based loan (ABL) and extended the term of the ABL to August 2022. At the request of the Company, the ABL agreement was amended on November 18, 2019 to reduce the total commitment from $50.0 million to $25.0 million. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is subject to an availability reserve of $5.0 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at December 31, 2020, the Company's fixed charge coverage ratio was 3.5 times. The Company had $3.4 million of letters of credit issued and outstanding under the ABL. As such, $21.6 million of the ABL was available as at December 31, 2020.

The loan agreement governing the ABL contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions (to the extent permitted by the Exchangeable Debentures indenture), the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, and certain transactions with affiliates and its business activities.

As at December 31, 2020, the Company was in compliance with all covenants under the loan agreement governing the ABL.

13. Exchangeable debentures

As at	December 31, 2020	December 31, 2019
Principal amount of exchangeable debentures (at maturity, November 30, 2022)	**$ 107,033**	$ 107,089
Less unaccreted interest	**5,918**	8,552
Exchangeable debentures	**$ 101,115**	$ 98,537

(all tabular amounts are in thousands of Canadian dollars, except share information)

The table below represents the continuity of the Exchangeable debentures:

As at	December 31, 2020	December 31, 2019
Exchangeable debentures, opening balance	$ 98,537	$ 96,179
Repurchase of exchangeable debentures	(52)	–
Interest accretion for the year	2,630	2,358
Exchangeable debentures, closing balance	**$ 101,115**	$ 98,537

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $107.5 million of senior subordinated exchangeable debentures (the Exchangeable Debentures) due November 30, 2022.

Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% per annum, for the applicable interest period, if the Company makes a Payment in Kind election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

The indenture governing the Exchangeable Debentures contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of indebtedness and other transactions.

The indenture permits the Company to make restricted payments, including payment of dividends and common stock buybacks and certain payments associated with management's equity-based compensation, in an aggregate amount not to exceed $20.0 million since the date of the indenture. As at December 31, 2020, the Company has made a cumulative total of $14.5 million of restricted payments, comprised of $8.8 million of dividend payments, $3.3 million related to common stock buyback, and $2.4 million related to certain management equity-based compensation payments, since the indenture went into effect. As at December 31, 2020, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

The Exchangeable Debentures are exchangeable at the holder's option into common shares at any time at an exchange price per common share equal to $19.04, subject to adjustment for specified transactions

Optional Redemption

The Company may redeem all or part of the Exchangeable Debentures at its option, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

The Redemption Option is recorded at fair value on the consolidated statements of financial position as Financial and other assets with changes in fair value recognized in financial charges. The fair value as at December 31, 2020 was $2.6 million and was insignificant at December 31, 2019.

The Company entered a Normal Course Issuer Bid (''NCIB'') to purchase up to $6.6 million principal amount of its Exchangeable Debentures starting on April 20, 2020 and ending on April 19, 2021. The price which Yellow Pages Digital & Media Solutions Limited will pay for any such Exchangeable Debentures will be the prevailing market price at the time of acquisition. All Exchangeable Debentures will be purchased for cancellation. As at December 31, 2020, YP purchased Exchangeable Debentures under this NCIB program, with a carrying value of $52 thousand for cash and a face value of $56 thousand.

(all tabular amounts are in thousands of Canadian dollars, except share information)

14. Income taxes

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	For the years ended December 31, 2020	2019
Earnings before income taxes	**$ 78,712**	$ 69,770
Combined Canadian federal and provincial tax rates[1]	**26.50%**	26.84%
Income tax expense at statutory rates	**$ 20,857**	$ 18,726
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax attributes and temporary differences	**(2,773)**	(44,241)
Non-deductible expenses for tax purposes	**241**	616
Other	**89**	–
Provision for (recovery of) income taxes	**$ 18,414**	$ (24,899)

[1] *The combined applicable statutory tax rate decreased mainly by provincial allocation of revenues earned and the decreased in the Quebec, Alberta and Nova Scotia statutory tax rate.*

Provision for (recovery of) income taxes includes the following amounts:

For the years ended December 31,	2020	2019
Current	**$ 90**	$ –
Deferred	**18,324**	(24,899)
Total	**$ 18,414**	$ (24,899)

Deferred income tax (assets) liabilities are attributable to the following items:

	Deferred financing costs	Non-capital losses carry forward	Deferred revenues	Post-employment benefits	Accrued liabilities	Exchangeable Debentures	Intangible assets	**Deferred income tax (assets) liabilities, net**
Balance, December 31, 2019	$ (993)	$ (11,780)	$ (710)	$ –	$ (8,613)	$ 2,373	$ (20,004)	$ (39,727)
Expense (benefit) to statement of income	1,147	9,580	316	–	(1,877)	(689)	9,847	18,324
Expense (benefit) to OCI	–	–	–	(512)	–	–	–	(512)
Balance, December 31, 2020	**$ 154**	**$ (2,200)**	**$ (394)**	**$ (512)**	**$ (10,490)**	**$ 1,684**	**$ (10,157)**	**$ (21,915)**

	Deferred financing costs	Non-capital losses carry forward	Deferred revenues	Post-employment benefits	Accrued liabilities	Exchangeable Debentures	Intangible assets	Deferred income tax (assets) liabilities, net
Balance, December 31, 2018	$ 2,398	$ (16,269)	$ –	$ (6,574)	$ –	$ 3,043	$ –	$ (17,402)
Expense (benefit) to statement of income	(3,391)	4,489	(710)	3,940	(8,613)	(670)	(19,944)	(24,899)
Expense to OCI	–	–	–	2,634	–	–	–	2,634
Other	–	–	–	–	–	–	(60)	(60)
Balance, December 31, 2019	$ (993)	$ (11,780)	$ (710)	$ –	$ (8,613)	$ 2,373	$ (20,004)	$ (39,727)

(all tabular amounts are in thousands of Canadian dollars, except share information)

As at December 31, 2020, the Company and its subsidiaries have not recognized deferred income tax assets with respect to US operating losses of $274.6 million, which expire gradually between 2028 and 2037 and indefinitely when incurred after 2017, Canadian capital losses of $10.1 million which can be utilized indefinitely and US capital losses of $5.1 million which expire in 2024.

