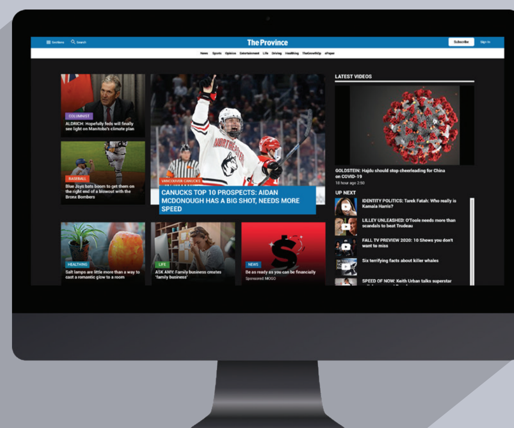

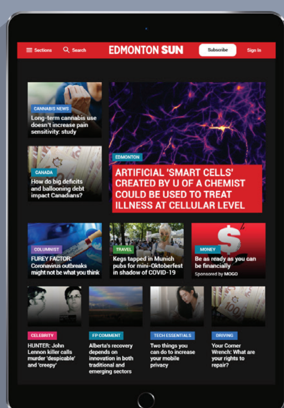

POSTMEDIA

2020 Annual Report

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POSTMEDIA

A Message from the Executive Chair

"…through all the changes and challenges Postmedia's teams have stepped up and embraced new approaches, developed new products and continue to provide Canadians with important and engaging news and insights."

It has been an amazing ten years since Postmedia was formed and now, a decade later, we can look in the rear view mirror and see how far we have come.

In 2010 the world was coming out of a recession and Postmedia emerged as Canada's newest media company on July 13, 2010. At the time the industry believed that with the end of the recession it would see a return to earlier times and advertising revenues would rebound with the economy. It wasn't to be so. What was in fact happening was the major structural shift brought on by the growing dominance of major international digital players in the search and social space.

We have seen dramatic change in the ways news is produced and consumed. And there has been a tremendous shift in the way marketers interact with consumers. And through all the changes and challenges, Postmedia's teams have stepped up and embraced new approaches, developed new products and continue to provide Canadians with important and engaging news and insights.

For as long as Postmedia has existed we have been lobbying governments to address the threats to our industry. It seems finally that the critical issues are being addressed and we hope to see the Canadian government do as other governments have done in support of journalism and to help level the playing field. On behalf of our Board of Directors I want to thank Postmedia's shareholders, audiences, advertisers and the teams across Postmedia who do great work every day to support all of our important stakeholders.

Paul V. Godfrey, CM
Executive Chair, Postmedia

A Message from the President & Chief Executive Officer

"Postmedia's fiscal year 2020 was a tale told in two parts. The story of the first half of our fiscal year, September to February, was one of traction on our strategy."

Postmedia's fiscal year 2020 was a tale told in two parts. The story of the first half of our fiscal year, September to February, was one of traction on our strategy – extending the legacy runway and growing digital revenues. When we released our second quarter results we reported 10% digital revenue growth for the previous twelve months. We also recorded reduced operating costs and an increase in operating income before depreciation, amortization, impairment and restructuring both in the quarter and year to date.

And then the world changed. On March 11, 2020 the World Health Organization announced the COVID-19 outbreak as a pandemic. The second half of the fiscal year, March to August, reflected the impact of a near shutdown of the Canadian economy. Our focus became keeping employees safe, delivering critical information to Canadians and putting our company in the best possible position to emerge from crisis.

Our focus, since March, has been on four key pillars: Preserving Liquidity, Constraining Costs, Maximizing Revenue and Government Support. All key elements that have kept Postmedia on a relatively stable footing in order to best weather the crisis.

Additionally, in a very different and much more positive type of global trend, there seems to be growing momentum around the world for governments to address the power and dominance of the foreign digital monopolies. There is nothing more important to our industry than our ability to significantly grow our digital revenues and government intervention to 'level the playing field' would be a hugely positive development. The Canadian Government has stated that new legislation is on the way. Postmedia has joined other Canadian media and industry organizations in advocating to ensure a more level playing field.

As always, but particularly in such challenging times, we recognize our employees across Postmedia who have pulled together and demonstrated incredible resilience and innovation during this time. Our teams haven't missed a beat and seamlessly shifted our operations, along with how we do what we do, in order to rise to the challenge and deliver on our mission of keeping Canadians in the know with ambitious, trusted and high-quality journalism and delivering high-value and data-driven marketing solutions to businesses and advertisers.

Postmedia benefits from our strong Board of Directors who bring great expertise and insights. Thank you to all of our directors for their continued support during these unprecedented times.

The challenges continue, but I along with our senior executive team and Board of Directors have confidence in our teams and path forward to make Postmedia the most innovative media company in Canada with thought-provoking journalism that audiences crave and strong platform solutions that help businesses succeed.

Andrew MacLeod
President and Chief Executive Officer, Postmedia

POSTMEDIA

NATIONAL POST

FINANCIAL POST

MONTREAL GAZETTE

OTTAWA CITIZEN

The London Free Press

WINDSOR STAR

REGINA LEADER-POST

SASKATOON STARPHOENIX

EDMONTON JOURNAL

CALGARY HERALD

VANCOUVER SUN

The Province

FPM
FINANCIAL POST MAGAZINE

OTTAWA SUN

TORONTO SUN

WINNIPEG SUN

EDMONTON SUN

CALGARY SUN

+ DOZENS OF WEEKLY COMMUNITY AND SPECIALTY PUBLICATIONS IN ONTARIO AND WESTERN CANADA

healthing.ca

THE GrowthOp

canoe.com

canada.com

WORKING.COM

Driving.ca

POSTMEDIA SOLUTIONS

POSTMEDIA NETWORK CANADA CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Approved for issuance: October 16, 2020

OCTOBER 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition and results of operations of Postmedia Network Canada Corp. as well as its subsidiaries, which includes Postmedia Network Inc. (collectively, "we", "our", "us", or "Postmedia") should be read in conjunction with the audited consolidated financial statements and related notes of Postmedia for the years ended August 31, 2020 and 2019. The audited consolidated financial statements of Postmedia for the years ended August 31, 2020 and 2019 are available on SEDAR at ***www.sedar.com****.*

This discussion contains statements that are not historical facts and are forward-looking statements. These statements are subject to a number of risks described in the section entitled "Risk Factors". Risks and uncertainties may cause actual results to differ materially from those contained in such forward-looking statements. Such statements reflect management's current views and are based on certain assumptions. They are only estimates of future developments, and actual developments may differ materially from these statements due to a number of factors. Investors are cautioned not to place undue reliance on such forward-looking statements. No forward-looking statement is a guarantee of future results. We have tried, where possible, to identify such statements by using words such as "believe", "expect", "estimate", "anticipate", "will", "could" and similar expressions in connection with any discussion of future operating or financial performance. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

All amounts are expressed in Canadian dollars unless otherwise noted. The audited consolidated financial statements of Postmedia for the years ended August 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This management's discussion and analysis is dated October 16, 2020 and does not reflect changes or information subsequent to this date. Additional information in respect of Postmedia is available on SEDAR at ***www.sedar.com****.*

Additional IFRS Measure

We use operating income before depreciation, amortization, impairment and restructuring, as presented in the audited consolidated financial statements for the years ended August 31, 2020 and 2019 and described in note 3 thereto, to assist in assessing our financial performance. Management and the Board of Directors of Postmedia use this measure to evaluate consolidated operating results and to assess Postmedia's ability to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of performance including of how much cash is being generated by Postmedia and assists in determining the need for additional cost reductions as well as the evaluation of personnel and resource allocation decisions. Operating income before depreciation, amortization, impairment and restructuring is referred to as an additional IFRS measure and may not be comparable to similarly titled measures presented by other companies.

Overview and Background

Our business consists of news and information gathering and dissemination operations, with products offered in local, regional and major metropolitan markets in Canada through a variety of print, web, tablet and smartphone platforms. The combination of these distribution platforms provides audiences with a variety of media through which to access and interact with our content. The breadth of our reach and the diversity of our content enable advertisers to reach their target audiences on a local, regional or national scale through the convenience of a single provider. We have the highest weekly print readership of newspapers in Canada, based on Vividata Summer 2020 survey data and represent more than 125 brands across multiple print, online, and mobile platforms.

For financial reporting purposes we have one operating segment, the Newsmedia segment, which publishes daily and non-daily newspapers and operates digital media and online assets including the *canada.com* and *canoe.com* websites and each newspaper's online website. The Newsmedia segment's revenue is primarily from print and digital advertising and circulation/subscription revenue.

Recent Developments

We are continuing to address the current challenges related to the COVID-19 pandemic and on April 6, 2020 received a waiver of certain terms related to the Senior Secured Notes Indenture which included the cash interest payment of $3.9 million due on April 30, 2020 being satisfied through the issuance of additional 8.25% Senior Secured Notes due 2023 ("New First-Lien Notes") and the waiver in full of our obligation to make a mandatory excess cash flow redemption related to the six months ended February 29, 2020. On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("CEWS") to support employers facing financial hardship as measured by certain revenue declines as a result of the COVID-19 pandemic. CEWS currently provides a reimbursement of compensation expense for the 40 week period from March 15 to December 20, 2020 provided the applicant has been impacted by the COVID-19 pandemic. We applied for CEWS for the period from March 15 to August 29, 2020 and during the three months and year ended August 31, 2020, recognized a recovery of compensation expense of $21.0 million and $40.3 million, respectively. As at August 31, 2020, we have an amount receivable related to CEWS of $13.0 million included in trade and other receivables on the consolidated statement of financial position. On September 23, 2020, the Government of Canada announced they will extend CEWS to the summer of 2021 and we will continue to monitor our eligibility. On April 28, 2020 we implemented additional cost saving measures including temporary layoffs affecting approximately 50 employees, the closure of 15 community publications in Manitoba and Ontario resulting in approximately 30 permanent layoffs and temporary salary reductions from 5% to 30% for a range of employees with salaries in excess of $60,000. On May 27, 2020 we implemented additional permanent layoffs impacting approximately 40 unionized employees.

During the three months and year ended August 31, 2020, we sold the Barrie facility for net proceeds of $3.4 million and realized a gain on sale of $0.7 million. On October 1, 2020, the net proceeds of the Barrie facility sold during the three months and year ended August 31, 2020 were used to redeem $3.3 million New First-Lien Notes and pay accrued interest of $0.1 million. Subsequent to August 31, 2020, we sold the Calgary press facility for net proceeds of $4.7 million which will be used as part of a redemption of $5.2 million of New First-Lien Notes on November 5, 2020. In addition, the excess cash flow related to the six months ended August 31, 2020 resulted in an excess cash flow offer of $6.9 million which is expected to be used to redeem a portion of the New First-Lien Notes on November 13, 2020.

We continue to identify and undertake cost reduction initiatives in an effort to address revenue declination in the legacy print business. During the year ended August 31, 2020, we began new cost reduction initiatives with the objective of reducing operating expenses by the end of fiscal 2020 through a combination of operational efficiencies and restructuring. In addition, as described previously, during the year ended August 31, 2020 we implemented additional cost saving measures as a result of the COVID-19 pandemic which included the closure of 15 community publications in Manitoba and Ontario. During the three months ended August 31, 2020 we implemented cost reductions which are expected to result in approximately $2 million of net annualized cost savings. In total, we implemented net annualized cost savings of approximately $29 million since these cost reduction initiatives commenced.

Due to an outsourcing agreement announced in November 2019, we determined that the Edmonton press facility's carrying amount will be recovered principally through a sales transaction and as a result we classified this property as held-for-sale at its carrying amount of $4.5 million. During the three months and year ended August 31, 2020 properties classified as held-for-sale were reduced based on the expected net proceeds resulting in an aggregate impairment charge of $0.8 million and aggregate assets held-for-sale as at August 31, 2020 of $28.2 million.

On September 9, 2019, we completed a refinancing transaction ("Refinancing Transaction") that included the redemption of $94.8 million aggregate principal amount of Senior Secured Notes due 2021 ("First-Lien Notes") at par, plus accrued interest of $2.8 million, and terminated the amended and restated senior secured notes indenture. We financed the redemption through the issuance of $95.2 million aggregate principal amount of New First-Lien Notes to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (collectively, "Canso") for net proceeds of $93.5 million, after financing fees of $1.7 million. The New First-Lien Notes have substantially similar terms to the First-Lien Notes with the exception of a reduction to the minimum annual excess cash flow redemption from $10.0 million to $5.0 million. In addition, we extended the maturity of our 10.25% Second-Lien Secured Notes due 2023 ("Second-Lien Notes") by six months to January 15, 2024. Upon close of the Refinancing Transaction, a nominal amount of restricted cash was released.

On June 21, 2019 the federal budget was approved which contained measures specific to our industry including: a journalism tax credit whereby qualifying Canadian news organizations may apply for a refundable labour tax credit applied to the salaries of journalists; adding journalism organizations as qualified donees under the Income Tax Act; and offering a digital subscription tax credit to individuals. On October 2, 2019, the Government of Quebec announced a similar refundable labour tax credit to be applied to the salaries of journalists in Quebec provided an entity receives an eligibility certificate issued by Investissement Québec. In December 2019, the Canada Revenue Agency ("CRA") issued the Application for Qualified Canadian Journalism Organization Designation and guidance related to the eligibility, qualifications and determination of the refundable labour tax credit which was further clarified in April 2020. Both the federal and Quebec journalism tax credit legislation include provisions to reduce the qualifying salaries and wages eligible for the credit for other forms of assistance received including CEWS described above. During the three months and year ended August 31, 2020, we recognized an expense and recovery of compensation expense of $0.5 million and $4.5 million, respectively, related to the journalism tax credits (2019 – recovery of $7.0 million) and received $0.7 million related to the Quebec journalism tax credit for the year ended August 31, 2019. As at August 31, 2020, the aggregate journalism tax credit receivable of $10.8 million is included in trade and other receivables on the condensed consolidated statement of financial position. The recognition of the journalism tax credits receivable is based on our interpretation of the federal budget and the related legislation. Actual amounts received may differ from the amounts currently recorded based on future CRA and/or Revenue Québec interpretations of eligibility, qualifications and determination of the tax credits. Based on our current staffing levels and no other forms of assistance being received we expect the per annum gross federal journalism tax credit to be between $8 million and $10 million and the Quebec journalism tax credit to be approximately $1 million.

