Annual Report

2022

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Message to Shareholders

Dear Shareholders,

I am pleased to report that 2022 was yet 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, generating strong cash while continuing to make measured and deliberate, productive investments in our future. Notable accomplishments included:

- **Produced strong profitability.** For the year, our profit (measured as Adjusted EBITDA margin[1]) was 36.0% of revenues, despite our ongoing, productive investments in revenue initiatives.
- **Cash to Shareholders and to Pension Plan.** Pursuant to a statutory plan of arrangement, during 2022, we distributed $100.0 million to shareholders by way of a share repurchase from all shareholders on a pro rata basis and advanced $24.0 million of voluntary contributions to our Defined Benefit Pension Plan's wind-up deficit, in addition to our $4.0 million voluntary incremental payments as announced in May 2021 toward our Defined Benefit Pension Plan's wind-up deficit.
- **Completed NCIB for our common stock.** Under our Normal Course Issuer Bid program, launched during 2021, the company purchased 871,135 common shares for cash of $12.4 million during 2022.
- **Paid quarterly cash dividends.** We continued to pay dividends of 15 cents per common share per quarter, for a total of $14.2 million in dividends to our common shareholders during 2022.
- **Healthy cash balance.** Even after the significant disbursements to shareholders and the Pension Plan, and continued investment in our revenue initiatives, we ended the year with approximately $43.9 million in cash.
- **Closer to revenue stability.** Every quarter in 2022, our percent change in revenue over prior year was better than the previous quarter's, and on an annual basis, total revenue percentage change was over 7 percentage points better than reported for 2021.

We believe we have produced strong results and continued to advance our company along 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, debt principal reductions and other sources and uses of cash, which are disclosed on page 20 of our February 14, 2023 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 14, 2023

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, 2022 and 2021 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2022 and 2021. Please also refer to Yellow Pages Limited's press release announcing its results for year ended December 31, 2022 issued on February 15, 2023. 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: corporate.yp.ca. 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 of non-GAAP Financial Measures Relative to Understanding Our Results" for a list of defined non-GAAP financial measures.

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, 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, and results of operations and businesses of YP (including, without limitation, payment of a cash dividend per share per quarter to its common shareholders). These statements are considered "forward-looking" because they are based on current expectations, as at February 14, 2023, 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 recover from the COVID-19 pandemic;
- 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 spend per customer;
- that the decline in print revenues will remain at or below approximately 25% per annum;
- that 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 inability of the Corporation 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;
- Successfully prosecuted legal action against the Corporation;
- 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;
- The impacts of COVID-19 are unpredictable; and
- An outbreak or escalation of a contagious disease may adversely affect the Corporation's business greater than anticipated.

Definitions of Non-GAAP Financial Measures Relative to Understanding Our Results

In this MD&A, we present several metrics used to explain our performance, including non-GAAP financial measures which are not defined under IFRS. These non-GAAP financial measures are described below.

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 income 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, debt principal reductions and other sources and uses of cash, which are disclosed on page 20 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 and Adjusted EBITDA less CAPEX margin

Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, are 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. Adjusted EBITDA less CAPEX margin is defined as the percentage of Adjusted EBITDA less CAPEX to revenues. We use Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin to evaluate the performance of our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX and Adjusted EBITDA less CAPEX margin to evaluate the performance of businesses in our industry. Adjusted EBITDA less CAPEX is also a component in the determination of short-term incentive compensation for 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 pages 9 and 15 of this MD&A for a reconciliation of Adjusted EBITDA less CAPEX.

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 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, 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 92,100 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 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, Bell MTS , 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 decelerating the rate of revenue decline ("bending the revenue curve") as well as continuing to improve operating and capital spending efficiency. Our longer-term success is dependent upon growth or stability in digital revenues and retaining and growing our customer base. Key analytics for the year ended December 31, 2022 include:

- Total Revenues – Total Revenues decreased 6.7% year-over-year and amounted to $268.3 million for the year ended December 31, 2022, an improvement from the decrease of 13.8% reported last year.
- Digital revenues – Digital revenues decreased 5.6% year-over-year and amounted to $209.1 million for the year ended December 31, 2022, an improvement from the decrease of 12.2% reported last year.
- Adjusted EBITDA[1] – Adjusted EBITDA declined to $96.6 million or 36.0% of revenues for the year ended December 31, 2022, relative to $102.0 million or 35.5% of revenues for the same period last year.
- Adjusted EBITDA less CAPEX[1] – Adjusted EBITDA less CAPEX decreased to $91.6 million or 34.1% of revenues for the year ended December 31, 2022 compared to $96.9 million or 33.7% of revenues for the same period last year.
- YP Customer Count[2] – YP's customer count decreased to 92,100 customers for the year ended December 31, 2022, as compared to 104,700 customers for same period last year. The customer count reduction of 12,600 for the year ended December 31, 2022 compares to a decline of 20,700 in the comparable period of the previous year.
- Headcount[3] – Headcount decreased to 629 employees as at December 31, 2022 compared to 651 employees at December 31, 2021.

[1] *Adjusted EBITDA and adjusted EBITDA less CAPEX are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Definitions of these non-GAAP financial measures are provided on page 4 of this MD&A.*
[2] *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.*
[3] *The Company defines headcount as total employees including contracted employees but 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 2022 compared to 2021 and 2020. 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-GAAP financial metrics are provided on page 4 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,		**2022**		2021		2020
Revenues	**$**	**268,278**	$	287,646	$	333,538
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA[1])	**$**	**96,568**	$	102,000	$	129,442
Adjusted EBITDA margin[1]		**36.0%**		35.5%		38.8%
Net income	**$**	**73,432**	$	70,635	$	60,298
Basic income per share	**$**	**3.10**	$	2.68	$	2.27
CAPEX[1]	**$**	**5,004**	$	5,074	$	5,573
Adjusted EBITDA less CAPEX[1]	**$**	**91,564**	$	96,926	$	123,869
Adjusted EBITDA less CAPEX margin[1]		**34.1%**		33.7%		37.1%
Cash flows from operating activities[2]	**$**	**49,500**	$	104,579	$	126,998

[1] *CAPEX, adjusted EBITDA and adjusted EBITDA less CAPEX are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Definitions of these non-GAAP financial measures are provided on page 4 of this MD&A.*

[2] *Includes funding of post-employment benefit plans of $24.0 million for the year ended December 31, 2022, pursuant to the plan of arrangement (see section "Pension Contributions" for details).*

Consolidated Operating and Financial Results

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

For the years ended December 31,	2022	% of Revenues	2021	% of Revenues	2020	% of Revenues
Revenues	$ 268,278		$ 287,646		$ 333,538	
Cost of sales	112,371	41.9%	116,692	40.6%	127,789	38.3%
Gross profit	155,907	58.1%	170,954	59.4%	205,749	61.7%
Other operating costs	59,339	22.1%	68,954	24.0%	76,307	22.9%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	96,568	36.0%	102,000	35.5%	129,442	38.8%
Depreciation and amortization	15,397	5.7%	19,635	6.8%	27,664	8.3%
Restructuring and other charges	3,231	1.2%	5,344	1.9%	8,131	2.4%
Income from operations	77,940	29.1%	77,021	26.8%	93,647	28.1%
Financial charges, net	1,808	0.7%	9,343	3.2%	14,512	4.4%
Loss on early repayment of debt	–	–	7,764	2.7%	–	–
Loss on sale of businesses	–	–	–	–	423	0.1%
Income before income taxes	76,132	28.4%	59,914	20.8%	78,712	23.6%
Provision for (recovery of) income taxes	2,700	1.0%	(10,721)	(3.7%)	18,414	5.5%
Net income	$ 73,432	27.4%	$ 70,635	24.6%	$ 60,298	18.1%
Basic income per share	$ 3.10		$ 2.68		$ 2.27	
Diluted income per share	$ 3.02		$ 2.64		$ 2.10	

Analysis of Consolidated Operating and Financial Results

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 (Adjusted EBITDA) less CAPEX, to measure performance. Definitions of these non-GAAP financial measures are provided on page 4 of this MD&A. The CEO also reviews revenues by similar products and services, such as Print and Digital.

Fiscal year 2022 versus 2021

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022		2021	% Change
Digital	**$**	**209,130**	$	221,471	(5.6%)
Print		**59,148**		66,175	(10.6%)
Total revenues	**$**	**268,278**	$	287,646	(6.7%)

Total revenues for the year ended December 31, 2022 decreased by 6.7% to $268.3 million, as compared to $287.6 million for the same period last year. The decrease in revenues is mainly due to the decline of our higher margin 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.

Total digital revenues decreased 5.6% year-over-year and amounted to $209.1 million for the year ended December 31, 2022, as compared to $221.5 million for the same period last year. The revenue decline for the period ended December 31, 2022, was mainly attributable to a decrease in digital customer count partially offset by an increase in spend per customer.

Total print revenues decreased 10.6% year-over-year and amounted to $59.1 million for year ended December 31, 2022. The revenue decline is mainly attributable to the decrease in the number of print customers as well as the spend per customer.

The decline rates for total revenues, digital revenues and print revenues all significantly improved year-over-year. Total revenue decline of 6.7% this year compares to a decline of 13.8% reported last year. Digital revenue decline of 5.6% this year compares to a decline of 12.2% reported last year. Print revenue decline of 10.6% this year compares to a decline of 18.6% reported last year. These improvements were due to better spend per customer in digital, increased renewal rates as well as improvement in customer claims. The improved spend per customer is due in part to increased pricing.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total gross profit	**$**	**155,907**	**58.1%**	$	170,954	59.4%	(8.8%)

Gross profit decreased to $155.9 million or 58.1% of revenues for the year ended December 31, 2022, compared to $171.0 million, or 59.4% of total revenues, for the same period last year. The decrease in gross profit is a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations, cost reductions and increased pricing.

Adjusted EBITDA[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total Adjusted EBITDA	**$**	**96,568**	**36.0%**	$	102,000	35.5%	(5.3%)

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

For the year ended December 31, 2022 Adjusted EBITDA decreased by $5.4 million or 5.3% to $96.6 million, compared to $102.0 million for the same period last year. The adjusted EBITDA margin increased during the year ended December 31, 2022 to 36.0%, compared to 35.5% for the same period last year. The decrease in Adjusted EBITDA for the year ended December 31, 2022, is the result of revenue pressures as well as ongoing investments in our tele-sales force capacity, partially offset by price increases, the efficiencies from optimization in cost of sales, reductions in other operating costs including reductions in our workforce and associated employee expenses, the decrease in bad debt expense and the decrease in cash-settled stock-based compensation expense. The decrease in cash settled stock-based compensation expense results from the revaluations of the cash settled stock-based compensation liabilities at December 31, 2022, resulting in a $1.9 million recovery related to cash settled stock-based compensation expense for the year ended December 31, 2022, compared to a charge of $4.2 million for the comparative year ended December 31, 2021. The $1.9 million recovery related to cash settled stock-based compensation expense is driven by the refinement of the volatility parameter of the pricing model from using the historical share price volatility of its common shares as a reliable observable input to reflect expected volatility. The charge of $4.2 million in 2021 was driven by the increase in YP's share price. The Company received a total of $1.1 million of emergency wage subsidies for the year ended December 31, 2022 compared to $4.2 million for the year ended December 31, 2021. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will continue to cause some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Adjusted EBITDA	**$**	**96,568**	**36.0%**	$	102,000	35.5%	(5.3%)
CAPEX		**5,004**	**1.9%**		5,074	1.8%	(1.4%)
Total Adjusted EBITDA less CAPEX	**$**	**91,564**	**34.1%**	$	96,926	33.7%	(5.5%)

[1] *Adjusted EBITDA less CAPEX is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

For the year ended December 31, 2022 Adjusted EBITDA less CAPEX decreased by $5.4 million or 5.5% to $91.6 million, compared to $96.9 million for the same period last year. The decrease is driven by the decrease in Adjusted EBITDA. The adjusted EBITDA less CAPEX margin increased during the period ended December 31, 2022 to 34.1% compared to 33.7% for the same period last year.

Depreciation and Amortization

Depreciation and amortization decreased to $15.4 million for the year ended December 31, 2022 compared to $19.6 million for the same period last year primarily due to lower software development expenditures in recent years.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the years ended December 31,		2022		2021
Severance, benefits and outplacement	**$**	**1,054**	$	4,520
Impairment of property and equipment and right-of-use assets and future operation costs related to lease contracts for vacated offices		**1,850**		733
Other costs		**327**		91
Total restructuring and other charges	**$**	**3,231**	$	5,344

Yellow Pages Limited recorded restructuring and other charges of $3.2 million during the year ended December 31, 2022 consisting mainly of restructuring charges of $1.0 million associated with workforce reductions as well as a $1.4 million charge related to the impairment of property and equipment and right-of-use assets related to vacant office space and $0.5 million charge related to future operation costs provisioned related to lease contracts of vacant offices, and $0.3 million of other costs.