As at December 31, 2020, the Company and its subsidiaries have not recognized deductible temporary differences of $596.3 million (2019 – $675.7 million).

15. Shareholders' capital

Common shares − Issued

For the year ended December 31, 2020	**Number of Shares**	**Amount**
Balance, December 31, 2019	28,075,308	$ 4,031,685
Common shares repurchased	(273,190)	(39,231)
Shared issued under stock option plan	26,788	300
Balance, December 31, 2020	**27,828,906**	**$ 3,992,754**

For the year ended December 31, 2019	Number of Shares	Amount
Balance, December 31, 2018	28,075,308	$ 4,031,685
Exchange of common share purchase warrants	–	–
Balance, December 31, 2019	28,075,308	$ 4,031,685

Yellow Pages is authorized to issue an unlimited number of common shares.

The holders of the common shares of Yellow Pages are entitled to one vote per common share at all meetings of shareholders of the Company. The holders of the common shares of Yellow Pages are entitled to receive any dividend declared by the Board of Directors of the Company on the common shares. In the event of the liquidation, dissolution or winding-up of Yellow Pages, whether voluntary or involuntary, the holders of the common shares of Yellow Pages are entitled to receive, after payment of all liabilities of Yellow Pages and subject to the preferential rights of any class of shares of Yellow Pages ranking in priority to the common shares of Yellow Pages, the remaining assets and property of Yellow Pages.

The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the RSU Plan amounted to 1,399,786 as at December 31, 2020. (see Note 18).

Under the Stock Option Plan, the maximum number of common shares authorized for issuance upon the exercise of options is 2,806,932 (see Note 18). During the year ended December 31, 2020, 26,788 common shares were issued upon the exercise of options.

Share repurchases

The Company entered into a normal course issuer bid (''NCIB''), commencing August 10, 2020, to purchase up to $5.0 million of Common Shares in the open market for cancellation, on or before August 9, 2021. As at December 31, 2020, the Company repurchased under this NCIB program 273,190 common shares for cash of $3.3 million. The related historical carrying value of these shares was reclassified from shareholder's capital to deficit.

As at December 31, 2020, a $1.0 million financial liability, with a corresponding amount in equity, was recorded in Trade and other payables on the consolidated statements of financial position in relation with the NCIB. This liability represented the value of common shares expected to be repurchased by a designated broker under an automatic share purchase plan from January 1, 2021 to February 12, 2021. This automatic share purchase plan allows for the purchase of the Company's common shares under pre-set conditions at times when the Company would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. These common shares are included in the outstanding common shares as at December 31, 2020.

(all tabular amounts are in thousands of Canadian dollars, except share information)

Dividends

On May 12th, 2020, the Company's Board of Directors adopted a dividend policy of paying a quarterly cash dividend to its common shareholders of $0.11 per share. YP's dividend payout policy and the declaration of dividends on any of the Company's outstanding common shares are subject to the discretion of the Board and, consequently, there can be no guarantee that the dividend payout policy will be maintained or that dividends will be declared.

During the year ended December 31, 2020, the Company declared three quarterly dividends of $0.11 per common share. The dividends were paid on June 15, September 15 and December 15 of 2020 for a total consideration of $8.8 million to common shareholders.

Warrants

On December 20, 2012, the Company issued 2,995,506 common share purchase warrants ("Warrants").

As at December 31, 2020 and 2019, the Company had a total of 2,995,484 Warrants outstanding for an amount of $1.5 million.

Each Warrant is transferable and entitles the holder to purchase one common share of Yellow Pages Limited at an exercise price of $28.16 per Warrant payable in cash at any time on or prior to December 20, 2022. The fair value of the Warrants on December 20, 2012 was $1.5 million. The fair value of the Warrants was calculated using a binomial option pricing model with the following assumptions:

Risk free interest rate	**2.27%**
Expected life	**10 years**
Expiry date	**December 20, 2022**
Expected volatility	**33.5%**

Earnings per share

The following table presents the weighted average number of shares outstanding used in computing earnings per share and the weighted average number of shares outstanding used in computing diluted earnings per share as well as net earnings used in the computation of basic earnings per share to net earnings adjusted for any dilutive effect:

For the years ended December 31,	**2020**	2019
Weighted average number of shares outstanding used in computing basic earnings per share[1]	**26,602,728**	26,523,234
Dilutive effect of restricted share units and performance share units	**121,348**	378,942
Dilutive effect of stock options	**212,544**	–
Dilutive effect of exchangeable debentures	**5,621,481**	5,624,422
Weighted average number of shares outstanding used in computing diluted earnings per share[1]	**32,558,101**	32,526,598

For the years ended December 31,	**2020**	2019
Net earnings used in the computation of basic earnings per share	**$ 60,298**	$ 94,669
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	**8,229**	7,993
Total net earnings used in the computation of diluted earnings per share	**$ 68,527**	$ 102,662

[1] *The weighted average number of shares outstanding used in the earnings per share calculation is reduced by the shares held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan").*

For the years ended December 31, 2020 and 2019, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as stock options that are not in the money and therefore are not dilutive.