On January 29, 2019, we entered into an agreement with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Pension Plan"), a multi-employer defined benefit plan, to merge our defined benefit pension plans (the "Postmedia Plans"), with the CAAT Pension Plan. Effective July 1, 2019, we received approval from Postmedia Plan members and became a participating employer under the CAAT Pension Plan and all members of the Postmedia Plans, as well as members of our defined contribution pension plan began accruing benefits under the DBplus provisions of the CAAT Pension Plan. DBplus is a defined benefit pension plan with a fixed contribution rate for members, matched dollar for dollar by employers. The merger remains subject to consent from the Financial Services Regulatory Authority of Ontario ("FSRA"). Contingent on the consent of FSRA to the transfer of assets, the CAAT Pension Plan will assume defined benefit obligations of the Postmedia Plans accrued prior to July 1, 2019. Once this transfer is completed, an additional cash funding obligation of $10.1 million related to the transferred Postmedia Plans deficits will be payable to the CAAT Pension Plan over a term of ten years and we will recognize a gain or loss on settlement. Subsequent to August 31, 2020, we received approval from FSRA to transfer the assets from the Postmedia Plans which is anticipated will be completed in November 2020.

Selected Annual Information

	For the years ended August 31,	
	2020	2019
Revenues	508,406	619,638
Net loss from continuing operations	(16,153)	(7,067)
Net loss per share from continuing operations		
Basic	$ (0.17)	$ (0.08)
Diluted	$ (0.17)	$ (0.08)
Net loss attributable to equity holders of the Company	(16,153)	(6,276)
Net loss per share attributable to equity holders of the Company		
Basic	$ (0.17)	$ (0.07)
Diluted	$ (0.17)	$ (0.07)
Total assets	336,879	299,059
Total long-term financial liabilities	252,983	250,011

Key Factors Affecting Operating Results

Revenue is earned primarily from advertising, circulation and digital sources. Print advertising revenue is a function of the volume, or linage, of advertising sold and rates charged. Print circulation revenue is derived from home-delivery subscriptions for newspapers, including All Access Subscriptions (across the four platforms of print, web, tablet and smartphone), single copy sales at retail outlets and vending machines and is a function of the number of newspapers sold and the price per copy. Digital revenue consists of revenue from owned and operated digital advertising, digital marketing services, off network programmatic digital advertising and revenue from ePaper and Digital Access subscriptions.

Print advertising revenue was $35.4 million and $190.7 million for the three months and year ended August 31, 2020, representing 33.6% and 37.5% of total revenue for such periods, respectively. Our major advertising categories are run of press (ROP) and inserts. These categories composed 65.9% and 33.5%, respectively, of total print advertising for the three months ended August 31, 2020, and 64.6% and 34.3%, respectively, of total print advertising for the year ended August 31, 2020.

Print advertising is influenced by both the overall strength of the economy and significant structural changes in the newspaper industry and media in general. The continuing shift in advertising dollars from print advertising to advertising in other formats, particularly online and other digital platforms including search and social media websites, combined with periods of economic uncertainty including the recent COVID-19 pandemic have resulted in significant declines in print advertising. We anticipate the print advertising market to remain challenging and expect the current quarter trends to continue in fiscal 2021. During the three months and year ended August 31, 2020, we experienced print advertising revenue decreases of $22.1 million, or 38.5% and $68.7 million, or 26.5%, respectively, as compared to the same periods in the prior year. These decreases in print advertising revenue in the three months and year ended August 31, 2020 relate to weakness across both of our major advertising categories and in particular during the three months ended August 31, 2020 a decrease in insert advertising revenue of 37.6% as compared to the same period in the prior year.

Print circulation revenue was $45.9 million and $190.9 million for the three months and year ended August 31, 2020, representing 43.6% and 37.5% of total revenue for such periods, respectively. Circulation revenues decreased $5.2 million, or 10.2%, and $15.8 million, or 7.6%, in the three months and year ended August 31, 2020, respectively, as compared to the same periods in the prior year. These decreases are the result of price increases being offset by declines in circulation volumes that have been experienced over the last few years and this trend continued in the three months and year ended August 31, 2020. In addition, the impact of the COVID-19 pandemic further reduced single copy print circulation revenue in the last six months of the year ended August 31, 2020. We expect these print circulation revenue trends to continue in fiscal 2021.

Digital revenue was $20.5 million and $108.0 million for the three months and year ended August 31, 2020, respectively, representing 19.5% and 21.3%, respectively, of total revenue for such periods. Digital revenues decreased $10.7 million, or 34.3%, and $17.0 million, or 13.6%, in the three months and year ended August 31, 2020, respectively, as compared to the same periods in the prior year as a result of decreases in owned and operated digital advertising, digital marketing services and off network programmatic digital advertising in the three months and year ended August 31, 2020. We expect these digital revenue trends to continue in fiscal 2021 as the economy recovers from the COVID-19 pandemic however, we continue to believe digital revenue represents a future growth opportunity for Postmedia and as a result we are focused on various new products and initiatives in this area including digital marketing services that provide customized, full-service solutions to increase a business' overall revenue including website development, search engine optimization (SEO) and search engine marketing (SEM).

Our principal expenses consist of compensation, newsprint, distribution and production. These represented 26.0%, 5.0%, 28.0% and 13.8%, respectively, of total operating expenses excluding depreciation, amortization, impairment and restructuring for the three months ended August 31, 2020 and 34.3%, 5.2%, 24.3% and 14.5%, respectively, of total operating expenses excluding depreciation, amortization, impairment and restructuring for the year ended August 31, 2020. We experienced decreases in compensation, newsprint, distribution and production expenses of $26.4 million, $4.0 million, $5.1 million and $6.9 million, respectively, in the three months ended August 31, 2020 as compared to the same period in the prior year. We experienced decreases in compensation, newsprint, distribution and production expenses of $72.8 million, $13.3 million, $14.0 million and $14.5 million, respectively, in the year ended August 31, 2020 as compared to the same period in the prior year. The decreases in compensation, newsprint and distribution expenses for the three months and year ended August 31, 2020 are primarily as a result of cost reduction initiatives and decreases in newspaper page counts and circulation volumes. In addition, compensation expenses decreased $13.6 million and $37.8 million, respectively, in the three months and year ended August 31, 2020, as compared to the same periods in the prior year as a result of CEWS and journalism tax credits both as described earlier in “Recent Developments”.

As a result of the continuing trends in advertising revenue and the COVID-19 pandemic, we continue to pursue additional cost reduction initiatives as described earlier in “Recent Developments”. During the three months ended August 31, 2020 we implemented cost reduction initiatives which are expected to result in approximately $2 million of net annualized cost savings. In total, we implemented net annualized cost savings of approximately $29 million since these cost reduction initiatives commenced.

Our operating results are affected by variations in the cost and availability of newsprint. Newsprint is the principal raw material used in the production of our newspapers and other print publications. It is a commodity that is generally subject to price volatility. We take advantage of the purchasing power that comes with the large volume of newsprint we purchase, as well as our proximity to paper mills across Canada, to minimize our total newsprint expense. Changes in newsprint prices can significantly affect our operating results. A $50 per tonne increase or decrease in the price of newsprint would be expected to affect our newsprint expense by approximately $2.0 million on an annualized basis. We experienced a slight decrease in newsprint prices in the first quarter of fiscal 2020 but do not expect a material change in fiscal 2021.

Our distribution is primarily outsourced to third party suppliers. The key drivers of our distribution expenses are fuel costs and circulation and insert volumes. Our distribution expenses have decreased during the three months and year ended August 31, 2020 as compared to the same period in the prior year primarily related to cost savings as a result of a reduction in newspaper circulation volumes and cost reduction initiatives. We expect these newspaper circulation volume trends to continue in fiscal 2021.

Our production expenses include the costs related to outsourced production of our newspapers, digital advertising production costs and ink and other production supplies. Our production expenses have decreased during the three months and year ended August 31, 2020 as a result of a reduction in newspaper page counts and circulation volumes, decreases in digital advertising revenue and cost reduction initiatives. We expect these trends to continue into fiscal 2021.

Other Factors

Seasonality

Revenue has experienced, and is expected to continue to experience, seasonality due to seasonal advertising patterns and seasonal influences on media consumption habits. Historically, our advertising revenue and accounts receivable is typically highest in the first and third fiscal quarters, while expenses are relatively constant throughout the fiscal year.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates, assumptions and judgements are based upon management's knowledge of the amount, event or actions; actual results could differ from those estimates, assumptions and judgements.

We have identified the following significant areas that require management to use estimates, assumptions and judgements. These accounting estimates, assumptions and judgements are considered critical as changes in such estimates, assumptions and judgements have the potential to materially impact the audited consolidated financial statements. For a summary of our significant accounting policies refer to note 2 of our audited consolidated financial statements for the years ended August 31, 2020 and 2019.

The following significant areas require management to use assumptions and to make estimates:

Impairment of long lived assets

We test indefinite life intangible assets for impairment annually, or more frequently if there are indicators that an impairment may have arisen. In testing for impairment, assets including indefinite life intangible assets and other long lived assets, are grouped into a CGU which represents the lowest level for which there are separately identifiable cash inflows. The recoverable amount of each CGU or group of CGUs is based on the higher of value in use and fair value less costs of disposal ("FVLCD") calculations. During the year ended August 31, 2020, we computed the FVLCD for each CGU applying a market multiple range of 2.5 to 3.5 times the adjusted trailing twelve month operating income before depreciation, amortization, impairment and restructuring less disposal costs. Management determined this key assumption based on an average of market multiples for comparable entities. Refer to note 6 of our audited consolidated financial statements for the years ended August 31, 2020 and 2019 for more details about the methods and assumptions used in estimating the recoverable amount. In addition, estimates were required in the determination of FVLCD for our held-for-sale-assets.

Employee future benefits

The cost of defined benefit pension benefit plans, post-retirement benefit plans and other long-term employee benefit plans and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions including the discount rate and mortality rates, among others to measure the net defined benefit obligation. Due to the complexity of the actuarial valuations and the long-term nature of employee future benefits, the corresponding obligation is highly sensitive to changes in assumptions. Discount rates are reviewed at each reporting date and corresponding adjustments to the net defined benefit obligation are recognized in other comprehensive income and deficit. A change in the discount rate used in the valuation of net defined benefit obligations, affects the reported funded status of our plans as well as the net benefit cost in subsequent fiscal years. As at August 31, 2020 a 50 basis-point decrease in the discount rate would increase our defined benefit obligations by $42.1 million and a 50 basis-point increase in the discount rate would decrease our defined benefit obligations by $38.3 million. Refer to note 14 of our audited consolidated financial statements for the years ended August 31, 2020 and 2019 for more details about the methods and assumptions used in estimating the cost of our defined benefit pension benefit plans, post-retirement benefit plans and other long-term employee benefit plans.

Future cash flow projections

The COVID-19 pandemic has caused a disruption to the economy and as a result we have incorporated its impact on future cash flow projections which includes making assumptions and estimates regarding the timing and amounts of future revenues and expenses and the ability to manage liquidity which includes the use of the senior secured asset-based revolving credit facility (“ABL Facility”).

The following areas require management to use significant judgements apart from those involving estimates:

Determination of useful lives for the depreciation and amortization of assets with finite lives

For each class of assets with finite lives, management has to determine over which period we will consume the asset’s future economic benefits. The determination of such periods and if necessary, the subsequent revision of such periods, involves judgement and has an impact on the depreciation and amortization recorded in the consolidated statements of operations. We take into account industry trends and company specific factors, including changing technologies and expectations for the in-service period of assets, when determining their respective useful lives.

Determination of the measurement of lease liabilities

Judgement is required in determining estimates of certain lease terms as described below in “Other Factors – Changes in Accounting Policies”.

Determination of the measurement of government grants and tax credits

Judgement is required in determining when government grants and tax credits are recognized. Government grants and tax credits are recognized when there is reasonable assurance that we have complied with the conditions associated with the relevant government program. The determination of reasonable assurance involves judgement due to the complexity of the programs and related claim and review processes.

Changes in accounting policies

There are new accounting standards which were effective on September 1, 2019. The following new standards and the nature and impact of adoption are described below.

IFRS 16 – Leases

The standard was issued in January 2016 and replaces IAS 17 – Leases. We adopted the standard on a modified retrospective basis on September 1, 2019 and accordingly have not restated comparative financial information. We mainly have lease contracts related to real estate which were primarily accounted for as operating leases. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases. In particular, lessees are required to report most leases on the statement of financial position by recognizing right-of-use assets and related lease liabilities. The right-of-use asset is depreciated over the term of the lease. The lease liability is initially measured at the present value of the applicable lease payments payable over the term of the lease and bears interest. Limited recognition exemptions apply if the underlying asset has a low value or the lease term is 12 months or less. We have also elected not to reassess whether a contract is, or contains a lease on the date of initial application. The impact of adoption includes an increase in right of use assets of $48.8 million and lease obligations of $51.1 million, a decrease in other long-term liabilities of $4.6 million and a decrease in property and equipment of $2.3 million. Lease obligations were measured using our estimated incremental borrowing rate of 6.3% as at September 1, 2019 and the right of use assets were measured at an amount equal to the lease obligation adjusted for amounts previously recognized in the statement of financial position as at August 31, 2019. During the three months and year ended August 31, 2020, the adoption of IFRS 16 has resulted in a reduction of other operating expenses of $2.6 million and $8.1 million, respectively, an increase in amortization expense of $1.8 million and $7.2 million, respectively, and an increase in interest expense of $0.8 million and $3.1 million respectively.

IAS 19 – Employee Benefits

In February 2018, the IASB issued new guidance titled Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments apply for employee benefit plan amendments, curtailments or settlements that will occur during annual periods beginning on or after January 1, 2019. The amendments to IAS 19 clarify that for an amendment, curtailment or settlement of a defined benefit plan, a company uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan. We adopted the amendments to IAS 19 for the year ended August 31, 2020 and has determined there was no significant impact on the consolidated financial statements upon adoption.

Operating Results

Postmedia's operating results for the three months ended August 31, 2020 as compared to the three months ended August 31, 2019

	2020	2019
Revenues		
Print advertising	35,359	57,466
Print circulation	45,900	51,125
Digital	20,531	31,232
Other	3,373	5,785
Total revenues	105,163	145,608
Expenses		
Compensation	23,018	49,452
Newsprint	4,402	8,414
Distribution	24,760	29,824
Production	12,202	19,062
Other operating	24,056	25,544
Operating income before depreciation, amortization, impairment and restructuring	16,725	13,312
Depreciation	2,831	3,775
Amortization	2,649	3,675
Impairment	800	710
Restructuring and other items expense (recovery)	296	(9,602)
Operating income	10,149	14,754
Interest expense	8,049	7,658
Net financing expense relating to employee benefit plans	607	493
(Gain) loss on disposal of property and equipment and right of use assets	(912)	761
(Gain) loss on derivative financial instruments	(1,140)	660
Foreign currency exchange gains	(9,927)	(2,721)
Earnings before income taxes	13,472	7,903
Provision for income taxes	-	-
Net earnings attributable to equity holders of the Company	13,472	7,903

Revenue

Print advertising

Print advertising revenue decreased $22.1 million, or 38.5%, to $35.4 million for the three months ended August 31, 2020 as compared to the same period in prior year, and declines were experienced across both of our major categories including decreases from ROP advertising of 37.6% and insert advertising of 39.1%. The decrease in ROP advertising was due to declines in both volume and rate with the total print advertising linage and average line rate decreasing 34.2% and 5.1%, respectively, during the three months ended August 31, 2020, as compared to the same period in the prior year.