Yellow Pages Limited recorded restructuring and other charges of $5.3 million during the year ended December 31, 2021 consisting mainly of restructuring charges of $4.6 million associated with workforce reductions and a $0.9 million charge related to future operation costs provisioned related to lease contracts for office closures, partially offset by a $0.2 million recovery related to the surrender of vacated office space.

Financial Charges, net

Financial charges decreased to $1.8 million for the year ended December 31, 2022 compared to $9.3 million for the same period last year. The decrease is mainly due to lower interest due to the full repayment of the Exchangeable debentures on May 31, 2021 and higher interest income as a result of higher cash balances and higher interest rates.

Loss on early repayment of debt

Yellow Pages Limited recorded a loss on early repayment of debt of $7.8 million during the year ended December 31, 2021, consisting of a loss of $4.8 million on the early repayment of the Exchangeable debentures and a loss of $3.0 million related to the derecognition of the redemption option of the Exchangeable debentures.

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.42% for the year ended December 31, 2022 and 26.40% for the same period in 2021. The Company recorded an income tax expense of $2.7 million for the year ended December 31, 2022, including the recognition of previously unrecognized tax attributes and temporary differences of $17.8 million. In comparison, the company recorded an income tax recovery of $10.7 million for the year ended December 31, 2021, including the recognition of previously unrecognized tax attributes and temporary differences of $27.0 million. The Company recorded an income tax expense of 3.55% of income for the year ended December 31, 2022 (2021 – an income tax recovery of 17.9% these recoveries are non-cash items).

The difference between the effective and the statutory rates for the years ended December 31, 2022 and 2021 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net income

Net income increased to $73.4 million for the year ended December 31, 2022 compared to net income of $70.6 million for the same period last year due to higher income before income taxes, partially offset by higher income taxes from lower recognition of previously unrecognized tax attributes and temporary differences. The increase in income before income taxes for the year-ended December 31, 2022 of $16.2 million is explained by lower Adjusted EBITDA, being more than offset by the decrease in financial charges due to lower debt and higher cash balances as well as the decrease in depreciation and amortization and restructuring and other charges. Furthermore, the year-ended December 31, 2021 was impacted by the loss on the early repayment of debt of $7.8 million.

Fiscal year 2021 versus 2020

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2021	2020	% Change
Digital	$ 221,471	$ 252,252	(12.2%)
Print	66,175	81,286	(18.6%)
Total revenues	$ 287,646	$ 333,538	(13.8%)

Total revenues for the year ended December 31, 2021 decreased by 13.8% to $287.6 million, as compared to $333.5 million for the same period in 2020. The decrease in revenues was mainly due to the decline of our higher margin 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.

Total digital revenues decreased 12.2% year-over-year and amounted to $221.5 million for the year ended December 31, 2021, as compared to $252.3 million for the same period in 2020. The revenue decline for the period ended December 31, 2021, was mainly attributable to a decrease in digital customer count partially offset by an increase in spend per customer.

Print revenues decreased 18.6% year-over-year and amounted to $66.2 million for the year ended December 31, 2021. The revenue decline was mostly attributable to decreases in the number of print customers as well as the spend per customer.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2021	% of Revenues		2020	% of Revenues	% Change
Total gross profit	$	170,954	59.4%	$	205,749	61.7%	(16.9%)

Gross profit decreased to $171.0 million or 59.4% of revenues for the year ended December 31, 2021, compared to $205.7 million, or 61.7% of total revenues, for the same period in 2020. The decrease in gross profit was a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations and cost reductions.

Adjusted EBITDA[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2021	% of Revenues		2020	% of Revenues	% Change
Total Adjusted EBITDA	$	102,000	35.5%	$	129,442	38.8%	(21.2%)

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

For the year ended December 31, 2021 Adjusted EBITDA decreased by $27.4 million or 21.2% to $102.0 million or 35.5% of revenues, compared to $129.4 million or 38.8% of revenues for the same period in 2020. The decrease in Adjusted EBITDA resulted from revenue pressures, investments in our tele-sales force capacity, as well as the impact of the Company's share-price on cash settled stock-based compensation expense and lower wage subsidies received, partially offset by efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses as well the Company's office space footprint and other spending across the Company. The change in YP's share price, resulted in an incremental charge of $4.2 million related to cash settled stock-based compensation expense for the year ended December 31, 2021, compared to a charge of $3.7 million for the period ended December 31, 2020. Furthermore, 2020 benefited from $1.0 million recovery in compensation expense related to forfeitures. The Company received a total of $4.2 million of emergency wage subsidies for the year ended December 31, 2021 compared to $7.3 million for the period ended December 31, 2020.

Adjusted EBITDA less CAPEX[1]

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2021	% of Revenues		2020	% of Revenues	% Change
Adjusted EBITDA	$	102,000	35.5%	$	129,442	38.8%	(21.2%)
CAPEX		5,074	1.8%		5,573	1.7%	(9.0%)
Total Adjusted EBITDA less CAPEX	$	96,926	33.7%	$	123,869	37.1%	(21.8%)

[1] *Adjusted EBITDA less CAPEX is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

For the year ended December 31, 2021 Adjusted EBITDA less CAPEX decreased by $26.9 million or 21.8% to $96.9 million, compared to $123.9 million for the same period in 2020. The decrease is mainly driven by the decrease in Adjusted EBITDA, partially offset by lower capital expenditures driven by lower spend in software development year-over-year.

Depreciation and Amortization

Depreciation and amortization decreased to $19.6 million for the year ended December 31, 2021, compared to $27.7 million for the same period in 2020, primarily due to lower software development expenditures in recent years.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the years ended December 31,	2021	2020
Severance, benefits and outplacement	$ 4,520	$ 2,895
Impairment of right-of-use assets and property and equipment and provision for future operation costs related to lease contracts for vacated offices	733	5,512
Other costs (recoveries)	91	(276)
Total restructuring and other charges	$ 5,344	$ 8,131

Yellow Pages Limited recorded restructuring and other charges of $5.3 million during the year ended December 31, 2021 consisting mainly of restructuring charges of $4.6 million associated with workforce reductions and a $0.9 million charge related to future operation costs provisioned related to lease contracts for office closures, partially offset by a $0.2 million recovery related to the surrender of vacated office space.

Restructuring and other charges of $8.1 million were recorded 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.

Financial Charges

Financial charges decreased to $9.3 million for the year ended December 31, 2021 compared to $14.5 million for the year ended December 31, 2020. The decrease was mainly due to lower interest due to the full repayment of the Exchangeable debentures on May 31, 2021.

Loss on early repayment of debt

Yellow Pages Limited recorded a loss on early repayment of debt of $7.8 million during the year ended December 31, 2021, consisting of a loss of $4.8 million on the early repayment of the Exchangeable debentures and a loss of $3.0 million related to the derecognition of the redemption option of the Exchangeable debentures.

(Recovery of) provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.4% for the year ended December 31, 2021 and 26.5% for the same period in 2020. The Company recorded an income tax recovery of $10.7 million for the year ended December 31, 2021, including the recognition of previously unrecognized tax attributes and temporary differences of $27.0 million. In comparison, the company recorded income tax 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. The Company recorded an income tax recovery of 17.9% of income for the year ended December 31, 2021 (2020 – an income tax expense of 23.4%), these recoveries are non-cash items.

The difference between the effective and the statutory rates for the years ended December 31, 2021 and 2020 was mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net income

Net income increased to $70.6 million for the year ended December 31, 2021 compared to net income of $60.3 million, for the same period in 2020 due to higher recognition of previously unrecognized tax attributes and temporary differences. Income before income taxes decreased from $78.7 million to $59.9 million for the year ended December 31, 2021, explained principally by lower Adjusted EBITDA and the loss on early repayment of debt, partially offset by decreases in depreciation and amortization, restructuring and other charges, and financial charges.

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)

				2022				2021
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	**$ 64,595**	$ 66,310	$ 69,584	$ 67,789	$ 68,624	$ 70,920	$ 74,588	$ 73,514
Operating costs	**43,616**	39,920	45,796	42,378	44,264	44,303	50,148	46,931
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA[1])	**20,979**	26,390	23,788	25,411	24,360	26,617	24,440	26,583
Adjusted EBITDA margin[1]	**32.5%**	39.8%	34.2%	37.5%	35.5%	37.5%	32.8%	36.2%
Depreciation and amortization	**3,327**	3,514	4,208	4,348	4,557	5,058	4,928	5,092
Restructuring and other charges	**464**	612	1,773	382	2,665	1,423	200	1,056
Income from operations	**17,188**	22,264	17,807	20,681	17,138	20,136	19,312	20,435
Financial charges, net	**523**	55	458	772	1,214	1,132	3,202	3,795
Loss on early repayment of debt	**–**	–	–	–	–	–	7,764	–
Income before income taxes	**16,665**	22,209	17,349	19,909	15,924	19,004	8,346	16,640
(Recovery of) provision for income taxes	**(12,766)**	5,516	4,671	5,279	(22,811)	5,257	2,328	4,505
Net income	**$ 29,431**	$ 16,693	$ 12,678	$ 14,630	$ 38,735	$ 13,747	$ 6,018	$ 12,135
Basic income per share	**$ 1.64**	$ 0.66	$ 0.50	$ 0.56	$ 1.48	$ 0.52	$ 0.23	$ 0.46
Diluted income per share	**$ 1.63**	$ 0.60	$ 0.49	$ 0.56	$ 1.46	$ 0.51	$ 0.22	$ 0.44

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

Sequential quarterly revenue trends are impacted by the print publication distribution schedules, with the second quarter being the strongest quarter. Year-over-year the quarterly revenues have decreased principally due to lower customer count partially offset by an increasing spend per customer, driven by, the increase in digital spend per customer more than offsetting the decline in print spend per customer.

During 2022, the quarterly decline rates for total revenues, have significantly improved on a year-over-year basis. These improvements were due to better spend per customer in digital, increased renewal rates as well as improvement in customer claims. The improved spend per customer is due in part to increased pricing.

Quarterly Operating costs decreased year-over-year driven by efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses. YP recorded a $3.6 million recovery in operating costs related to cash settled stock-based compensation expense during the third quarter of 2022, driven by the decrease in the Company's share price during the third quarter as well as a decrease in the volatility parameter of the pricing model from using the historical share price volatility of its common shares as a reliable observable input to reflect expected volatility. During the fourth quarter of 2022, YP's share price increase resulted in the incremental charge related to stock-based compensation expense of $1.4 million. The Company received $0.5 million and $0.6 million in emergency wages subsidies in each of the first and third quarters of 2022, respectively. In the second quarter of 2021, the increase in YP's share price resulted in an incremental charge related to cash settled stock-based compensation expense of $3.4 million, partially offset by the receipt of a $1.9 million emergency wage subsidy. The Company also received $0.7 million during the first quarter of 2021 and $0.8 million in emergency wage subsidies in each of the third and fourth quarters of 2021, respectively.

Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, put pressure on the Adjusted EBITDA margin. Furthermore, the quarters are also impacted by the movement in YP's share price and the emergency wage subsidies received as discussed above.

Depreciation and amortization have steadily decreased due to lower intangible assets resulting from decreasing software development expenditures in recent years.

The Company's restructuring and other charges mainly relate to workforce reductions and impairments of property and equipment and right-of-use assets and future operating costs related to lease contracts for previously vacated offices.

The financial charges have further declined in the last six quarters since the full repayment of Exchangeable debentures in the second quarter of 2021.

The Company recorded a loss on early repayment of debt related to the Exchangeable debentures of $7.8 million in the second quarter of 2021.

Net income for the fourth quarter of 2022 and 2021 benefited from the recording of previously unrecognized tax attributes and temporary differences of $17.8 million and $27.0 million in the provision for (recovery of) income taxes, respectively.

Analysis of Fourth Quarter 2022 Results

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022		2021	% Change
Digital	**$**	**51,509**	$	53,798	(4.3%)
Print		**13,086**		14,826	(11.7%)
Total revenues	**$**	**64,595**	$	68,624	(5.9%)

Total revenues for the fourth quarter ended December 31, 2022 decreased by 5.9% year-over-year and amounted to $64.6 million as compared to $68.6 million for the same period last year. The decrease for the quarter ended December 31, 2022 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.

Total digital revenues decreased 4.3% year-over-year and amounted to $51.5 million during the fourth quarter of 2022 compared to $53.8 million for the same period last year. The revenue decline is mainly attributable to a decrease in digital customer count partially offset by a higher spend per customer.