(all tabular amounts are in thousands of Canadian dollars, except share information)

16. Operating costs

For the years ended December 31,		2020		2019
Salaries, commissions and benefits	$	**91,241**	$	112,965
Supply chain and logistics[1]		**67,702**		73,738
Other goods and services[2]		**14,326**		18,085
Information systems		**21,936**		26,027
Remeasurement of ECL, net of recovery (Note 21)		**8,891**		11,053
	$	**204,096**	$	241,868

[1] *Supply chain and logistics costs relate to external supplier costs for manufacturing and distribution of our print and online products.*

[2] *Other goods and services include promotion and advertising costs, real estate, office services, consulting services including contractors and professional fees.*

During the year ended December 31, 2020, the Company applied for the Canada Emergency Wage Subsidy offered by the Government of Canada. The Company was eligible for the subsidy as it met the criteria for certain periods. Yellow Pages Limited received non-refundable contributions of $7.3 million during the year ended December 31, 2020, for admissible salaries related to its workforce. The contributions are recorded as a reduction to operating costs in the consolidated statements of income.

On November 6, 2020, the House of Commons adopted Bill C-9 (the ''Bill'') which proposes the extension of the CEWS program until June 2021 including several other revisions to the CEWS rules. The Bill received Royal Assent on November 19, 2020 and is now law. Details of the program until March 2021 are provided. However, for the periods after March 2021 details have not yet been provided. The Company is evaluating the effect of these changes on its eligibility to qualify for any further subsidies.

17. Segmented information

The Company's operations are categorized into two reportable segments: YP and Other.

The YP segment provides small and medium-sized businesses across Canada digital and traditional marketing solutions, including online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising. This segment also includes the 411.ca digital directory service helping users find and connect with people and local businesses which was integrated with the Company's wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, as at September 30, 2019.

The Other segment includes YP Dine digital property allowing users to discover, search for and book local restaurants in addition to offering online ordering capabilities until its sale on April 30, 2019. This segment also includes Mediative until its liquidation on January 31, 2019. Mediative's offers included dedicated marketing and performance media services to national clients Canada-wide. Subsequent to the second quarter of 2019, there are no longer any operations being reported in this segment.

Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The Company accounts for transactions between reportable segments in the same manner it accounts for transactions with external customers and eliminates them on consolidation. There were no transactions between the reportable segments for the years ended December 31, 2020 and 2019. The President and Chief Executive Officer (''CEO'') is the Chief Operating Decision Maker and he uses Income from operations before depreciation and amortization, and restructuring and other charges less capital expenditures, to measure performance. The Chief Operating Decision Maker also reviews revenues by similar products and services, such as Print and Digital.

Print revenues are recognized at a point in time, whereas 100% of digital revenues were recognized over the term of the contract for the year ended December 31, 2020 and 99% of digital revenues were recognized over the term of the contract and 1% at a point in time for the year ended December 31, 2019, respectively.

(all tabular amounts are in thousands of Canadian dollars, except share information)

The following tables present financial information for the years ended December 31, 2020 and 2019.

For the year ended December 31, 2020	**YP**	**Other**	**Yellow Pages Limited**
Revenues			
Digital	$ 252,252	$ –	**$ 252,252**
Print	81,286	–	**81,286**
Total revenues	333,538	–	**333,538**
Operating costs	204,096	–	**204,096**
Income from operations before depreciation and amortization, and restructuring and other charges	$ 129,442	$ –	**$ 129,442**
Depreciation and amortization			**27,664**
Restructuring and other charges			**8,131**
Financial charges, net			**14,512**
Loss on sale of businesses			**423**
Provision for income taxes			**18,414**
Net earnings			**$ 60,298**
Additions to intangible assets and property and equipment	$ 5,573	$ –	**$ 5,573**

For the year ended December 31, 2019	YP	Other	Yellow Pages Limited
Revenues			
Digital	$ 298,762	$ 1,274	$ 300,036
Print	103,177	–	103,177
Total revenues	401,939	1,274	403,213
Operating costs	240,925	943	241,868
Income from operations before depreciation and amortization, and restructuring and other charges	$ 161,014	$ 331	$ 161,345
Depreciation and amortization			39,109
Restructuring and other charges			12,499
Financial charges, net			39,600
Loss on sale of businesses			367
Recovery of income taxes			(24,899)
Net earnings			$ 94,669
Additions to intangible assets and property and equipment	$ 9,460	$ 278	$ 9,738

(all tabular amounts are in thousands of Canadian dollars, except share information)

18. Stock-based compensation plans

Yellow Pages Limited's stock-based compensation plans consist of restricted share units, performance share units, deferred share units, stock options and share appreciation rights.