Print circulation

Print circulation revenue decreased $5.2 million, or 10.2%, to $45.9 million for the three months ended August 31, 2020 as compared to the same period in the prior year as a result of decreases in circulation volumes partially offset by price increases.

Digital

Digital revenue decreased $10.7 million, or 34.3%, to $20.5 million for the three months ended August 31, 2020, as compared to the same period in the prior year primarily as a result of decreases in both programmatic and direct owned and operated digital advertising, digital marketing services, and off network programmatic digital advertising.

Other

Other revenue decreased by $2.4 million, or 41.7%, to $3.4 million for the three months ended August 31, 2020, as compared to the same period in the prior year, which includes decreases in commercial printing revenue of $2.3 million, or 47.0% as compared to the same period in the prior year.

Expenses

Compensation

Compensation expenses decreased $26.4 million, or 53.5%, to $23.0 million for the three months ended August 31, 2020, as compared to the same period in the prior year. The decrease in compensation expense is primarily as a result of declines in salary and benefits expense of $23.8 million, which includes a reduction in employee health benefit plan rates and ongoing cost reduction initiatives as well as the impact of the recovery of $21.0 related to CEWS, partially offset by a decrease in the compensation recovery as compared to the same period in the prior year related to journalism tax credits of $7.5 million, both as described earlier in "Recent Developments". In addition, compensation expenses decreased due to decreases in employee benefit plan expense of $1.8 million and temporary labour expense of $0.9 million partially offset by an increase in share-based compensation expense of $0.4 million. Excluding the impact of CEWS and journalism tax credits, compensation expenses decreased $12.9 million, or 22.8%, as compared to the same period in the prior year.

Newsprint

Newsprint expenses decreased $4.0 million, or 47.7%, to $4.4 million for the three months ended August 31, 2020 as compared to the same period in the prior year primarily as a result of consumption decreases of 43.9% due to lower newspaper page counts and circulation volumes as well as continued usage reduction efforts, partially offset by increases in newsprint prices. Newsprint expenses include newsprint purchased for production at both our owned and outsourced production facilities.

Distribution

Distribution expenses decreased $5.1 million, or 17.0%, to $24.8 million for the three months ended August 31, 2020, as compared to the same period in the prior year as a result of a reduction in newspaper circulation volumes and cost reduction initiatives.

Production

Production expenses decreased $6.9 million, or 36.0%, to $12.2 million for the three months ended August 31, 2020, as compared to the same period in the prior year. The decrease in production expenses is as a result of decreases in digital advertising revenue, cost savings as a result of the reduction in newspaper page counts and circulation volumes and ongoing cost reduction initiatives.

Other operating

Other operating expenses decreased $1.5 million, or 5.8%, to $24.1 million for the three months ended August 31, 2020, as compared to the same period in the prior year. The decrease in other operating expenses includes the impact of the COVID-19 pandemic on variable costs such as travel and entertainment, as well as ongoing cost reduction initiatives and a decrease in occupancy costs of $2.6 million, which is related to the adoption of IFRS 16 as described earlier in "Other Factors – Changes in Accounting Policies", partially offset by an increase to the provision for expected credit losses of $4.9 million.

Operating income before depreciation, amortization, impairment and restructuring

Operating income before depreciation, amortization, impairment and restructuring increased $3.4 million to $16.7 million for the three months ended August 31, 2020, as compared to the same period in the prior year. The increase was as a result of decreases in compensation, newsprint, distribution, production and other operating expenses partially offset by decreases in revenue, all as discussed above. Included in the compensation and other operating expense decreases is the impact of the reduction of other operating expenses of $2.6 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies” and the compensation expense recovery of $21.0 million related to CEWS partially offset by the decrease in the compensation recovery related to journalism tax credits of $7.5 million, both as described earlier in “Recent Developments”.

Depreciation

Depreciation expense decreased $0.9 million to $2.8 million for the three months ended August 31, 2020 as compared to the same period in the prior year. The decrease relates to the disposal of properties and the classification of certain facilities as assets held-for-sale in the years ended August 31, 2020 and 2019.

Amortization

Amortization expense decreased $1.0 million to $2.6 million for the three months ended August 31, 2020 as compared to the same period in the prior year. The decrease primarily relates to intangible assets that were fully amortized during the year ended August 31, 2019 partially offset by the amortization expense of right of use assets of $1.8 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”.

Impairment

During the three months ended August 31, 2020, the estimated FVLCD of properties classified as held-for-sale were reduced based on the expected net proceeds resulting in an impairment charge of $0.8 million.. During the three months ended August 31, 2019, we performed an interim impairment test of indefinite life intangible assets and determined that one CGU’s recoverable amount was less than its carrying amount and as a result, we recognized an impairment of $0.7 million related to indefinite life domain names.

Restructuring and other items expense (recovery)

Restructuring and other items was an expense of $0.3 million for the three months ended August 31, 2020 as compared to a recovery of $9.6 million for the same period in the prior year. Restructuring and other items expense for the three months ended August 31, 2020 consists of severance costs of $0.3 million which include both involuntary terminations and voluntary buyouts. Restructuring and other items for the three months ended August 31, 2019 consisted of a $9.8 million recovery, which included curtailments gains of $9.7 million related to changes to our employee benefit plans as described earlier in “Recent Developments” as well as a reversal of a provision for onerous leases related to unoccupied property of $0.1 million, partially offset by severance costs of $0.2 million, which include both involuntary terminations and voluntary buyouts.

Operating income

Operating income decreased by $4.6 million to $10.1 million for the three months ended August 31, 2020 as compared to the same period in the prior year. The decrease is the result of the restructuring and other items recovery in the three months ended August 31, 2019 and an increase in impairment expense partially offset by decreases in depreciation and amortization expenses, and an increase in operating income before depreciation, amortization, impairment and restructuring and the impairment recognized in the three months ended August 31, 2020, all as discussed above.

Interest expense

Interest expense increased $0.4 million to $8.0 million for the three months ended August 31, 2020, as compared to the same period in the prior year. Interest expense primarily relates to interest on our long-term debt that is recognized using the effective interest rate method, which amortizes the initial debt issuance costs and includes both cash and non-cash interest. The increase in interest expense relates to an increase in non-cash of $0.3 million and cash interest of $0.1 million. The increase in non-cash interest includes interest related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, an increase in the paid-in-kind interest on the Second-Lien Notes, partially offset by a decrease in the effective interest rate as a result of the Refinancing Transaction as described earlier in “Recent Developments”. The increase in cash interest expense is as a result of increases in the amount of New First-Lien Notes outstanding during the year ended August 31, 2020 as a result of the Refinancing Transaction and the waiver of the April 30, 2020 interest payment being satisfied through the issuance of additional New First-Lien Notes both as described earlier in “Recent Developments”.

Net financing expense relating to employee benefit plans

Net financing expense relating to employee benefit plans increased $0.1 million to $0.6 million for the three months ended August 31, 2020, as compared to the same period in the prior year.

Gain on disposal of property and equipment and right of use assets

During the three months ended August 31, 2020, we disposed of the Barrie facility and realized a gain of $0.7 million as described earlier in “Recent Developments” and disposed of a right of use asset and realized a gain of $0.2 million resulting in aggregate gains of $0.9 million. During the three months ended August 31, 2019, we disposed of property and equipment and realized a loss of $0.8 million.

(Gain) loss on derivative financial instruments

The gain on derivative financial instruments for the three months ended August 31, 2020 was $1.1 million as compared to a loss of $0.7 million during the same period in the prior year. The gain and loss in the three months ended August 31, 2020 and 2019, respectively, relate to the revaluation of warrants acquired in January 2016 and February 2020 as part of a marketing collaboration agreement with Mogo Finance Technology Inc.

Foreign currency exchange gains

Foreign currency exchange gains for the three months ended August 31, 2020 and 2019 were $9.9 million and $2.7 million, respectively. Foreign currency exchange gains in the three months ended August 31, 2020 and 2019 consist primarily of decreases in the carrying value of our Second-Lien Notes of $9.8 million and $2.6 million, respectively.

Earnings before income taxes

Earnings before income taxes increased $5.6 million to $13.5 million for the three months ended August 31, 2020, as compared to the same period in the prior year. The increase in earnings before income taxes is the result of an increase in foreign currency exchange gains, gains on disposal of property and equipment and right of use assets and derivative financial instruments in the three months ended August 31, 2020 partially offset by a decrease in operating income and increases in interest expense and net financing expense relating to employee benefit plans, all as described above.

Provision for income taxes

We have not recorded a current or deferred tax expense or recovery for the three months ended August 31, 2020 and 2019. Current taxes payable or recoverable result in a decrease or increase, respectively, to our tax loss carryforward balances. The cumulative tax loss carryforward balances have not been recognized as a net deferred tax asset on the consolidated statement of financial position.

Net earnings attributable to equity holders of the Company

Net earnings for the three months ended August 31, 2020 increased $5.6 million to $13.5 million as compared to the same period in the prior year. The increase in net earnings is as a result of the factors described above in earnings before income taxes.

Operating Results

Postmedia's operating results for the year ended August 31, 2020 as compared to the year ended August 31, 2019

	2020	2019
Revenues		
Print advertising	190,697	259,409
Print circulation	190,873	206,665
Digital	108,043	125,066
Other	18,793	28,498
Total revenues	508,406	619,638
Expenses		
Compensation	151,180	223,965
Newsprint	22,903	36,168
Distribution	106,893	120,894
Production	63,807	78,356
Other operating	95,892	110,950
Operating income before depreciation, amortization, impairment and restructuring	67,731	49,305
Depreciation	11,647	16,915
Amortization	14,324	14,315
Impairment	13,307	7,310
Restructuring and other items	14,845	(5,347)
Operating income	13,608	16,112
Interest expense	30,628	28,485
Net financing expense relating to employee benefit plans	2,436	2,115
Gain on disposal of property and equipment, assets held-for-sale and right of use assets	(928)	(10,685)
Loss on derivative financial instruments	1,224	650
Foreign currency exchange (gains) losses	(3,599)	2,614
Loss before income taxes	(16,153)	(7,067)
Provision for income taxes	-	-
Net loss from continuing operations	(16,153)	(7,067)
Net earnings from discontinued operations, net of tax of nil	-	791
Net loss attributable to equity holders of the Company	(16,153)	(6,276)

Revenue

Print advertising

Print advertising revenue decreased $68.7 million, or 26.5%, to $190.7 million for the year ended August 31, 2020 as compared to the same period in prior year, and declines were experienced across both of our major categories including decreases from ROP advertising of 27.8% and insert advertising of 23.1%. The decrease in ROP advertising was due to declines in both volume and rate with the total print advertising linage and average line rate decreasing 20.3% and 9.5%, respectively, during the year ended August 31, 2020, as compared to the same period in the prior year.

Print circulation

Print circulation revenue decreased $15.8 million, or 7.6%, to $190.9 million for the year ended August 31, 2020 as compared to the same period in the prior year as a result of decreases in circulation volumes partially offset by price increases.

Digital

Digital revenue decreased $17.0 million, or 13.6%, to $108.0 million for the year ended August 31, 2020, as compared to the same period in the prior year as a result of decreases in both programmatic and direct owned and operated digital advertising, digital marketing services and off network programmatic digital advertising.

Other

Other revenue decreased by $9.7 million, or 34.1%, to $18.8 million for the year ended August 31, 2020, as compared to the same period in the prior year, which includes decreases in commercial printing revenue of $8.2 million, or 36.5%, as compared to the same period in the prior year.

Expenses

Compensation

Compensation expenses decreased $72.8 million, or 32.5%, to $151.2 million for the year ended August 31, 2020, as compared to the same period in the prior year. The decrease in compensation expense is primarily as a result of declines in salary and benefits expense of $66.3 million, which includes a reduction in employee health benefit plan rates and ongoing cost reduction initiatives as well as the impact of the recovery of $40.3 million related to CEWS, partially offset by a decrease in the compensation recovery as compared to the same period in the prior year related to journalism tax credits of $2.6 million, both as described earlier in “Recent Developments”. In addition, compensation expenses decreased due to decreases in employee benefit plan expense of $4.5 million and temporary labour expense of $2.2 million. Excluding the impact of CEWS and journalism tax credits, compensation expenses decreased $35.0 million, or 15.2%, as compared to the same period in the prior year.

Newsprint

Newsprint expenses decreased $13.3 million, or 36.7%, to $22.9 million for the year ended August 31, 2020 as compared to the same period in the prior year primarily as a result of consumption decreases of 32.2% due to lower newspaper page counts and circulation volumes as well as continued usage reduction efforts, partially offset by increases in newsprint prices. Newsprint expenses include newsprint purchased for production at both our owned and outsourced production facilities.

Distribution

Distribution expenses decreased $14.0 million, or 11.6%, to $106.9 million for the year ended August 31, 2020, as compared to the same period in the prior year as a result of a reduction in newspaper circulation volumes and cost reduction initiatives.

Production

Production expenses decreased $14.5 million, or 18.6%, to $63.8 million for the year ended August 31, 2020, as compared to the same period in the prior year. The decrease in production expenses is as a result of the reduction in newspaper page counts circulation volumes, ongoing cost reduction initiatives and decreases in digital advertising revenue in the three months ended August 31, 2020.

Other operating

Other operating expenses decreased $15.1 million, or 13.6%, to $95.9 million for the year ended August 31, 2020, as compared to the same period in the prior year. The decrease in other operating expenses includes the impact of the COVID-19 pandemic on variable costs such as travel and entertainment, as well ongoing cost reduction initiatives and a decrease in occupancy costs of $10.0 million, which includes the decrease of $8.1 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, partially offset by an increase to the provision for expected credit losses of $7.5 million.

Operating income before depreciation, amortization, impairment and restructuring

Operating income before depreciation, amortization, impairment and restructuring increased $18.4 million, or 37.4%, to $67.7 million for the year ended August 31, 2020, as compared to the same period in the prior year. The increase was as a result of decreases in compensation, newsprint, distribution, production and other operating expenses partially offset by decreases in revenue, all as discussed above. Included in the compensation and other operating expense decreases is the impact of the reduction of other operating expenses of $8.1 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies” and the compensation expense recovery of $40.3 million related to CEWS partially offset by the decrease in the compensation recovery related to journalism tax credits of $2.6 million, both as described earlier in “Recent Developments”.

Depreciation

Depreciation expense decreased $5.3 million to $11.6 million for the year ended August 31, 2020 as compared to the same period in the prior year. The decrease relates to the disposal of property and equipment and the classification of certain facilities as assets held-for-sale in the years ended August 31, 2020 and 2019.

Amortization

Amortization expense increased a nominal amount to $14.3 million for the year ended August 31, 2020. The increase primarily relates to the amortization expense of right of use assets of $7.2 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, offset by a decrease in amortization expense related to intangible assets that were fully amortized during the year ended August 31, 2019.

