CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW MEDIA LIMITED

December 31, 2013

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Independent Auditor's Report

To the Shareholders of Yellow Media Limited,

We have audited the accompanying consolidated financial statements of Yellow Media Limited, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated income statements, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yellow Media Limited as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

February 13, 2014
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A120501

Consolidated Statements of Financial Position

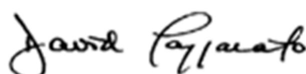
(in thousands of Canadian dollars)

	As at December 31, 2013	As at December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 202,287	$ 106,807
Trade and other receivables (Note 21)	142,446	174,069
Prepaid expenses	6,835	8,693
Deferred publication costs	71,018	78,078
TOTAL CURRENT ASSETS	422,586	367,647
DEFERRED PUBLICATION COSTS	7,378	6,816
FINANCIAL AND OTHER ASSETS	19,096	16,642
INVESTMENTS IN ASSOCIATES (Note 5)	2,780	2,082
PROPERTY, PLANT AND EQUIPMENT (Note 6)	29,489	27,414
INTANGIBLE ASSETS (Note 7)	1,310,494	1,312,148
DEFERRED INCOME TAXES (Note 13)	2,211	23,727
TOTAL NON-CURRENT ASSETS	1,371,448	1,388,829
TOTAL ASSETS	$ 1,794,034	$ 1,756,476
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables (Note 8)	$ 78,824	$ 87,935
Income taxes payable	25,782	13,585
Provisions (Note 9)	70,632	52,850
Financial liabilities	18,472	22,033
Deferred revenues	34,145	42,219
Current portion of long-term debt (Note 11)	89,051	100,939
TOTAL CURRENT LIABILITIES	316,906	319,561
PROVISIONS (NOTE 9)	6,031	7,362
DEFERRED CREDITS AND OTHER	14,349	14,197
DEFERRED INCOME TAXES (Note 13)	31,535	10,341
INCOME TAXES PAYABLE	55,419	34,382
POST-EMPLOYMENT BENEFITS (Note 10)	178,948	296,914
LONG-TERM DEBT (Note 11)	558,417	700,892
EXCHANGEABLE DEBENTURES (Note 12)	87,934	86,667
TOTAL NON-CURRENT LIABILITIES	932,633	1,150,755
TOTAL LIABILITIES	1,249,539	1,470,316
CAPITAL AND RESERVES	6,604,971	6,607,114
DEFICIT	(6,060,476)	(6,321,365)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS	544,495	285,749
NON-CONTROLLING INTERESTS	–	411
TOTAL EQUITY	544,495	286,160
TOTAL LIABILITIES AND EQUITY	$ 1,794,034	$ 1,756,476

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

Approved on behalf of Yellow Media Limited by

Robert MacLellan, Director



David A. Lazzarato, Director

Consolidated Income Statements

For the years ended December 31,
(in thousands of Canadian dollars, except share and per share information)

		2013		2012
				(Revised – Note 2)
Revenues	$	971,761	$	1,107,715
Operating costs (Note 17)		555,649		538,335
Income from operations before depreciation and amortization, impairment of goodwill, intangible assets and property, plant and equipment, and restructuring and special charges		416,112		569,380
Depreciation and amortization (Notes 6 and 7)		60,164		104,293
Impairment of goodwill, intangible assets and property, plant and equipment (Note 4)		–		3,267,847
Restructuring and special charges (Note 9)		23,338		44,923
Income (loss) from operations		332,610		(2,847,683)
Financial charges, net (Note 18)		93,357		155,968
Gain on settlement of debt (Note 1)		–		(978,589)
Earnings (loss) before dividends on Preferred shares, series 1 and 2, income taxes, and earnings from investments in associates		239,253		(2,025,062)
Dividends on Preferred shares, series 1 and 2		–		17,694
Earnings (loss) before income taxes and earnings from investments in associates		239,253		(2,042,756)
Provision for (recovery of) income taxes (Note 13)		63,421		(78,809)
Earnings from investments in associates		698		1,893
Net earnings (loss)	$	176,530	$	(1,962,054)
Net earnings (loss) attributable to:				
Common shareholders of Yellow Media Limited[1]	$	176,360	$	(1,961,663)
Non-controlling interests		170		(391)
	$	176,530	$	(1,962,054)
Basic earnings (loss) per share attributable to common shareholders	$	6.34	$	(70.95)
Weighted average shares outstanding – basic earnings (loss) per share (Note 15)		27,797,170		27,955,077
Diluted earnings (loss) per share attributable to common shareholders	$	5.46	$	(70.95)
Weighted average shares outstanding – diluted earnings (loss) per share (Note 15)		33,615,709		27,955,077

[1] Included in net loss attributable to shareholders of Yellow Media Limited for the year ended December 31, 2012 are net losses attributable to shareholders of YPG Financing Inc. which was succeeded by Yellow Media Limited on December 20, 2012 when the recapitalization transaction was implemented.

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

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31,

(in thousands of Canadian dollars)

		2013		2012
				(Revised – Note 2)
Net earnings (loss)	$	176,530	$	(1,962,054)
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings (loss)				
Reclassification adjustment on derivatives designated as cash flow hedges		–		(1,395)
Unrealized loss on available–for–sale investment		–		(372)
Unrealized loss on available–for–sale investment transferred to net loss		–		228
Income taxes relating to items that may be reclassified subsequently		–		406
		–		(1,133)
Items that will not be reclassified subsequently to net earnings (loss)				
Actuarial gains (losses) (Note 10)		117,633		(11,234)
Income taxes relating to items that will not be reclassified subsequently		(31,126)		2,956
		86,507		(8,278)
Other comprehensive income (loss)		86,507		(9,411)
Total comprehensive income (loss)	$	263,037	$	(1,971,465)
Total comprehensive income (loss) attributable to:				
Common shareholders of Yellow Media Limited[1]	$	262,867	$	(1,971,074)
Non-controlling interests		170		(391)
	$	263,037	$	(1,971,465)

[1] Included in the total comprehensive loss attributable to shareholders of Yellow Media Limited for the year ended December 31, 2012 is total comprehensive loss attributable to shareholders of YPG Financing Inc. which was succeeded by Yellow Media Limited on December 20, 2012 when the recapitalization transaction was implemented.

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

Consolidated Statements of Changes in Equity

For the years ended December 31,
(in thousands of Canadian dollars)

	Shareholders' Capital (Note 14)	Restricted Shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve
Balance, December 31, 2012	$ 4,029,869	$ –	$ 1,456	$ 3,633	$ 116,701	$ 2,457,053
Other comprehensive income	–	–	–	–	–	–
Net income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–
Stock options (Note 16)	–	–	–	–	403	–
Restricted shares (Note 16)	–	(6,630)	–	–	1,608	–
Dividend to non-controlling interest	–	–	–	–	–	–
Deferred consideration	–	–	–	–	2,476	–
Balance, December 31, 2013	**$ 4,029,869**	**$ (6,630)**	**$ 1,456**	**$ 3,633**	**$ 121,188**	**$ 2,457,053**

	Shareholders' Capital (Note 14)	Restricted Shares	Preferred Shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve
Balance, December 31, 2011	$ 3,554,715	$ (54,974)	$ 320,687	$ –	$ 7,423	$ 113,693	$ 2,457,053
Other comprehensive loss	–	–	–	–	–	–	–
Net loss for the year	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–
Issuance of new common shares and warrants[2] (Note 14)	153,568	–	–	1,456	–	–	–
Exchange of preferred shares for new common shares[2] (Note 14)	320,687	–	(320,687)	–	–	–	–
Stock options (Note 16)	–	–	–	–	–	1,189	–
Exchange of convertible debentures (Note 1)	899	–	–	–	(35)	–	–
Exchange of convertible debentures[2]	–	–	–	–	(7,388)	–	–
Option on exchangeable debentures[2]	–	–	–	–	3,633	–	–
Restricted shares (Note 16)	–	–	–	–	–	4,295	–
Cancellation of restricted shares[2]	–	54,974	–	–	–	–	–
Deferred consideration	–	–	–	–	–	(2,476)	–
Balance, December 31, 2012	$ 4,029,869	$ –	$ –	$ 1,456	$ 3,633	$ 116,701	$ 2,457,053

[1] The equity component of the exchangeable and convertible debentures presented above is net of income taxes of $1.3 million (2012 - $1.3 million).

[2] Pursuant to the recapitalization transaction described in Note 1.

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

					2013
Foreign currency translation	Capital and Reserves	Deficit	Equity attributable to shareholders	Non-controlling interests	Total Equity
$ (1,598)	$ 6,607,114	$ (6,321,365)	$ 285,749	$ 411	$ 286,160
–	–	86,507	86,507	–	86,507
–	–	176,360	176,360	170	176,530
–	–	262,867	262,867	170	263,037
–	403	–	403	–	403
–	(5,022)	–	(5,022)	–	(5,022)
–	–	–	–	(83)	(83)
–	2,476	(1,978)	498	(498)	–
$ (1,598)	$ 6,604,971	$ (6,060,476)	$ 544,495	$ –	$ 544,495

							2012
Available-for-sale investment	Cash flow hedges	Foreign currency translation	Capital and Reserves	Deficit	Equity attributable to shareholders	Non-controlling interests	Total Equity (Revised – Note 2)
$ 144	$ 989	$ (1,598)	$ 6,398,132	$ (4,313,907)	$ 2,084,225	$ 802	$ 2,085,027
(144)	(989)	–	(1,133)	(8,278)	(9,411)	–	(9,411)
–	–	–	–	(1,961,663)	(1,961,663)	(391)	(1,962,054)
(144)	(989)	–	(1,133)	(1,969,941)	(1,971,074)	(391)	(1,971,465)
–	–	–	155,024	–	155,024	–	155,024
–	–	–	–	–	–	–	–
–	–	–	1,189	–	1,189	–	1,189
–	–	–	864	–	864	–	864
–	–	–	(7,388)	7,388	–	–	–
–	–	–	3,633	–	3,633	–	3,633
–	–	–	4,295	(539)	3,756	–	3,756
–	–	–	54,974	(44,366)	10,608	–	10,608
–	–	–	(2,476)	–	(2,476)	–	(2,476)
$ –	$ –	$ (1,598)	$ 6,607,114	$ (6,321,365)	$ 285,749	$ 411	$ 286,160

Consolidated Statements of Cash Flows

For the years ended December 31,
(in thousands of Canadian dollars)