Restricted Share Unit and Performance Share Unit Plan

On May 6, 2013, Yellow Pages Limited adopted a restricted share unit and performance share unit plan (the ''RSU and PSU Plan'') to reward key employees and officers of Yellow Pages Limited (the ''Participants''). Following the implementation of the RSU and PSU Plan, Yellow Pages Limited granted to Participants a number of restricted share units (''RSUs'') and/or performance share units (''PSUs''), as applicable, based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. The RSUs are time-based awards and will vest upon the continuous employment of the Participants for a period of 36 months starting from the date of the grant or such other period not exceeding 36 months determined by the Board of Directors. The PSUs are performance-based awards and will vest upon confirmation by the Board of Directors of the achievement of specified performance targets and upon the continuous employment of the Participants for a period of 36 months starting from the date of the grant or such other period not exceeding 36 months determined by the Board of Directors. The PSUs for which the performance targets have not been achieved shall automatically be forfeited and cancelled. The number of PSUs that vest could potentially reach up to one-and-a-half times the actual number of PSUs awarded if the actual performance reaches the maximum level of performance targets. At December 31, 2020, there are no PSUs outstanding.

Pursuant to the terms of the RSU and PSU Plan, if the RSU and PSU Plan is funded, Participants will receive, upon vesting of the RSUs and PSUs, common shares of the Company acquired on the open market. The funded portion of this plan is treated as equity-settled instruments and recorded accordingly in equity and operating costs over the vesting period. In the event the RSU and PSU Plan is unfunded, Yellow Pages Limited will pay to the Participant an amount in cash, equivalent to the number of RSUs or PSUs that have vested, making them cash-settled units In addition, certain of the Company's restricted share units will be settled in cash upon certain conditions being met. These restricted share units are recorded as a liability, which is re-measured at fair value at each reporting period with any changes recorded in operating costs.

During the years ended December 31, 2020 and 2019, nil common shares of Yellow Pages Limited were purchased on the open market of the TSX by the trustee appointed under the RSU and PSU Plan for the purpose of funding of the RSU and PSU Plan. The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the restricted share unit (the ''RSU Plan'') amounted to 1,399,786 as at December 31, 2020.

The following table summarizes the continuity of the RSUs presented as a liability during the years ended December 31:

		2020		2019
	Number of RSUs	**Liability[1]**	Number of RSUs	Liability[1]
Outstanding, beginning of year	**156,839**	**$ 972**	156,839	$ 556
Granted	**321,671**	**859**	–	416
Dividends credited[2]	**9,244**	**42**	–	–
Settled	**(160,137)**	**(1,850)**	–	–
Variation due to change in fair value and vesting	**–**	**808**	–	–
Outstanding, end of year[3]	**327,617**	**$ 831**	156,839	$ 972

1 The liability related to the RSUs is recorded in trade and other payables, and the expense related to the vested RSUs and the variation due to change in fair value are included in operating costs.

2 Dividends in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on common shares.

3 The number of restricted shares vested as of December 31, 2020 is 66,259 (2019 – 121,986)

(all tabular amounts are in thousands of Canadian dollars, except share information)

The following table summarizes the continuity of all the RSUs and PSUs, including those shown in the table above, during the years ended December 31:

		2020		2019
Number of	**RSUs[1]**	**PSUs**	RSUs[1]	PSUs
Outstanding, beginning of year	**318,536**	**60,406**	399,503	189,063
Granted	**359,395**	**–**	87,684	–
Reduction in payout related to under-achievement of targets[2]	**–**	**(15,105)**	–	(49,774)
Settled	**(226,775)**	**(45,301)**	(94,153)	–
Dividends credited[3]	**13,072**	**–**	–	–
Forfeited	**(15,263)**	**–**	(74,498)	(78,883)
Outstanding, end of year	**448,965**	**–**	318,536	60,406
Weighted average remaining life (years)	**1.66**	**–**	0.88	0.08

1 *Included in the RSUs outstanding balance as at December 31, 2020 are 327,617 RSUs granted in July 2020 as well as dividends credited related to this grant, representing a liability of $0.8 million (2019 – nil) recorded in trade and other payables and the expense related to the units vested and the variation due to changes in stock price is included in operating costs.*

2 *The reduction in payout is related to the under-achievement of certain performance targets resulting in a reduction of 25% for the year ended December 31, 2020 (2019 – reduction of 100%).*

3 *Dividends in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on common shares.*

During the year ended December 31, 2020, an expense of $2.0 million (2019 – a recovery of $0.5 million) was recorded in the consolidated statement of income in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

On June 12, 2013, Yellow Pages Limited adopted a deferred share unit plan (the ''DSU Plan''). The DSU Plan was amended in October 2013 to provide for the participation by eligible employees as designated by the Board of Directors. The Company shall settle the vested deferred share units (''DSUs'') in cash or in common shares of Yellow Pages Limited acquired on the open market at the discretion of the Company when a Director leaves the Board of Directors or an eligible employee ceases employment with the Company.

The following table summarizes the continuity of the deferred share units (''DSUs'') during the years ended December 31:

		2020		2019
	Number of DSUs	**Liability[1]**	Number of DSUs	Liability[1]
Outstanding, beginning of year	**325,435**	**$ 2,948**	255,755	$ 1,557
Granted[2]	**53,719**	**447**	69,680	433
Forfeited	**(4,196)**	–	–	–
Settled	**(45,556)**	**(416)**	–	–
Dividends credited[3]	**10,406**	**115**	–	–
Variation due to change in stock price	–	**1,163**	–	958
Outstanding and vested, end of year	**339,808**	**$ 4,257**	325,435	$ 2,948

1 *The liability related to the DSU Plan is recorded in trade and other payables, and the expense related to the units vested and the variation due to changes in stock price is included in operating costs.*

2 *The liability related to the DSUs granted represents the portion that is vested as at December 31.*

3 *Dividends in the form of additional DSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on common shares.*

During the year ended December 31, 2020, an expense of $1.7 million (2019 – an expense of $1.4 million) was recorded in the consolidated statement of income in operating costs in relation to the Deferred Share Unit Plan.