Impairment

During the year ended August 31, 2020, we performed our annual impairment testing of indefinite life intangible assets and as a result we recognized an impairment of $12.5 million which was allocated to our mastheads and domain names of $11.2 million and $1.3 million, respectively. In addition, during the year ended August 31, 2020, the estimated FVLCD of properties classified as held-for-sale were reduced based on the expected net proceeds resulting in an impairment charge of $0.8 million. During the year ended August 31, 2019, the estimated FVLCD of properties classified as held-for-sale were reduced based on the expected net proceeds resulting in an impairment charge of $6.6 million. In addition, during the year ended August 31, 2019, we performed an interim impairment test of indefinite life intangible assets and determined that one CGU’s recoverable amount was less than its carrying amount and as a result, we recognized an impairment of $0.7 million related to indefinite life domain names.

Restructuring and other items expense (recovery)

Restructuring and other items was an expense of $14.8 million for the year ended August 31, 2020 as compared to a recovery of $5.4 million for the same period in the prior year. Restructuring and other items expense for the year ended August 31, 2020 consists of severance costs of $14.8 million which include both involuntary terminations and voluntary buyouts. Restructuring and other items for the year ended August 31, 2019 consisted of a $9.8 million recovery, which included curtailments gains of $9.7 million related to changes to our employee benefit plans as described earlier in “Recent Developments” as well as a reversal of a provision for onerous leases related to unoccupied property of $0.1 million, partially offset by severance costs of $4.4 million, which included both involuntary terminations and voluntary buyouts.

Operating income

Operating income decreased by $2.5 million to $13.6 million for the year ended August 31, 2020 as compared to the same period in the prior year. The decrease is the result of the restructuring and other items recovery in the year ended August 31, 2019 and increases in impairment and amortization expenses, partially offset by an increase in operating income before depreciation, amortization, impairment and restructuring and a decrease in depreciation expense, all as discussed above.

Interest expense

Interest expense increased $2.1 million to $30.6 million for the year ended August 31, 2020, as compared to the same period in the prior year. Interest expense primarily relates to interest on our long-term debt that is recognized using the effective interest rate method, which amortizes the initial debt issuance costs and includes both cash and non-cash interest. The increase in interest expense relates to an increase in non-cash interest of $7.0 million, partially offset by a decrease in cash interest of $4.9 million. The increase in non-cash interest includes interest related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, an increase in the paid-in-kind interest on the Second-Lien Notes, the interest expense related to the waiver of the April 30, 2020 interest payment being satisfied through the issuance of additional New First-Lien Notes as described earlier in “Recent Developments”, partially offset by a decrease in the effective interest rate as a result of the Refinancing Transaction as described earlier in “Recent Developments”. The decrease in cash interest expense is as a result of the interest expense related to the waiver of the April 30, 2020 interest payment and redemptions of First-Lien Notes throughout the year ended August 31, 2019.

Net financing expense relating to employee benefit plans

Net financing expense relating to employee benefit plans increased $0.3 million to $2.4 million for the year ended August 31, 2020, as compared to the same period in the prior year.

Gain on disposal of property and equipment, assets held-for-sale and right of use assets

During the year ended August 31, 2020 we disposed of property and equipment, including the Barrie facility as described earlier in “Recent Developments”, and realized a gain of a $0.7 million and disposed of a right of use asset and realized a gain of $0.2 million resulting in aggregate gains of $0.9 million. During the year ended August 31, 2019, we disposed of property and equipment and the Ottawa Citizen facility, classified as held-for-sale, and realized aggregate gains of $10.7 million.

Loss on derivative financial instruments

Losses on derivative financial instruments for the years ended August 31, 2020 and 2019 were $1.2 million and $0.7 million, respectively. The losses in the years ended August 31, 2020 and 2019 relate to the revaluation of warrants acquired in January 2016 and February 2020 as part of a marketing collaboration agreement with Mogo Finance Technology Inc.

Foreign currency exchange (gains) losses

Foreign currency exchange gains for the year ended August 31, 2020 were $3.6 million as compared to losses of $2.6 million in the same period in the prior year. Foreign currency exchange gains and losses in the years ended August 31, 2020 and 2019, respectively, consist primarily of decreases and increases in the carrying value of our Second-Lien Notes of $3.4 million and $2.8 million, respectively.

Loss before income taxes

Loss before income taxes increased $9.1 million to $16.2 million for the year ended August 31, 2020, as compared to the same period in the prior year. The increase in loss before income taxes is the result of decreases in operating income and gains on disposal of property and equipment, right of use assets and assets held-for-sale, an increase interest expense and net financing expense relating to employee benefit plans and losses on derivative financial instruments, partially offset by foreign currency exchange gains in the year ended August 31, 2020, all as discussed above.

Provision for income taxes

We have not recorded a current or deferred tax expense or recovery for the years ended August 31, 2020 or 2019. Current taxes payable or recoverable result in a decrease or increase, respectively, to our tax loss carryforward balances. The cumulative tax loss carryforward balances have not been recognized as a net deferred tax asset on the consolidated statement of financial position.

Net loss from continuing operations

Net loss from continuing operations increased $9.1 million to $16.2 million for the year ended August 31, 2020, as compared to the same period in the prior year. The increase in net loss from continuing operations is as a result of the factors described above in loss before income taxes and provision for income taxes.

Net earnings from discontinued operations

Net earnings from discontinued operations for the year ended August 31, 2019 consisted of a gain on sale of Infomart, our media monitoring division, of $0.8 million as a result of the reversal of a provision for claims related to the sale of this division as no claims were made under the asset purchase agreement.

Net loss attributable to equity holders of the Company

Net loss for the year ended August 31, 2020 increased $9.9 million to $16.2 million as compared to the same period in the prior year. The increase in net loss is as a result of the factors described above in net loss from continuing operations and net earnings from discontinued operations.

Consolidated quarterly financial information

($ in thousands of Canadian dollars, except per share information)	Fiscal 2020				Fiscal 2019 [1]			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	105,163	112,421	134,167	156,655	145,608	157,058	145,699	171,273
Net earnings (loss) from continuing operations	13,472	(13,805)	(12,820)	(3,000)	7,903	(7,681)	(5,870)	(1,419)
Net earnings (loss) per share from continuing operations								
Basic	$ 0.14	$ (0.15)	$ (0.14)	$ (0.03)	$ 0.08	$ (0.08)	$ (0.06)	$ (0.02)
Diluted	$ 0.14	$ (0.15)	$ (0.14)	$ (0.03)	$ 0.08	$ (0.08)	$ (0.06)	$ (0.02)
Net earnings (loss) attributible to equity holders of the Company	13,472	(13,805)	(12,820)	(3,000)	7,903	(7,681)	(5,079)	(1,419)
Net earnings (loss) per share attributible to equity holders of the Company								
Basic	$ 0.14	$ (0.15)	$ (0.14)	$ (0.03)	$ 0.08	$ (0.08)	$ (0.05)	$ (0.02)
Diluted	$ 0.14	$ (0.15)	$ (0.14)	$ (0.03)	$ 0.08	$ (0.08)	$ (0.05)	$ (0.02)
Cash flows from (used in) operating activities	16,692	21,611	3,780	2,748	4,660	1,568	7,585	(5,200)

[1] The consolidated quarterly financial information for the year ended August 31, 2019 has not been restated to reflect the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”.

Liquidity and capital resources

Our principal uses of funds are for working capital requirements, debt servicing and capital expenditures. Based on our current and anticipated level of operations, we believe that our cash on hand and cash flows from operations, which includes the receipt of CEWS and the journalism tax credits both as described earlier in “Recent Developments”, and available borrowings under our ABL Facility will enable us to meet our working capital, debt servicing, capital expenditure and other funding requirements for the next twelve months. However, our ability to fund our working capital needs, debt servicing and other funding requirements depends on our future operating performance and cash flows. There are a number of factors which may adversely affect our operating performance and our ability to meet these obligations as described earlier in “Key Factors Affecting Operating Results”. Our cash flows from operating activities may be impacted by, among other things, the overall strength of the economy, competition from digital media and other forms of media as well as competition from alternative emerging technologies. In recent years there has been a growing shift in advertising dollars from print advertising to other advertising formats, particularly online and other digital platforms such as search and social media websites. More recently, we have experienced continued declines in revenues due to ongoing economic and structural factors resulting in an increasingly challenging operating environment. In addition, as described in “Recent Developments”, the impact of the COVID-19 pandemic has caused a disruption to the economy which could further impact our liquidity risk. We have significant debt obligations which currently include the New First-Lien Notes ($99.2 million) that mature in July 2023 and Second-Lien Notes (US$134.6 million) that mature in January 2024. During the year ended August 31, 2020, we completed a Refinancing Transaction that extended these maturities and received a waiver of certain interest and principal payments both as described earlier in “Recent Developments”. These economic and structural factors related to our industry have had an impact on liquidity risk which is the risk that we will not be able to meet our financial obligations associated with existing and future financial liabilities that are and will be settled by delivering cash or another financial asset as they come due. We manage this risk by monitoring cash flow forecasts, implementing cost reduction initiatives as described earlier in “Recent Developments”, deferring or eliminating discretionary spending, monitoring and maintaining compliance with terms of the note indentures, utilizing the ABL Facility to provide additional liquidity during season fluctuations of the business and identifying and selling redundant assets including certain real estate assets. As at August 31, 2020, we have three real estate assets classified as assets held-for-sale with a carrying amount of $28.2 million (August 31, 2019 – two with a carrying amount of $24.5 million) and as described in earlier in “Recent Developments”, subsequent to August 31, 2020, we sold one of these real estate assets for net proceeds of $4.7 million. In addition, we have four other real estate assets with a carrying amount of $3.2 million currently listed for sale, however these properties do not meet the requirements to be classified as held-for-sale as at August 31, 2020.

Pursuant to the New First-Lien Notes indenture, any net proceeds from an asset disposition in excess of $0.1 million will be held in a collateral account by the noteholders. When the aggregate amount of the collateral account exceeds $1.0 million it will be used to make an offer to redeem an equal amount of New First-Lien Notes. As at August 31, 2020, we have $3.4 million of restricted cash (August 31, 2019 – a nominal amount). During the year ended August 31, 2020, we sold the Barrie facility for net proceeds of $3.4 million. The net proceeds were used to redeem $3.3 million New First-Lien Notes at par and pay accrued interest of $0.1 million on October 1, 2020. Subsequent to August 31, 2020, we sold the Calgary press facility for net proceeds of $4.7 million which will be used as part of a redemption of $5.2 million of New First-Lien Notes on November 5, 2020. In addition, the excess cash flow related to the six months ended August 31, 2020 resulted in an excess cash flow offer of $6.9 million which is expected to be used to redeem a portion of the New First-Lien Notes on November 13, 2020.

Cash flows from operating activities

Our principal sources of liquidity are cash flows from operating activities. For the three months and year ended August 31, 2020, our cash flows from operating activities were $16.7 million and $44.8 million, respectively (2019 – $4.7 million and $8.6 million, respectively). Cash flows from operating activities increased $12.0 million for the three months ended August 31, 2020, as compared to the same period in the prior year due to an increase in operating income before depreciation, amortization, impairment and restructuring and an increase in the impact of non-cash working capital decreases as compared to the same period in the prior year, partially offset by an increase in cash restructuring payments of $0.6 million. Cash flows from operating activities increased $36.2 million for the year ended August 31, 2020, as compared to the same period in the prior year due to an increase in operating income before depreciation, amortization, impairment and restructuring, decreases in cash interest and restructuring payments of $6.2 million and $3.0 million, respectively, and a decrease in the impact of non-cash working capital decreases as compared to the same period in the prior year.

As at August 31, 2020 we have cash of $49.8 million (August 31, 2019 - $15.5 million).

Cash flows from (used in) investing activities

For the three months and year ended August 31, 2020, our cash flows from investing activities were inflows $3.1 million and $0.4 million, respectively (2019 – outflows of $2.2 million and inflows of $14.7 million, respectively). The net cash inflows from investing activities during the three months ended August 31, 2020 include the net proceeds received from the sale of property and equipment and right of use assets of $3.4 million, partially offset by outflows for capital expenditures related to property and equipment of $0.2 million and intangible assets of $0.1 million. The net cash outflows from investing activities during the three months ended August 31, 2019 included outflows for capital expenditures related to property and equipment of $2.0 million and $0.2 million for intangible assets. The net cash inflows from investing activities during the year ended August 31, 2020 include the net proceeds received from the sale of property and equipment and right of use assets of $3.5 million, partially offset by outflows for capital expenditures related to property and equipment of $2.5 million and intangible assets of $0.6 million. The net cash inflows from investing activities during the year ended August 31, 2019 included the net proceeds received from the sale of property and equipment and assets held-for-sale of $20.7 million, partially offset by outflows for capital expenditures related to property and equipment of $4.5 million and intangible assets of $1.5 million.

Cash flows used in financing activities

For the three months and year ended August 31, 2020, our cash flows used in financing activities were $5.2 million and $10.9 million, respectively (August 31, 2019 – nil and $33.9 million, respectively). The cash outflows from financing activities during the three months ended August 31, 2020 consist of restricted cash of $3.4 million received on the sale of the Barrie facility as described earlier in “Recent Developments” and lease payments of $1.8 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”. The net cash outflows from financing activities during the year ended August 31, 2020 include outflows of $94.8 million related to the repayment of First-Lien Notes and debt issuance costs of $1.7 million, both related to the Refinancing Transaction as described earlier in “Recent Developments”, restricted cash of $3.4 million received on the sale of the Barrie facility as described earlier in “Recent Developments”, and lease payments of $6.3 million related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, partially offset by net proceeds from the issuance of New First-Lien Notes of $95.2 million related to the Refinancing Transaction as described earlier in “Recent Developments”. The net cash outflows from financing activities during the year ended August 31, 2019 included the repayment of First-Lien Notes of $39.6 million, partially offset by net cash inflows from restricted cash of $5.7 million.

Indebtedness

As of August 31, 2020, we have $99.2 million New First-Lien Notes outstanding and US$134.6 million Second-Lien Notes outstanding (August 31, 2019 – $94.8 million First-Lien Notes and US$120.7 million Second-Lien Notes). In addition to the cash transactions discussed above, during the year ended August 31, 2020, we issued additional New First-Lien Notes in the amount of $3.9 million related to the waiver of the April 30, 2020 interest as described earlier in “Recent Developments” and we issued additional Second-Lien Notes in the amount of US$14.0 million ($18.6 million) related to paid-in-kind interest as part of the terms of the Second-Lien Notes indenture (2019 – US$12.5 million ($16.4 million)). The following tables set out the principal and carrying amount of our long-term debt outstanding as at August 31, 2020 and August 31, 2019. The first column of the table translates, where applicable, our US dollar debt to the Canadian equivalent based on the closing foreign exchange rate on August 31, 2020 of US$1:$1.3042 (August 31, 2019 – US$1:$1.3295).