	2013	2012 (Revised – Note 2)
OPERATING ACTIVITIES		
Net earnings (loss)	$ 176,530	$ (1,962,054)
Adjusting items		
Depreciation and amortization	60,164	104,293
Past service costs	(7,392)	(13,318)
Stock-based compensation expense	2,011	626
Earnings from investments in associates	(698)	(1,893)
Other non-cash items	(46)	(1,955)
Income taxes (recovery) recognized in net earnings (loss)	63,421	(78,809)
Financial charges recognized in net earnings (loss)	93,357	155,968
Impairment of goodwill, intangible assets and property, plant and equipment	–	3,267,847
Gain on settlement of debt, net of unpaid dividends on Preferred shares, series 1 and 2[1]	–	(960,743)
Change in operating assets and liabilities[1]	50,645	(45,203)
Funding of post-employment benefit plans in excess of costs	(4,951)	(13,309)
Income taxes paid, net	(16,231)	(63,456)
Interest paid	(76,130)	(149,421)
	340,680	238,573
INVESTING ACTIVITIES		
Acquisition of intangible assets and internally-generated software	(54,584)	(35,281)
Acquisition of property, plant and equipment	(11,743)	(5,137)
Business acquisition (Note 25)	(3,581)	–
Proceeds from sale of assets	–	1,650
Other	359	183
	(69,549)	(38,585)
FINANCING ACTIVITIES		
Repayment and settlement of long-term debt	(118,984)	(351,426)
Repurchase of long-term debt	(36,670)	–
Restricted shares	(6,630)	–
Deferred consideration	(5,624)	(1,800)
Recapitalization costs	(6,641)	(63,025)
Issuance of long-term debt	–	239,000
Other	(1,102)	(116)
	(175,651)	(177,367)
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,480	22,621
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	106,807	84,186
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 202,287	$ 106,807
Supplemental disclosure of cash flow information (Note 19)		
Cash and cash equivalents consist of:		
Cash	$ 72,287	$ 106,807
Banker's acceptances and treasury bills	130,000	–
	$ 202,287	$ 106,807

[1] The gain on settlement of debt is shown net of unpaid dividends on the Preferred shares, series 1 and 2 of $17.9 million, which was reclassified from change in operating assets and liabilities.

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

1. Description /

Yellow Media Limited, through its subsidiaries, operates print and digital media and offers marketing solutions in all the Provinces of Canada. References herein to Yellow Media Limited (or the "Company") represent the financial position, financial performance, cash flows and disclosures of Yellow Media Limited and its subsidiaries on a consolidated basis.

Yellow Media Limited's registered head office is located at 16, Place du Commerce, Montréal, Québec, Canada, H3E 2A5 and is listed on the Toronto Stock Exchange ("TSX") under the symbol "Y".

On December 10, 2012, the Company announced that it reached a settlement with the lenders under the credit facility ("Credit Facility") existing at the time. The Québec Superior Court (the "Court") issued its final order and approved the recapitalization transaction ("Recapitalization"), which was aimed at significantly reducing the Company's debt, on December 14, 2012. On December 20, 2012 (the "Effective Date"), the Recapitalization was implemented.

A new corporation, Yellow Media Limited, was formed for the purpose of effecting the Recapitalization. Pursuant to the Recapitalization, Yellow Media Limited issued new common shares ("New Common Shares") and warrants ("Warrants") on behalf of Yellow Media Inc. and became the parent company of Yellow Media Inc. Yellow Media Inc. changed its name to YPG Financing Inc.

The Recapitalization included the exchange of the Company's Credit Facility and medium term notes (the "Medium Term Notes"), for a combination of senior secured notes ("Senior Secured Notes") (Note 11), senior subordinated unsecured exchangeable debentures ("Exchangeable Debentures") (Note 12), New Common Shares and cash. It also included the exchange of the convertible unsecured subordinated debentures ("Convertible Debentures") for a combination of Exchangeable Debentures (Note 12), New Common Shares and Warrants to purchase New Common Shares (Note 14), as well as the exchange of the preferred shares and common shares of YPG Financing Inc. for a combination of New Common Shares and Warrants to purchase New Common Shares (Note 14). The Medium Term Notes, Credit Facility, Convertible Debentures, Preferred Shares, Series 3, 5 and 7 and the common shares of YPG Financing Inc. were cancelled on the Effective Date.

In 2012, Yellow Media Limited recorded a gain on settlement of debt of $978.6 million (before related recovery of income taxes of $25.9 million), net of related fees of $69.5 million pursuant to the Recapitalization.

The carrying amount of the Preferred shares, series 3, 5 and 7 of $320.7 million was reclassified to shareholder's capital upon exchange for New Common Shares. Pursuant to the Recapitalization, the restricted shares were cancelled and the balance of $55 million was reclassified from the restricted shares balance in equity to Deficit, net of income taxes of $10.6 million.

For the terms governing the new securities issued in connection with the Recapitalization, please refer to the indentures governing the Senior Secured Notes, the Exchangeable Debentures and the Warrants dated December 20, 2012, which are available on SEDAR at www.sedar.com.

The Board of Directors (the "Board") approved the consolidated financial statements for the years ended December 31, 2013 and 2012 and authorized their publication on February 13, 2014.

2. Revised standards /

2.1. Revised International Financial Reporting Standards ("IFRS") interpretations and amendments adopted with an effect on the consolidated financial statements

IAS 1 (Revised) – *Presentation of Financial Statements*

On June 16, 2011, the International Accounting Standards Board ("IASB") issued amendments to IAS 1 — *Presentation of Financial Statements*, which require entities to group together items within other comprehensive income ("OCI") that may be reclassified to the income statement and to separately group together items that will not be reclassified to the income statement. The amendments also reaffirm existing requirements that profit or loss and OCI should be presented as either a single statement or two consecutive statements. The amendments are effective for financial years commencing on or after July 1, 2012.

In May 2012, the IASB issued further amendments to IAS 1 — *Presentation of Financial Statements* which are effective for annual periods beginning on or after January 1, 2013 with early application permitted. IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period. The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Yellow Media Limited has applied the amendments to IAS 1 on January 1, 2011, in advance of the effective date, as permitted. The amendments have been applied retrospectively, and hence the presentation of items of OCI has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 did not result in any impact on profit or loss, OCI and total comprehensive income.

IAS 19 (Revised) — *Employee Benefits*

Yellow Media Limited has applied the amendments to IAS 19 (Revised) — *Employee Benefits* effective for financial years beginning on or after January 1, 2013. Under the amendments, the main changes of this revised version are the elimination of the corridor approach and acceleration of past service costs recognition with all changes to the defined benefit obligation and plan assets recognized when they occur. These amendments did not impact the Company's financial results. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with the net interest amount which is calculated by applying the discount rate to the net defined benefit liability or asset and administration fees are now included in service costs. The effects of these retrospective amendments are illustrated below.

Impact on net earnings (loss):

For the years ended December 31,		2013		2012
Net earnings (loss) before application of amendments to IAS 19	$	186,363	$	(1,954,005)
Differences (decreasing) increasing net earnings (loss):				
Operating costs		(1,445)		(1,220)
Financial charges, net		(11,926)		(9,703)
Income taxes		3,538		2,874
Net earnings (loss)	$	176,530	$	(1,962,054)

Impact on basic earnings (loss) per share:

For the years ended December 31,		2013		2012
Basic earnings (loss) per share before application of amendments to IAS 19[1]	$	6.70	$	(70.66)
Amendments to IAS 19		(0.36)		(0.29)
Basic earnings (loss) per share	$	6.34	$	(70.95)

Impact on diluted earnings (loss) per share:

For the years ended December 31,		2013		2012
Diluted earnings (loss) per share before application of amendments to IAS 19[1]	$	5.75	$	(70.66)
Amendments to IAS 19		(0.29)		(0.29)
Diluted earnings (loss) per share	$	5.46	$	(70.95)

[1] After consideration for the impact of the implementation of the Recapitalization on the weighted average number of shares outstanding during the prior period.

Impact on other comprehensive income (loss):

For the years ended December 31,		2013		2012
Other comprehensive income (loss) before application of amendments to IAS 19	$	73,136	$	(17,460)
Amendments to IAS 19		13,371		8,049
Other comprehensive income (loss)	$	86,507	$	(9,411)

There is no impact on equity (deficiency) as at December 31, 2012 and January 1, 2012.

Reconciliation of cash flows:

Given that the adoption of IAS 19 (Revised) did not have an impact on the total operating, investing or financing cash flows, no specific reconciliation is presented for cash flows.

IFRS 7 (Revised) — *Financial Instruments: Disclosures*

On December 16, 2011, the IASB and Financial Accounting Standards Board ("FASB") issued common disclosure requirements that are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new requirements are set out in *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7). New required note disclosures have been included in these consolidated financial statements to comply with the amendments. The IFRS 7 amendments are effective for financial years beginning on or after January 1, 2013 and have been applied retrospectively.

IFRS 12 — *Disclosure of Interests in Other Entities*

IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. New required note disclosures have been included in these consolidated financial statements to comply with this new standard.

IFRS 13 — *Fair Value Measurement*

IFRS 13 is a new standard that defines fair value and requires disclosures about fair value measurements. It applies prospectively from the beginning of the annual period in which it is adopted. New required note disclosures have been included in these consolidated financial statements. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements. IFRS 13 is effective for financial years beginning on or after January 1, 2013.

2.2. Revised IFRS, interpretations and amendments adopted with no effect on the consolidated financial statements

The following revised standards are effective for annual periods beginning on January 1, 2013 and their adoption has not had any impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

IFRS 10 — *Consolidated Financial Statements*

IFRS 10 replaces the consolidation requirements in IAS 27 — *Consolidated and Separate Financial Statements*, and SIC-12 — *Consolidation - Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and changes the definition of control over an investee. IFRS 11 — *Joint Arrangements*, and IFRS 12 — *Disclosure of Interests in Other Entities* and the related amendments to IAS 27 — *Consolidated and Separate Statements* and IAS 28 — *Investments in Associates* (the "package of five") are adopted at the same time. Yellow Media Limited reviewed its investments in associates and concluded the adoption of IFRS 10 did not have an impact on its consolidated financial statements.

IFRS 11 — *Joint Arrangements*

IFRS 11 supersedes IAS 31 — *Interests in Joint Ventures*, and SIC-13 — *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard also requires the use of a single method to account for interests in joint ventures, namely the equity method.

2.3. Standards, interpretations and amendments to published standards that are issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Media Limited's accounting periods beginning on or after January 1, 2014. Those which are considered to be relevant to Yellow Media Limited's operations are as follows:

IAS 32 — *Financial Instruments: Presentation in respect of Offsetting*

On December 16, 2011, the IASB and FASB issued common disclosure requirements that are intended to help investors and other users better assess the effect or potential effect of offsetting arrangements on a company's financial position. As part of this project, the IASB clarified aspects of IAS 32 — *Financial Instruments: Presentation*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Yellow Media Limited has not early adopted this standard and has not fully assessed the impact of adopting IAS 32.