(all tabular amounts are in thousands of Canadian dollars, except share information)

Stock options

On December 20, 2012, as part of the implementation of Yellow Pages Limited's Recapitalization transaction, a new stock option plan (the ''Stock Option Plan'') was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees of Yellow Pages Limited who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Pages Limited through the transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. A maximum of 1,290,612 stock options may be granted under the Stock Option Plan. On May 11, 2018, an amendment to the Stock Option Plan was approved, increasing the maximum number of common shares authorized for issuance upon the exercise of options, from 1,290,612 to 2,806,932. Participants are required to hold 25% of the common shares received pursuant to the exercise of the stock options until the Participants meet the ownership guidelines which apply to their respective position.

At the Annual and Special Meeting of Shareholders held on May 13, 2020 an amendment to the 2012 Stock Option Plan was approved to provide for a cashless exercise feature, payable in cash, without a full deduction of the underlying shares from the plan reserve. Subject to approval of the Board or the Human Resources and Compensation Committee at the time of exercise, an option holder may elect to surrender an exercisable option for cancellation in exchange for a cash payment equal to the amount by which the fair market value of the share on the date of surrender exceeds the exercise price. The underlying shares in respect of the surrendered option will be added back to the plan reserve.

Stock options granted that are payable in cash upon certain conditions being met are presented as a liability.

The following table summarizes the continuity of the stock options presented as a liability during the years ended December 31:

		2020		2019
	Number of options	**Liability[1]**	Number of options	Liability[1]
Outstanding, beginning of year	**701,875**	**$ 1,078**	701,875	$ 365
Granted	**1,567,487**	**1,488**	–	–
Settled	**(701,875)**	**(2,434)**	–	–
Variation due to change in fair value and vesting	–	**1,571**	–	713
Outstanding, end of year[2]	**1,567,487**	**$ 1,703**	701,875	$ 1,078

1 *The liability related to the stock options is recorded in trade and other payables, and the expense related to the vested options and the variation due to change in fair value are included in operating costs.*

2 *The number of stock options vested as of December 31, 2020 is 399,129 (2019 – 545,903)*

The following table summarizes the continuity of all stock options under the Stock Option Plan, including those in the table above, during the year ended December 31:

		2020		2019
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of year	**1,983,102**	**$ 7.11**	1,347,052	$ 8.39
Granted	**2,004,069**	**$ 9.51**	884,784	$ 5.86
Exercised	**(26,788)**	**$ 8.33**	–	$ –
Settled	**(701,875)**	**$ 7.97**	–	$ –
Forfeited	**(540,729)**	**$ 6.79**	(248,734)	$ 9.61
Outstanding, end of year	**2,717,779**	**$ 8.71**	1,983,102	$ 7.11
Exercisable, end of year	–	**$ –**	–	$ –

(all tabular amounts are in thousands of Canadian dollars, except share information)

The following table provides additional information about Yellow Pages Limited's Stock Option Plan as at December 31:

	2020		2019	
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$5.86	**458,536**	**2.2**	762,777	3.2
$7.61	**251,979**	**1.1**	495,256	2.1
$7.97	–	–	701,875	0.7
$8.79	**1,567,487**	**2.0**	–	–
$10.47	**19,869**	**1.6**	19,869	2.6
$12.10	**419,908**	**1.9**	–	–
$17.83	–	–	3,325	3.2
Outstanding, end of year	**2,717,779**	**1.9**	1,983,102	2.0
Exercisable, end of year	–	–	–	–

Stock options were valued using a binomial option pricing model. Expected volatility is determined by the implied volatility from the current market price of the Company's outstanding warrants. The following table shows the key inputs into the valuation model for year ended December 31:

	2020	2019
Weighted average grant date share price	**$ 9.51**	$ 5.86
Exercise price	**$ 9.51**	$ 5.86
Expected volatility	**60.3%**	61.1%
Option life	**2.5 years**	4 years
Risk-free interest rate	**0.80%**	2.18%
Weighted average remaining life	**2.0 years**	3.2 years

During the year ended December 31, 2020, an expense of $3.6 million (2019 – an expense of $1.9 million) was recorded in the consolidated statement of income in operating costs in relation to the Stock Option Plan.

Share appreciation rights plan

On September 15, 2017, Yellow Pages Limited adopted a share appreciation rights plan (the ''SAR Plan'') to provide incentive compensation to key employees and officers of Yellow Pages Limited (the ''Participants'') who are in a position to make a material contribution to the successful operation of the business and to more closely align the interests of management with those of shareholders of Yellow Pages Limited. The SARs are time-based awards and will vest upon the continuous employment of the Participants at a date determined by the Board of Directors. Pursuant to the terms of the SAR Plan, the Participants will receive, upon vesting of the SARs, a payment in cash representing the excess of the fair value of Yellow Pages Limited's shares on the vesting date less the fair value of Yellow Pages Limited's shares on the grant date.