	As at August 31, 2020			**As at August 31, 2019**		
($ in thousands of Canadian dollars)	**Principal Outstanding**	**Financing fees, discounts and other**	**Carrying Value**	**Principal Outstanding**	**Financing fees, discounts and other**	**Carrying Value**
First-Lien Notes…………………………………	-	-	-	94,761	-	94,761
New First-Lien Notes…………………………	99,163	(1,229)	97,934	-	-	-
Second-Lien Notes……………………………	175,602	(181)	175,421	160,451	(201)	160,250
ABL Facility……………………………………	-	-	-	-	-	-
Total………………………………………………	274,765	(1,410)	273,355	255,212	(201)	255,011

Financial Position as at August 31, 2020 and 2019

($ in thousands of Canadian dollars)	As at August 31, 2020	As at August 31, 2019
Current assets………………………………………………….	160,572	126,003
Total assets…………………………………………………….	336,879	299,059
Current liabilities……………………………………………….	109,120	90,922
Total liabilities………………………………………………….	501,101	435,470
Deficiency……………………………………………………….	(164,222)	(136,411)

The increase in our current assets is primarily due to increases in cash, as a result of cash management which includes the waiver of payments related to the New First-Lien Notes and receipts from CEWS as described earlier in “Recent Developments”, and increases in restricted cash and assets held-for-sale partially offset by a net decrease in accounts receivables which includes increases related to CEWS and journalism tax credits offset by decreases in revenue and an increase in the provision for expected credit losses both as impacted by the COVID-19 pandemic. Total assets increased as a result of right of use assets related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies” and the increase in current assets, partially offset by a decrease in the carrying value of property and equipment and intangible assets as a result of disposals, depreciation, amortization and impairment in excess of additions during the year ended August 31, 2020. Current liabilities have increased due to the current portion of lease obligations related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, and increases in provisions as a result of restructuring charges recognized in the year ended August 31, 2020 and an increase in the current portion of long-term debt. The increase in total liabilities is as a result of lease obligations related to the adoption of IFRS 16 as described earlier in “Other Factors – Changes in Accounting Policies”, the increase in current liabilities, an increase in the carrying value of long-term debt primarily as a result of the issuance of New First-Lien Notes related to the waiver of the April 30, 2020 interest payment as described earlier in “Recent Developments” and additional Second-Lien Notes issued related to paid-in-kind interest as part of the terms of the Second-Lien Notes indenture as well as an increase in employee benefit plan liabilities.

Related Party Transactions

As at August 31, 2020, Chatham Asset Management LLC (“Chatham LLC”) and certain investment funds or accounts for which Chatham LLC or its affiliates acts as an investment advisor, sub-advisor or manager (collectively, “Chatham”) owns 62,319,049, or approximately 66%, of our shares and 33% of the outstanding voting rights. We have a consulting agreement with Chatham and during the year ended August 31, 2020 incurred an expense of $0.1 million (2019 - $0.2 million), which is included in other operating expenses in the consolidated statement of operations. In addition, we have an ABL Facility with associated companies of Chatham and as at August 31, 2020, have no amount drawn and availability of $15.0 million (August 31, 2019 – nil and $15.0 million, respectively) and during the year ended August 31, 2020 incurred $0.2 million of interest expense and paid $0.2 million of interest (2019 – $0.1 million and $0.2 million, respectively).

Financial Instruments and Financial Instruments Risk Management

Our activities expose us to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Current risk management techniques utilized include monitoring fair value of derivative financial instruments, fair value of publicly traded debt, foreign exchange rates and interest rates with respect to interest rates and foreign currency risk, aging analysis and credit reviews for credit risk and cash flow projections for liquidity risk. Our enterprise risk management process is managed by a risk oversight committee composed of senior executives of Postmedia.

Foreign currency risk

As at August 31, 2020, approximately 64% of the outstanding principal on our long-term debt is payable in US dollars (August 31, 2019 – 63%). As at August 31, 2020, we are exposed to foreign currency risk on the US$134.6 million of Second-Lien Notes outstanding (August 31, 2019 – US$120.7 million).

Interest rate risk

The ABL Facility bears interest at floating rates while the New First-Lien Notes and Second-Lien Notes bear interest at fixed rates. Therefore, changes in interest rates only exposes us to cash flow interest rate risk on the portion of the ABL Facility that is drawn, if any, at the time of the interest rate change.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset fails to meet its contractual obligations. As at August 31, 2020, no individual balance represented a significant portion of our accounts receivable. We establish an allowance for expected credit loss based on the specific credit risk of our customers, historical trends and COVID-19. The allowance for expected credit loss amounted to $10.2 million as at August 31, 2020 (August 31, 2019 – $4.5 million).

The increase in the allowance for expected credit loss is primarily related to the impact of the COVID-19 pandemic on our operations. We continuously monitor the financial condition of our customers, review the credit history of each customer, review the aging of accounts receivable, evaluate significant individual credit risk accounts and utilize each customer's historical experience in order to both grant credit and set up our allowance for expected credit loss. If such collectability estimates prove inaccurate, adverse adjustments to future operating results could occur and could be material.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulties in meeting our financial obligations associated with existing and future financial liabilities that are and will be settled by delivering cash or another financial asset as they come due. Our financial obligations include long-term debt which requires principal repayments and interest payments. Economic and structural factors related to the industry impact our ability to generate sufficient operating cash flows to satisfy its existing and future financial liabilities, however, we manage this risk by monitoring cash flow forecasts, implementing cost reduction initiatives, deferring or eliminating discretionary spending, monitoring and maintaining compliance with the terms of the note indentures, identifying and selling redundant assets including certain real estate assets and utilizing the ABL Facility to provide additional liquidity during seasonal fluctuations of the business. As described earlier in "Recent Developments", during the year ended August 31, 2020, we completed a Refinancing Transaction which extended the maturities of long-term debt. The impact of the COVID-19 pandemic caused a disruption to the economy which could further impact our liquidity risk. The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel bans, self-imposed quarantine periods and social distancing that have caused disruption to businesses resulting in an economic slowdown. We are generally exempt from mandates requiring closures of non-essential businesses and therefore has been able to continue operations however advertising revenues have declined as a result of the COVID-19 pandemic and related government measures. We are currently addressing the challenges related to the COVID-19 pandemic as described previously in "Recent Developments".

Our obligations under firm contractual arrangements, including commitments for future payments under leases and long-term debt agreements as at August 31, 2020 are as follows:

	2021	2022	2023	2024	2025	Thereafter
Capital lease obligations	9,482	7,678	7,410	7,343	6,982	20,288
Operating leases and other	6,521	2,967	2,054	30	-	-
Long-term debt [(1)]	20,372	5,000	73,791	256,447	-	-
Interest on long-term debt [(2)]	7,699	6,500	7,270	-	-	-
	44,074	22,145	90,525	263,820	6,982	20,288

(1) Principal repayments of long-term debt are based on the mandatory contractual payments and assumes paid-in-kind interest to maturity on the Second-Lien Notes translated to Canadian dollars based on the foreign exchange rate as at August 31, 2020 of US$1:$1.3042.

(2) Interest payments on long-term debt relate to the New First-Lien Notes and are based on fixed contractual interest rates. Interest payments on the Second-Lien Notes are included in repayments of long-term debt due to the assumption of paid-in-kind interest to maturity.

As a result of the merger with the CAAT Pension Plan described earlier in “Recent Developments”, we expect no additional contributions to our defined benefit pension plans. Upon completion of the transfer of assets to the CAAT Pension Plan a cash funding obligation of $10.1 million related to the transferred Postmedia Plans deficits will be payable to the CAAT Pension Plan over a term of ten years and is not reflected in the above table. We expect to contribute $5.0 million to our defined contribution and multi-employer plans during the year ending August 31, 2021.

Guarantees and Off-Balance Sheet Arrangements

We do not have any significant guarantees or off-balance sheet arrangements.

Risk Factors

The risks and uncertainties described below are those we currently believe to be material, but should not be considered exhaustive. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, financial condition, results of operations and cash flows and consequently the value of our shares, the First-Lien Notes and Second-Lien Notes could be materially and adversely affected.

Risks Relating to Our Business

We are subject to the risk and uncertainties related to the COVID-19 pandemic.

The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel bans, self-imposed quarantine periods and social distancing that have caused disruption to businesses resulting in an economic slowdown. We are generally exempt from mandates requiring closures of non-essential businesses and therefore have been able to continue operations however, advertising revenues have declined as a result of COVID-19 pandemic and related government measures. The outbreak of contagious illness such as this can impact our operations in a number of ways including quarantined employees, travel restrictions, temporary closure of our facilities, a decrease in demand for advertising, as well as interruptions to our supply chain, including temporary closure of supplier facilities. Given the high level of uncertainty surrounding the duration of the COVID-19 pandemic it is difficult to reliably estimate its potential impact on the financial condition and results of our business. The COVID-19 pandemic and its impact on the economy is constantly evolving and impacts variables and assumptions for financial modeling and as a result, it may have material impacts on our anticipated revenue levels and the recoverable amount of the cash-generating units. As described in “Recent Developments”, we are in the process of addressing the current challenges related to the COVID-19 pandemic and monitoring these challenges as they evolve so as to minimize this risk however it could have a material adverse effect on our business, financial condition, results of operations, liquidity and cash flow.

Competition from digital and other forms of media may impair our ability to generate advertising and circulation revenue.

Participants in the newspaper publishing industry depend primarily upon advertising sales, paid subscriptions and single copy newspaper sales in order to generate revenue. Competition for advertising, subscribers, readers and distribution is intense and comes primarily from digital media, as well as, television; radio; local, regional and national newspapers; magazines; free publications; direct mail; telephone directories; and other communications and advertising and subscriber-based media that operate in these markets. In addition, in recent years there has been a growing shift in advertising dollars from newspaper advertising to other advertising platforms, including digital media competitors such as search and social media. Participants in the digital media industry also depend upon the sale of advertisements and paid subscriptions in order to generate revenue. The digital media industry experiences additional competitive challenges because barriers to entry are low and geographic location is less relevant.

Participants in digital media platforms may improve their ability to target specific audiences and therefore become an even more attractive media for advertisers. These circumstances could result in our newspaper online media not being as competitive as they are currently in relation to these other forms of media. In order to respond to changing circumstances, the costs of producing or promoting editorial content may increase, or we may need to reduce our advertising and/or subscription rates, either of which could adversely affect our financial performance. Increased competition could also lead to additional expenditures for editorial content and marketing.

In addition, there is increasing consolidation in the Canadian newspaper publishing and other media industries, and competitors increasingly include market participants with interests in multiple media. These competitors may be more attractive than we are to certain advertisers because they may be able to bundle advertising sales across newspaper, television and internet platforms. Some of these competitors also have access to greater financial and other resources than we do.

Our ability to continue to compete successfully in the newspaper and online media industries and to attract advertising dollars, subscribers and readers will depend upon a number of factors, including:

- our continued ability to offer high-quality editorial content;
- the variety, quality and attractiveness of our products and services;
- the pricing of our products and services;
- the platforms on which our products and services are offered;
- the manner in which we market and promote our products and services;
- the effectiveness of the distribution of our products and services;
- our customer service; and
- the emergence of technologies resulting in further shifts from newspaper advertising to advertising in other formats, including new media outlets.

These factors are largely dependent upon on our ability to:

- identify and successfully respond to changes in technology, customer trends and preferences and online digital platforms such as search and social media;
- develop new products across our business lines;

- protect our intellectual property and avoid infringing the intellectual property rights of others;
- avoid damage to our brands or reputation;
- appeal to many demographics; and
- expand into new distribution channels, particularly with respect to digital media and online products.

There can be no assurance that existing and future competitors will not pursue or be capable of achieving similar or competitive business strategies. In addition, there can be no assurance that we will be able to compete successfully with existing or potential competitors, or that increased competition will not have an adverse effect on our business, financial condition or results of operations.

Advertising revenue is the largest component of our revenues and our advertising revenue is influenced by prevailing economic conditions and the prospects of our advertising customers. Advertising revenue has been declining since 2009.

We generate revenue primarily from the sale of advertising. Advertising revenue, including both print and digital advertising represented 55.6% of our consolidated revenues in the year ended August 31, 2019 (2019 – 59.6%).

Advertising revenue is affected in part by prevailing economic conditions. Adverse economic conditions generally, and downturns in the Canadian economy specifically, have a negative impact on the Canadian advertising industry and, consequently, on our financial prospects. We have been experiencing a decline in advertising revenue since 2009 and the COVID-19 pandemic accelerated these declines in the last six months of the fiscal year.

Our advertising revenue is also dependent on the prospects of our advertising customers. Certain of our advertising customers operate in industries that may be cyclical or sensitive to general economic conditions, such as the automobile, financial, employment, technology, retail, food and beverage, telecommunications, travel, packaged goods and entertainment industries. Advertising customers could alter their spending priorities and reduce their advertising budgets in the event of a downturn in their business or prospects which would have an adverse effect on the revenue we generate from advertising. In addition, because a substantial portion of our revenue is derived from retail advertisers, our business, financial condition and results of operations would also be adversely affected by a further downturn in the retail sector.

A further reduction in advertising revenues could result from:

- the continuing shift from newspaper advertising to advertising in other formats, including new media outlets;
- a decline in economic conditions;
- a decline in the circulation volume of our newspapers, which appears to be permanent;
- a decline in popularity of our editorial content or perceptions about our brands;
- a change in the demographic makeup of the populations to which our newspapers are targeted;

- the activities of our competitors, including increased competition from other forms of advertising-based media (e.g., magazines, radio and television broadcasters, cable television, direct mail and electronic media), and online digital platforms such as search and social media; and

- a decline in the amount spent on advertising in general or in particular industries such as those discussed above.

To the extent the economic conditions worsen and the structural shifts in advertising revenue and circulation continue, our business and advertising revenues will continue to be adversely affected, which would in turn adversely impact our operations and cash flows.

Our failure to maintain our print and online newspaper readership and circulation levels would limit our ability to generate advertising and circulation revenue.

Our ability to attract advertisers and thereby generate revenue and profits is dependent in large part upon our success in attracting readership of the newspapers and online publications that we publish. Readership and to a lesser extent circulation volume are the key drivers of advertising prices and revenue in the Canadian news and newspaper information industry.

We believe reader acceptance is a function of the editorial and advertising content being offered and is influenced by a number of factors, including:

- the availability of alternative forms of news and other editorial content;

- the availability of alternative forms of media technologies, such as the internet and other new media formats, that are often free for users;

- a growing preference among some customers to receive all or a portion of their news from sources other than from a newspaper;

- increases in subscription and newsstand rates;

- general economic conditions, including the resulting decline in consumer spending on discretionary items such as newspapers;

- reviews of critics, promotions, the quality and acceptance of other competing editorial content in the marketplace;

- public tastes and perceptions generally; and

- other intangible factors.