IFRS 9 — *Financial Instruments*

IFRS 9 is the first phase of the IASB's three-phase project to replace IAS 39 — *Financial Instruments: Recognition and Measurement*. IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9, amended in October 2010 and November 2013, includes the requirements for the classification and measurement of financial liabilities and for de-recognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 — *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability and the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments.

IFRS 9 is applied prospectively with transitional arrangements depending on the date of application. The amendments made to IFRS 9 in November 2013 remove the mandatory effective date from IFRS 9. However, entities may choose to apply IFRS 9 immediately. Yellow Media Limited has not early adopted this standard and has not fully assessed the impact of adopting IFRS 9.

3. Basis of presentation and significant accounting policies /

3.1 Statement of compliance

These consolidated financial statements of Yellow Media Limited and its subsidiaries were prepared by management in accordance with IFRS. These financial statements have been prepared in accordance with the following significant accounting policies which 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 Media Limited.

3.4 Basis of consolidation

3.4.1 Subsidiaries

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

Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal. Intercompany assets and 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 Media Limited level.

When Yellow Media Limited loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying value of the assets, liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in OCI in relation to the subsidiary are accounted for (i.e. reclassified to net earnings (loss) or transferred directly to deficit) in the same manner as would be required if the relevant assets or liabilities were disposed of.

3.4.2 Associates

Associates are all entities over which Yellow Media Limited has a significant influence over the entity's management and operating and financial policy, without exercising control, and generally implies holding 20% to 50% of the voting rights.

Investments in associates are accounted for using the equity method and are initially measured at cost. Subsequently, the share in profits or losses of the associate attributable to equity holders of Yellow Media Limited is recognized in net earnings. Included in the recognized share of net earnings is the amortization of the amortizable assets based on their fair value at the acquisition date. When Yellow Media Limited's share of losses exceed its interest in an equity-accounted investee, the carrying value of the investment including any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that Yellow Media Limited has an obligation or has made payments on behalf of the investee.

3.4.3 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 Media Limited in exchange for control of the acquiree. Acquisition-related costs are recognized in the income statement as incurred. Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and reflected through net earnings. Changes in the fair value of contingent consideration classified as equity are not recognized.

Where a business combination is achieved in stages, Yellow Media Limited's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (the date Yellow Media Limited attains control) and the resulting gain or loss, if any, is recognized in the income statement.

3.5 Cash and cash equivalents

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

3.6 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Yellow Media Limited will not be able to collect all amounts due according to the original terms of the receivables.

3.7 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. A financial asset is de-recognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. Cash and cash equivalents and trade and other receivables are included in the loans and receivables category.

3.7.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest (income) expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset (liability) or, where appropriate, a shorter period.

3.7.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

3.8 Deferred publication costs

An intangible asset is 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 are recognized. An intangible asset is capitalized when the following conditions are met:

- Yellow Media 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 Media Limited; and
- the asset is identifiable, non-monetary and without physical substance.

Deferred publication costs are initially measured at cost and are amortized over the same period in which the related revenues are recognized.

3.9 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. The various components of property, plant and equipment are depreciated separately when 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. All other borrowing costs are recognized in the income statement in the period in which they are incurred. Yellow Media Limited has not capitalized any borrowing costs during the periods presented.

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 Media 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. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.

As at December 31, 2013, the expected useful lives are as follows:

Office equipment	10 years
Computer equipment	3 years
Other equipment	3 – 12 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, plant and equipment are tested for impairment when an indication of impairment loss exists. When the asset's recoverable amount is less than its net carrying value, an impairment loss is recognized. Where the recoverable amount of an individual asset does not generate independent cash inflows, Yellow Media Limited determines the recoverable amount of the cash generating units ("CGUs") or group of CGUs to which the asset belongs.

3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease that is included with long-term debt.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with Yellow Media Limited's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that incentives to enter into operating leases are received, such incentives are recognized as a deferred credit. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

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 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 Media 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 income statement 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 Media 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, unless their useful lives are indefinite, as follows:

Non-competition agreements and logos	Straight-line over life of agreement
Customer-related intangible assets	Pro rata based on related revenues, not exceeding 24 months
Trademarks	Indefinite or straight-line over 1-6 years
Domain names	Indefinite or straight-line over 18 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 and the carrying value of the asset, are recognized in the income statement when the asset is de-recognized.

3.12 Impairment of tangible and intangible assets including goodwill

At each reporting date, Yellow Media Limited determines whether there are any indications that the carrying values of its 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 Media Limited estimates the recoverable amount of the CGU or group of CGUs to which the asset belongs. A CGU is a business operation.

Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill 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 income statement.

For the purpose of impairment testing of goodwill, goodwill was tested at the operating segment level (group of CGUs) which represents the lowest level where goodwill is monitored for internal management purposes.

If the recoverable amount of a CGU or group of CGUs is less than the carrying value, the impairment loss is allocated first to reduce the carrying value of goodwill and then to the other assets of the unit pro-rata on the basis of the carrying value 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 Media 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 Financial liabilities

The valuation of financial liabilities depends on their classification. Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

Excluding derivative liabilities and financial liabilities accounted for at FVTPL, Yellow Media Limited recognizes all financial liabilities, specifically debt instruments, trade payables and other liabilities, initially at fair value less transaction costs and subsequently at amortized cost, using the effective interest method.

Financial liabilities designated as FVTPL are carried at fair value. Changes in fair value are recorded in the income statement. Transaction costs incurred in setting up these financial liabilities are recognized immediately as expenses in the income statement.

Yellow Media Limited de-recognizes financial liabilities when, and only when, Yellow Media Limited’s obligations are discharged, cancelled or expire.

3.15 Provisions

Provisions are recognized when Yellow Media 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.

3.15.1 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where Yellow Media 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.

3.15.2 Restructuring

A restructuring provision is recognized when Yellow Media 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.

3.16 Long-term debt

All long-term debt instruments are initially stated at the fair value of the consideration received after deduction of issue costs. Debt instruments are subsequently stated at amortized cost. Issue costs are charged to the income statement together with the coupon, as finance costs, on a constant-yield basis over the term of the debt instrument, or over a shorter period where the lender can require earlier repayment.

3.17 Employee benefits

3.17.1 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 income statement 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.

3.17.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Yellow Media 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 Media Limited recognizes all actuarial gains and losses arising subsequently from defined benefit plans in OCI. Remeasurement, 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. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be classified to the income statement. Past service costs are recognized in the income statement 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.

3.17.3 Other long-term employee benefits

Yellow Media 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.

3.17.4 Termination benefits

Termination benefits are recognized as an expense when Yellow Media 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 Media 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.

3.17.5 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 Media 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.

3.17.6 Share-based payment transactions

Yellow Media Limited's restricted share units, performance share units, deferred share units and stock options 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 and the deferred share unit plan are funded, eligible employees and directors 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. In the event these plans are unfunded, Yellow Media Limited will pay to the eligible employees and directors, upon vesting of the instruments, an amount in cash. The unfunded portion of these plans is treated as cash-settled instruments and recorded as a liability. At each reporting period, the liability is remeasured at fair value with any changes recorded in operating costs.

The fair value determined at the grant date of the share-based instruments is expensed on a straight-line basis over the vesting period, based on Yellow Media Limited's estimate of share-based instruments that will eventually vest. At each reporting period, Yellow Media 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 income statement, with a corresponding adjustment to the reserve.

3.18 Equity instruments issued by Yellow Media Limited

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 Media Limited are recorded at the proceeds received, net of direct issue costs.

Transaction costs incurred by Yellow Media 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.

3.19 Operating segments

Disclosure of segment information is reported in a manner consistent with the internal reports regularly reviewed by Yellow Media 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 currently operates under one segment.

3.20 Revenues

Yellow Media Limited's revenues are measured at the fair value of the consideration received or receivable after deduction of sales allowances and sales taxes.

Print directory advertising is sold in bundles that can include several related online advertising products. Print products are not sold separately. Revenues from print directory advertising as well as revenues from related online products are recognized in the income statement rateably on a monthly basis from the point at which service is first provided over the life of the contract.

Revenues from private and commercial classified advertisements and display advertisements are recognized at the time the advertisements are published either on a weekly or monthly basis. Revenues related to advertisements appearing on multiple occasions are recognized over the period the advertisements are displayed.

3.21 Derivative financial instruments

Yellow Media Limited enters from time to time into a variety of derivative financial instruments to manage interest rate risk on its long-term debt and to manage the risk of fluctuations in the share price of its common shares affecting its stock-based compensation plans.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognized in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Yellow Media Limited designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

3.21.1 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the income statement.

3.22 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.

3.23 Taxation

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

3.23.1 Current income tax

Taxable profit differs from profit as reported in the consolidated income statement 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 Media Limited's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3.23.2 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 Media 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.

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 Media 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 Media Limited intends to settle its tax assets and liabilities on a net basis.

3.23.3 Current and deferred tax for the period

Current and deferred taxes are recognized as an expense or income in the income statement, 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.

3.24 Significant estimates and judgements

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.

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

Significant estimates

Intangible assets

The valuations associated with measuring the recoverability of identifiable intangible assets for impairment analysis purposes involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, terminal growth rates and asset lives. These significant estimates could affect Yellow Media Limited's future results if the current estimates of future performance and fair values change.

Yellow Media Limited assesses impairment by comparing the recoverable amount of a CGU or group of CGUs to which an identifiable intangible asset belongs, with its carrying value. The determination of the recoverable amount involves significant management estimates.

Yellow Media Limited performs its annual test for impairment of indefinite life intangible assets in the fourth quarter in accordance with the policy described in Note 3.12.

Useful lives of intangible assets and property, plant and equipment

Yellow Media Limited reviews the estimated useful lives of its intangible assets and property, plant 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, plant and equipment were adequate.

Employee future benefits

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

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Media Limited's ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Media Limited's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Media Limited's ability to utilize the underlying future tax deductions changes, Yellow Media 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.

Significant judgements

Uncertain tax provisions

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

4. Impairment of goodwill, intangible assets and property, plant and equipment /

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. The CGUs of the Company are presented as follows: Yellow Pages Group and Other (includes multiple CGUs for which the carrying value of its intangible assets with indefinite useful lives is not significant in comparison with the Company's total carrying value of intangible assets with indefinite useful lives).

2013

During the fourth quarter of 2013, in the context of its annual impairment testing, the Company completed its impairment analysis and assessed the recoverability of its assets allocated to its CGUs. The Company calculated the recoverable amounts of its CGUs using valuation methods which were consistent with those used in prior periods. The recoverable amounts were determined based on the value in use approach using a discounted cash flow model.