Total print revenues decreased 11.7% year-over-year and amounted to $13.1 million during the fourth quarter of 2022 as compared to $14.8 million in the fourth quarter of 2021. The revenue decline was mostly attributable to decreases in the number of print customers as well as the spend per customer.

The decline rates for total revenues, digital revenues and print revenues all significantly improved year-over-year. Total revenue decline of 5.9% this quarter compares to a decline of 10.5% reported for the same period last year. Digital revenue decline of 4.3% this quarter compares to a decline of 8.7% reported for the same period last year. Print revenue decline of 11.7% this quarter compares to a decline of 16.5% reported for the same period last year. These improvements were due to better spend per customer in digital, increased renewal rates, as well as improvement in customer claims. The improved spend per customer is due in part to increased pricing.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total gross profit	**$**	**37,827**	**58.6%**	$	40,117	58.5%	(5.7%)

Gross profit totalled $37.8 million or 58.6% of revenues for the three-month period ended December 31, 2022, compared to $40.1 million, or 58.5% of revenues, for the same period last year. The decrease in gross profit for the three-month period ended December 31, 2022 is a result of the pressures from lower overall revenues, change in product mix and investments in our tele-sales force capacity, partially offset by continued optimizations, cost reductions and increased pricing.

Adjusted EBITDA[1]

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Total Adjusted EBITDA	**$**	**20,979**	**32.5%**	$	24,360	35.5%	(13.9%)

[1] *Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

Adjusted EBITDA decreased to $21.0 million or 32.5% of revenues in the fourth quarter ended December 31, 2022, relative to $24.4 million or 35.5% of revenues for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three-month period ended December 31, 2022 is the result of revenue pressures, ongoing investments in our tele-sales force capacity, the increase in cash-settled stock-based compensation expense due to movements in YP's share price and lower wage subsidies received, partially offset by price increases, efficiencies from optimization in cost of sales and reductions in other operating costs including reductions in our workforce and associated employee expenses and the decrease in bad debt expense. The increase in YP's share price during the quarter resulted in an incremental charge related to cash settled stock-based compensation expense of $1.4 million for the three-month period ended December 31, 2022 compared to $0.3 million for the same period last year. The Company has not received emergency wage subsidy during the three-month period ended December 31, 2022 compared to $0.8 million received during the same period last year. Revenue pressures, coupled with increased headcount in our salesforce partially offset by continued optimization, will continue to cause some pressure on margin in upcoming quarters.

Adjusted EBITDA less CAPEX[1]

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2022	% of Revenues		2021	% of Revenues	% Change
Adjusted EBITDA	**$**	**20,979**	**32.5%**	$	24,360	35.5%	(13.9%)
CAPEX		**986**	**1.5%**		1,220	1.8%	(19.2%)
Total Adjusted EBITDA less CAPEX	**$**	**19,993**	**31.0%**	$	23,140	33.7%	(13.6%)

[1] *Adjusted EBITDA less CAPEX is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP financial measures are provided on page 4 of this MD&A.*

Adjusted EBITDA less CAPEX decreased by $3.1 million to $20.0 million during the fourth quarter of 2022, compared to $23.1 million during the same period last year. The decrease in Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2022 is mainly due to lower Adjusted EBITDA partially offset by lower capital expenditures.

Depreciation and Amortization

Depreciation and amortization decreased to $3.3 million for the three-month period ended December 31, 2022 compared to $4.6 million for the same period last year. The decrease is primarily due to lower software development expenditures in recent years.

Restructuring and Other Charges

(In thousands of Canadian dollars)

For the three-month periods ended December 31,		2022		2021
Severance, benefits and outplacement	**$**	**210**	$	2,048
Provision for future operation costs related to lease contracts for vacated offices		**340**		535
Other (recoveries) costs		**(86)**		82
Total restructuring and other charges	**$**	**464**	$	2,665

Yellow Pages Limited recorded restructuring and other charges of $0.5 million during the three-month period ended December 31, 2022 consisting mainly of restructuring charges of $0.2 million associated with workforce reductions and a $0.3 million charge related to future operation costs provisioned related to lease contracts of previously

vacated office space. Restructuring and other charges of $2.7 million were recorded for the three-month period ended December 31, 2021 consisting mainly of restructuring charges of $2.1 million associated with workforce reductions, and a $0.5 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space.

Financial Charges

Financial charges decreased to $0.5 million for the three-month period ended December 31, 2022 compared to $1.2 million for the same period last year. The decrease for the quarter is mainly due to higher interest income.

(Recovery of) provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.42% and 26.40% for the three-month periods ended December 31, 2022 and 2021, respectively. The Company recorded a recovery for income tax of $12.8 million, including a recovery for the recognition of previously unrecognized tax attributes and temporary differences of $17.8 million for the three-month period ended December 31, 2022. In comparison, the Company recorded a recovery for income tax of $22.8 million, including a recovery for the recognition of previously unrecognized tax attributes and temporary differences of $27.0 million for the three-month period ended December 31, 2021. These recoveries were non-cash items.

The difference between the effective and the statutory rates during the three-month period ended December 31, 2022 and 2021 is mainly due to recognition of previously unrecognized tax attributes and temporary differences and the non-deductibility of certain expenses for tax purposes.

Net income

Net income for the three-month period ended December 31, 2022 amounted to $29.4 million as compared to net income of $38.7 million for the same period last year. The decrease is mainly attributable to higher recognition of previously unrecognized tax attributes and temporary differences in 2021. Income before taxes increased from $15.9 million for the fourth quarter of 2021 to $16.7 million for the three-month period ended December 31, 2022, explained principally by lower Adjusted EBITDA being more than offset by decreases in restructuring and other charges, depreciation and amortization and financial charges.

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,		**2022**		2021
Cash	**$**	**43,907**	$	123,559
Lease obligations (including current portion)		**47,129**		49,879
Total debt	**$**	**47,129**	$	49,879
Equity		**65,781**		116,131
Total capitalization	**$**	**112,910**	$	166,010
Total debt net of cash (cash net of debt)[1]	**$**	**3,222**	$	(73,680)
Total debt net of cash to total capitalization		**2.9%**		n.a

[1] *The term debt net of cash (cash net of debt) does not have a standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We define debt net of cash (cash net of debt) as Lease obligations including current portion, less cash, as shown in the Company's consolidated statements of financial position.*

Asset-Based Loan

The Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, has an asset-based loan (ABL) with a term to September 2025 and a total commitment of $20.0 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, CDOR (Canadian Dollar Offered Rate) loans or letters of credit. The ABL is subject to a trailing twelve-month fixed charge coverage ratio when there is an event of default or when excess availability is less than 10% of the facility limit. Upon such event, the fixed charge coverage ratio must be a minimum of 1.1 times.

As at December 31, 2022, the Company had $2.3 million of letters of credit issued and outstanding and an availability of $17.7 million under the ABL.

As at December 31, 2022, the Company was in compliance with all covenants under the loan agreement governing the ABL.

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 lease and post-employment benefit obligations. As at December 31, 2022, the Company had $43.9 million of cash and $17.7 million available under the ABL.

Options

On March 24, 2022, the Board of Directors (the "Board") approved an amendment to the Stock Option Plan in order provide the Board the discretion to amend the exercise price of Options, subject to TSX approval, in the event a stock dividend or cash dividend (other than any ordinary course cash dividend) is declared on the Corporation's common shares.

On March 23, 2021, the Board approved an amendment to the Stock Option Plan to increase the insider participation limits and the maximum number of shares issuable to one person from 5% of the issued and outstanding shares to 10% of the issued and outstanding shares. In addition, the Stock Option Plan was amended to provide that any shares repurchased by the Company for cancellation pursuant to a NCIB will not constitute non-compliance with these limits for any options outstanding prior to such purchase of Shares for cancellation.

A maximum of 2,806,932 stock options may be granted under the Stock Option Plan. 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.

Stock options granted that are payable in cash are presented as a liability.

Share Data

Outstanding Share Data

As at	February 14, 2023	December 31, 2022	December 31, 2021
Common shares outstanding[1]	18,658,347	18,658,347	27,459,686
Common share purchase warrants outstanding[2]	–	–	2,995,483
Stock options outstanding[3]	2,132,132	2,132,132	2,332,893

[1] *On October 4, 2022, the Company repurchased from shareholders pro rata an aggregate of 7,949,125 common shares pursuant to the plan of arrangement (refer to the section ''Plan of Arrangement'' for details.*

[2] *The Common share purchase warrants expired on December 20, 2022.*

[3] *Included in the stock options outstanding balance of 2,132,132 as at February 14, 2023 and December 31, 2022, are nil stock options exercisable as at those dates. Included in the stock options outstanding balance of 2,332,893 as at December 31, 2021 were nil stock options exercisable as at that date.*

Share repurchases - NCIBs

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. The Company completed this NCIB program on July 16, 2021 after attaining the $5.0 million limit.

On August 5, 2021, the Company announced a new NCIB commencing August 10, 2021 to purchase up to $16.0 million of the Company's outstanding shares for cancellation on or before August 9, 2022. Upon completion of this NCIB program on May 30, 2022, the Company purchased under this NCIB program, a total of 1,122,511 common shares for cash of $16.0 million. For the year ended December 31, 2022, the Company purchased under this NCIB program 871,135 common shares, for cash of $12.4 million. The related historical carrying value of these shares in excess of the repurchase proceeds was reclassified from shareholder's capital to deficit within the Company's consolidated financial statements. For the year ended December 31, 2021, the Company purchased under this NCIB program 251,376 common shares for cash of $3.6 million.

Share repurchase - Plan of Arrangement

On August 4, 2022, the Board approved a distribution to shareholders of approximately $100.0 million by way of a share repurchase from all shareholders pursuant to a statutory arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). The shareholders of the Company (the "Shareholders") approved the Arrangement at a special meeting of the Shareholders held on September 23, 2022 and the Company subsequently obtained the final order from the Supreme Court of British Columbia approving the Arrangement on September 27, 2022. On October 4, 2022, the Company repurchased from shareholders *pro rata* an aggregate of 7,949,125 common shares (including 388,082 shares held in treasury) at a purchase price of $12.58 per share pursuant to the Arrangement for a total of $101.0 million, including $1.0 million of transaction costs. The $101.0 million cash outlay was reduced by $4.9 million for the cancellation of 388,082 of YP's 1,298,994 shares held in Treasury for a net cash outlay of $96.1 million. Also pursuant to the Arrangement, the Company advanced $24.0 million to the Defined Benefit Pension Plan's (the "Pension Plan") wind-up deficit for the year ended December 31, 2022 (refer to "*Pension Contributions*" section for additional details).

Dividend policy

On May 12th, 2021, the Company's Board modified its dividend policy of paying a quarterly cash dividend to its common shareholders by increasing the dividend from $0.11 per share to $0.15 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, 2022, the Company paid quarterly dividends of $0.15 per common share. The dividends were paid on March 15, June 15, September 15 and December 15 of 2022 for a total consideration of $14.2 million to common shareholders. During the year ended December 31, 2021, the Company paid quarterly dividends of $0.11 per common share on March 15, 2021 and of $0.15 per common share on June 30, September 15 and December 15 of 2021 for a total consideration of $14.7 million to common shareholders.

On February 14, 2023, the Board declared a cash dividend of $0.15 per common share, payable on March 15, 2023 to shareholders of record as at February 24, 2023. Future quarterly dividends are subject to Board approval.

Contractual Obligations and Other Commitments

(in thousands of Canadian dollars)

		Payments due for the years following December 31, 2022			
	Total	**1 year**	**2 – 3 years**	**4 – 5 years**	**Thereafter**
Lease obligations[1,2]	**$ 47,129**	$ 3,396	$ 7,675	$ 8,137	$ 27,921
Operating portion of lease obligations	**58,036**	4,961	11,193	11,535	30,347
Purchase obligations	**32,196**	14,407	12,968	2,562	2,259
Total contractual obligations	**$ 137,361**	**$ 22,764**	**$ 31,836**	**$ 22,234**	**$ 60,527**

1 *Principal amount.*
2 *Net present value.*

Lease obligations

We entered into finance lease agreements for premises. As at December 31, 2022, minimum payments under these finance leases up to 2033 total $47.1 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, 2022, minimum payments for the operating portion under these leases up to 2033 total $58.0 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 2023 and 2032. We also have purchase obligations under service contracts for both operating and capital expenditures.

As at December 31, 2022, we have an obligation to purchase services for $32.2 million over the next five years and thereafter. Cash from operations will be used to fund these purchase obligations.

Pension Contributions

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, 2022, the DB component of the YP Pension Plan's assets market value totalled $404.1 million and were invested in a diversified portfolio of Canadian fixed income securities, Canadian and international equity securities, real estate and private market funds. Its annual rate of return on assets was (17.9%) for 2022, 1.96% 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 was 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 was determined to be $4.7 million for a 10-year period starting in 2021. The next actuarial valuation for funding purposes prepared at December 31, 2022 will be filed by September 30, 2023.