Circulation volumes of our newspapers have been declining in both the home delivery and single copy distribution channels. The rate of circulation decline could increase due to changing media consumption patterns of our readers or other factors, and these declines appear to be permanent. If we are unable to stop these declines or if the rate of decline were to accelerate, it will result in lower readership and circulation levels and, consequently, may lead to decreased advertising and other revenues.

Although we make significant investments in the editorial content of our newspapers, there can be no assurance provided that our newspapers will maintain satisfactory readership or circulation levels and any decrease in such levels may be permanent. In addition, factors affecting our readership levels could change rapidly, and many of the changes may be beyond our control and permanent. Loss of readership could have a material adverse effect on our ability to generate advertising and circulation revenue.

We may not be able to achieve a profitable balance between circulation levels and advertising revenues.

We must balance our circulation levels with our advertising revenue objectives. This balancing necessitates a continuous effort that varies by publication and requires effective management of the circulation rate, the addition of new subscribers through cost-effective marketing methods and effective advertising operations. To maintain our readership and circulation rates, it may be necessary to incur additional costs that we may not be able to recover through circulation and advertising revenues. No assurance can be provided that we will be able to add and retain a sufficient number of newspaper subscribers in an economically efficient manner. Failure to do this could require reductions of our circulation rate or the elimination of certain products, which would negatively affect our advertising revenues and could materially and adversely affect our results of operations and financial condition.

We may not realize our anticipated cost savings from cost savings initiatives and any failure to manage costs would hamper profitability.

The level of our expenses impacts our profitability. Because of general economic and business conditions and our operating results, we have taken steps to lower operating costs by implementing cost savings initiatives including various transformation projects. As described earlier in “Recent Developments”, during the year ended August 31, 2020 we began new restructuring initiatives which include additional cost saving measures as a result of the COVID-19 pandemic including the closure of 15 community publications in Manitoba and Ontario and implemented cost reductions which are expected to result in approximately $29 million of net annualized cost savings. During the year ended August 31, 2019 we completed initiatives that began in the year ended August 31, 2018 and implemented cost reductions which are expected to result in approximately $15 million of net annualized cost savings. In total, we implemented net annualized cost savings of approximately $62 million since these cost reduction initiatives commenced.

Estimates of cost savings are inherently uncertain, and we may not be able to achieve cost savings or expense reductions within the time frame we have projected or at all. Our ability to successfully realize savings and the timing of any realization may be affected by factors such as the need to ensure continuity in our operations, labour and other contracts, regulations and/or statutes governing employee/employer relationships, and other factors. In particular, certain of our collective bargaining agreements limit our ability to achieve operating efficiencies by limiting our ability to implement strategic initiatives. In addition, our implementation of these initiatives has and is expected to require upfront costs. There can be no assurance that we will be able to successfully contain our expenses or that even if our savings are achieved that implementation or other expenses will not offset any such savings. Our estimates of the future expenditures necessary to achieve the savings we have identified may not prove accurate, and any increase in such expenditures may affect our ability to achieve our anticipated savings. If these cost-control efforts do not reduce costs in line with our expectations, our financial position, results of operations and cash flows will be negatively affected.

We may be adversely affected by variations in the cost and availability of newsprint.

Newsprint is our largest raw material expense, representing approximately 5.2% of total operating expenses excluding depreciation, amortization, impairment and restructuring in the year ended August 31, 2020 (2019 – 6.3%). Newsprint is a commodity and, as such, price varies considerably from time to time as a result of, among other factors, foreign currency exchange fluctuations and supply shortfalls. The price of newsprint can increase as a result of various factors, including consolidation in the newsprint industry, which has resulted in a smaller number of suppliers and reduced competition on price among them, and declining newsprint supply as a result of mill closures and conversions to other grades of paper. Changes in newsprint prices can significantly impact our operating results. We would expect a $50 per tonne increase or decrease in the price of newsprint to affect our operating expenses by approximately $2.5 million on an annualized basis. There can be no assurance that we will not be exposed to increased newsprint costs, which could have a material adverse effect on our business, financial condition or results of operations. In addition, if newspaper suppliers experience labour unrest, transportation difficulties or other supply disruptions, our ability to produce and deliver newspapers could be impaired and the cost of the newsprint could increase, both of which would negatively affect our operating results.

Because a high percentage of our operating expenses are fixed, a decrease in advertising revenue could have a negative impact on our results of operations.

Newspaper publishing is both capital and labour intensive and, as a result, newspapers have relatively high fixed cost structures. Advertising revenue, on which we rely for a majority of our revenue, may fluctuate due to a variety of factors whereas our expenses do not vary significantly with the increase or decrease in advertising revenue. As a result, a relatively small change in advertising revenue could have a disproportionate effect on our results of operations. For example, during periods of economic contraction, our advertising revenue may decline while most costs remain fixed, resulting in decreased earnings, as has been evident in the current economic environment.

Our distribution costs could increase due to increases in fuel prices.

Although we do not incur significant fuel related distribution costs directly, our third-party distributors are adversely affected by rising fuel costs. Significant increases in fuel prices could result in increased fees paid to our distributors in the form of fuel subsidies or surcharges. Significant increases in fuel prices could result in material increases to our distribution expenses which could result in an adverse effect to our financial condition and results of operations.

We compete with alternative emerging technologies and may have to invest a significant amount of capital to address continued technological development.

The media industry is experiencing rapid and significant technological changes that have resulted in the development of alternative means of editorial content distribution. The continued growth of the internet has presented alternative content distribution options that compete with traditional media for advertising revenue. We may not be able to compete successfully with existing or newly developed alternative distribution technologies, or may be required to acquire, develop or integrate new technologies in order to compete. The cost of the acquisition, development or implementation of any such new technologies could be significant, and our ability to fund such implementation may be limited. In addition, even if we were able to fund such an implementation, we may be unable to implement any such technologies successfully. Any such event could have a material adverse effect on our business, financial condition or results of operations.

In addition, the continuing growth and technological expansion of internet-based services has increased existing competitive pressure on our businesses. As web-based and digital formats grab an increasingly larger share of consumer readership, we may lose customers or fail to attract new customers if we are not able to transition and update our publications and other products to these new and evolving formats. Furthermore, to the extent that advertisers continue to shift advertising dollars to new media outlets, advertising revenues will decrease even if we are able to maintain our current share of print media advertising dollars. The increased competition may have a material adverse effect on our business and financial results.

Our revenue, which is generated primarily from advertisers, is subject to seasonal variations, which may increase our borrowing needs at various points in the year.

Our revenue has experienced, and is expected to continue to experience, seasonal variances due to seasonal advertising patterns and seasonal influences on media consumption habits. Historically, our revenue is typically lowest during the fourth quarter of our fiscal year, which ends in August, and highest during the first and third quarters, which end in November and May, respectively, while expenses are relatively constant throughout the fiscal year. These seasonal variations may lead to short-term fluctuations in cash flow, which could consequently leave us in a more constrained liquidity position.

The collectability of accounts receivable could deteriorate to a greater extent than provided for in our financial statements.

In the normal course of business, we are exposed to credit risk for accounts receivable from our customers. Our accounts receivable are carried at net realizable value and our allowance for doubtful accounts has been determined based on several factors, including the aging of accounts receivable, evaluation of significant individual credit risk accounts and historical experience. If such collectability estimates prove inaccurate, adverse adjustments to future operating results could occur and could be material.

Increases in sales and other taxes could reduce our revenues and impact profit and cash flows.

In the markets in which we operate, some or all of our products are subject to local and national sales taxes and other taxes such as value-added taxes. Increases in taxes may have a negative effect on the sales of our products. Higher taxes may reduce profit margins on our products if we are unable to pass on the increase to our customers.

Failure to fulfill our strategy of building our digital media and online businesses would adversely affect our business prospects.

The competitive environment in which we operate demands, and our future growth strategies incorporate, the development of our digital media and online businesses. We believe the consumer preference for digital media and online products will accelerate as younger, more technologically savvy customers make up a greater portion of our potential customer base. In order for our digital media and online businesses to succeed, we must invest time and significant resources in them, to, among other things:

- accelerate the evolution of existing products (such as local newspaper websites and national content channels);
- develop new digital media and online products (such as redesigned classified sites in automotive, employment and real estate categories);
- develop new content channels (such as mobile optimized formats, online video capabilities and content for tablet devices);
- attract and retain talent for critical positions;
- transform our organization and operating model to grow our digital media and online business;
- continue to develop and upgrade our technologies and supporting processes to distinguish our products and services from those of our competitors;
- sell advertising in significant markets, and be a compelling choice for advertisers online;
- attract and retain a base of frequent, engaged visitors to our websites; and
- continuously advance our digital offerings based on fast-moving trends that may pose opportunities as well as risks (such as tablets and mobile applications).

No assurance can be provided that we will be successful in achieving these and other necessary objectives or that our digital media and online businesses will be profitable or successful. Our failure to adapt to new technology or delivery methods, or our choice of one technological innovation over another, may have an adverse impact on our ability to compete for new customers or to meet the demands of our existing customers. If our digital media and online businesses are not successful, we could lose significant opportunities for new advertising revenue from digital sources while also losing advertising revenue from traditional sources due to the reallocation from print to digital advertising currently taking place. If we are not successful in achieving our digital media and online objectives, our business, financial condition and prospects would be materially adversely affected.

Our business may suffer if we are not able to retain and attract sufficient qualified personnel, including key managerial, editorial, technical, marketing and sales personnel.

We operate in an industry where there is intense competition for experienced personnel. We depend on our ability to identify, recruit, hire, train, develop and retain qualified and effective personnel. Our future success depends in large part upon the continued contribution of our senior management and other key employees. A loss of a significant number of skilled managerial, editorial or technical personnel would have a negative effect on the quality of our products. Similarly, a loss of a significant number of experienced and effective marketing and sales personnel would likely result in fewer sales of our products and could materially and adversely affect our results of operations and financial condition. Our ability to identify, recruit, hire, train, develop and retain qualified and effective personnel depends on numerous factors, including factors that we cannot control, such as competition and conditions in the local employment markets in which we operate. The loss of the services of any of our senior management or other key employees could harm our business and materially and adversely affect our ability to compete in our markets. Although we have employment agreements with certain members of senior management and key employees, those individuals may choose to terminate their respective employment at any time, and any such termination may have a material adverse effect on our business.

We rely upon information systems and technology and other manufacturing systems, disruptions to which could adversely affect our operations.

Our newspaper and digital media and online operations rely upon information technology systems, and other complex manufacturing systems, in order to produce and distribute our products. Our information technology and manufacturing systems may be vulnerable to unauthorized access, computer viruses, system failures, human error, natural disasters, fire, power loss, communications failure or acts of sabotage or terrorism. If a significant disruption or repeated failure were to occur, our business or revenue could be adversely affected. There may also be significant costs incurred as a result of such disruptions or failures that adversely affect our financial performance or capital expenditure levels.

Equipment failure may have a material adverse effect.

There is a risk of equipment failure, primarily related to our printing facilities, due to wear and tear, latent defect, design error or operator error, among other things, which could have a material adverse effect on us. Although our printing facilities have generally operated in accordance with expectations, there can be no assurance that they will continue to do so. There may also be significant costs incurred as a result of such disruptions or failures that adversely affect our financial performance or capital expenditure levels.

Our operations could be adversely affected by labour disruptions, and labour agreements could potentially limit our ability to achieve operating efficiencies.

As at August 31, 2020 approximately 30% of our staff are employed under one of 47 separate collective agreements some of which include provisions that could impede restructuring efforts, including work force reduction, centralization and outsourcing. There can be no assurance that these collective agreements will be renewed on similar or more satisfactory terms or that we will not experience additional organizing activities, resulting in higher ongoing labour costs and reduced flexibility in running our operations. In addition, labour disruptions, including strikes or lockouts, grievances and complaints may affect our ability to operate efficiently and have an adverse on our business, financial condition or results of our operations.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information of our customers (including credit card information) and employees, on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business, financial condition, results of operations and cash flows.

The financial difficulties of certain of our contractors and vendors could have a negative impact on our results of operations.

The financial difficulties that some of our contractors and vendors may face, including one or more contractor or vendor bankruptcies due to poor economic conditions, may cause them to fail to provide us with products and/or services or may increase the cost of the products and services that they provide us. We may be unable to procure replacement products and/or services from other contractors or vendors in a timely and efficient manner and on acceptable terms, or at all. Any material change in these relationships, such as increased pricing, could have a material adverse effect on our business, financial condition, results of operations, liquidity and cash flow.

We outsource certain aspects of our business to third-party vendors that may fail to reduce costs and may subject us to risks, including disruptions in our business and increased costs.

We continuously seek to make our cost structure more efficient and to focus on our core strengths. These efforts include contracting with other companies to perform functions or operations that, in the past, we have performed ourselves. We currently rely on partners or third-party service providers for services such as the provision of advertising production, call centre services, and certain of our printing operations, and we may outsource additional business functions in the future. Although we believe that outsourcing will result in lower costs and increased efficiencies, this may not be the case. Because these third parties may not be as responsive to our needs as we might be ourselves or they experience problems to their own operations beyond our control, outsourcing increases the risk of disruption to our operations. If we are unable to effectively utilize, or integrate with, our outsource providers, or if these partners or third-party service providers experience business difficulties or are unable to provide business services as anticipated, we may need to seek alternative service providers or resume providing these business processes internally, which could be costly and time-consuming and have a material adverse effect on our business and results of operations.

The occurrence of natural or man-made disasters could disrupt the marketing and promotion and delivery of our products and services, and adversely affect our financial condition and results of operation.

The success of our businesses is largely contingent on the availability of direct access to customers. As a result, any event that disrupts or limits our direct access to customers or disrupts our ability to rely on delivery services would materially and adversely affect our business. We are exposed to various risks arising out of natural disasters, as well as man-made disasters, including acts of terrorism and military actions. The threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business from those areas. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations. In addition, increased energy costs, strikes and other labour-related supply chain disruptions could adversely affect our business. A natural or man-made disaster also could disrupt the operations of our counterparties or result in increased prices for the products and services they provide to us.

Our registered pension plans liabilities or our inability to make required cash contributions to our pension plans could have a material adverse effect on us, our business, cash flows, operations and financial condition.

We maintain several defined benefit and defined contribution plans providing pension and other retirement and post-employment benefits to our employees. Provincial pension legislation requires that the funded status of registered defined benefit pension plans be determined on both a going concern basis, which essentially assumes the pension plan continues indefinitely, and a solvency basis, which essentially assumes a cessation of a pension plan, and is based on statutory requirements. Based on our most recently filed actuarial valuations as of November 27, 2017 and December 31, 2017, the aggregate going concern actuarial surplus was $109.5 million and a wind up deficiency (which assumes that the pension plans terminate on their actuarial valuation dates) was $60.6 million. The actual funded status of our pension plans and our contribution requirements are dependent on many factors, including regulatory developments and changes to legislation, changes to the level of benefits provided by the plans, actuarial assumptions and methods used, changes in plan demographics and experience, and changes in the economic conditions, such as the return on fund assets and changes in interest rates and other factors. Additionally, significant changes in investment performance or in a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change to the expected rate of return on plan assets. Significant variations in pension performance could produce volatility in our reported results and could necessitate higher company contributions to those plans, which could have a material effect on our cash flows, liquidity and financial condition.