(all tabular amounts are in thousands of Canadian dollars, except share information)

The following table summarizes the continuity of the share appreciation rights (''SARs'') during the year ended December 31:

		2020		2019
	Number of SARs	**Liability[1]**	Number of SARs	Liability[1]
Outstanding, beginning of year	**701,875**	**$ 1,078**	701,875	$ 365
Granted	**174,165**	**594**	–	–
Settled	**(701,875)**	**(2,434)**	–	–
Variation due to change in fair value and vesting	**–**	**952**	–	713
Outstanding, end of year[2]	**174,165**	**$ 190**	701,875	$ 1,078

[1] *The liability related to the SAR Plan is recorded in trade and other payables, and the expense related to the units vested and the variation due to change in fair value are included in operating costs.*

[2] *The number of SARs vested as of December 31, 2020 is 44,348 (2019 – 545,903)*

SARs were valued using a binomial option pricing model. Expected volatility is determined by the implied volatility from the current market price of the Company's outstanding warrants. The following table shows the key inputs into the valuation model as at December 31:

	2020	2019
Weighted average grant date share price	**$ 8.79**	$ 9.12
Exercise price	**$ 8.79**	$ 7.97
Expected volatility	**63.9%**	41.0%
Weighted average SAR life	**2.5 years**	3 years
Risk-free interest rate	**0.60%**	2.04%
Weighted average remaining life	**2.0 years**	0.7 years

During the year ended December 31, 2020, an expense of $1.5 million (2019 – an expense of $0.7 million) was recorded in the consolidated statement of income in operating costs in relation to the SARs plan.

19. Financial charges, net

The significant components of the financial charges, net are as follows:

For the years ended December 31,	**2020**	2019
Interest on senior secured notes[1] and exchangeable debentures	**$ 11,195**	$ 24,661
Amortization of financing costs	**66**	6,013
Optional redemption price premium on senior secured notes	**–**	1,091
Interest on lease obligations, net of interest income on investment in subleases	**2,225**	3,217
Net interest on the defined benefit obligations	**3,804**	5,010
Redemption Option	**(2,627)**	–
Other, net	**(151)**	(57)
Financial charges, net	**$ 14,512**	$ 39,600

[1] *The senior secured notes were repaid in full in November 2019.*

(all tabular amounts are in thousands of Canadian dollars, except share information)

20. Commitments and contingencies

a) As at December 31, 2020, Yellow Pages Limited has commitments under purchase and service contract obligations for both operating and capital expenditures for each of the next five years and thereafter, and in the aggregate of:

	Total commitments
2021	$ **19,371**
2022	**11,467**
2023	**8,386**
2024	**4,838**
2025	**4,005**
Thereafter	**31,473**
	$ **79,540**

b) Yellow Pages Limited has three billing and collection services agreements. The agreement with Bell Canada (''Bell'') expires on December 31, 2023 and the agreement with Northwestel Inc., an affiliate of Bell expires, November 29, 2032. The agreement with TELUS Communications Inc. (''TELUS'') expires in 2031.

Pursuant to publication agreements with Bell and TELUS, Yellow Pages Limited produces alphabetical listing telephone directories for each of these companies in order for them to meet their regulatory obligations.

The Company also has other agreements with Bell and TELUS, providing for the use of listing information and trademarks for the publications of directories. If the Company materially fails to perform its obligations under the publication agreements mentioned above and as a result these publication agreements are terminated in accordance with their terms, these other listing information and trademark licenses with Bell and TELUS, as the case may be, may also be terminated. These other agreements with Bell and TELUS will terminate between 2031 and 2037.

c) Yellow Pages Limited entered into directory printing agreements with its printing suppliers to print, bind and furnish alphabetical, classified and combined directories as well as other publications. It also entered into distribution agreements.

d) Yellow Pages Limited is subject to various claims and proceedings which have been instituted against it during the normal course of business for which certain of the claims are provided for and included in trade and other payables, and provisions based on management's best estimate of the likelihood of the outcome. Management believes that the disposition of the matters pending or asserted is not expected to have any material adverse effect on the financial position, financial performance or cash flows of Yellow Pages Limited.

21. Financial risk management

Credit Risk

Credit risk stems primarily from the potential inability of a customer or counterparty to a financial instrument to meet its contractual obligations. Yellow Pages Limited is exposed to credit risk with respect to cash, trade receivables from customers and investment in subleases. The carrying value of financial assets represents Yellow Pages Limited's maximum exposure. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are placed with creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

Yellow Pages Limited's extension of credit to customers involves judgment. Yellow Pages Limited has established internal controls designed to mitigate credit risk, including a formal credit policy managed by its credit department. New customers, customers increasing their advertising spend by a certain threshold and customers not respecting payment terms are subject to a specific vetting and approval process. Yellow Pages Limited considers that it has limited exposure to concentration of credit risk with respect to trade receivables from customers due to its large and diverse customer base operating in numerous industries and its geographic diversity. There are no individual customers that account for 10% or more of revenues and there are no trade receivables from any one individual customer that exceeds 10% of the total balance of trade receivables at any point in time during the year.

(all tabular amounts are in thousands of Canadian dollars, except share information)

Bell and TELUS provide Yellow Pages Limited with customer collection services with respect to advertisers who are also their customers. As such, they receive money from customers on behalf of Yellow Pages Limited. Yellow Pages Limited retains the ultimate collection risk on these receivables.