On May 12, 2021, the Board approved a voluntary incremental $4.0 million cash contribution in 2021 bringing cash payments to the Pension Plan's wind-up deficit to $6.0 million, as part of a deficit-reduction plan to increase the probability that the Pension Plan will be fully funded on a wind-up basis by 2030. The deficit-reduction plan includes an intention to make cash payments to the wind-up deficit of $6.0 million every year until 2030. The probability of achieving a wind-up ratio of 100% by 2030 is dependent upon other, uncontrollable factors, including, inter alia, market returns and discount rates. The Board will review the deficit-reduction plan annually.

In 2022, pursuant to the Arrangement (refer to the section "*Share repurchase – Plan of Arrangement*" for additional details), the Company advanced the previously announced voluntary incremental cash contributions to the Pension Plan's wind-up deficit by an amount of $24.0 million during the year ended December 31, 2022, bringing 2022 cash payments to the Pension Plan's wind-up deficit to $30.0 million. The incremental voluntary cash infusion of $24.0 million during the year ended December 31, 2022 represents advancing the voluntary $6.0 million contributions intended in years 2027, 2028, 2029 and 2030 that were part of the deficit-reduction plan announced in May of 2021 to increase the probability that the Pension Plan will be fully funded by 2030.

As of December 31, 2021, the Company's Pension Plan had a Prior Year Credit Balance ("PYCB") of $3.1 million. During 2022, the Company drew down $2.7 million (2021 - $2.7 million) of the PYCB, thereby reducing cash payments required into the Pension Plan and leaving a PYCB of $0.4 million as of December 31, 2022. Total cash payments for pension and other benefit plans expected in 2023 amount to approximately $12.5 million, including the $6.0 million contribution toward the Pension Plan's wind-up deficit. Total cash payments for pension and other benefit plans made by the Company during the year ended December 31, 2022 totaled $36.7 million.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the years ended December 31,		2022		2021
Cash flows from operating activities				
Change in operating assets and liabilities	$	4,728	$	26,154
Stock-based compensation cash payments		(7,155)		(5,541)
Funding of post-employment benefit plans in excess of costs		(32,106)		(7,523)
Income taxes paid, net		(7,758)		–
Cash flows from operations, excluding the above		91,791		91,489
	$	49,500	$	104,579
Cash flows used in investing activities				
Additions to intangible assets	$	(4,911)	$	(4,957)
Additions to property and equipment		(93)		(117)
Payments received from net investment in subleases		1,338		593
	$	(3,666)	$	(4,481)
Cash flows used in financing activities				
Repayment of exchangeable debentures	$	–	$	(107,033)
Repurchase of common shares through NCIBs		(12,404)		(5,334)
Repurchase of common shares per plan of arrangement, net of treasury shares and transaction costs		(96,125)		–
Issuance of common shares		153		111
Payment of lease obligations		(2,947)		(3,045)
Dividends paid		(14,163)		(14,730)
	$	(125,486)	$	(130,031)
NET DECREASE IN CASH	$	(79,652)	$	(29,933)
CASH, BEGINNING OF YEAR		123,559		153,492
CASH, END OF YEAR	$	43,907	$	123,559

Cash flows from operating activities

Cash flows from operating activities decreased by $55.1 million to $49.5 million for the year ended December 31, 2022 from $104.6 million last year. The decrease is mainly due to increased funding of post-employment benefit plans of $24.6 million mainly pursuant to the Arrangement, income taxes paid of $7.8 million, of which $5.5 million related to 2021 and $2.3 million related to instalments for 2022, increased stock-based compensation cash settlements of $1.6 million, lower Adjusted EBITDA of $5.4 million, and by a decrease of $21.4 million from the change in operating assets and liabilities. The change in operating assets and liabilities is mainly due to the timing in the collection of trade receivables and the timing of payment of trade payables as well as the impact of the share price on cash settled stock-based compensation. The first quarter of 2022 also benefited from the cancellation of the forward contracts resulting in a decrease in other receivables of $3.1 million.

Cash flows used in investing activities

Cash flows used in investing activities decreased by $0.8 million year-over-year mainly due to the increase in payments received from investment in subleases.

Cash flows used in financing activities

Cash flows used in financing activities decreased by $4.5 million to $125.5 million for the year ended December 31, 2022 compared to $130.0 million last year due mainly to the repayment of the exchangeable debentures of $107.0 million made in 2021 offset by an increase of $7.1 million for the repurchase of common shares through NCIBs and $96.1 million for the repurchase of shares pursuant to the Arrangement and a decrease of $0.6 million for the payment of dividends during the year ended December 31, 2022.

Financial and Other Instruments

(See Note 8 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2022 and 2021).

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

Following the repayment of the exchangeable debentures on May 31, 2021, the redemption option on the exchangeable debentures, was derecognized and was included in the loss on early repayment of debt.

4. Critical Assumptions and Estimates

Significant 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. Management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current events including but not limited to economic conditions and the COVID-19 pandemic. These estimates are subject to measurement uncertainty and actual results could differ from current estimates as a result of changes in these assumptions. 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 more significant estimates made by management are described 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. This significant estimate could affect Yellow Pages Limited's future results if actual claims are higher or lower than 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. 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.

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.

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.

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.

Accounting standards

Effective January 1, 2022, the Company adopted the following amended accounting standards;

Amendments to IFRS 3 – *Business Combinations*

The amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The adoption of these amendments did not have any impact to the Company's financial statements. They may have an impact on the accounting of future business combinations, if any.

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

The 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 adoption of these amendments did not have any impact on the Company's financial statements.

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

Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*

On February 12, 2021, the IASB, issued amendments to IAS 8, these amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Company does not expect any significant impact to its financial statements related to the adoption of these amendments.

Amendments to IAS 1 - *Presentation of Financial Statements* - *Classification of Liabilities as Current or Non-Current*

On January 20, 2020, the IASB issued amendments to IAS 1, to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its financial statements, although it does not expect any significant impact to its financial statements related to the adoption of these amendments.

Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies*

On February 12, 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and amended IFRS practice Statement 2, Making Material Judgements to require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments are effective for annual periods beginning on or after January 1, 2023, earlier application is permitted. The Company is currently assessing the impact of this amendment on its current accounting policy disclosure.

Amendments to IAS 12 – *Income taxes*

On May 7, 2021, IASB published Deferred Tax related to Assets and Liabilities arising from a single transaction. The amendments clarify the accounting for deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company does not expect any significant impact to its financial statements related to the adoption of these amendments.

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. Careful consideration should be given to the following risk factors which could have a material adverse effect on the Corporation, its business, results of operation and financial condition. 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

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.

The inability of the Corporation to attract, retain and upsell customers

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.

Substantial competition could reduce the market share of the Corporation

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.

A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits

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

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 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 optimization 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

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

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

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

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 Information Systems/Information Technology ("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

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 Bell 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

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

Certain non-management employees of the Corporation are unionized. The Corporation currently has six union agreements. Three have been recently renegotiated, of which, two will expire on December 31, 2025 and the other on June 30, 2026. Of the remaining three, one will expire on March 31, 2023 and the remaining two expired on December 31, 2021 and June 30, 2022 respectively. 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.

Challenge by tax authorities of the Corporation's position on certain income tax matters

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

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 failure of the Corporation's computers and communications systems

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.

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.

The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions

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. 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

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.

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.

The impacts of COVID-19 are unpredictable

The continuing global health, social, political and economic implications of the COVID-19 pandemic are highly unpredictable and could have significant impacts on our business, operations and future financial performance. As a result of the scale of the pandemic and the speed at which the global community has been impacted, our current and future financial performance, including quarterly and annual revenue growth rates and expenses as a percentage of revenues, may differ significantly from

our historical performance and our future operating results may fall below expectations. The impacts of the pandemic on our business, operations and future financial performance could include, but are not limited to:

- A significant decline in revenue as customer spending slows due to an economic downturn and/or as customer demand otherwise decreases. This decline in revenue could persist through and beyond a recessionary period.
- Adverse impacts to our growth rates, cash flows and margins - particularly if expenses do not decrease across our business at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation and other costs associated with its office facilities and maintenance costs. As such, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on its long-term outlook and opportunities.
- Major disruptions to the respective businesses of our principal customers and suppliers which could have a material impact on our business, operations, prospects and revenues and accordingly our financial position.
- The COVID-19 pandemic has caused organizations globally to rapidly and broadly shift to remote working, which has resulted in certain inherent productivity, connectivity and oversight challenges. Continued and/or new governmental lockdowns, restrictions, or regulations arising from the COVID-19 pandemic which restrict the movement of people in the jurisdictions in which we operate could significantly impact the ability of our employees, partners, customers and vendors to work productively. Governmental restrictions have been globally inconsistent and it is not clear if and when a full return to worksite locations or travel will be permitted or for how long or what restrictions will be in place in these jurisdictions at any given time.

An outbreak or escalation of a contagious disease

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, 2022.

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, 2022.

During the quarter beginning on October 1, 2022 and ended on December 31, 2022, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022. 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 3.18.3, 3.20 and 7 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 3.17, 3.20, 4, 8 and 9 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 14, 2023

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

Consolidated Statements of Income and Other Comprehensive Income

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

For the years ended December 31,	Note		2022		2021
Revenues	*4*	$	**268,278**	$	287,646
Operating costs	*5*		**171,710**		185,646
Income from operations before depreciation and amortization, and restructuring and other charges			**96,568**		102,000
Depreciation and amortization	*10, 11, 12*		**15,397**		19,635
Restructuring and other charges	*14*		**3,231**		5,344
Income from operations			**77,940**		77,021
Financial charges, net	*6*		**1,808**		9,343
Loss on early repayment of debt	*16*		**–**		7,764
Income before income taxes			**76,132**		59,914
Provision for (recovery of) income taxes	*7*		**2,700**		(10,721)
Net income		$	**73,432**	$	70,635
Other Comprehensive Income					
Items that will not be reclassified subsequently to net income					
Actuarial gains on post-employment benefit plans	*15*		**4,507**		45,506
Income taxes relating to items that will not be reclassified subsequently to net income			**(1,191)**		(12,014)
Other comprehensive income			**3,316**		33,492
Total comprehensive income		$	**76,748**	$	104,127
Income per share					
Basic income per share		$	**3.10**	$	2.68
Weighted average shares outstanding – basic income per share	*18*		**23,669,723**		26,337,343
Diluted income per share		$	**3.02**	$	2.64
Weighted average shares outstanding – diluted income per share	*18*		**23,939,473**		26,722,245

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

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at December 31,	*Note*		**2022**		2021
ASSETS					
CURRENT ASSETS					
Cash		**$**	**43,907**	$	123,559
Trade and other receivables	*8*		**38,415**		42,267
Prepaid expenses			**4,903**		4,137
Deferred publication costs			**580**		1,945
Net investment in subleases	*10*		**1,701**		1,485
TOTAL CURRENT ASSETS			**89,506**		173,393
NON-CURRENT ASSETS					
Deferred commissions			**2,153**		1,959
Financial and other assets	*8*		**1,835**		1,671
Right-of-use assets	*10*		**7,085**		9,752
Net investment in subleases	*10*		**24,756**		25,189
Property and equipment	*11*		**4,169**		5,249
Intangible assets	*12*		**49,662**		58,747
Deferred income taxes	*7*		**28,132**		29,269
TOTAL NON-CURRENT ASSETS			**117,792**		131,836
TOTAL ASSETS		**$**	**207,298**	$	305,229
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	*13*	**$**	**33,623**	$	34,931
Income taxes payable			**298**		5,305
Provisions	*14*		**17,431**		21,090
Deferred revenues	*9*		**1,266**		1,622
Current portion of lease obligations	*10*		**3,396**		2,940
TOTAL CURRENT LIABILITIES			**56,014**		65,888
NON-CURRENT LIABILITIES					
Provisions	*14*		**826**		1,051
Post-employment benefits	*15*		**40,944**		75,220
Lease obligations	*10*		**43,733**		46,939
TOTAL NON-CURRENT LIABILITIES			**85,503**		123,210
TOTAL LIABILITIES			**141,517**		189,098
CAPITAL AND RESERVES			**121,070**		6,498,894
DEFICIT			**(55,289)**		(6,382,763)
TOTAL EQUITY			**65,781**		116,131
TOTAL LIABILITIES AND EQUITY		**$**	**207,298**	$	305,229