As described previously in Recent Developments, on January 29, 2019, we entered into an agreement with the CAAT Pension Plan to merge the Postmedia Plans, with the CAAT Pension Plan. Effective July 1, 2019, we received approval from Postmedia Plan members and became a participating employer under the CAAT Pension Plan and all members of the Postmedia Plans, as well as members of our defined contribution pension plan and most employees hired after this date began accruing benefits under the DBplus provisions of the CAAT Pension Plan. The merger remains subject to consent from FSRA and there can be no assurance that consent will be obtained. Participating in a multiemployer plan such as the CAAT Pension Plan requires us to make periodic contributions and as a participating employer we do not have the ability to reduce these contributions, and a failure to make the required contributions could subject us to penalties including interest on unpaid contributions. A breach of the agreement with the CAAT Pension Plan could also subject us to the risk of termination of participation in the CAAT Pension Plan. In addition, in the event of a distressed wind-up of the CAAT Pension Plan with a deficiency, there is a risk to us of residual liability in respect of our members.

Subject to the consent of FSRA to the transfer of assets, the CAAT Pension Plan will assume defined benefit obligations of the Postmedia Plans accrued prior to July 1, 2019. Once this transfer is completed, an additional cash funding obligation of $10.1 million related to the transferred Postmedia Plans deficits will be payable to the CAAT Pension Plan over a term of ten years and there is a risk that we may be required to contribute additional funds under certain circumstances, including in the event of a breach of certain representations and covenants pursuant to the agreement between ourselves and the CAAT Pension Plan.

If the consent of FSRA is not obtained, we would retain the liabilities for all past benefits accrued under the Postmedia Plans, and there is a risk of termination of ongoing participation in the CAAT Pension Plan. Subsequent to August 31, 2020, we received approval from FSRA to transfer the assets from the Postmedia Plans which is anticipated will be completed in November 2020.

Our editorial content may be controversial and may result in litigation.

We have had, in the ordinary course of our business, and expect to continue to have, litigation claims filed against us, most of which are claims for defamation arising from the publication of our editorial content. While we maintain insurance in respect of claims for defamation, some claims made against us may not be insured or may result in costs above our coverage limits. In the event that a judgement is rendered against us, there can be no assurance that our insurance coverage will cover that particular loss.

We are currently involved in unresolved litigation matters.

We are involved in various legal claims arising in the ordinary course of our newspaper and digital media and online businesses. The majority of these claims are brought pursuant to defamation laws in the province of publication. We maintain a multi-media liability insurance policy in respect of defamation claims. Subject to the terms and conditions of that policy, and the insurer's coverage position in respect of individual claims, the resolution of these matters is not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

The Competition Bureau is reviewing a past transaction

On November 27, 2017, we entered into an asset purchase agreement with Metroland Media Group Ltd. and Free Daily News Group Inc., both subsidiaries of Torstar Corporation, (collectively, "Torstar") to acquire 22 of Torstar's community newspapers and two free daily commuter newspapers. In consideration, we sold 15 of our community newspapers and two free daily commuter newspapers to Torstar (the "Torstar Transaction"). The Competition Bureau is reviewing the Torstar Transaction under the provisions of the *Competition Act* (Canada) and we are cooperating with the Competition Bureau in connection with its investigation. In the event that the Competition Bureau seeks to initiate proceedings it could impact our business, financial performance or results of operations.

Disruptions in the credit markets could adversely affect the availability and cost of short-term funds for liquidity requirements, and could adversely affect our access to capital or our ability to obtain financing at reasonable rates and refinance existing debt at reasonable rates or at all.

If internal funds are not available from our operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets could adversely affect our ability to access additional funds in the capital markets or draw on or refinance our existing or any future credit facilities. Although we believe that our operating cash flow and access to capital and credit markets will give us the ability to meet our financial needs for the foreseeable future, there can be no assurance provided that continued or increased volatility and disruption in the capital and credit markets will not impair our liquidity. If this should happen, we may not be able to put alternative credit arrangements in place or without a potentially significant increase in our cost of borrowing. As of August 31, 2020, we have $99.2 million New First-Lien Notes and US$134.6 million Second-Lien Notes outstanding.

We may be adversely affected by the availability and terms of our insurance policies.

We carry liability, property and casualty insurance and director and officer liability insurance coverage subject to certain deductibles, limits and exclusions which we believe are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that: (i) such insurance coverage will continue to be offered on economically feasible terms, (ii) all events which could give rise to a loss or liability will be insurable, or (iii) the amounts of insurance coverage will at all times be sufficient to cover each and every material loss or claim which may occur involving our assets or operations.

Our intellectual property rights are valuable, and any inability to protect them or liability for infringing the intellectual property rights of others could reduce the value of our services and our brands.

We rely on the trademark, copyright, internet/domain name, trade secret and other laws of Canada and other countries, as well as nondisclosure and confidentiality agreements, to protect our intellectual property rights. However, we may be unable to prevent third parties from using our intellectual property without our authorization, breaching any nondisclosure agreements with us, acquiring and maintaining domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights, or independently developing intellectual property that is similar to ours, particularly in those countries that do not protect our proprietary rights as fully as in Canada. The use of our intellectual property by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our businesses. If it became necessary to litigate to protect these rights, any proceedings could be burdensome and costly, and we may not prevail.

We have obtained and applied for several Canadian and foreign service mark and trademark registrations, and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. We cannot guarantee that any of our pending applications will be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. A failure to obtain trademark registrations in Canada and in other countries could limit our ability to protect our trademarks and impede our marketing efforts in those jurisdictions.

We cannot be certain that our intellectual property does not and will not infringe the intellectual property rights of others. We may be subject to legal proceedings and claims in the ordinary course of our business, including claims of alleged infringement of the trademarks, copyrights and other intellectual property rights of third parties. Any such claims, whether or not meritorious, could result in costly litigation and divert resources and the efforts of our personnel. Moreover, should we be found liable for infringement, we may be required to enter into licensing agreements (if available on acceptable terms, or at all) or to pay damages and to cease using certain trademarks or copyrights or making or selling certain products, or to redesign or rename some of our products or processes to avoid future infringement liability. Any of the foregoing could cause us to incur significant costs.

We maintain many well-known mastheads, consumer brands and trademarks, damage to the reputation of any of which could have an adverse impact upon our business, financial performance or results of operations.

The mastheads, brand names and trademarks that we own are well-known to consumers and are important in maintaining existing business and sourcing new business, as our ability to attract and retain customers is in part dependent upon our external perceptions, the quality of our products and services and our integrity. Damage to the reputation of any of these brands or negative publicity or perceptions about us could have an adverse impact upon the business, financial performance or results of operations.

We may have additional asset impairments.

We conduct annual impairment testing to determine if we will be able to recover all or a portion of the carrying value of indefinite life intangible assets. In addition, we are required to review indefinite life intangible assets for impairment more frequently if impairment indicators arise. If the recoverable amount is less than the carrying amount of our indefinite life intangible assets, we may be required to record a non-cash charge to the statement of operations. As disclosed in note 6 of our audited consolidated financial statements for the years ended August 31, 2020 and 2019, we recognized impairment charges of $13.3 million during the year ended August 31, 2020 (2019 – $6.6 million). We monitor impairment indicators on a quarterly basis. Significant changes in market conditions and estimates, or a reduction in carrying value, may give rise to impairments in the period that the change becomes known and such impairments could have a material adverse effect on our results of operations.

We are subject to environmental, health and safety laws and regulations, which could subject us to liabilities, increase our costs or restrict our business or operations in the future.

We are subject to a variety of laws and regulations concerning emissions to the air, water and land, sewer discharges, handling, storage and disposal of, or exposure to, hazardous substances and wastes, recycling, remediation and management of contaminated sites, or otherwise relating to protection of the environment and employee health and safety. Environmental laws and regulations and their interpretation have become increasingly more stringent, and we may incur additional expenses to comply with existing or future requirements. If we fail to comply with environmental or health and safety requirements we could incur monetary fines, civil or criminal sanctions, third-party claims or cleanup obligations or other costs. In addition, our compliance with environmental and health and safety requirements could restrict our ability to expand our operations or require us to install costly pollution control equipment, incur other significant expenses or modify our printing processes.

We use and store hazardous substances such as inks and solvents in conjunction with our operations at our printing facilities. Such hazardous substances have in the past been stored in underground storage tanks at some of our properties. Some of our printing and other facilities are located in areas with a history of long-term industrial use, and they may be impacted by past activities onsite or by contamination emanating from nearby industrial sites. In the past, we have had contamination resulting from leaks and spills at some of our locations. We have not conducted environmental site assessments with respect to all of our owned and leased facilities, and where such assessments have been conducted, they may not have identified all potential causes of environmental liability. There can be no assurance provided that remediation costs or potential claims for personal injury or property or natural resource damages resulting from any newly-occurring or newly-discovered contamination will not be material, or that a material environmental condition does not otherwise exist at any of our properties.

Risks Relating to Regulatory Compliance

Failure to comply with "Canadian newspaper" status would materially affect our financial results and our business prospects.

Under the Tax Act, generally no deduction is allowed for an outlay or expense for advertising space in an issue of a newspaper for an advertisement directed primarily to a market in Canada, unless the issue is a "Canadian issue" of a "Canadian newspaper."

In order to qualify as a "Canadian issue", the issue generally must have its type set in Canada, be edited in Canada by individuals resident in Canada for purposes of the Tax Act and be printed and published in Canada. Issues of our newspapers currently meet these criteria.

The test of whether a newspaper is a “Canadian newspaper” depends on the jurisdiction, governance, factual control and share ownership of the corporation which directly publishes the newspaper. We publish our newspapers directly. In order to satisfy the requirements of a “Canadian newspaper” (subject to a statutory 12 month grace period), we must satisfy the following: (i) the corporation must be incorporated under the laws of Canada or a province thereof, (ii) the chairperson or other presiding officer and at least 75% of the directors or other similar officers of the corporation must be Canadian citizens, and (iii) the corporation must not be controlled, in fact, directly or indirectly, by persons or partnerships who could not themselves hold the right to produce and publish issues of a “Canadian newspaper”, including by citizens or subjects of a country other than Canada.

In addition, under the share ownership requirements, at least 75% of a non-public corporation’s voting shares and shares having a fair market value in total of at least 75% of the fair market value of all issued shares of a non-public corporation, must be beneficially owned by either (i) Canadian citizens or (ii) one or more Qualifying Public Corporations. Upon the listing of Postmedia Network Canada Corp’s shares on the Toronto Stock Exchange (“TSX”), it became a Qualifying Public Corporation. As Postmedia Network Inc. is a direct, wholly-owned subsidiary of Postmedia Network Canada Corp., our newspapers qualify as “Canadian newspapers”. For more information regarding risks relating to the listing of our shares on the TSX, see the section below entitled “Risks Relating to Our Shares”.

Issues of our newspapers therefore qualify as “Canadian issues” of “Canadian newspapers” (or otherwise fall outside of the limitation on deductibility of advertising expenses) and as a result advertisers currently have the right to deduct their advertising expenditures for Canadian tax purposes.

There can be no assurance that issues of the newspapers published or produced by us will continue to be “Canadian issues” of “Canadian newspapers” under the Tax Act, or that Canadian federal income tax laws respecting the treatment of deductibility of advertising expenses incurred in relation to “Canadian issues” of “Canadian newspapers” will not be changed in a manner which adversely affect us.

If our newspapers cease to be “Canadian newspapers” for purposes of the Tax Act, it is expected that our advertising revenue will decline significantly, which would have a material adverse effect on our business, financial condition and results of operations.

We are subject to the requirements of Regulation 52-109 on Certification of Disclosure in Issuers’ Annual and Interim Filings and must devote time and resources to maintain compliance.

Our shares are listed on the TSX and as a result we are subject to the requirements of Regulation 52-109, which requires, among other things, public companies to maintain disclosure controls and procedures to ensure timely disclosure of material information, and, to have management review the effectiveness of those controls on an annual basis. These requirements may place a strain on our systems and resources. Regulation 52-109 also requires public companies to have and maintain internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements and to have management review the effectiveness of those controls on an annual basis following the filing of a company’s first annual report. In order to maintain and improve our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required. This may divert management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we fail to maintain an effective system of internal controls, we may not be able to provide timely and reliable financial reports.

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Regulatory pressures are increasing resulting in increasing compliance requirements and our business could be adversely affected by additional changes in laws.

Regulatory pressures are increasing as new and evolving regulations and compliance standards are established in respect of various areas, including without limitation, cyber security, data protection, privacy and advertising. These regulations and standards require expensive and time-consuming compliance measures and we incur increased costs in order to comply with such regulations and standards and we may pay penalties for any failure to comply.

Changes to the laws, regulations and policies governing our operations, the introduction of new laws, regulations or policies and changes to the treatment of the tax deductibility of advertising expenditures could have a material effect on our business, financial condition, prospects and results of operations. In addition, we may incur increased costs in order to comply with existing and newly adopted laws and regulations or pay penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect us.

Risks Related to our Indebtedness

Our substantial indebtedness could adversely affect our financial condition.

As of August 31, 2020, total carrying value of amounts outstanding under our respective debt agreements was $273.3 million (August 31, 2019 - $255.0 million).

Subject to the limits contained in the amended and restated indenture that governs the New First-Lien Notes and the indenture that governs the Second-Lien Notes, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to the New First-Lien Notes and Second-Lien Notes;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates if of our borrowings are at variable rates of interest;

- limiting the flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the amended and restated indenture that governs the New First-Lien Notes and the indenture that governs the Second-Lien Notes contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debts.

Despite our current level of indebtedness, we may be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.

Our operating subsidiary may be able to incur significant additional indebtedness in the future. Although the amended and restated indenture that governs the New First-Lien Notes and the indenture that governs the Second-Lien Notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and the additional indebtedness incurred in compliance with these exceptions could be substantial. We may be able to issue additional New First-Lien Notes under the indenture under certain circumstances, and may be able to incur other indebtedness that ranks equally with the New First-Lien Notes. These borrowings would be secured indebtedness. If new debt is added to our current debt levels, the related risks that we and our operating subsidiary now face could intensify.