The significant key assumptions included in the forecasted cash flows are based on the Company's business plan taking into consideration growth and product mix trends. The cash flows are based on the 2014 budget approved by the Board of Directors and projected over a five-year period. Applicable terminal growth rates were applied. The forecasted cash flows also incorporated forecasted print revenue declines per annum between 20% and 25% and online revenue growth rates between 6% and 11% for the Yellow Pages Group CGU.

As a result of the impairment analysis, the Company determined that the recoverable amounts of if its CGUs exceeded their carrying values and accordingly, no impairment charge was recognized.

2012

During the first quarter of 2012, indicators that the Company's assets may have been impaired were identified. This included a significant change in revenue trends impacting the Company's long-term revenue mix, an updated five-year plan taking into account the lower than expected revenue performance, and external factors such as the sale by AT&T of its directory business.

As a result of these internal and external sources of information, management performed an impairment analysis. Following the completion of the impairment analysis, the Company recorded a goodwill impairment charge of $2,967.8 million during the first quarter of 2012, reducing the balance of goodwill to $nil.

Goodwill was tested for impairment at the lowest level within the Company at which the goodwill is monitored for internal management purposes; the digital and traditional media solutions segment (Group of CGUs), the only operating segment of the Company.

During the fourth quarter of 2012, as a result of the closing of the Recapitalization and in the context of its annual impairment testing, the Company completed its impairment analysis and assessed the recoverability of its assets allocated to its CGUs. As a result of the impairment analysis, the Company determined that the carrying amounts of if its CGUs exceeded their recoverable amounts and accordingly, the Company recorded an impairment charge of $300 million, which was applied to certain intangible assets and property, plant and equipment.

The impairment charges did not affect the Company's operations, its liquidity, its cash flows from operating activities, its Senior Secured Notes or its Exchangeable Debentures indentures.

Carrying values and assumptions

Cash flows beyond the periods of the plan were extrapolated using the terminal growth rates stated in the table below. The allocation of the carrying value of the intangible assets as at December 31, 2013 and 2012 by CGU or group of CGUs, prior to the impairment charge and the key assumptions used for the value in use calculations for the December 31, 2013, December 31, 2012 and March 31, 2012 impairment analyses are presented below:

			December 31, 2013
	Yellow Pages Group	Other	Total
Carrying value of intangible assets by CGU			
Trademarks and domain names	$ 876,823	$ 2,022	$ 878,845
Trademarks and domain names with finite lives	$ 2,879	$ 4,167	$ 7,046
Non-competition agreements and logos	$ 341,501	$ 520	$ 342,021
Customer-related intangible assets	$ –	$ 442	$ 442
Software	$ 81,036	$ 1,104	$ 82,140
Total carrying value of intangible assets by CGU	$ 1,302,239	$ 8,255	$ 1,310,494

			December 31, 2012[1]
	Yellow Pages Group	Other	Total
Carrying value of intangible assets by CGU			
Trademarks and domain names	$ 1,060,842	$ 17,385	$ 1,078,227
Trademarks and domain names with finite lives	$ 3,800	$ 8,333	$ 12,133
Non-competition agreements and logos	$ 435,192	$ 6,255	$ 441,447
Software	$ 68,246	$ 1,705	$ 69,951
Total carrying value of intangible assets by CGU	$ 1,568,080	$ 33,678	$ 1,601,758

[1] Prior to impairment charge of $300 million as discussed above, of which $289.6 million was applied to intangible assets.

			December 31, 2013 and 2012
	Yellow Pages Group	Other	Total
Key assumptions :			
Terminal growth rate			
December 31, 2013	-15% to 4.5%	5%	-15% to 5%
December 31, 2012	-15% to 2.5%	-15% to 2.5%	-15% to 2.5%
March 31, 2012	-10% to 2.5%	3.5%	-10% to 3.5%
Discount rate – post-tax			
December 31, 2013	10% to 20%	13.9%	10% to 20%
December 31, 2012	11% to 19%	11% to 19%	11% to 19%
March 31, 2012	10% to 19%	16.5% to 20%	10% to 20%
Discount rate – pre-tax			
December 31, 2013	16.6% to 26.7%	17.3%	16.6% to 26.7%
December 31, 2012	13.6% to 24.1%	13.6% to 24.1%	13.6% to 24.1%
March 31, 2012	12.4% to 24.1%	20.7% to 25.5%	12.4% to 25.5%

Sensitivity to changes in assumptions

The table below shows the percentages by which each key assumption must change in isolation in order for the estimated recoverable amount to equal to its carrying value:

	December 31, 2013
	Yellow Pages Group
Key assumptions :	
Terminal growth rate	-1%
Discount rate – post-tax	1%
Revenue decline per annum	-1% to -6%

5. Investments in associates /

List of associates:

As at		December 31, 2013		December 31, 2012	
	Principal Activity	Consolidation	% ownership	Consolidation	% ownership
Canada					
411 Local Search Corp.	Online search engine	Equity method	30	Equity method	30
USA					
Ziplocal, LP	Printing of directories	Equity method	35	Equity method	35

Shareholders of 411 Local Search Corp. (“411”) have the ability to exercise a put option (derivative liability) requiring the Company to acquire the remaining 70% interest of 411 at a price which is based on a fixed multiple of adjusted earnings before interest, income taxes, depreciation and amortization for the year ending March 31, 2013 or 2014. The fair value of this derivative liability amounted to $18.5 million as at December 31, 2012, resulting in a charge to the income statement. The fair value remains unchanged as at December 31, 2013. As at December 31, 2013, 411 had not exercised this option. The Company may exercise its call option to purchase the remaining interest during a specified period of time in 2014. The Company also had this call option during a specified period of time in 2013. The fair value of this derivative is $nil as at December 31, 2012 and 2013. As at December 31, 2013, the Company had not exercised this option.

The net earnings (loss) for the investment in associates, excluding Ziplocal, LP ("Ziplocal") not adjusted for the percentage ownership held by Yellow Media Limited amounted to $2.4 million for the year ended December 31, 2013 (2012 – $(0.2 million)).

In 2011, Ziplocal was in default of its debt obligations and had undertaken important restructuring initiatives. As a result, Yellow Media Limited determined that its investment in Ziplocal was impaired and a loss of $50.3 million, net of income taxes of $0.2 million was recorded, which reduced its net investment in Ziplocal to $nil. Consequently, Yellow Media Limited no longer recognizes its share of losses in Ziplocal.

6. Property, plant and equipment /

					2013
	Office equipment[1]	Computer equipment	Other equipment	Leasehold improvements	**Total**
Cost					
As at December 31, 2012	$ 29,550	$ 18,362	$ 1,510	$ 29,048	**$ 78,470**
Additions	1,123	6,798	159	2,105	**10,185**
Disposals, write-offs and transfers	(234)	(832)	–	–	**(1,066)**
As at December 31, 2013	$ 30,439	$ 24,328	$ 1,669	$ 31,153	**$ 87,589**
Accumulated depreciation					
As at December 31, 2012	$ 20,966	$ 13,076	$ 891	$ 16,123	**$ 51,056**
Depreciation expense	2,172	2,876	93	2,957	**8,098**
Disposals, write-offs and transfers	(213)	(841)	–	–	**(1,054)**
As at December 31, 2013	$ 22,925	$ 15,111	$ 984	$ 19,080	**$ 58,100**
Net book value as at December 31, 2013	**$ 7,514**	**$ 9,217**	**$ 685**	**$ 12,073**	**$ 29,489**

					2012
	Office equipment[1]	Computer equipment	Other equipment	Leasehold improvements	Total
Cost					
As at December 31, 2011	$ 33,078	$ 29,670	$ 2,694	$ 39,588	$ 105,030
Additions	504	4,167	356	1,800	6,827
Impairment (Note 4)	(3,201)	(1,177)	(565)	(5,447)	(10,390)
Disposals, write-offs and transfers	(831)	(14,298)	(975)	(6,893)	(22,997)
As at December 31, 2012	$ 29,550	$ 18,362	$ 1,510	$ 29,048	$ 78,470
Accumulated depreciation					
As at December 31, 2011	$ 17,329	$ 23,450	$ 1,225	$ 16,530	$ 58,534
Depreciation expense	4,545	3,826	240	6,275	14,886
Disposals, write-offs and transfers	(908)	(14,200)	(574)	(6,682)	(22,364)
As at December 31, 2012	$ 20,966	$ 13,076	$ 891	$ 16,123	$ 51,056
Net book value as at December 31, 2012	$ 8,584	$ 5,286	$ 619	$ 12,925	$ 27,414

[1] The net book value of office equipment includes $0.5 million of assets held under finance leases (2012 - $1.1 million).

7. Intangible assets /

					2013
	Trademarks and domain names[1]	Non-competition agreements and logos	Customer-related intangible assets	Software[2]	**Total Intangible assets**
Cost					
As at December 31, 2012	$ 951,184	$ 536,102	$ 108,198	$ 134,960	**$ 1,730,444**
Additions	–	–	785	51,288	**52,073**
Disposals, write-offs and transfers	(161)	–	(96,870)	(5,611)	**(102,642)**
As at December 31, 2013	$ 951,023	$ 536,102	$ 12,113	$ 180,637	**$ 1,679,875**
Accumulated amortization					
As at December 31, 2012	$ 60,705	$ 175,612	$ 108,198	$ 73,781	**$ 418,296**
Amortization expense	4,427	18,469	343	28,827	**52,066**
Disposals, write-offs and transfers	–	–	(96,870)	(4,111)	**(100,981)**
As at December 31, 2013	$ 65,132	$ 194,081	$ 11,671	$ 98,497	**$ 369,381**
Net book value as at December 31, 2013	**$ 885,891**	**$ 342,021**	**$ 442**	**$ 82,140**	**$ 1,310,494**

					2012
	Trademarks and domain names[1]	Non-competition agreements and logos	Customer-related intangible assets	Software[2]	Total Intangible assets
Cost					
As at December 31, 2011	$ 1,151,180	$ 617,059	$ 108,198	$ 284,510	$ 2,160,947
Additions	–	–	–	33,528	33,528
Impairment (Note 4)	(199,881)	(80,957)	–	(8,772)	(289,610)
Disposals, write-offs and transfers	(115)	–	–	(174,306)	(174,421)
As at December 31, 2012	$ 951,184	$ 536,102	$ 108,198	$ 134,960	$ 1,730,444
Accumulated amortization					
As at December 31, 2011	$ 45,542	$ 149,313	$ 103,834	$ 204,207	$ 502,896
Amortization expense	15,163	26,299	4,364	43,581	89,407
Disposals, write-offs and transfers	–	–	–	(174,007)	(174,007)
As at December 31, 2012	$ 60,705	$ 175,612	$ 108,198	$ 73,781	$ 418,296
Net book value as at December 31, 2012	$ 890,479	$ 360,490	$ –	$ 61,179	$ 1,312,148

[1] Trademarks and domain names with indefinite useful lives amounted to $878.8 million (2012 - $879.0 million).