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

Approved on behalf of Yellow Pages Limited by

(Signed)
Susan Kudzman, Director and Chair of the Board

(Signed)
Rob Hall, Director and Chair of the Audit Committee

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

For the years ended December 31,

									2022
	Note	**Shareholders' capital**	**Restricted shares**	**Warrants**	**Stock-based compensation and other reserves**	**Reduction of capital reserve**	**Total capital and reserves**	**Deficit**	**Total equity**
Balance, December 31, 2021		$ 3,938,124	$ (18,688)	$ 1,456	$ 120,949	$ 2,457,053	$ 6,498,894	$ (6,382,763)	**$ 116,131**
Other comprehensive income		–	–	–	–	–	–	3,316	**3,316**
Net income		–	–	–	–	–	–	73,432	**73,432**
Total comprehensive income		–	–	–	–	–	–	76,748	**76,748**
Repurchase of common shares through NCIB[1]	*18*	(125,098)	–	–	–	–	(125,098)	112,694	**(12,404)**
Shares issued under the stock option plan	*18,19*	210	–	–	(57)	–	153	–	**153**
Dividends to shareholders	*18*	–	–	–	56	–	56	(14,219)	**(14,163)**
Restricted shares settled	*19*	–	992	–	(941)	–	51	–	**51**
Restricted shares expense	*19*	–	–	–	323	–	323	–	**323**
Stock options equity-settled expense	*19*	–	–	–	831	–	831	–	**831**
Stock options reclassification	*19*	–	–	–	(6,400)	–	(6,400)	–	**(6,400)**
Common shares subject to repurchase	*18*	–	–	–	636	–	636	–	**636**
Expiry of warrants	*18*	–	–	(1,456)	–	–	(1,456)	1,456	**–**
Repurchase of shares per plan of arrangement, net of treasury shares and transaction costs	*18*	(1,139,226)	6,708	–	–	–	(1,132,518)	1,036,393	**(96,125)**
Transfer of capital accounts	*18*	(2,545,006)	–	–	(112,343)	(2,457,053)	(5,114,402)	5,114,402	**–**
Balance, December 31, 2022		**$ 129,004**	**$ (10,988)**	**$ –**	**$ 3,054**	**$ –**	**$ 121,070**	**$ (55,289)**	**$ 65,781**

[1] *NCIB – Normal course issuer bid*

	Note	Shareholders' capital	Restricted shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total equity
										2021
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
Other comprehensive income		–	–	–	–	–	–	–	33,492	33,492
Net income		–	–	–	–	–	–	–	70,635	70,635
Total comprehensive income		–	–	–	–	–	–	–	104,127	104,127
Repayment of exchangeable debentures	*16*	–	–	–	(3,617)	–	–	(3,617)	4,946	1,329
Repurchase of common shares through NCIB	*18*	(54,771)	–	–	–	–	–	(54,771)	49,437	(5,334)
Shares issued under the stock option plan	*18,19*	141	–	–	–	(30)	–	111	–	111
Dividends to shareholders	*18*	–	–	–	–	64	–	64	(14,794)	(14,730)
Restricted shares settled	*19*	–	630	–	–	(566)	–	64	–	64
Restricted shares expense	*19*	–	–	–	–	297	–	297	–	297
Stock options equity-settled expense	*19*	–	–	–	–	1,753	–	1,753	–	1,753
Stock options reclassification	*19*	–	–	–	–	(1,130)	–	(1,130)	–	(1,130)
Common shares subject to repurchase	*18*	–	–	–	–	343	–	343	–	343
Balance, December 31, 2021		$ 3,938,124	$ (18,688)	$ 1,456	$ –	$ 120,949	$ 2,457,053	$ 6,498,894	$ (6,382,763)	$ 116,131

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million. These exchangeable debentures were repaid in May 2021.*

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,	*Note*	**2022**	2021
OPERATING ACTIVITIES			
Net income		**$ 73,432**	$ 70,635
Adjusting items			
Stock-based compensation expense – equity settled		**1,154**	2,050
Depreciation and amortization		**15,397**	19,635
Restructuring and other charges		**3,231**	5,344
Financial charges, net		**1,808**	9,343
Loss on early repayment of debt	*16*	**–**	7,764
Provision for (recovery of) income taxes		**2,700**	(10,721)
Change in operating assets and liabilities		**4,728**	26,154
Stock-based compensation cash payments		**(7,155)**	(5,541)
Funding of post-employment benefit plans in excess of costs		**(32,106)**	(7,523)
Restructuring and other charges paid	*14*	**(3,819)**	(5,987)
Interest paid		**(2,112)**	(6,574)
Income taxes paid, net		**(7,758)**	–
Cash from operating activities		**49,500**	104,579
INVESTING ACTIVITIES			
Additions to intangible assets		**(4,911)**	(4,957)
Additions to property and equipment		**(93)**	(117)
Payments received from net investment in subleases	*10*	**1,338**	593
Cash used in investing activities		**(3,666)**	(4,481)
FINANCING ACTIVITIES			
Dividends paid	*18*	**(14,163)**	(14,730)
Repurchase of common shares per plan of arrangement, net of treasury shares and transaction costs	*18*	**(96,125)**	–
Repurchase of common shares through NCIBs	*18*	**(12,404)**	(5,334)
Issuance of common shares	*18*	**153**	111
Repayment of exchangeable debentures	*16*	**–**	(107,033)
Payment of lease obligations	*10*	**(2,947)**	(3,045)
Cash used in financing activities		**(125,486)**	(130,031)
NET DECREASE IN CASH		**(79,652)**	(29,933)
CASH, BEGINNING OF YEAR		**123,559**	153,492
CASH, END OF YEAR		**$ 43,907**	$ 123,559

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, 2022 and 2021 on February 14, 2023 for publication on February 15, 2023.

2. Adoption of new and revised accounting standards

2.1 Standards, interpretations and amendments to published accounting standards adopted with no effect on the consolidated financial statements

Effective January 1, 2022, the Company adopted the following amended accounting standards;

Amendments to IFRS 3 – *Business Combinations*

The amendments to the implementation guidance of International Financial Reporting Standard ("IFRS") 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The adoption of these amendments did not have any impact to the Company's financial statements. They may have an impact on the accounting of future business combinations, if any.

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

The 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 adoption of these amendments did not have any impact on the Company's financial statements.

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

Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*

On February 12, 2021, the International Accounting Standards Board ("IASB"), issued amendments to IAS 8. These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Company does not expect any significant impact to its financial statements related to the adoption of these amendments.

Amendments to IAS 1 – *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*

On January 20, 2020, the IASB issued amendments to IAS 1, to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its financial statements, although it does not expect any significant impact to its financial statements related to the adoption of these amendments.

Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies*

On February 12, 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and amended IFRS practice Statement 2, Making Material Judgements to require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments are effective for annual periods beginning on or after January 1, 2023, earlier application is permitted. The Company is currently assessing the impact of this amendment on its current accounting policy disclosure.

Amendments to IAS 12 – *Income taxes*

On May 7, 2021, IASB published Deferred Tax related to Assets and Liabilities arising from a single transaction. The amendments clarify the accounting for deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company does not expect any significant impact to its financial statements related to the adoption of these amendments.

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 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 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.

3.5 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, net of allowance for doubtful accounts. 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.

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 had a loan receivable associated with a forward contract under this category at December 31, 2021. The loan receivable was 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.

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.

Expected credit loss

In relation to the impairment of financial assets, the Company applies an expected credit loss ("ECL") model as required under IFRS. 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 whereby 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. While other receivables and net investment in subleases are also subject to the impairment requirements, the identified ECL was insignificant.

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.

Yellow Pages Limited recognizes all financial liabilities, specifically trade and other payables and lease obligations 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

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 applied 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.

The estimated useful lives of Property and equipment 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. The Company generally accounts for lease components and any associated non-lease components as a single lease component.

3.10.1 As a lessee

The Company recognizes a right-of-use asset and a corresponding 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

The cost of intangible assets is deemed to be their fair value at the acquisition date. Intangible assets acquired 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 and adequate resources to complete the intangible asset and use or sell it;
- how the intangible asset will generate probable future economic benefits; 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
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

Yellow Pages Limited maintains a defined contribution plan that provides certain employees a post-employment benefit under which the Company pays predetermined contributions based on a percentage of the employee's salary into a separate entity and will have no legal or constructive obligation to pay further amounts. Post-employment benefit plans service costs are recognized for defined contribution pension plans when the employee provides service to the Company, coinciding with the Company's cash contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. New employees can only participate in the defined contribution plans, when eligible.

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 recognized in net financial charges while current 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 payments

Yellow Pages Limited's restricted share units (RSUs), performance share units (PSUs), deferred share units (DSUs), 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.

RSUs, PSUs and DSUs and Stock options

The RSUs, PSUs, DSUs and stock options, granted may be settled in cash or equity at the Company's option. If the RSU and PSU 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 RSUs, PSUs and DSUs expected to vest. Additional RSUs, PSUs and DSUs are issued to reflect the dividends declared on common shares.

The unfunded portion of DSUs and stock-options plans is treated as cash-settled instruments based on contractual conditions and recorded as a liability. In addition, certain of the Company's RSUs will be settled in cash based on contractual conditions. These DSUs, stock options and RSUs 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.

Share appreciation rights

The share appreciation rights are settled in cash and recorded accordingly as a liability. For share appreciation rights granted, Yellow Pages Limited recognizes compensation expense in Operating costs in the statements of income, equal to the fair value at the grant date, recognized over the term of the vesting period, with a corresponding credit to liability. At each reporting period, the liability is re-measured at fair value with any changes recorded in operating costs.

3.16 Equity instruments

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, repurchasing 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 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, except if 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 has been disclosed in the *Revenues* 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.

3.18 Taxation

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

3.18.1 Current and deferred tax for the period

Current and deferred taxes are recognized as an expense or income in the statement of income, except to the extent that the expense or income relates to items recognized in OCI or directly in equity, in which case the current and deferred tax are also recognized in OCI or directly in equity respectively. Where the current or deferred tax arise from the initial accounting for a business combination, the tax effects are taken into account in the accounting for the business combination.

3.18.2 Current income tax

Taxable income differ from income 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.

3.18.3 Deferred tax asset and liability

Deferred tax is recognized on temporary differences between the carrying values of assets and liabilities in the consolidated statements of financial position and their corresponding tax basis used in the computation of taxable income, 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.

3.19 Government grants

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.

3.20 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 events including but not limited to economic conditions and the COVID-19 pandemic. These estimates are subject to measurement uncertainty and actual results 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.

The more significant estimates made by management are described 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. This significant estimate could affect Yellow Pages Limited's future results if actual claims are higher or lower than 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. 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.

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.

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.

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.

4. Revenues

The Company reviews revenues by similar products and services, such as Print and Digital.

Print revenues are recognized at a point in time, whereas 99% of digital revenues were recognized over the term of the contract and 1% at a point in time for the years ended December 31, 2022 and December 31, 2021.

The following table presents revenues for the years ended December 31, 2022 and 2021.

For the years ended December 31,	**2022**	2021
Digital	**$ 209,130**	$ 221,471
Print	**59,148**	66,175
Total revenues	**$ 268,278**	$ 287,646

5. Operating costs

For the years ended December 31,	Note	2022	2021
Salaries, commissions and benefits		**$ 74,780**	$ 82,200
Supply chain and logistics[1]		**63,066**	64,479
Other goods and services[2]		**12,905**	11,912
Information systems		**18,537**	19,505
Remeasurement of ECL, net of recovery	*8*	**2,422**	7,550
Total operating costs		**$ 171,710**	$ 185,646

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

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

During the years ended December 31, 2022 and December 31, 2021, 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 $1.1 million and $4.2 million during the years ended December 31, 2022 and December 31, 2021, respectively, for admissible salaries related to its workforce. The contributions are recorded as a reduction to operating costs in the consolidated statements of income.