The components of trade and other receivables are as follows:

As at	December 31, 2020	December 31, 2019[2]
Current	$ 44,686	$ 62,743
Past due less than 180 days	7,138	9,689
Past due over 180 days	5,980	6,153
Trade receivables[1]	$ 57,804	$ 78,585
Other receivables[3]	$ 6,626	$ 8,665
Trade and other receivables	$ $64,430	$ 87,250

[1] *Trade and other receivables are presented net of allowance for revenue adjustments ("AFRA") and ECL of $34.3 million as at December 31, 2020 ($31.6 million as at December 31, 2019).*

[2] *Certain comparative information has been restated to conform to current year presentation to more accurately allocate the AFRA to each aging bucket.*

[3] *Other receivables as at December 31, 2020 and December 31, 2019 included a loan receivable of $4.4 million associated with a forward contract.*

The following table provides information about the exposure to credit risk and the ECL allowance for trade receivables (including contract assets).

For the years ended December 31,		2020			2019	
	Expected credit loss rate	Gross carrying amount[1]	ECL allowance	Expected credit loss rate	Gross carrying amount[1]	ECL allowance
Current	2.8%	$ 45,952	$ 1,266	4.1%	$ 65,440	$ 2,697
Past due less than 180 days	29.2%	10,076	2,938	26.3%	13,145	3,456
Past due over 180 days	70.2%	20,062	14,082	65.0%	17,580	11,427
Total		$ 76,090	$ 18,286		$ 96,165	$ 17,580

[1] *The gross carrying value is net of the allowance for revenue adjustments of $16.0 million as at December 31, 2020 ($14.0 million as at December 31, 2019).*

The following table shows the movement in ECL allowance that has been recognized for trade receivables (including contract assets).

As at	December 31, 2020	December 31, 2019
Balance, beginning of the year	$ 17,580	$ 20,538
Remeasurement of ECL allowance, net of recovery	8,891	11,053
Amounts written-off	(8,185)	(14,011)
Balance, end of year	$ 18,286	$ 17,580

Yellow Pages Limited estimates the loss allowance on the net investment in subleases at the end of the reporting period at an amount equal to lifetime ECL. None of the net investment in subleases at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over the net investment in subleases, the ECL on net investment in subleases is insignificant.

(i) Interest Rate Risk

Yellow Pages Limited is exposed to interest rate risks resulting from fluctuations in interest rates on its ABL with rates which are generally based on the Prime rate or Canadian BA rate. Yellow Pages Limited does not use derivative instruments to reduce its exposure to interest rate risk. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations.

(all tabular amounts are in thousands of Canadian dollars, except share information)

Yellow Pages Limited may also be exposed to fluctuations in long-term interest rates relative to the refinancing of its debt obligations upon their maturity. The interest rate on new long-term debt issuances will be based on the prevailing rates at the time of the refinancing, and will also depend on the tenor of the new debt issued. There are no upcoming maturities that will require refinancing. As interest rates on the Exchangeable Debentures are fixed, the Company is not exposed to interest rate fluctuation risk.

(ii) Foreign Exchange Risk

Yellow Pages Limited is exposed to foreign exchange risk arising from various currency transactions, the financial risks which are not significant. Foreign exchange transaction risk arises primarily from commercial transactions that are denominated in a currency that is not the functional currency of Yellow Pages Limited's business unit that is party to the transaction. Yellow Pages Limited is exposed to fluctuations in the U.S. dollar. The effect on net earnings from existing U.S. dollar exposures of a one point increase or decrease in the Canadian/U.S. dollar exchange rate is not significant. The Company's expenditures, net of revenues, denominated in U.S. dollars were approximately $16.0 million for the year ended December 31, 2020 (2019 – $9.5 million). As at December 31, 2020, there were no foreign currency contracts outstanding.

Liquidity Risk

Liquidity risk is the exposure of Yellow Pages Limited to the risk of not being able to meet its financial obligations as they become due.

Yellow Pages Limited manages this risk by maintaining detailed cash forecasts and long-term operating and strategic plans. The management of liquidity requires a constant monitoring of expected cash inflows and outflows which is achieved through a detailed forecast of the Company's liquidity position to ensure adequate and efficient use of cash resources.

The Company expects to meet its financial obligations through internally generated cash and cash on hand.

The following are the contractual maturities of the financial liabilities and assets and related capital amounts:

			Payments due for the years following December 31, 2020	
	Total	**1 year**	**2 – 3 years**	**4 – 5 years**
Non-derivative financial liabilities				
Exchangeable debentures[1]	$ 107,033	$ –	$ 107,033	$ –
Trade and other payables	35,056	35,056	–	–
Provisions	23,062	22,076	783	203
Lease obligations	52,874	3,011	13,908	35,955
Total, net	**$ 218,025**	**$ 60,143**	**$ 121,724**	**$ 36,158**

[1] *Principal amount.*

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The fair value of the exchangeable debentures is evaluated based on quoted market prices as at the statement of financial position date. The Company has not adopted any hedge accounting during the period.

(all tabular amounts are in thousands of Canadian dollars, except share information)

The Redemption Option is recorded at fair value on the consolidated statements of financial position as Financial and other assets with changes in fair value recognized in financial charges. The fair value as at December 31, 2020 was $2.6 million and was insignificant at December 31, 2019.