[2] Software assets under development amounted to $25.3 million (2012 - $25.4 million).

8. Trade and other payables /

As at	**December 31, 2013**	December 31, 2012
Trade	**$ 44,085**	$ 58,271
Accrued interest	**5,717**	2,753
Payroll related	**3,146**	1,722
Current portion of long-term incentive plans	**2,067**	–
Publishing related	**10,103**	10,261
Other accrued liabilities	**13,706**	14,928
	$ 78,824	$ 87,935

9. Provisions /

During the year ended December 31, 2013, Yellow Media Limited recorded restructuring and special charges of $23.3 million. These costs were associated with workforce reductions and the termination and renegotiation of certain contractual obligations. During the year ended December 31, 2012, Yellow Media Limited recorded restructuring and special charges of $44.9 million. These costs were associated with a workforce reduction, relocation of centers of excellence and the termination and renegotiation of certain contractual obligations.

The provisions for restructuring and special 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	Provisions for special charges	Other provisions	Total Provisions
As at December 31, 2012	$ 12,413	$ 22,910	$ 24,889	$ 60,212
Charge[1]	21,020	2,330	35,520	58,870
Utilized provision	(12,086)	(5,478)	(23,047)	(40,611)
Surplus provision	–	–	(1,808)	(1,808)
As at December 31, 2013	$ 21,347	$ 19,762	$ 35,554	$ 76,663
Less current portion	18,951	16,127	35,554	70,632
Non-current portion	$ 2,396	$ 3,635	$ –	$ 6,031

	Provisions for restructuring	Provisions for special charges	Other provisions	Total Provisions
As at December 31, 2011	$ 17,637	$ 19,006	$ 11,657	$ 48,300
Charge[1]	16,569	27,681	18,118	62,368
Utilized provision	(21,793)	(23,777)	(3,252)	(48,822)
Surplus provision	–	–	(1,634)	(1,634)
As at December 31, 2012	$ 12,413	$ 22,910	$ 24,889	$ 60,212
Less current portion	12,175	15,786	24,889	52,850
Non-current portion	$ 238	$ 7,124	$ –	$ 7,362

[1] Included in the restructuring and special charges are $(12 thousand) (2012 - $673 thousand) of other costs not affecting the provision.

10. Post-employment benefits /

Yellow Media Limited maintains pension plans with defined benefit and defined contribution components which cover substantially all of the employees of Yellow Media Limited. Yellow Media 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 liability 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.
Salary risk	The present value of the defined benefit plan obligation is calculated by reference to the projected salaries of plan participants. As such, a higher salary increase than projected of the plan participants will increase the defined benefit plan’s liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out by Morneau Shepell, Fellows of the Canadian Institute of Actuaries and Society of Actuaries, as at December 31, 2013. 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.

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, 2013 and 2012 were as follows:

	December 31, 2013		December 31, 2012	
	Pension Benefits[1]	Other Benefits	Pension Benefits[1]	Other Benefits
Fair value of plan assets, beginning of year	$ 406,554	$ –	$ 389,860	$ –
Employer contributions	19,991	2,073	30,796	1,975
Employee contributions	803	–	390	–
Interest income	15,901	–	17,466	–
Return on plan assets excluding interest income (actuarial gains)	43,478	–	17,926	–
Benefit payments	(47,274)	(2,073)	(48,664)	(1,975)
Administration costs	(1,445)	–	(1,220)	–
Fair value of plan assets, end of year	$ 438,008	$ –	$ 406,554	$ –
Accrued benefit obligation, beginning of year	$ 651,238	$ 52,230	$ 636,292	$ 52,364
Current service cost	14,802	866	17,201	1,041
Employee contributions	803	–	390	–
Benefit payments	(47,274)	(2,073)	(48,664)	(1,975)
Interest cost	25,829	2,082	28,618	2,359
Past service costs	(3,297)	(4,095)	(8,027)	(5,291)
Actuarial (gains) losses due to:				
Experience adjustments	(6,046)	(5,506)	(13,583)	–
Changes in demographic assumptions	11,401	1,163	–	–
Changes in financial assumptions	(70,792)	(4,375)	39,011	3,732
Defined benefit obligation, end of year	$ 576,664	$ 40,292	$ 651,238	$ 52,230
Net defined benefit obligation	$ (138,656)	$ (40,292)	$ (244,684)	$ (52,230)

[1] Including unfunded supplementary defined benefit pension plans.

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

The significant assumptions adopted in measuring Yellow Media Limited's pension and other benefit obligations as at December 31, 2013 and 2012 were as follows:

	December 31, 2013		December 31, 2012	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Post-employment benefit obligation				
Discount rate, end of year	4.75%	4.75%	4.00%	4.00%
Rate of compensation increase	3.00%	3.00%	3.25%	3.50%
Net benefit plan costs				
Discount rate, end of preceding year	4.00%	4.00%	4.50%	4.50%
Rate of compensation increase	3.25%	3.25%	3.25%	3.50%
Weighted average duration (years)	15	13	17	15

For measurement purposes, a 7.0% annual increase in the per capita cost of covered medical care benefits (the medical care cost trend rate) was assumed in 2013. The rate of increase of the cost of medical care was assumed to gradually decline to 4.5% by 2028 and to remain at that level thereafter. A 4.5% annual increase in per capita cost of covered dental care benefits was assumed in 2012 and thereafter.

The following table shows how the defined benefit obligation as at December 31, 2013 would have been affected by changes that were reasonably possible at that date in each significant actuarial assumption:

	Pension benefits	Other benefits
Discount rate, end of year – 4.50% instead of 4.75%	$ 22,534	$ 1,219
Rate of compensation increase – 3.25% in 2014 and 3.50% thereafter, instead of 3.00% in 2014 and 3.25% thereafter	$ 3,299	$ –
Health care cost trend rates – medical: 8.0% in 2013 reducing to 5.5% over 15 years instead of 7.0% in 2013 reducing to 4.5% over 15 years; dental: 5.5% instead of 4.5%	$ N/A	$ 1,322

The net benefit plan costs included in the income statements are the following components:

	For the years ended December 31,			
		2013		2012
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Current service cost[1]	$ 14,802	$ 866	$ 17,201	$ 1,041
Administration costs[1]	1,445	–	1,220	–
Past service costs[1]	(3,297)	(4,095)	(8,027)	(5,291)
Service cost	$ 12,950	$ (3,229)	$ 10,394	$ (4,250)
Interest cost (Note 18)	$ 25,829	$ 2,082	$ 28,618	$ 2,359
Interest income (Note 18)	(15,901)	–	(17,466)	–
Net interest on the net defined benefit obligation	$ 9,928	$ 2,082	$ 11,152	$ 2,359
Net benefit costs (recovery) recognized in the income statement	$ 22,878	$ (1,147)	$ 21,546	$ (1,891)
Actuarial (gains) losses recognized in other comprehensive income	$ (108,915)	$ (8,718)	$ 7,502	$ 3,732
Total net benefit plan (recovery) costs for the Yellow Pages Group Corp. ("YPG Co.") defined benefit plans	$ (86,037)	$ (9,865)	$ 29,048	$ 1,841
Net benefit plan costs for the YPG Co. defined contribution plans[1]	6,438	–	4,288	–
Total net benefit plan (recovery) costs	$ (79,599)	$ (9,865)	$ 33,336	$ 1,841

[1] Included in operating costs.

During the years ended December 31, 2012 and 2013, the Company amended the retirement and post-employment benefit plans for certain groups of employees. These amendments were made prospectively and applied only to certain groups of employees and included among other items for the affected employees, the elimination of post-retirement benefits, the elimination of post-retirement indexing for future service, the introduction of employee contributions and the reduction of short-term disability coverage. Certain of these amendments resulted in negative past service costs in the amount of $7.4 million (2012 - $13.3 million).

On May 31, 2013, the plan was split administratively into two plans:

- a plan that applies to all defined benefit plan and defined contribution plan members except Quebec-based defined contribution plan members; and
- a plan that applies to all Quebec-based defined contribution plan members.

This split has no impact on the benefits of current active or retired members.

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, 2013 and 2012:

(in percentages - %)	December 31, 2013	December 31, 2012
Fair value of the plan assets:		
Canadian bonds and debentures	27.5	29.0
Canadian common stocks	12.5	13.5
Global common stocks	10.0	9.5
Pooled fund units		
Canadian pooled equity funds	19.0	18.0
Global pooled equity funds	22.0	21.0
Canadian pooled fixed-income funds	6.5	6.0
Pooled mortgage funds	1.5	2.0
Pooled money market fund	–	1.0
Short-term notes and treasury bills	0.5	–
Cash and cash equivalents	0.5	–

As at December 31, 2013 and 2012, the publicly traded equity securities did not directly include any shares of Yellow Media Limited.

The total cash payments for pension and other benefit plans made by Yellow Media Limited amounted to $28.5 million for 2013 (2012 – $37.1 million). Total cash payments for pension and other benefit plans expected in 2014 amount to approximately $40.4 million.

Yellow Media 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 Media Limited is responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

Yellow Media Limited's expense for provincial, federal and state pension plans was $7.3 million for the year ended December 31, 2013 (2012 – $6.7 million).

As at December 31, 2013, Yellow Media Limited had recognized an accumulated balance of $55.7 million, net of income taxes of $18.3 million, in actuarial losses in OCI.

11. Long-term debt /

The long-term debt is comprised of the following:

As at	December 31, 2013	December 31, 2012
Senior Secured Notes	$ 646,577	$ 800,000
Obligations under finance leases	891	1,831
	$ 647,468	$ 801,831
Less current portion[1]	89,051	100,939
Non-current portion	$ 558,417	$ 700,892

[1] The current portion of the repayment of the Senior Secured Notes may vary subject to the Excess Cash Flow clause.

Asset-Based Loan

In August 2013, the Company, through YPG Financing Inc., entered into a five-year $50 million asset-based loan ("ABL") expiring in August 2018. The ABL will be 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 has a first priority lien over the receivables of the Company. The ABL is subject to an availability reserve of $5 million if the Company's trailing 12-month fixed charge coverage ratio is below 1.1 times. As at December 31, 2013, the ABL was fully available and was undrawn. Interest is calculated based either on the BA Rate or the Canadian Prime Rate plus an applicable margin.

