CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yellow Pages Limited

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

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

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

(signed) Deloitte LLP[1]

Montréal, Québec
February 10, 2021

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

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

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

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

Consolidated Statements of Income

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

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

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

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

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

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

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

For the years ended December 31,

2020

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

2019

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

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

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

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

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

1. Description

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

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

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

2. Revised standards

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

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

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

3. Basis of presentation and significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Basis of consolidation

3.4.1 Subsidiaries

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

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

3.4.2 Business combinations

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

3.5 Cash

3.5.1 Cash

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

3.6 Financial instruments

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

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

3.6.1 Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Financial asset at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition

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

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

Impairment of financial assets

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

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

3.6.2 Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

Derecognition

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

3.7 Deferred publication costs

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

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

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

3.8 Deferred commissions

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

3.9 Property and equipment

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

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

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

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

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

3.10 Leases

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

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

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

3.10.1 As a lessee

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

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

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

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

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

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

3.10.2 As a lessor

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

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

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

3.11 Intangibles assets

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

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

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

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

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

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

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

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

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

3.12 Impairment of tangible and intangible assets

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

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

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

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

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

3.13 Trade and other payables

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

3.14 Provisions

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

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

3.14.1 Onerous contracts

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

3.14.2 Restructuring

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

3.15 Employee benefits

3.15.1 Defined contribution plans

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

3.15.2 Defined benefit plans

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

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

3.15.3 Other long-term employee benefits

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

3.15.4 Termination benefits

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

3.15.5 Short-term benefits

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

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

3.15.6 Share-based payment transactions

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

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

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

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

3.16 Equity instruments issued

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

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

3.17 Operating segments

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

3.18 Revenues

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

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

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

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

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

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

3.19 Borrowing costs

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

3.20 Taxation

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

3.20.1 Current income tax

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

3.20.2 Deferred tax

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

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

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

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

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

3.20.3 Current and deferred tax for the period

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

3.21 Government grant

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

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

3.22 Significant estimates

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

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

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

Significant estimates

Allowance for revenue adjustments

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

Estimate of the lease term

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

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

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

Measurement of ECL allowance for trade receivables

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

Determining the discount rate for leases

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

Useful lives of intangible assets and property and equipment

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

Employee future benefits

The present value of the defined benefit obligation is determined by employing the projected benefit method prorated on service using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of the net benefit costs (recovery) requires assumptions such as the discount rate to measure defined benefit obligations and expected return on plan assets, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. Actual results may differ from results which are estimated based on assumptions.

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

Income taxes

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

4. Loss on sale of businesses

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

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

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

5. Contract assets and liabilities

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

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

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

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

6. Leases

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

The impact of the above resulted in the following:

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

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

Lease obligations

The following table summarizes the continuity of the lease obligations:

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

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

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

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

Amounts recognized in the consolidated statements of income

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

6.1 As a lessee

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

6.1.1 Right-of-use assets[1]

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

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

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

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

6.2 As a lessor

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

6.2.1 Net investment in subleases

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

6.2.2 Maturity analysis – contractual undiscounted cash flows

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

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

7. Property and equipment

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

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

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

8. Intangible assets

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

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

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

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

Impairment of intangible assets

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

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

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

9. Trade and other payables

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

10. Provisions

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

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

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

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

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

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

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

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

11. Post-employment benefits

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

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

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

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

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

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

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

1 *Including unfunded supplementary defined benefit pension plans.*

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

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

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

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

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

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

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

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

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

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

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

[1] *Included in operating costs.*

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

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

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

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

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

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

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

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

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

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

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

12. Senior secured notes

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

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

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

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

Senior Secured Notes

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

Asset-Based Loan

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

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

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

13. Exchangeable debentures

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

The table below represents the continuity of the Exchangeable debentures:

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

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

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

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

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

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

Exchange Option

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

Optional Redemption

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

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

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

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

14. Income taxes

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

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

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

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

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

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

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

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

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

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

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

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

15. Shareholders' capital

Common shares – Issued

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

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

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

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

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

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

Share repurchases

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

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

Dividends

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

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

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

Warrants

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

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

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

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

Earnings per share

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

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

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

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

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

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

16. Operating costs

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

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

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

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

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

17. Segmented information

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

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

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

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

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

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

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

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

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

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

18. Stock-based compensation plans

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

Restricted Share Unit and Performance Share Unit Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Share Unit Plan

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

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

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

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

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

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

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

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

Stock options

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share appreciation rights plan

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

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

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

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

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

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

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

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

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

19. Financial charges, net

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

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

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

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

20. Commitments and contingencies

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

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

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

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

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

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

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

21. Financial risk management

Credit Risk

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

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

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

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

The components of trade and other receivables are as follows:

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

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

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

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

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

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

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

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

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

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

(i) Interest Rate Risk

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

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

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

(ii) Foreign Exchange Risk

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

Liquidity Risk

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

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

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

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

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

[1] *Principal amount.*

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

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

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

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

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

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

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

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

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

22. Capital disclosures

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

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

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

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

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

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

23. Guarantees

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

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

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

24. List of subsidiaries

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

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

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

25. Related party disclosures

Key management personnel compensation

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

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

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