The following schedule represents the carrying value and the fair value of financial instruments not measured at fair value in the consolidated statement of financial position as at December 31, 2020. The fair value of cash, trade and other receivables, and trade and other payables are not included, as their carrying amount is a reasonable approximation of fair value due to their short-term maturity:

	Level	**Carrying Value**	**Fair Value**
Exchangeable debentures	1	$ 101,115	$ 108,772

22. Capital disclosures

Yellow Pages Limited's objective in managing capital is to ensure sufficient liquidity to cover financial obligations and investment requirements. Reducing debt and associated interest charges is one of the Company's primary financial goals which will improve its financial flexibility and support the implementation of its strategic objectives. Yellow Pages Limited monitors its capital structure and makes adjustments based on the objectives described above in response to changes in economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. The primary measure used by Yellow Pages Limited to monitor its financial leverage is its ratio of net debt to Latest Twelve Month Adjusted EBITDA[2]. Yellow Pages Limited also uses other financial metrics to monitor its financial leverage including Fixed Charge Coverage Ratio and net debt to total capitalization.

Yellow Pages Limited's capital is comprised of net debt, Exchangeable Debentures and equity attributable to shareholders of Yellow Pages Limited as follows:

As at	**December 31, 2020**	December 31, 2019
Cash	**$ 153,492**	$ 44,408
Exchangeable debentures[1] (Note 13)	**101,115**	98,537
Lease obligations (Note 6)	**52,874**	57,885
Total debt	**$ 153,989**	$ 156,422
Equity (deficiency)	**29,301**	(16,660)
Total capitalization	**$ 183,290**	$ 139,762
Total debt net of cash, to total capitalization	**0.3%**	80.1%

For the years ended December 31,	**2020**	2019
Latest Twelve Month Adjusted EBITDA[2]	**$ 129,442**	$ 161,345
The total debt net of cash to latest Twelve-Month Adjusted EBITDA ratio[2]	**0.0**	0.7

1 *Represents the principal amount less unaccreted interest on the Exchangeable debentures.*

2 *Latest twelve-month income from operations before depreciation and amortization and restructuring and other charges ("Latest Twelve Month Adjusted EBITDA"). Latest Twelve Month Adjusted EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies.*

23. Guarantees

In the normal course of operations, Yellow Pages Limited has entered into agreements which are customary in the industry that provide for indemnifications and guarantees to counterparties in transactions involving business acquisitions, business dispositions and sale of assets. Yellow Pages Limited has entered into agreements which contain indemnification of its directors and officers indemnifying them against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of Yellow Pages Limited. Yellow Pages Limited benefits from directors' and officers' liability insurance which it has purchased. No amount has been accrued in the consolidated statements of financial position as at December 31, 2020 and 2019 with respect to these indemnities.

(all tabular amounts are in thousands of Canadian dollars, except share information)

The nature of these guarantees prevents Yellow Pages Limited from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties.

24. List of subsidiaries

	Principal activity	Proportion of ownership	
As at			December 31,
Canada		**2020**	2019
Yellow Pages Digital & Media Solutions Limited	Digital and print media marketing solutions provider	**100%**	100%
411 Local Search Corp.[1]	Digital media marketing solutions provider	**–**	100%
YP Dine Solutions Limited [2]	Local digital restaurant guides provider	**–**	100%
Bookenda Limited [2]	Booking and reservation management system provider	**–**	100%
USA			
YPG (USA) Holdings, Inc.	Holding company	**100%**	100%
Yellow Pages Digital & Media Solutions, LLC	Operational support services provider	**100%**	100%

[1] *Effective September 30, 2019, 411 Local Search Corp. was liquidated into Yellow Pages Digital & Media Solutions Limited. The corporation was dissolved on September 30, 2020.*

[2] *On December 31, 2019, YP Dine Solutions Limited and 4400348 Canada Inc. ("Bookenda Limited") were liquidated into Yellow Pages Digital & Media Solutions Limited. The corporations were dissolved on September 30, 2020.*

25. Related party disclosures

Key management personnel compensation

Yellow Pages Limited's key management personnel have authority and responsibility for planning, directing and controlling the Company's activities and consist of Yellow Pages Limited's executive team and the Board of Directors.

Total compensation expense for key management personnel, and the composition thereof, is as follows:

For the years ended December 31	2020	2019
Salary, board fees and short-term incentive plans	**$ 5,375**	$ 6,331
Post-employment benefits	**397**	137
Share-based compensation expense, including share price revaluation	**7,178**	3,038
All other compensation	**2,082**	417
Termination benefits	**–**	841
	$ 15,032	$ 10,764

Executive Team

David A. Eckert
President and Chief Executive Officer

John R. Ireland
Senior Vice-President, Organizational Effectiveness

Franco Sciannamblo
Senior Vice-President, Chief Financial Officer

Sherilyn King
Senior Vice President - Sales, Marketing and Customer Service

Treena Cooper
Senior Vice President, Secretary and General Counsel

Board of Directors

Susan Kudzman
Director and Chair of the Board

David A. Eckert
Director
President and Chief Executive Officer

Craig Forman
Director
Chair of the Corporate Governance and Nominating Committee

Robert Hall
Director
Chair of the Audit Committee

Kalpana Raina
Director

Paul W. Russo
Director
Chair of the Human Resources and Compensation Committee

Head Office

1751 rue Richardson
Montréal, Québec H3K 1G6

Investor Relations

Telephone: 1 877 956-2003
E-mail: ir.info@yp.ca

Auditor

Deloitte LLP

TSX Symbols

Y	Common Shares
YPG.DB	Senior Subordinated Unsecured Exchangeable Debentures
Y.WT	Warrants

Transfer Agent

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Montréal, Québec H3A 2A6
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