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, investments, 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, 2013, the Company was in compliance with all covenants under the loan agreement governing the ABL.

Senior Secured Notes

On December 20, 2012, the Company through its subsidiary, YPG Financing Inc., issued $800 million of 9.25% Senior Secured Notes maturing November 30, 2018. Interest on the Senior Secured Notes is payable in cash, quarterly in arrears and in equal instalments at 9.25% per annum on the last day of February, May, August and November of each year.

The Senior Secured Notes are unconditionally guaranteed on a senior secured basis by Yellow Media Limited and all of its Restricted Subsidiaries (as such term is defined in the indenture governing the Senior Secured Notes).

The Senior Secured Notes and each Senior Secured Note guarantee are secured by a first priority lien, subject to certain permitted liens, in the collateral, which consists of all of the property of Yellow Media Limited and the Restricted Subsidiaries, whether owned on the Effective Date or thereafter acquired, other than certain excluded property.

The indenture governing the Senior Secured Notes contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, investments, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, and certain transactions with affiliates and its business activities. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of additional indebtedness and other transactions (other than the ABL).

As at December 31, 2013 and 2012, the Company was in compliance with all covenants under the indenture governing the Senior Secured Notes.

Mandatory Redemption

Pursuant to the indenture governing the Senior Secured Notes, the Company is required to use an amount equal to 75% of its consolidated Excess Cash Flow for the immediately preceding six-month period ending March 31 or September 30, as applicable, to redeem on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2013, the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof from holders on a pro rata basis, subject to the Company maintaining a minimum cash balance of $75 million immediately following the mandatory redemption payment. Excess Cash Flow, as defined in the indenture governing the Senior Secured Notes, means the aggregate cash flow from operating activities adjusted for, among other things, payments relating to interest, taxes, long-term employee compensation plans, certain pension plan contribution payments and the acquisitions of property, plant, equipment and intangible assets.

The Company is required to make minimum annual aggregate mandatory redemption payments of $75 million in 2014, $50 million in 2015, or if the redemption payments made in 2014 exceed $75 million, $50 million less such excess redemption payment. The minimum annual aggregate mandatory redemption payments for 2014 and 2015 are not subject to the condition that the Company maintain a minimum cash balance of $75 million immediately following such payments.

For purposes of determining the consolidated Excess Cash Flow, deductions for capital expenditures and information systems/ information technology expenses are each subject to an annual deduction limit of $50 million. Under other circumstances, the Company may also have to make additional repayments on the Senior Secured Notes (refer to the indenture governing the Senior Secured Notes).

Optional Redemption

The Company may redeem all or part of the Senior Secured Notes at its option at any date, 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, 2017, 105% 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, 2017, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

On May 31, 2013 and December 2, 2013, Yellow Media Limited made mandatory redemption payments on the Senior Secured Notes of $26.1 million and $92.4 million, respectively. On September 25, 2013, Yellow Media Limited purchased on the open market $8 million of the Senior Secured Notes for a total cash consideration of $8.3 million. A loss of $0.3 million was recorded in net earnings in financial charges. On October 29, 2013, Yellow Media Limited exercised its option to redeem $27 million of Senior Secured Notes for a total cash consideration of $28.4 million. A loss of $1.4 million was recorded in net earnings in financial charges.

Obligations under finance leases

The Company entered into several lease agreements with third parties for office equipment and for software. The obligations under finance leases are secured by a moveable hypothec on the office equipment leased.

Finance lease liabilities payable as at December 31, 2013 are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 551	$ 43	$ 508
Between one and five years	396	13	383
	$ 947	$ 56	$ 891

12. Exchangeable debentures /

As at	December 31, 2013	December 31, 2012
Face value of Exchangeable Debentures	$ 107,500	$ 107,500
Less unaccreted interest	(19,566)	(20,833)
	$ 87,934	$ 86,667

On December 20, 2012, the Company through its subsidiary YPG Financing Inc., issued $107.5 million of senior subordinated 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 if the Company makes a Payment in Kind (“PIK”) 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, and in equal instalments on the last day of May and November of each year. The initial fair value on December 20, 2012 of the Exchangeable Debentures was $91.6 million.

The Exchangeable Debentures are senior subordinated and unsecured obligations of YPG Financing Inc. The Exchangeable Debentures are unconditionally guaranteed on a subordinated unsecured basis by Yellow Media Limited and all of its Restricted Subsidiaries (as such term is defined in the indenture governing the Exchangeable Debentures).

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, investments, 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.

As at December 31, 2013 and 2012, 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 New Common Shares at any time at an exchange price per New Common Share equal to $19.04, subject to adjustment for specified transactions.

The conversion option was valued at $3.6 million, net of income taxes of $1.3 million, at the date of issuance and is included in Equity. The liability portion is being accreted such that the liability at maturity equals the principal amount less exchanges.

Optional Redemption

The Company may, at any time on or after the date on which all of the Senior Secured Notes have been paid in full, redeem all or part of the Exchangeable Debentures at its option 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 for cash is an embedded derivative and is recorded at fair value on the consolidated statements of financial position with changes in fair value recognized in financial charges.

13. Income taxes /

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

	For the years ended December 31,	
	2013	2012
		(Revised – Note 2)
Earnings (loss) before income taxes and share of earnings from investments in associates	$ 239,253	$ (2,042,756)
Combined Canadian federal and provincial tax rates[1]	26.46%	26.31%
Income tax expense (recovery) at statutory rates	$ 63,306	$ (537,449)
Increase (decrease) resulting from:		
Unrecognized tax attributes of the current year	3,332	7,850
Recognition of previously unrecognized tax attributes	(3,312)	(15,393)
Difference in the statutory rate applicable to foreign operations	(1,026)	(2,922)
Rate differential on temporary differences	(300)	1,938
Derivative financial instruments	–	4,274
Gain on settlement of debt	–	(282,848)
Impairment of goodwill, intangible assets and property, plant and equipment	–	738,925
Non-deductible dividend expense	–	4,655
Other	1,421	2,161
Provision for (recovery of) income taxes	$ 63,421	$ (78,809)

[1] The combined applicable statutory tax rate increased by 0.15% resulting mainly from the increase in the British Columbia and New Brunswick statutory tax rate.

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

	December 31, 2013	December 31, 2012
		(Revised – Note 2)
Current	$ 48,241	$ 48,603
Deferred	15,180	(127,412)
	$ 63,421	$ (78,809)

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

	Deferred financing costs	Non-capital losses carry forward	Deferred revenues	Post-employment benefits	Accrued liabilities	Property, plant and equipment and lease inducements	Exchangeable Debentures	Intangible assets	Deferred income tax (assets) liabilities, net
December 31, 2012	$ (11,112)	$ (3,954)	$ (11,726)	$ (77,362)	$ (9,941)	$ (920)	$ 5,599	$ 96,030	$ (13,386)
Expense (benefit) to income statement	6,347	(103)	2,257	(2,582)	(3,186)	(3,878)	(340)	16,665	15,180
Expense to other comprehensive income	–	–	–	31,126	–	–	–	–	31,126
Other		–	–	–	–	–	–	(3,596)	(3,596)
December 31, 2013	$ (4,765)	$ (4,057)	$ (9,469)	$ (48,818)	$ (13,127)	$ (4,798)	$ 5,259	$ 109,099	$ 29,324

	Deferred financing costs	Non-capital losses carry forward	Deferred revenues	Post-employment benefits	Fair value adjustment of hedged item	Accrued liabilities	Property, plant and equipment and lease inducements	Exchangeable and Convertible Debentures	Intangible assets	Deferred income tax liabilities (assets), net
December 31, 2011	$ 8,366	$ (9,415)	$ (14,774)	$ (78,658)	$ (2,146)	$ (8,467)	$ 5,041	$ 2,265	$ 217,093	$ 119,305
(Benefit) expense to income statement	(19,478)	5,461	3,048	7,126	2,552	(1,474)	(5,961)	1,999	(117,811)	(124,538)
Charge to equity	–	–	–	–	–	–	–	1,335	–	1,335
Benefit to other comprehensive income	–	–	–	(5,830)	(406)	–	–	–	–	(6,236)
Other		–	–	–	–	–	–	–	(3,252)	(3,252)
December 31, 2012	$ (11,112)	$ (3,954)	$ (11,726)	$ (77,362)	$ –	$ (9,941)	$ (920)	$ 5,599	$ 96,030	$ (13,386)

As at December 31, 2013, the Company had not recognized deferred income tax assets with respect to foreign operating losses of $84.3 million which expire from 2028 to 2033, Canadian capital losses of $1.7 million which can be utilized indefinitely, and deductible temporary differences of $285 million.

14. Shareholders' capital /

Common shares

An unlimited number of New Common Shares are authorized to be issued.

	December 31, 2013 and 2012	
	Number of Shares	Amount
Balance, December 31, 2011	520,402,094	$ 3,554,715
Exercise of conversion option on Convertible Debentures prior to the Recapitalization (Note 1)	116,250	899
Exchange of Convertible Debentures[1]	99,535,000	–
Cancellation of common shares[1]	(620,053,344)	–
Issuance of New Common Shares to settle prior debt[1]	24,567,901	153,568
Issuance of New Common Shares to prior common shareholders[1]	2,564,647	–
Exchange of preferred shares series 3, 5 and 7 for New Common Shares[1]	822,529	320,687
Balance, December 31, 2012 and 2013	27,955,077	$ 4,029,869

[1] Pursuant to the Recapitalization.

Pursuant to the Recapitalization, the common shares of YPG Financing Inc. were cancelled on December 20, 2012.

Warrants

As described in Note 1 – Description, pursuant to the Recapitalization, the Company issued a total of 2,995,506 Warrants.

Each Warrant is transferable and entitles the holder to purchase one New Common Share 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 the Effective Date 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%

15. Earnings (loss) per share /

The following table reconciles the net earnings (loss) attributable to common shareholders and the weighted average number of shares outstanding used in computing basic earnings (loss) per share to weighted average number of shares outstanding used in computing diluted earnings (loss) per share:

	For the years ended December 31,	
	2013	2012
Weighted average number of shares outstanding used in computing basic earnings (loss) per share	27,797,170	27,955,077
Dilutive effect of restricted share units and performance share units	157,907	–
Dilutive effect of stock options	14,624	–
Dilutive effect of Exchangeable Debentures	5,646,008	–
Weighted average number of shares outstanding used in computing diluted earnings (loss) per share	33,615,709	27,955,077

Pursuant to the closing of the Recapitalization approved by the Court, the common shares of YPG Financing Inc. were exchanged for New Common Shares of the Company. As a result, the weighted average number of shares outstanding for the prior period has been adjusted to reflect the Recapitalization.