6. Financial charges, net

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

For the years ended December 31,	2022	2021
Interest on exchangeable debentures[1]	**$ –**	$ 4,692
Interest on lease obligations, net of interest income on investment in subleases	**1,379**	2,132
Net interest on the defined benefit obligations	**2,325**	3,248
Redemption option	**–**	(311)
Interest income	**(2,064)**	(903)
Other, net	**168**	485
Financial charges, net	**$ 1,808**	$ 9,343

[1] *The Company fully repaid the principal amount of Exchangeable Debentures of $107.0 million at par plus accrued and unpaid interest on May 31, 2021.*

7. Income taxes

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

For the years ended December 31,	**2022**	2021
Income before income taxes	**$ 76,132**	$ 59,914
Combined Canadian federal and provincial tax rates[1]	**26.42%**	26.40%
Income tax expense at statutory rates	**$ 20,114**	$ 15,816
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax attributes and temporary differences	**(17,778)**	(26,996)
Non-deductible expenses for tax purposes	**(102)**	451
Adjustments from previous years	**464**	–
Other	**2**	8
Provision for (recovery of) income taxes	**$ 2,700**	$ (10,721)

[1] *The combined applicable statutory tax rate increased mainly by provincial allocation of revenues earned.*

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

For the years ended December 31,	**2022**	2021
Current	**$ 2,754**	$ 7,318
Deferred	**(54)**	(18,039)
	$ 2,700	$ (10,721)

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	Property and equipment and lease inducements	Exchangeable Debentures	Intangible assets	Deferred income tax (assets) liabilities, net
As at December 31, 2020	$ 154	$ (2,200)	$ (394)	$ (512)	$ (10,490)	$ –	$ 1,684	$ (10,157)	$ (21,915)
Expense (benefit) to statement of income	(264)	2,200	(34)	(17,183)	3,530	1,451	(355)	(7,384)	(18,039)
Expense (benefit) to equity	–	–	–	–	–	–	(1,329)	–	(1,329)
Expense (benefit) to OCI	–	–	–	12,014	–	–	–	–	12,014
As at December 31, 2021	$ (110)	$ –	$ (428)	$ (5,681)	$ (6,960)	$ 1,451	$ –	$ (17,541)	$ (29,269)
Expense (benefit) to statement of income	**80**	–	**94**	**(1,447)**	**1,839**	**343**	–	**(963)**	**(54)**
Expense (benefit) to OCI	–	–	–	**1,191**	–	–	–	–	**1,191**
As at, December 31, 2022	**$ (30)**	**$ –**	**$ (334)**	**$ (5,937)**	**$ (5,121)**	**$ 1,794**	**$ –**	**$ (18,504)**	**$ (28,132)**

As at December 31, 2022, the Company and its subsidiaries have not recognized deferred income tax assets with respect to US operating losses of $292.4 million, which expire gradually between 2028 and 2037 and indefinitely when incurred after 2017. Furthermore, the Company and its subsidiaries have not recognized deferred income tax assets with respect to Canadian capital losses of $7.7 million which can be utilized indefinitely and US capital losses of $5.4 million which expire in 2024.

As at December 31, 2022, the Company and its subsidiaries have not recognized deductible temporary differences of $415.7 million (2021 – $483.3 million).

8. 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.

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,		**2022**		2021
Current	**$**	**31,984**	$	33,800
Past due less than 180 days		**4,344**		3,639
Past due over 180 days		**862**		1,259
Trade receivables[1]	**$**	**37,190**	$	38,698
Other receivables[2]	**$**	**1,225**	$	3,569
Trade and other receivables	**$**	**38,415**	$	42,267

[1] *Trade receivables are presented net of allowance for revenue adjustments ("AFRA") and ECL of $13.9 million as at December 31, 2022 ($27.7 million as at December 31, 2021).*

[2] *Other receivables included a loan receivable associated with a forward contract net of $nil as at December 31, 2022 ($3.1 million as at December 31, 2021).*

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,			**2022**							2021
	Expected credit loss rate		**Gross carrying amount**[1]		**ECL allowance**	Expected credit loss rate		Gross carrying amount[1]		ECL allowance
Current	**1.9%**	**$**	**32,602**	**$**	**618**	2.0%	$	34,491	$	691
Past due less than 180 days	**31.2%**		**6,314**		**1,970**	35.6%		5,648		2,009
Past due over 180 days	**83.0%**		**5,068**		**4,206**	89.9%		12,450		11,191
Total		**$**	**43,984**	**$**	**6,794**		$	52,589	$	13,891

[1] *The gross carrying value is net of the allowance for revenue adjustments of $7.1 million as at December 31, 2022 ($13.8 million as at December 31, 2021).*

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

As at December 31,		2022		2021
Balance, beginning of the year	**$**	**13,891**	$	18,286
Remeasurement of ECL allowance, net of recovery		**2,422**		7,550
Amounts written-off		**(9,519)**		(11,945)
Balance, end of year	**$**	**6,794**	$	13,891

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 asset-based loan ("ABL") with rates which are based on the Prime rate or Canadian Dollar Offered Rate (CDOR). 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.

(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 income 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 $16.4 million for the year ended December 31, 2022 (2021 – $12.3 million). As at December 31, 2022, 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 projections 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 projection 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:

	Note			**Payments due for the years following December 31, 2022**			
			Total	**1 year**	**2 – 3 years**	**4 – 5 years**	**Thereafter**
Non-derivative financial liabilities							
Trade and other payables	*13*	$	33,623	$ 33,623	$ –	$ –	$ –
Provisions	*14*		18,257	17,431	794	32	–
Lease obligations	*10*		47,129	3,396	7,675	8,137	27,921
Total		**$**	**99,009**	**$ 54,450**	**$ 8,469**	**$ 8,169**	**$ 27,921**

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.

Cash, trade and other receivables, and trade and other payables and certain provisions are not measured at fair value in the consolidated statement of financial position, as their carrying amount is a reasonable approximation of fair value due to their short-term maturity.

Asset-Based Loan

The Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, has an ABL with a term to September 2025 and a total commitment of $20.0 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, CDOR (Canadian Dollar Offered Rate) loans or letters of credit. The ABL is subject to a trailing twelve-month fixed charge coverage ratio when there is an event of default or when excess availability is less than 10% of the facility limit. Upon such event, the fixed charged coverage ratio must be a minimum of 1.1 times. As at December 31, 2022, the Company had $2.3 million of letters of credit issued and outstanding and an availability of $17.7 million under the ABL. As at December 31, 2022, the Company was in compliance with all covenants under the loan agreement governing the ABL.

9. Contract assets and liabilities

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

As at December 31,		**2022**		2021
Contract assets	**$**	**20,392**	$	25,366
Allowance for revenue adjustments and ECL		**(960)**		(1,884)
Contract assets net of allowance for revenue adjustments and ECL	**$**	**19,432**	$	23,482

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, 2022 is primarily related to the fluctuation in print revenue.

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. The contract liabilities consist of deferred revenues which primarily relate to the advanced consideration received from customers for which revenue is recognized over time.

10. Leases

During the years ended December 31, 2022 and December 31, 2021, the Company subleased a previously vacated office location, resulting in a decrease in right-of-use assets and property and equipment related to the office location, consisting mainly of leasehold improvements and office equipment, as well as an increase in investment in subleases. During the year ended December 31, 2022, 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 net reduction in right-of-use assets of $1.7 million (2021 - $0.2 million);
- An increase in lease obligations of $0.2 million (2021 – increase of $0.1 million);
- An increase in net investment in subleases of $1.1 million (2021 - $0.5 million); and
- A reduction in property and equipment of $0.6 million (2021 - $0.1 million).

As a result of the transactions described above the Company recorded a net expense of $1.4 million (2021 – net recovery of $0.2 million) to restructuring and other charges for the year ended December 31, 2022.

Lease obligations

The following table summarizes the continuity of the lease obligations:

As at December 31,		**2022**		2021
Lease obligations, opening balance	**$**	**49,879**	$	52,874
Additions		**197**		60
Surrenders or disposals		**–**		(10)
Payment of lease obligations		**(2,947)**		(3,045)
Lease obligations, closing balance	**$**	**47,129**	$	49,879
Less current portion		**3,396**		2,940
Non-current portion	**$**	**43,733**	$	46,939

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,		**2022**		2021
Less than one year	**$**	**7,040**	$	6,783
One to five years		**27,363**		27,558
Thereafter		**34,341**		40,916
Total undiscounted lease obligations	**$**	**68,744**	$	75,257

10.1 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.

10.1.1 Right-of-use assets[1]

		2022		2021
Cost				
Opening balance	**$**	**67,244**	$	68,115
Additions		**197**		315
Surrenders or disposals		**(1,252)**		(1,186)
Impairment		**(1,218)**		–
Closing balance	**$**	**64,971**	$	67,244
Accumulated depreciation				
Opening balance	**$**	**57,492**	$	57,034
Depreciation expense		**992**		1,098
Surrenders or disposals		**(598)**		(640)
Closing balance	**$**	**57,886**	$	57,492
Net book value – closing balance	**$**	**7,085**	$	9,752

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

Amounts recognized in the consolidated statements of income

For the years ended December 31,		2022		2021
Depreciation expense on right-of-use assets	**$**	**(992)**	$	(1,098)
Impairment on right-of-use assets	**$**	**(1,218)**	$	(22)
Interest expense on lease obligations	**$**	**(3,198)**	$	(4,009)
Interest income on investment in subleases	**$**	**1,819**	$	1,877

10.2 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.

10.2.1 Net investment in subleases

		2022		2021
Net investment in subleases, opening balance	$	26,674	$	26,815
Additions		1,121		269
Accretion of net investment in subleases		–		183
Payments received from sub-lessees, net of commissions		(1,338)		(593)
Net investment in subleases, closing balance	$	26,457	$	26,674
Less current portion		1,701		1,485
Non-current portion	$	24,756	$	25,189

10.2.2 Maturity analysis – contractual undiscounted cash flows

As at December 31,		2022		2021
Less than one year	$	3,454	$	3,276
One to two years		3,567		3,335
Two to three years		3,668		3,440
Three to four years		3,737		3,550
Four to five years		3,740		3,630
Thereafter		18,695		21,315
Total undiscounted lease payments receivable	$	36,861	$	38,546
Unearned interest income		10,404		11,872
Net investment in subleases	$	26,457	$	26,674

11. Property and equipment

	Office equipment	Computer equipment	Leasehold improvements	**Total**
Cost				
As at December 31, 2020	$ 7,344	$ 40,012	$ 10,694	$ 58,050
Additions	1	104	3	108
Disposals and retirements	(384)	(2,438)	(769)	(3,591)
As at December 31, 2021	$ 6,961	$ 37,678	$ 9,928	$ 54,567
Additions	–	**82**	**2**	**84**
Disposals, impairments, and retirements	**(4)**	–	**(847)**	**(851)**
As at December 31, 2022	**$ 6,957**	**$ 37,760**	**$ 9,083**	**$ 53,800**
Accumulated depreciation				
As at December 31, 2020	$ 6,703	$ 39,096	$ 5,642	$ 51,441
Depreciation expense	110	905	409	1,424
Disposals and retirements	(371)	(2,438)	(738)	(3,547)
As at December 31, 2021	$ 6,442	$ 37,563	$ 5,313	$ 49,318
Depreciation expense	**100**	**73**	**368**	**541**
Disposals, impairments and retirements	**(2)**	–	**(226)**	**(228)**
As at December 31, 2022	**$ 6,540**	**$ 37,636**	**$ 5,455**	**$ 49,631**
Net Book Value				
As at December 31, 2021	$ 519	115	$ 4,615	$ 5,249
As at December 31, 2022	**$ 417**	**$ 124**	**$ 3,628**	**$ 4,169**

12. Intangibles

		Trademarks and domain names		Non-competition agreements		Software[1]		Total intangible assets
Cost								
As at December 31, 2020	$	90,611	$	258,983	$	263,965	$	613,559
Additions		–		–		5,225		5,225
Disposals and retirements		–		–		(9,026)		(9,026)
As at December 31, 2021	$	90,611	$	258,983	$	260,164	$	609,758
Additions		**–**		**–**		**4,779**		**4,779**
Disposals and retirements		**–**		**–**		**126**		**126**
As at December 31, 2022	**$**	**90,611**	**$**	**258,983**	**$**	**265,069**	**$**	**614,663**
Accumulated amortization								
As at December 31, 2020	$	35,658	$	258,983	$	248,218	$	542,859
Amortization expense		7,850		–		9,263		17,113
Disposals and retirements		–		–		(8,961)		(8,961)
As at December 31, 2021	$	43,508	$	258,983	$	248,520	$	551,011
Amortization expense		**7,851**		**–**		**6,013**		**13,864**
Disposals and retirements		**–**		**–**		**126**		**126**
As at December 31, 2022	**$**	**51,359**	**$**	**258,983**	**$**	**254,659**	**$**	**565,001**
Net Book Value								
As at December 31, 2021	$	47,103	$	–	$	11,644	$	58,747
As at December 31, 2022	**$**	**39,252**	**$**	**–**	**$**	**10,410**	**$**	**49,662**

[1] *Software under development amounted to $5.1 million (2021 - $4.3 million).*

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. In 2022 and 2021, 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.

13. Trade and other payables

As at December 31,	Note	2022	2021
Trade		$ 16,810	$ 19,127
Payroll related		2,718	2,586
Long-term incentive plans		11,377	9,744
Other accrued liabilities		2,718	2,838
Common shares subject to repurchase	18	–	636
		$ 33,623	$ 34,931

14. Provisions

Yellow Pages Limited recorded restructuring and other charges of $3.2 million during the year ended December 31, 2022 consisting mainly of restructuring charges of $1.1 million associated with workforce reductions as well as a $1.4 million charge related to the impairment of property and equipment and right-of-use assets related to vacant office space and $0.5 million charge related to future operation costs provisioned related to lease contracts of vacant offices and $0.2 million of other costs.