	For the years ended December 31,	
	2013	2012
		(Revised - Note 2)
Net earnings (loss) attributable to common shareholders of Yellow Media Limited	$ 176,360	$ (1,961,663)
Dividends to preferred shares, Series 3, 5 and 7 shareholders	–	(21,606)
Net earnings (loss) available to common shareholders of Yellow Media Limited used in the computation of basic and diluted loss per share	$ 176,360	$ (1,983,269)
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	7,244	–
Net earnings (loss) adjusted for dilutive effect	$ 183,604	$ (1,983,269)

For the year ended December 31, 2013, the diluted earnings per share calculation did not take into consideration the potentially dilution effect of the warrants (refer to Note 14 – Shareholders' capital) as they are not dilutive. Yellow Media Limited did not calculate the diluted loss per share for the year ended December 31, 2012 as the conversion of the warrants, stock options and Exchangeable Debentures would not be dilutive to the loss.

16. Stock-based compensation plans /

2013

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

Restricted Share Unit and Performance Share Unit Plan

On May 6, 2013, Yellow Media Limited adopted a restricted share unit and performance share unit plan (the "RSU and PSU Plan") to reward the key employees and officers of Yellow Media Limited (the "Participants"). Following the implementation of the RSU and PSU Plan, Yellow Media Limited granted to Participants a number of restricted share units ("RSUs") and/or performance share units ("PSUs"), as applicable. 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.

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. In the event the RSU and PSU Plan is unfunded, Yellow Media Limited will pay to the Participant an amount in cash, equivalent to the number of RSUs or PSUs that have vested.

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.

During the year ended December 31, 2013, 65,883 PSUs were set aside for a possible payout of up to 150%.

During the year ended December 31, 2013, 454,482 common shares of Yellow Media Limited were purchased on the open market of the TSX by the trustee appointed under the RSU and PSU Plan at a cost of $6.6 million and are restricted for the purpose of funding of the RSU and PSU Plan.

The following table summarizes the status of the RSU and PSU grants during the year ended December 31, 2013:

	December 31, 2013	
	Number of RSUs and PSUs	
	RSUs	PSUs
Outstanding, beginning of period	–	–
Granted	300,871	140,669
Vested	–	–
Forfeited	(48,216)	(8,893)
Outstanding, end of period	**252,655**	**131,776**
Weighted average remaining life	**2 years**	**2 years**

Deferred Share Unit Plan

On June 12, 2013, as part of the implementation of a revised Board of Directors compensation structure, Yellow Media Limited adopted a deferred share unit plan (the “DSU Plan”) and Directors of Yellow Media Limited were granted a one-time deferred share unit (“DSU”) award, such grant representing a total amount of 58,536 DSUs. The 58,536 DSUs vested immediately upon being granted. The Company shall settle the vested DSUs in cash or in common shares of the Company at its discretion when a Director leaves the Board.

Subsequent grants were awarded to Directors of Yellow Media Limited for a total amount of 42,021 DSUs which vested over a period of up to six months, and ended on December 31, 2013.

During the year ended December 31, 2013, an expense of $3.7 million was recorded in the consolidated income statement in relation to the RSU and PSU Plan as well as the DSU Plan. As at December 31, 2013, a liability of $2.1 million related to the DSU Plan is recorded in trade and other payables.

Stock Options

On December 20, 2012, as part of the implementation of Yellow Media 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 Media 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 Media Limited through the transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Media Limited. A maximum of 1,290,612 options may be granted under the Stock Option Plan. On May 6, 2013, 376,000 options were granted to selected employees of Yellow Media Limited. These options vest 50% in February 2015, 25% in February 2016 and 25% in February 2017.

	December 31, 2013	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	–	–
Granted	376,000	$ 10.12
Forfeited	–	–
Outstanding, end of period	**376,000**	**$ 10.12**
Exercisable, end of period	**–**	**–**

The fair value of the options granted during the year is $3.67 per option. Options were valued using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the average expected life of the options granted. Key inputs into the valuation model are:

- Grant date share price: $8.66
- Exercise price: $10.12
- Expected volatility: 40%
- Contractual life: 7 years
- Risk-free interest rate: 1.94%
- Weighted average remaining life: 6.3 years

An expense of $0.4 million was recorded during the year ended December 31, 2013 in relation to the Stock Option Plan.

2012

In 2012, the Company's stock-based compensation plans consisted of a Restricted Share Unit Plan and a Stock Option Plan.

Restricted Share Unit Plan

The Company had established an employee benefit plan known as the Restricted Share Unit Plan (the "RS Plan"). The RS Plan provided certain eligible employees the right to receive shares subject to the terms and conditions of the RS Plan.

During the year ended December 31, 2012, no restricted shares were granted under the RS Plan.

Pursuant to the Recapitalization approved by the Court, the holders of the restricted shares surrendered their restricted shares for the payment in cash of the volume weighted average trading price ("VWAP") of the underlying shares. All restricted shares were subsequently cancelled. The RS Plan and all rights under the RS Plan were terminated and cancelled.

A total expense of $4.3 million was recorded for the year ended December 31, 2012.

Stock Options – 2003 Plan

Pursuant to the Recapitalization, the 2003 Plan and all outstanding options granted thereunder were cancelled for no consideration.

17. Operating costs /

	For the years ended December 31,	
	2013	2012
Salaries, commissions and benefits[1]	$ 281,567	$ 274,960
Supply chain and logistics[2]	105,798	110,191
Other goods and services[3]	108,851	91,311
Information systems	44,964	43,716
Bad debt expense	14,469	18,157
	$ 555,649	$ 538,335

[1] The prior period has been revised to reflect the adoption of IAS 19 (Revised), *Employee Benefits*, as described in Note 2.

[2] Supply chain and logistics costs relate to external supplier costs for manufacturing and distribution of our print and online products as well as related media costs associated with our Search Engine Solutions.

[3] Other goods and services include promotion and advertising costs, real estate, telecommunications, office services and equipment, consulting services including contractors and professional fees. Operating leases recognized in operating costs during the year amounted to $19.8 million (2012 - $19.8 million).

18. Financial charges, net /

The significant components of the financial charges are as follows:

	For the years ended December 31,	
	2013	2012
Interest on long-term debt, Exchangeable Debentures and Convertible Debentures	$ 79,017	$ 119,329
Net interest on retirement benefit obligations[1]	12,010	13,511
Interest income, standby fees and other financial charges, net	(680)	(3,328)
Loss on repurchase of the Senior Secured Notes	1,670	–
Amortization and write-off of deferred financing costs	84	8,442
Increase in derivative financial instruments	–	18,479
Other, net	1,256	(465)
	$ 93,357	$ 155,968

[1] The prior period has been revised to reflect the adoption of IAS 19 (Revised), *Employee Benefits*, as described in Note 2.

19. Supplemental disclosure of cash information /

The following are non-cash transactions:

	For the years ended December 31,	
	2013	2012
Additions to property, plant and equipment included in trade and other payables	$ 1,005	$ 2,575
Additions to intangible assets included in trade and other payables	$ 4,134	$ 6,072
Additions to property, plant and equipment under finance leases	$ –	$ 24
Issuance of Senior Secured Notes	$ –	$ 800,000
Issuance of Exchangeable Debentures	$ –	$ 107,500
Extinguishment of Medium Term Notes	$ –	$ 1,404,127
Extinguishment of Credit Facility	$ –	$ 344,000
Extinguishment of Preferred shares, series 1 and 2	$ –	$ 400,644
Issuance of New Common Shares pursuant to the Recapitalization	$ –	$ 153,568
Conversion of Convertible Debentures	$ –	$ 899

20. Commitment and contingencies /

a) Yellow Media Limited has commitments under various leases for premises, equipment, purchase and service contract obligations for both operating and capital expenditures for each of the next five years and thereafter, as at December 31, 2013, and in the aggregate of:

	Operating leases	Other	Total commitments
2014	$ 20,832	$ 62,701	$ 83,533
2015	20,910	59,171	80,081
2016	19,970	48,408	68,378
2017	17,189	4,906	22,095
2018	7,174	3,071	10,245
Thereafter	3,462	1,000	4,462
	$ 89,537	$ 179,257	$ 268,794

Under certain lease agreements, inducements for leasehold improvements exist. These lease inducements are accounted for as part of deferred credits and amount to $12.5 million. These lease inducements are recorded as a reduction of rent expense on a straight-line basis over the term of the lease.

b) Yellow Media Limited has four billing and collection services agreements. The term of the Billing and Collection Services Agreement with Bell Canada ("Bell") expires on December 31, 2014, with an automatic renewal for two successive one-year periods thereafter unless Yellow Media Limited provides prior notice not to renew. The agreement with TELUS Communications Inc. ("TELUS") expires up to 2031 and includes automatic renewal for successive one-year periods. The agreement with MTS Allstream Inc. expires on October 2, 2016, with two automatic renewal periods for ten years up to a maximum of 30 years. The

agreement with Bell Aliant Regional Communications LP (“Bell Aliant”) expires on April 30, 2017, with two automatic renewal periods for ten years.

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

The Company also entered into several other agreements with Bell, TELUS, MTS Allstream Inc. and Bell Aliant, 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 they are terminated in accordance with their terms, these other agreements with any of Bell, TELUS, MTS Allstream Inc. or Bell Aliant may also be terminated. These agreements will terminate in 2038.

c) Yellow Media 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 Media 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 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 Media 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 Media Limited is exposed to credit risk with respect to cash, cash equivalents, trade receivables from customers, and a note receivable. The carrying value of financial assets represents Yellow Media Limited’s maximum exposure.

Credit risk associated with cash and cash equivalents 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 Media Limited’s extension of credit to customers involves judgment. Yellow Media 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 Media 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 1% or more of revenues and there are no trade receivables from any one individual customer and certified marketing representative that exceeds 5% of the total balance of trade receivables at any point in time during the year.

Bell, TELUS, MTS Allstream Inc. and Bell Aliant provide Yellow Media 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 Media Limited. Yellow Media Limited retains the ultimate collection risk on these receivables.

Allowance for doubtful accounts and past due receivables are reviewed by management at each statement of financial position date. Yellow Media Limited updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of trade receivable balances of each customer taking into account historic collection trends of past due accounts. Trade receivables are written off once determined not to be collectible. Subsequent recoveries of amounts previously written off are credited to the income statement.

In 2011, Yellow Media Limited sold Trader Corporation. The purchase price consideration included a note receivable of $15 million. The note receivable matures in 2020. Interest and principal on the note receivable is subordinated to the senior debt of Trader Corporation.