Yellow Pages Limited recorded restructuring and other charges of $5.3 million during the year ended December 31, 2021 consisting mainly of restructuring charges of $4.6 million associated with workforce reductions and a $0.9 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space partially offset by a $0.2 million recovery related to the sublease of previously vacated office space.

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, 2020	$ 2,307	$ 3,321	$ 17,434	$ 23,062
Charges	3,999	794	13,391	18,184
Payments	(3,347)	(2,119)	(13,639)	(19,105)
As at December 31, 2021	$ 2,959	$ 1,996	$ 17,186	$ 22,141
Charges	1,055	529	16,347	17,931
Payments	(2,579)	(1,241)	(17,995)	(21,815)
As at December 31, 2022	**$ 1,435**	**$ 1,284**	**$ 15,538**	**$ 18,257**
Current	**$ 1,018**	**$ 875**	**$ 15,538**	**$ 17,431**
Non-current	**417**	**409**	–	**826**
As at December 31, 2022	**$ 1,435**	**$ 1,284**	**$ 15,538**	**$ 18,257**

[1] *Included in the restructuring and other charges of $3.2 million (2021 - $5.3 million) on the statement of income are expenses and payments of $1.6 million (2021 - $0.5 million) not affecting the provision.*

15. 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 LifeWorks, Fellows of the Canadian Institute of Actuaries and Society of Actuaries, as at December 31, 2019, and extrapolated to December 31, 2022. 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 July 1, 2021 and the results were extrapolated to December 31, 2022.

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, 2022 and 2021 were as follows:

As at December 31,		**2022**		2021
	Pension benefits[1]	**Other benefits**	Pension benefits[1]	Other benefits
Fair value of plan assets, beginning of year	**$ 499,048**	**$ –**	$ 505,918	$ –
Employer contributions	**32,311**	**2,425**	8,402	2,327
Employee contributions	**334**	**–**	347	–
Interest income	**15,540**	**–**	12,647	–
Return on plan assets excluding interest income	**(110,478)**	**–**	7,262	–
Benefit payments	**(33,236)**	**(2,425)**	(35,043)	(2,327)
Administration costs	**(559)**	**–**	(485)	–
Fair value of plan assets, end of year	**$ 402,960**	**$ –**	$ 499,048	$ –
Accrued benefit obligation, beginning of year	**$ 544,732**	**$ 29,536**	$ 596,227	$ 34,700
Current service cost	**2,080**	**3**	2,704	9
Employee contributions	**334**	–	347	–
Benefit payments	**(33,236)**	**(2,425)**	(35,043)	(2,327)
Interest cost	**16,944**	**921**	15,016	879
Actuarial (gains) losses due to:				
Experience adjustments	**29**	–	(80)	796
Changes in financial assumptions	**(109,105)**	**(5,909)**	(34,439)	(4,521)
Defined benefit obligation, end of year	**$ 421,778**	**$ 22,126**	$ 544,732	$ 29,536
Net defined benefit obligation	**$ (18,818)**	**$ (22,126)**	$ (45,684)	$ (29,536)

[1] *Including unfunded supplementary defined benefit pension plans.*

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.

The significant assumptions adopted in measuring Yellow Pages Limited's pension and other benefit obligations as at December 31, 2022 and 2021 were as follows:

As at December 31,		**2022**		2021
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Post-employment benefit obligation				
Discount rate, end of year	**5.20%**	**5.20%**	3.20%	3.20%
Rate of compensation increase[1]	**2.45%**	**n.a**	2.15%	n.a
Inflation Rate	**2.10%**	**2.00%**	1.80%	2.00%
Net benefit plan costs				
Discount rate (current service cost), end of preceding year	**3.40%**	**3.40%**	2.80%	2.80%
Discount rate (interest expense), end of preceding year	**3.20%**	**3.20%**	2.60%	2.60%
Rate of compensation increase[1]	**2.15%**	**n.a**	1.85%	n.a
Inflation Rate	**1.80%**	**2.00%**	1.50%	2.00%
Weighted average duration (years)	**11**	**12**	13	13

[1] *As at December 31, 2022: 2.10% plus a productivity, merit and promotional scale, and as at December 31, 2021: 1.80% plus a productivity, merit and promotional scale.*

For measurement purposes, actual per capita cost of covered medical care benefits was used for 2022, and the rate of increase was assumed at 5.78% for the next 5 years followed by a linear decrease to 3.57% by 2040 and to remain at that level thereafter. For dental care benefits, actual per capita cost was used for 2022, and the rate of increase was assumed at 4.00% for the next 5 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, 2022 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	**$ 12,207**	**$ 521**
Increase of 0.25% in the inflation rate	**$ 10,448**	**$ –**
Increase of 1% in health care cost trend rates	**$ n.a**	**$ 1,343**

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,		**2022**		2021	
	Note	**Pension benefits**	**Other benefits**	Pension benefits	Other benefits
Current service cost[1]		**$ 2,080**	**$ 3**	$ 2,704	$ 9
Administration costs[1]		**559**	–	485	–
Service cost		**$ 2,639**	**$ 3**	$ 3,189	$ 9
Interest cost		**$ 16,944**	**$ 921**	$ 15,016	$ 879
Interest income		**(15,540)**	–	(12,647)	–
Net interest on the net defined benefit obligation	*6*	**$ 1,404**	**$ 921**	$ 2,369	$ 879
Net benefit costs recognized in the statement of income[1]		**$ 4,043**	**$ 924**	$ 5,558	$ 888
Actuarial losses (gains) recognized in OCI		**$ 1,402**	**$ (5,909)**	$ (41,781)	$ (3,725)
Total net benefit plan costs (recovery) for the Yellow Pages ("YP") defined benefit plans		**$ 5,445**	**$ (4,985)**	$ (36,223)	$ (2,837)
Net benefit plan costs for the YP defined contribution plans[1]		**1,916**	–	2,035	–
Total net benefit plan costs (recovery)		**$ 7,361**	**$ (4,985)**	$ (34,188)	$ (2,837)

[1] *Included in operating costs.*

No significant workforce reductions occurred during the years ended December 31, 2022 and 2021.

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, 2022 and 2021:

As at December 31, (in percentages - %)	**2022**	2021
Fair value of the plan assets:		
Pooled fund units		
Canadian pooled equity funds	**4.5**	4.5
Global pooled equity funds	**23.5**	25.0
Emerging markets pooled equity funds	**9.5**	10.0
Canadian pooled fixed-income funds	**36.0**	44.0
Pooled real estate funds	**14.0**	10.5
Pooled private equity funds	**6.0**	4.0
Pooled infrastructure funds	**4.5**	2.0
Cash and cash equivalents	**2.0**	0.0

As at December 31, 2022 and 2021, the publicly traded equity securities did not directly include any shares of Yellow Pages Limited.

On May 12, 2021, the Board approved a voluntary incremental $4.0 million cash contribution in 2021 bringing cash payments to the Defined Benefit Pension Plan's (the "Pension Plan") wind-up deficit to $6.0 million, as part of a deficit-reduction plan to increase the probability that the Pension Plan will be fully funded on a wind-up basis by 2030. The Deficit Reduction Plan includes an intention to make cash payments to the wind-up deficit of $6.0 million every year until 2030. The probability of achieving a wind-up ratio of 100% by 2030 is dependent upon other, uncontrollable factors, including, inter alia, market returns and discount rates. The Board will review the deficit-reduction plan annually.

In 2022, pursuant to a statutory arrangement (the "Arrangement") (*see further details disclosed in Note 18 – Shareholder's capital*), the Company advanced the previously announced voluntary incremental cash contributions to the Pension Plan wind-up deficit by an amount of $24.0 million during the year ended December 31, 2022, bringing 2022 cash payments to the Pension Plan's wind-up deficit to $30.0 million. The incremental voluntary cash infusion of $24.0 million during the year ended December 31, 2022 represents advancing the voluntary $6.0 million contributions intended in years 2027, 2028, 2029 and 2030 that were part of the previously announced Deficit Reduction Plan to increase the probability that the Pension Plan will be fully funded by 2030.

The total cash payments for pension and other benefit plans made by Yellow Pages Limited amounted to $36.7 million for 2022 (2021 – $12.8 million). Total cash payments for pension and other benefit plans expected in 2023 amount to approximately $12.5 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.

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, 2022 (2021 – $2.2 million).

As at December 31, 2022, Yellow Pages Limited had recognized an accumulated balance of $15.2 million, net of income taxes of $3.5 million, in actuarial losses in OCI.

16. Exchangeable debentures

The table below represents the continuity of the Exchangeable debentures:

		2022		2021
Exchangeable debentures, opening balance	**$**	–	$	101,115
Repayment of exchangeable debentures		–		(102,207)
Interest accretion for the year		–		1,092
Exchangeable debentures, closing balance	**$**	–	$	–

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 accrued at a rate of 8% per annum.

Optional Redemption

The Company had the option to 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.

On May 31, 2021, the Company fully repaid the principal amount of Exchangeable Debentures of $107.0 million at par plus any accrued and unpaid interest.

The redemption option on the exchangeable debentures was an embedded derivative and was recorded at fair value on the consolidated statements of financial position in Financial and other assets with changes in fair value recognized in financial charges. On May 31, 2021, upon early repayment of the debt, the Company derecognized the embedded derivative of $3.0 million which was included in the loss on early repayment of debt.

The Company recorded a loss on early repayment of debt of $7.8 million during the year ended December 31, 2021 consisting of a loss of $4.8 million on the early repayment of the exchangeable debentures and a loss of $3.0 million related to the derecognition of the redemption option of the exchangeable debentures previously recognized in Financial and other assets on the consolidated statements of financial position.

17. Capital Management

Yellow Pages Limited's objective in managing capital is to ensure sufficient liquidity to cover financial obligations, investment requirements and to provide its shareholders with appropriate returns. 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. This includes changes to the Company's current dividend policy. Yellow Pages Limited also uses various financial metrics to monitor its capital structure such as debt net of cash to total capitalization.

Yellow Pages Limited's capital is comprised of Lease obligations and equity attributable to Yellow Pages Limited's shareholders as follows:

As at December 31,	*Note*		**2022**		2021
Cash		**$**	**43,907**	$	123,559
Lease obligations	*10*		**47,129**		49,879
Total debt		**$**	**47,129**	$	49,879
Equity			**65,781**		116,131
Total capitalization		**$**	**112,910**	$	166,010
Total debt net of cash (cash net of debt)[1]		**$**	**3,222**	$	(73,680)
Total debt net of cash to total capitalization			**2.8%**		n.a

[1] *The term debt net of cash (cash net of debt) does not have a standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We define debt net of cash (cash net of debt) as Lease obligations, including current portion less cash , as shown in the Company's consolidated statements of financial position.*

18. Shareholders' capital

Common shares – Issued

	Number of Shares		**Amount**
Balance, December 31, 2020	27,828,906	$	3,992,754
Common shares repurchased through NCIBs	(381,406)		(54,771)
Shares issued under stock option plan	12,185		141
Exchange of common share purchase warrants	1		–
Balance, December 31, 2021	27,459,686	$	3,938,124
Common shares repurchased through NCIBs	**(871,135)**		**(125,098)**
Common shares repurchased per plan of arrangement	**(7,949,125)**		**(1,139,226)**
Shares issued under stock option plan	**18,873**		**210**
Exchange of common share purchase warrants	**48**		–
Transfer of capital accounts	–		**(2,545,006)**
Balance, December 31, 2022	**18,658,347**	**$**	**129,004**

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 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 restricted share unit and performance share unit plan (the "RSU and PSU Plan") amounted to 910,912 as at December 31, 2022 (see *Note 19*).

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 19*). During the year ended December 31, 2022, 18,873 common shares were issued upon the exercise of options.

Share repurchases - NCIBs

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. Upon completion of this NCIB on July 16, 2021, the Company had purchased 403,220 common shares for cash of $5.0 million. The related historical carrying value of these shares was reclassified from shareholder's capital to deficit.

On August 5, 2021, the Company announced a new NCIB commencing August 10, 2021 to purchase up to $16.0 million of the Company's outstanding shares for cancellation on or before August 9, 2022. Upon completion of this NCIB program on May 30, 2022, the Company purchased under this NCIB program, a total of 1,122,511 common shares for cash of $16.0 million. For the year ended December 31, 2022, the Company purchased under this NCIB program 871,135 common shares, for cash of $12.4 million. For the year ended December 31, 2021, the Company purchased under this NCIB program 251,376 common shares for cash of $3.6 million. The related historical carrying value of these shares in excess of the repurchase proceeds was reclassified from shareholder's capital to deficit.