The components of trade and other receivables are as follows:

	December 31, 2013		December 31, 2012	
Trade receivables				
Current	$	81,449	$	76,916
Past due less than 180 days		33,341		58,328
Past due over 180 days		4,373		5,246
Trade receivables	$	119,163	$	140,490
Other receivables [1]	$	23,283	$	33,579
Trade and other receivables	$	142,446	$	174,069

[1] Other receivables is mainly comprised of sales tax receivables and a loan receivable associated with a forward contract.

Yellow Media Limited's trade receivables are stated after deducting an allowance for doubtful accounts of $21.1 million as at December 31, 2013 (2012 - $23.8 million). The movements in the allowance for doubtful accounts were as follows:

As at	December 31, 2013		December 31, 2012	
Balance, beginning of year	$	23,812	$	39,839
Bad debt expense, net of recovery		14,469		18,157
Written-off		(17,159)		(34,184)
Balance, end of year	$	21,122	$	23,812

In addition, Yellow Media Limited is exposed to credit risk if counterparties to its derivative financial instruments fail to meet their obligations.

Market Risk

(i) Interest Rate Risk

Yellow Media Limited is exposed to interest rate risks resulting from fluctuations in interest rates on cash equivalents that earn interest at market rates and on its ABL with rates which are generally based on the Canadian BA rate. Yellow Media Limited does not use derivative instruments to reduce its exposure to interest rate risk. As at December 31, 2013, the ABL was undrawn. 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.

Yellow Media 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. Changes in interest rates will also affect the fair value of future cash flows of Yellow Media Limited's fixed rate debt. As interest rates on the Senior Secured Notes and Exchangeable Debentures are fixed, the Company is not exposed to interest rate fluctuation risk.

(ii) Foreign Exchange Risk

Yellow Media Limited is exposed to foreign exchange risk arising from various currency transactions, 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 Media Limited's business unit that is party to the transaction. Yellow Media Limited is exposed to fluctuations in the U.S. dollar. The effect on net earnings and OCI from existing U.S. dollar exposures of a one point increase or decrease in the Canadian/U.S. dollar exchange rate is not significant.

Liquidity Risk

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

Yellow Media 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 adequacy and efficient use of cash resources.

The Company is required to make minimum annual aggregate mandatory redemption payments of $75 million in 2014, $50 million in 2015, or if the redemption payments made in 2014 exceed $75 million, $50 million less such excess redemption payments. These requirements will be met through internally-generated cash, cash on hand and drawings on the ABL.

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

	Payments due for the years following December 31, 2013				
	Total	Less than 1 year	2 – 3 years	4 – 5 years	After 5 years
Non-derivative financial liabilities					
Long-term debt[1,2]	$ 646,577	$ 88,543	$ 36,457	$ 521,577	$ –
Obligations under finance leases[1]	891	508	383	–	–
Exchangeable Debentures[1]	107,500	–	–	–	107,500
Trade and other payables	78,824	78,824	–	–	–
Provisions	76,663	70,632	5,034	927	70
Total	**$ 910,455**	**$ 238,507**	**$ 41,874**	**$ 522,504**	**$ 107,570**

[1] Principal amount.

[2] The repayment of the Senior Secured Notes may vary subject to the Excess Cash Flow clause.

Fair values

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 cash and cash equivalents, trade and other receivables, trade and other payables, and the current portion of provisions is approximately equal to their carrying values due to their short-term maturity.

The fair value of the Senior Secured Notes and the Exchangeable Debentures is evaluated based on quoted market prices at the statement of financial position date. The fair value of the note receivable is based on valuation techniques using interest rates that the Company could currently obtain on the market for similar terms, conditions and maturities.

These estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates, all of which reflect varying degrees of risk.

The following schedule represents the carrying values and the fair values of other financial instruments not measured at fair value on the statement of financial position:

			December 31, 2013
	Level	Carrying Value	Fair Value
Note receivable[1]	3	$ 11,707	$ 13,361
Long-term debt due within one year	1	$ 89,051	$ 93,035
Long-term debt	1	$ 558,417	$ 583,529
Exchangeable Debentures	1	$ 87,934	$ 119,605

[1] The note receivable is included in Financial and other assets in the Consolidated Statement of Financial Position.

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 following table summarizes the financial instruments measured at fair value in the consolidated statement of financial position as at December 31, 2013, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Investment – available for sale	$ –	$ –	$ 3,520	$ 3,520
Put option (financial liability)	–	–	(18,472)	(18,472)
Total	**$ –**	**$ –**	**$ (14,952)**	**$ (14,952)**

Yellow Media Limited's AFS investment is comprised of a privately held equity security and is carried at fair value based on estimates that are based on market rates prevailing at the statement of financial position date.

The following table represents the reconciliation of Level 3 fair value measurements:

			2013
	Investment – available-for-sale	**Put option – financial liability**	**Total**
As at December 31, 2012	$ 3,520	$ (18,479)	$ (14,959)
Other	–	7	7
As at December 31, 2013	**$ 3,520**	**$ (18,472)**	**$ (14,952)**

			2012
	Investment – available-for-sale	Put option – financial liability	Total
As at December 31, 2011	$ –	$ –	$ –
Addition	–	(18,479)	(18,479)
Reclassification from investment in associate to available-for-sale	1,337	–	1,337
Gain on revaluation	2,183	–	2,183
As at December 31, 2012	$ 3,520	$ (18,479)	$ (14,959)

The fair value of the put option is the difference between the price to acquire the remaining ownership interest in an associate, which is based on a fixed multiple of adjusted earnings, income taxes, depreciation and amortization, and the fair value of the investment in an associate, using similar assumptions as those used for the online products of Yellow Pages Group, as described in Note 4 – Impairment of goodwill, intangible assets and property, plant and equipment. Actual performance of the investment in an associate or changes in its fair value may affect the fair value of the put option.

22. Capital disclosures /

Yellow Media 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 Media 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 Media Limited to monitor its financial leverage is its ratio of consolidated net debt to consolidated Latest Twelve Month EBITDA[1]. Yellow Media Limited also uses other financial metrics to monitor its financial leverage including net debt to Latest Twelve Month EBITDA[1], Fixed Charges Coverage Ratio and Net Debt to Capitalization.

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

As at	December 31, 2013	December 31, 2012
Cash and cash equivalents	$ 202,287	$ 106,807
Senior Secured Notes	$ 646,577	$ 800,000
Exchangeable Debentures	87,934	86,667
Obligations under finance leases	891	1,831
Net debt, net of cash	$ 533,115	$ 781,691
Equity attributable to shareholders	544,495	285,749
Non-controlling interests	–	411
Total capitalization	$ 1,077,610	$ 1,067,851
Net debt to total capitalization	49.5%	73.2%

	For the years ended December 31,	
	2013	2012
		(Revised – Note 2)
Latest Twelve Month EBITDA[1,2]	$ 416,112	$ 569,380
Net Debt to Latest Twelve Month EBITDA ratio[1]	1.3	1.4

[1] Latest twelve month income from operations before depreciation and amortization, impairment of goodwill, intangible assets and property, plant and equipment, and restructuring and special charges ("Latest Twelve Month EBITDA"). Latest Twelve Month EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies.

[2] Latest Twelve Month EBITDA for the prior period was revised to reflect the adoption of IAS 19 (Revised), Employee Benefits, as described in Note 2 – Revised Standards.

23. Guarantees /

In the normal course of operations, Yellow Media Limited has entered into agreements which are customary in the industry.

Yellow Media 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 Media Limited. Yellow Media Limited benefits from directors' and officers' liability insurance which it has purchased. No amount has been accrued in the consolidated statement of financial position as at December 31, 2013 with respect to this indemnity.

Pursuant to the acquisitions of Aliant, YPG USA, the contribution of YPG Directories, LLC to Ziplocal in exchange for a 35% minority interest in such combined entity as well as pursuant to the Share Purchase Agreement for the sale of the shares of Trader Corporation to funds advised by Apax Partners which closed in July 2011, Yellow Media Limited had entered into agreements whereby Yellow Media Limited agreed to indemnify and hold harmless the other party from and against any and all claims, liabilities, costs and expenses arising out of, based upon or related to (i) any breach by Yellow Media Limited in the performance of its obligations under these agreements and (ii) any breach of a representation contained therein. Furthermore, agreements entered into by LesPAC, Trader Corporation and its predecessor companies prior to the acquisition and which were transferred as part of the Trader divestiture contain indemnifications similar to the ones just described. No amount has been accrued in the consolidated statement of financial position as at December 31, 2013 with respect to these indemnities.

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

24. Segmented information /

The Company operates in a single business segment which is to provide Canadian advertisers with digital and traditional media solutions.

As at December 31, 2013, Yellow Media Limited had non-current assets, other than deferred tax assets, held in a foreign country (United States of America) of $4.2 million (2012 - $4.9 million).

25. List of subsidiaries /

As at	December 31, 2013		December 31, 2012	
	Consolidation	% ownership	Consolidation	% ownership
Canada				
YPG Financing Inc.	Full consolidation	100	Full consolidation	100
Yellow Pages Group Corp.	Full consolidation	100	Full consolidation	100
Mediative G.P. Inc.[1]	–	–	Full consolidation	60
Mediative Performance L.P.[1]	–	–	Full consolidation	60
Wall2Wall Media Inc.	Full consolidation	100	Full consolidation	100
USA				
YPG (USA) Holdings, Inc.	Full consolidation	100	Full consolidation	100
Yellow Pages Group, LLC	Full consolidation	100	Full consolidation	100

[1] During the second quarter of 2013, the Company acquired the remaining 40% of Mediative G.P. Inc. and Mediative Performance L.P. in exchange for cash consideration of $3.6 million. These entities were integrated within Yellow Pages Group Corp. and subsequently dissolved in 2013.

26. Related party disclosures /

Key personnel compensation

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

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

	For the years ended December 31	
	2013	2012[1]
Salary, fees and other short-term employee benefits	$ 5,968	$ 6,130
Post-employment benefits	457	(1,011)
Stock-based compensation	2,060	4
Termination benefits	5,555	670
	$ 14,040	$ 5,793

[1] During 2013, management reassessed its key management personnel. The prior period has been revised to reflect this change in composition.

Other related party transactions

For the years ended December 31,	Transaction value		Balance outstanding	
	2013	2012	2013	2012
Sales of good and services				
Associate	$ 3,479	$ 6,207	$ 662	$ 900

All outstanding balances with these related parties are based on arm's length prices and are to be settled in cash under standard payment conditions. None of these balances are secured.

27. Comparative figures /

Yellow Media Limited reclassified $7.4 million of provisions as at December 31, 2012 from current to non-current liabilities, as well as $1.7 million of trade and other receivables to financial and other assets as they are due beyond twelve months from the statement of financial position date.