As at December 31, 2021, a $0.6 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 authorized to be repurchased by a designated broker under an automatic share purchase plan from January 1, 2022 to February 11, 2022. This automatic share purchase plan allowed 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, 2021. In 2022, there was no liability as the NCIB was completed.

Share repurchases – Plan of Arrangement

On August 4, 2022, the Board approved a distribution to shareholders of approximately $100.0 million by way of a share repurchase from all shareholders pursuant to a statutory arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company (the "Shareholders") approved the Arrangement at a special meeting of the Shareholders held on September 23, 2022 and the Company subsequently obtained the final order from the Supreme Court of British Columbia approving the Arrangement on September 27, 2022. On October 4, 2022, the Company repurchased from shareholders *pro rata* an aggregate of 7,949,125 common shares (including 388,082 shares holder in treasury) at a purchase price of $12.58 per share pursuant to the Arrangement for a total of $101.0 million, including $1.0 million of transaction costs. The $101.0 million cash outlay was reduced by $4.9 million for the cancellation of 388,082 of YP's 1,298,994 shares held in Treasury for a net cash outlay of $96.1 million. Also pursuant to the Arrangement, the Company advanced $24.0 million to the Pension Plan's wind-up deficit for the year ended December 31, 2022 (see *Note 15 Post-employment benefits* for additional details).

In addition, the Board approved a reduction in the carrying amount of Shareholders' capital of $2,545.0 million in order to reflect the legal stated capital amount at December 31, 2022 of $129.0 million; and the reversal of the amounts previously recognized for Reduction of capital reserves of $2,457.1 million and Other reserves of $112.3 million, with an offset to Deficit. The Reduction of capital and Other reserves were mostly created through multiple transactions over a decade ago and the reversal of these reserves and the reduction in the carrying amount of Shareholders' capital was performed to provide more relevant information about the state of current capital and related reserves to users of these financial statements. There is no impact on total equity, net income, or cash flows.

Dividends

On May 12th, 2021, the Board modified its dividend policy of paying a quarterly cash dividend to its common shareholders by increasing the dividend from $0.11 per share to $0.15 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, 2022, the Company paid quarterly dividends of $0.15 per common share. The dividends were paid on March 15, June 15, September 15 and December 15 of 2022 for a total consideration of $14.2 million to common shareholders. During the year ended December 31, 2021, the Company paid quarterly dividends of $0.11 per common share during the first quarter and $0.15 per common share during the second, third and fourth quarters. The dividends were paid on March 15, June 30, September 15 and December 15 of 2021 for a total consideration of $14.7 million to common shareholders.

Warrants

On December 20, 2012, the Company issued 2,995,506 common share purchase warrants ("Warrants"). Each Warrant was transferable and entitled 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.

During the year ended December 31, 2022, 48 Warrants were exercised in exchange for 48 common shares of Yellow Pages Limited. During the year ended December 31, 2021, 1 Warrant was exercised in exchange for 1 common share of Yellow Pages Limited.

On December 20, 2022, the Warrants expired and there were no warrants outstanding as at December 31, 2022.

Income per share

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

For the years ended December 31,	2022	2021
Weighted average number of shares outstanding used in computing basic income per share[1]	**23,669,723**	26,337,343
Dilutive effect of restricted share units	**76,928**	116,208
Dilutive effect of stock options	**192,822**	268,694
Weighted average number of shares outstanding used in computing diluted income per share[1]	**23,939,473**	26,722,245

For the years ended December 31,		2022		2021
Net income used in the computation of basic income per share	**$**	**73,432**	$	70,635
Impact of assumed conversion of stock options, net of applicable taxes		**(1,031)**		–
Total net income used in the computation of diluted income per share	**$**	**72,401**	$	70,635

[1] *The weighted average number of shares outstanding used in the income 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 year ended December 31, 2022, the diluted income per share calculation did not take into consideration the potential dilutive effect of stock options that are not in the money and therefore not dilutive. For the year ended December 31, 2021, the diluted income per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as stock options that were not in the money and therefore not dilutive.

19. 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

RSUs and PSUs are granted to eligible key employees and officers of Yellow Pages Limited (the "Participants"). Participants are granted a certain number of RSUs and PSUs, as applicable, for a given performance period. 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. The RSUs are time-based awards and 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. The PSUs are performance-based awards and will vest upon confirmation by the Board 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. 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.

The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan") amounted to 910,912 as at December 31, 2022. There were nil PSUs outstanding as at December 31, 2022 and December 31, 2021.

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

		2022		2021
	Number of RSUs	**Liability[1]**	Number of RSUs	Liability[1]
Outstanding, beginning of year	**277,317**	**$ 1,950**	327,617	$ 831
Granted[2]	**149,371**	**258**	–	–
Dividends credited[3]	**12,702**	**172**	12,204	86
Settled	**(65,269)**	**(838)**	(62,504)	(891)
Variation due to change in fair value and vesting	**–**	**1,133**	–	1,924
Outstanding, end of year[4]	**374,121**	**$ 2,675**	277,317	$ 1,950

[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] *The liability related to the RSUs granted represents the portion that is vested as at December 31.*
[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.*
[4] *The number of restricted shares vested as of December 31, 2022 is 195,220 (2021 – 142,735).*

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

	2022	2021
Number of	**RSUs**	RSUs
Outstanding, beginning of year	**393,525**	448,965
Granted	**171,224**	26,512
Settled	**(123,724)**	(97,688)
Dividends credited[1]	**16,858**	16,848
Forfeited	**(6,834)**	(1,112)
Outstanding, end of year	**451,049**	393,525
Weighted average remaining life (years)	**1.19**	1.16

[1] *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.*

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. 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 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:

		2022		2021
	Number of DSUs	**Liability[1]**	Number of DSUs	Liability[1]
Outstanding, beginning of year	**300,919**	**$ 4,111**	339,808	$ 4,257
Granted[2]	**24,560**	**337**	30,704	347
Forfeited	–	–	(3,292)	–
Settled	–	–	(80,929)	(1,162)
Dividends credited[3]	**14,771**	**199**	14,628	202
Variation due to change in stock price	–	**14**	–	467
Outstanding and vested, end of year	**340,250**	**$ 4,661**	300,919	$ 4,111

[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.*

Stock options

Yellow Pages Limited's stock option plan (the "Stock Option Plan") provides 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 Stock Options are time-based awards and will vest upon the continuous employment of the Participants at a date determined by the Board. Pursuant to the terms of the Stock Option Plan, upon vesting, stock options granted may be settled in cash or equity at the Company's option or as contracted. Further, the Stock Option Plan, subject to approval of the Board or the Human Resources and Compensation Committee at the time of exercise, allows an option holder to 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.

A maximum of 2,806,932 stock options may be granted under the Stock Option Plan. 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.

On March 23, 2021, the Board approved an amendment to the Stock Option Plan to increase the insider participation limits and the maximum number of shares issuable to one person from 5% of the issued and outstanding shares to 10% of the issued and outstanding shares. In addition, the Stock Option Plan was amended to provide that any shares repurchased by the Company for cancellation pursuant to a NCIB will not constitute non-compliance with these limits for any options outstanding prior to such purchase of Shares for cancellation.

On February 9, 2022, a modification adding a cash alternative to the settlement of certain stock options resulted in an obligation to settle in cash. A re-class from equity to liability was recorded at the modification date, based on the difference between the fair value of the shares at the modification date and the exercise price of the option. The variation due to change in fair value subsequent to the modification date is included in operating costs. As of February 9, 2022, all options previously recorded as equity settled have been re-classed to cash settled.

On March 24, 2022, the Board approved an amendment to the Stock Option Plan in order provide the Board the discretion to amend the exercise price of Options, subject to TSX approval, in the event a stock dividend or cash dividend (other than any ordinary course cash dividend) is declared on the Corporation's common shares.

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

	2022		2021	
	Number of options	**Liability[1]**	Number of options	Liability[1]
Outstanding, beginning of year	**1,044,992**	**$ 3,315**	1,567,487	$ 1,703
Granted	**1,046,805**	**2,250**	–	–
Stock options reclassified from equity-settled to cash settled[2]	**1,235,917**	**6,400**	363,948	1,129
Settled	**(1,195,582)**	**(6,131)**	(886,443)	(4,392)
Variation due to change in fair value and vesting	**–**	**(2,235)**	–	4,875
Outstanding, end of year[3]	**2,132,132**	**$ 3,599**	1,044,992	$ 3,315

[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 is net of stock options exercised and forfeited.*
[3] *The number of stock options vested as of December 31, 2022 is 1,224,545 (2021 – 616,836).*

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

	2022		2021	
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of year	**2,332,893**	**$ 9.34**	2,717,779	$ 8.71
Granted	**1,046,805**	**$ 13.50**	519,276	$ 11.86
Forfeited	**(33,111)**	**$ 12.93**	(5,533)	$ 11.98
Exercised	**(18,873)**	**$ 8.11**	(12,185)	$ 9.15
Settled	**(1,195,582)**	**$ 8.30**	(886,444)	$ 8.88
Outstanding, end of year	**2,132,132**	**$ 11.92**	2,332,893	$ 9.34
Exercisable, end of year	**–**	**$ –**	–	$ –

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

	2022		2021	
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$5.86	**–**	**–**	458,536	1.2
$8.79	**522,496**	**1.0**	1,044,991	1.0
$11.86	**374,997**	**1.3**	516,522	1.9
$12.10	**201,608**	**0.6**	312,844	1.3
$12.73	**532,862**	**3.0**	–	–
$14.30	**500,169**	**1.9**	–	–
Outstanding, end of year	**2,132,132**	**1.7**	2,332,893	1.3

The following table shows the key assumptions used in applying the valuation model for stock options as at December 31:

	2022	2021
Weighted average grant date share price	**$ 13.50**	$ 11.86
Weighted average exercise price	**$ 13.50**	$ 11.86
Volatility	**48.1%**	54.2%
Expected life (years)	**3.0**	2.7
Dividend yield	**4.46%**	3.62%
Risk-free interest rate	**3.07%**	0.66%

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. 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.

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

	2022		2021	
	Number of SARs	**Liability[1]**	Number of SARs	Liability[1]
Outstanding, beginning of year	**116,110**	**$ 368**	174,165	$ 190
Granted	**584,018**	**196**	–	–
Settled	**(58,055)**	**(237)**	(58,055)	(322)
Variation due to change in fair value and vesting	**–**	**115**	–	500
Outstanding, end of year[2]	**642,073**	**$ 442**	116,110	$ 368

[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, 2022 is 134,213 (2021 – 68,537).*

The following table shows the key assumptions used in applying the valuation model for the SARs as at December 31:

	2022	2021
Weighted average grant date share price	**$ 12.72**	$ 8.79
Exercise price	**$ 12.72**	$ 8.79
Expected volatility	**29.5%**	63.9%
Expected life (years)	**2.8 years**	2.5 years
Risk-free interest rate	**4.25%**	0.60%

The following amounts for stock-based compensation are recorded in the consolidated statements of income in operating costs:

For the years ended December 31,	2022	2021
RSU plan	**$ 1,883**	$ 2,304
DSU plan	**550**	1,016
Stock Options	**846**	6,628
SARs	**311**	500
Total	**$ 3,590**	$ 10,448

20. Commitments and contingencies

a) As at December 31, 2022, Yellow Pages Limited has commitments under purchase and service contract obligations for both operating and capital expenditures for each of the next 5 years and thereafter, and in the aggregate of:

		Total commitments
2023	$	**19,368**
2024		**12,884**
2025		**11,277**
2026		**7,158**
2027		**6,939**
Thereafter		**32,606**
	$	**90,232**

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. 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, 2022 and 2021 with respect to these indemnities.

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.

22. List of subsidiaries

	Principal activity	Proportion of ownership	
As at December 31,		**2022**	2021
Canada			
Yellow Pages Digital & Media Solutions Limited	Digital and print media marketing solutions provider	**100%**	100%
USA			
YPG (USA) Holdings, Inc.	Holding company	**100%**	100%
Yellow Pages Digital & Media Solutions, LLC	Operational support services provider	**100%**	100%

23. Related party transactions

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 members of the Board.

Total compensation expense for key management personnel included in the consolidated income statements, and the composition thereof, is as follows:

For the years ended December 31,	**2022**	2021
Salary, Board fees and short-term incentive plans	**$ 5,453**	$ 5,466
Post-employment benefits	**59**	298
Share-based compensation expense, including share price revaluation	**3,356**	8,901
All other compensation	**1,634**	946
	$ 10,502	$ 15,611

Head Office

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

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

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

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For further information on Yellow Pages Limited, visit our corporate website at corporate.yp.ca.

corporate.yp.ca