The terms of the New First-Lien Notes and the Second-Lien Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The amended and restated indenture that governs the New First-Lien Notes and the indenture that governs the Second-Lien Notes contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interests, including, among other things, restrictions on our ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock;
- make loans and investments;
- sell assets;
- incur certain liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting any subsidiary’s ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

A breach of the covenants under the amended and restated indenture that governs the New First-Lien Notes and the indenture that governs the Second-Lien Notes could result in an event of default under the applicable indebtedness. Such default may allow our creditors to accelerate the repayment of the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. Furthermore, if we are unable to repay the amounts due and payable under New First-Lien Notes or the Second-Lien Notes, the applicable lenders could proceed against the collateral granted to such lenders to secure the indebtedness under the applicable facility. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the future amounts due on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance indebtedness. We may not be able to affect any such alternative measures, if necessary, on commercially reasonable terms, or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service and derivative financial instrument obligations. The amended and restated indenture that governs the New First-Lien Notes and the indenture that governs the Second-Lien Notes restrict our ability to dispose of assets and use the proceeds from any such dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service and derivative financial instrument obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt and derivative financial instrument obligations, or to refinance indebtedness on commercially reasonable terms, or at all, would materially and adversely affect our business, financial position and results of operations, and our ability to satisfy such obligations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, holders of the New First-Lien Notes and Second-Lien Notes could declare all outstanding principal and interest to be due and payable. In addition, our secured lenders could foreclose on or exercise other remedies against the assets securing such borrowings on a basis senior to the New First-Lien Notes and we could be forced into bankruptcy, liquidation or other insolvency proceedings.

We may be adversely affected by foreign exchange fluctuations.

As of August 31, 2020, approximately 64% of the outstanding principal of our long-term debt is denominated in US dollars and interest and principal on such borrowings must be paid in US dollars (August 31, 2018 – 63%). As at August 31, 2020, we have US$134.6 million of Second-Lien Notes outstanding (August 31, 2019 – US$120.72 million). Canadian currency is volatile and may retain the same or higher levels of volatility in the coming years. As a result, we have significant exposure to foreign exchange rate risk.

Risks Relating to Our Shares

An active trading market for our shares may not exist and the public listing of our shares may not be maintained.

Our Class C voting shares (“Voting Shares”) and our Class NC variable voting shares (“Variable Voting Shares”) (collectively, the “Shares”) trade on the TSX and there may or may not be an active trading market for the Shares. The TSX has broad discretion regarding delisting. If the TSX determines that we no longer meet the applicable listing requirements, including with respect to the public distribution or liquidity of the Shares, there is a risk that the TSX may delist the Shares. In addition, see the risk factor above related to “Canadian newspaper” status under “Risks Relating to Regulatory Compliance”.

Volatile market price for the Shares.

The market price for the Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- the lack of liquidity in the trading of our Shares;
- actual or anticipated fluctuations in our quarterly results of operations;
- changes in estimates of future results of operations by ourselves or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to us;
- addition or departure of our executive officers and other key personnel;
- release or other transfer restrictions on outstanding Shares;
- sales or perceived sales of additional Shares;
- our dual class share structure;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving ourselves or our competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets are susceptible to significant price and volume fluctuations that may affect the market prices of equity securities of companies and may be unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Shares by those institutions, which could adversely affect the trading price of the Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted and the trading price of the Shares may be adversely affected.

We have a dual class share structure.

Our authorized capital consists of two classes: Voting Shares and Variable Voting Shares. The Voting Shares may only be beneficially owned by persons that are Canadian. If a Canadian acquires Variable Voting Shares, such Shares will be automatically converted into Voting Shares. A holder of Voting Shares, however, has the option at any time to convert some or all of such Shares into Variable Voting Shares and to convert those Shares back to Voting Shares. Given these conversion features and the fact that we will not know whether a purchaser of Variable Voting Shares is a Canadian unless such person completes a declaration provided by our transfer agent, the transfer agent's records of the amount of Voting Shares and Variable Voting Shares outstanding at any one time may not be accurate. As we believe that the issued and outstanding Variable Voting Shares as at August 31, 2020 represent more than 99% of the outstanding Shares, if a Canadian acquires Variable Voting Shares such Shares would automatically convert into a larger percentage of the outstanding Voting Shares and would provide the purchaser with a larger percentage of the votes than such purchaser would have through the ownership of Variable Voting Shares. Depending on the number of Voting Shares acquired, such an acquisition could give rise to the requirement to make certain filings and/or could result in the purchaser being a "control person", in each case under applicable securities laws. In certain circumstances, such an acquisition may constitute an indirect take-over bid under applicable securities laws and require the offeror to make a formal take-over bid for the outstanding Voting Shares or, alternatively, rely on certain exemptions from the formal take-over bid requirements under applicable securities laws. Purchasers of our Shares should consider applicable take-over bid laws as well as the Postmedia Rights Plan prior to purchasing Shares that may represent more than 20% of any class. For purposes of determining beneficial ownership under the Postmedia Rights Plan, Variable Voting Shares beneficially owned or controlled by a person or subject of Canada are deemed to also include the Voting Shares into which such Variable Voting Shares could be converted. In addition, one class of Shares may be less liquid than the other and the classes of Shares may have different trading prices.

Postmedia Network Canada Corp. is a holding company.

Postmedia Network Canada Corp. ("PNCC") is a holding company and a substantial portion of its assets are the capital stock of its subsidiary, Postmedia Network Inc. ("PMNI"). As a result, investors in PNCC are subject to the risks attributable to PMNI. As a holding company, PNCC conducts substantially all of its business through PMNI, which generates substantially all of its revenues. Consequently, PNCC's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of PMNI and the distribution of those earnings to PNCC. The ability of PMNI to pay dividends and other distributions will depend on its operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained, and contractual restrictions contained in the instruments governing its debt. In the event of a bankruptcy, liquidation or reorganization of PMNI, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of the subsidiary before any assets are made available for distribution to PNCC.

Future sales of Shares by directors and executive officers.

Subject to compliance with applicable securities laws, officers and directors and their affiliates may sell some or all of their Shares in the future. No prediction can be made as to the effect, if any, such future sales of Shares will have on the market price of the Shares prevailing from time to time. However, the future sale of a substantial number of Shares by our officers and directors and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Shares.

Dilution and future sales of Shares may occur.

Our articles permit the issuance of an unlimited number of Shares, and shareholders will have no pre-emptive rights in connection with such further issuances. Our directors have the discretion to determine the price and the terms of issue of further issuances of Shares.

Internal Controls

Disclosure controls and procedures within Postmedia have been designed to provide reasonable assurance that all relevant information is identified to its management, including the Chief Executive Officer ("CEO") and the Executive Vice President and Chief Financial Officer ("CFO"), as appropriate, to allow required disclosures to be made in a timely fashion.

Internal controls over financial reporting have been designed by management, under the supervision of and with the participation of the CEO and CFO, to provide reasonable assurance regarding the reliability of Postmedia's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO of Postmedia have evaluated the effectiveness of Postmedia's internal controls over financial reporting during the year ended August 31, 2020. Based on this evaluation, the CEO and CFO concluded that disclosure controls and procedures and internal controls over financial reporting were effective as at August 31, 2020. The CEO and CFO have evaluated whether there were changes to Postmedia's internal control over financial reporting during the three months ended August 31, 2020, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. There were no changes expected to have a material effect on internal control over financial reporting identified during their evaluation.

Share Capital

As at October 13, 2020 we had the following number of shares and options outstanding:

Class C voting shares	54,022
Class NC variable voting shares	93,686,277
Total shares outstanding	93,740,299
Total options and restricted share units outstanding [1]	6,954,731

[1] The total options and restricted share units outstanding are convertible into 6,954,731 Class NC variable voting shares. The total options and restricted share units outstanding include 4,317,040 that are vested and 2,637,691 that are unvested.

POSTMEDIA NETWORK CANADA CORP.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Approved for issuance: October 16, 2020

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Postmedia Network Canada Corp. (the "Company") and its subsidiaries are the responsibility of management and have been approved by the Board of Directors of Postmedia Network Canada Corp.

Management is responsible for the preparation of these consolidated financial statements in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board, the selection of accounting policies and making significant accounting estimates, assumptions and judgements. Management is also responsible for establishing and maintaining adequate internal control over financial reporting which includes those policies and procedures that provide reasonable assurance over the completeness, fairness and accuracy of the consolidated financial statements and other financial items.

The Board of Directors fulfills its responsibility for the consolidated financial statements principally through its Audit Committee, which is composed of independent external directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee meets with the Company's management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit Committee, with or without management being present.

The external auditors appointed by the Company's shareholders, PricewaterhouseCoopers LLP, conducted an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and express their opinion thereon. Those standards require that the audit is planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Signed
Andrew MacLeod
President and
Chief Executive Officer

Signed
Brian Bidulka
Executive Vice President and
Chief Financial Officer

Toronto, Canada
October 16, 2020

Independent auditor's report

To the Shareholders of Postmedia Network Canada Corp.

Our opinion

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

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at August 31, 2020 and 2019;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in deficiency for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report, and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 16, 2020

POSTMEDIA NETWORK CANADA CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
(In thousands of Canadian dollars, except per share amounts)

	2020	2019
Revenues		
Print advertising	190,697	259,409
Print circulation	190,873	206,665
Digital	108,043	125,066
Other	18,793	28,498
Total revenues	508,406	619,638
Expenses		
Compensation (note 4)	151,180	223,965
Newsprint	22,903	36,168
Distribution	106,893	120,894
Production	63,807	78,356
Other operating (note 21)	95,892	110,950
Operating income before depreciation, amortization, impairment and restructuring (note 3)	67,731	49,305
Depreciation (note 8)	11,647	16,915
Amortization (notes 9 and 10)	14,324	14,315
Impairment (notes 6, 8 and 10)	13,307	7,310
Restructuring and other items expense (recovery) (notes 12 and 14)	14,845	(5,347)
Operating income	13,608	16,112
Interest expense	30,628	28,485
Net financing expense relating to employee benefit plans (note 14)	2,436	2,115
Gain on disposal of property and equipment, assets held-for-sale and right of use assets (notes 8 anc	(928)	(10,685)
Loss on derivative financial instruments (note 19)	1,224	650
Foreign currency exchange (gains) losses	(3,599)	2,614
Loss before income taxes	(16,153)	(7,067)
Provision for income taxes (note 17)	-	-
Net loss from continuing operations	(16,153)	(7,067)
Net earnings from discontinued operations, net of tax of nil (note 12)	-	791
Net loss attributable to equity holders of the Company	(16,153)	(6,276)
Loss per share from continuing operations (note 15):		
Basic	$ (0.17)	$ (0.08)
Diluted	$ (0.17)	$ (0.08)
Earnings per share from discontinued operations (note 15):		
Basic	$ -	$ 0.01
Diluted	$ -	$ 0.01
Loss per share attributable to equity holders of the Company (note 15):		
Basic	$ (0.17)	$ (0.07)
Diluted	$ (0.17)	$ (0.07)

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
(In thousands of Canadian dollars)

	2020	2019
Net loss attributable to equity holders of the Company	(16,153)	(6,276)
Amounts not subsequently reclassified to the statement of operations		
Losses on employee benefit plans, net of tax of nil (note 14)	(12,813)	(38,142)
Other comprehensive loss	(12,813)	(38,142)
Comprehensive loss attributable to equity holders of the Company	(28,966)	(44,418)
Total comprehensive income (loss) attributable to equity holders of the Company:		
Continuing operations	(28,966)	(45,209)
Discontinued operations	-	791
Comprehensive loss attributable to equity holders of the Company	(28,966)	(44,418)

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT AUGUST 31, 20120 AND 2019
(In thousands of Canadian dollars)

	2020	2019
ASSETS		
Current Assets		
Cash	49,795	15,464
Restricted cash (note 5)	3,402	13
Trade and other receivables (note 4)	65,548	72,228
Assets held-for-sale (note 8)	28,229	24,475
Inventory (note 7)	3,260	3,554
Prepaid expenses and other assets	10,338	10,269
Total current assets	160,572	126,003
Non-Current Assets		
Property and equipment (notes 6 and 8)	90,778	109,860
Right of use assets (note 9)	40,857	-
Derivative financial instruments and other assets (note 19)	3,338	2,829
Intangible assets (note 10)	41,334	60,367
Total assets	336,879	299,059
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 11)	48,041	54,122
Provisions (note 12)	6,856	5,893
Deferred revenue	24,369	25,907
Current portion of lease obligations (note 9)	9,482	-
Current portion of long-term debt (note 13)	20,372	5,000
Total current liabilities	109,120	90,922
Non-Current Liabilities		
Long-term debt (note 13)	252,983	250,011
Employee benefit obligations and other liabilities (note 14)	101,862	94,537
Lease obligations (note 9)	37,136	-
Total liabilities	501,101	435,470
Deficiency		
Capital stock (note 15)	810,861	810,861
Contributed surplus (note 16)	15,925	14,770
Deficit	(991,008)	(962,042)
Total deficiency	(164,222)	(136,411)
Total liabilities and deficiency	336,879	299,059

Commitments (note 20), Subsequent events (note 24)

On October 16, 2020, the Board of Directors (the “Board”) approved the consolidated financial statements.

On behalf of the Board,

Signed
Paul Godfrey
Executive Chairman

Signed
Peter Sharpe
Lead Director

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
(In thousands of Canadian dollars)

	2020			
	Capital stock	**Contributed surplus**	**Deficit**	**Total Deficiency**
Balance as at August 31, 2019	810,861	14,770	(962,042)	(136,411)
Net loss attributable to equity holders of the Company	-	-	(16,153)	(16,153)
Other comprehensive loss	-	-	(12,813)	(12,813)
Comprehensive loss attributable to equity holders of the Company	-	-	(28,966)	(28,966)
Share-based compensation plans (note 16)	-	1,155	-	1,155
Balance as at August 31, 2020	**810,861**	**15,925**	**(991,008)**	**(164,222)**

	2019			
	Capital stock	**Contributed surplus**	**Deficit**	**Total Deficiency**
Balance as at August 31, 2018	810,836	13,589	(917,624)	(93,199)
Net loss attributable to equity holders of the Company	-	-	(6,276)	(6,276)
Other comprehensive loss	-	-	(38,142)	(38,142)
Comprehensive loss attributable to equity holders of the Company	-	-	(44,418)	(44,418)
Share-based compensation plans (note 16)	-	1,181	-	1,181
Shares issued (note 15)	25	-	-	25
Balance as at August 31, 2019	**810,861**	**14,770**	**(962,042)**	**(136,411)**

The notes constitute an integral part of the consolidated financial statements.

POSTMEDIA NETWORK CANADA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
(In thousands of Canadian dollars)

	2020	2019
CASH GENERATED (UTILIZED) BY:		
OPERATING ACTIVITIES		
Net loss attributable to equity holders of the Company	(16,153)	(6,276)
Items not affecting cash:		
Depreciation (note 8)	11,647	16,915
Amortization (notes 9 and 10)	14,324	14,315
Impairment (notes 6 and 8)	13,307	7,310
Loss on derivative financial instruments (note 19)	1,224	650
Non-cash interest	26,490	19,446
Gain on disposal of property and equipment, assets held-for-sale and right of use assets (notes 8 and 9)	(928)	(10,685)
Non-cash foreign currency exchange (gains) losses	(3,672)	2,678
Gain on sale of discontinued operations (note 12)	-	(791)
Share-based compensation plans (note 16)	1,155	1,181
Net financing expense relating to employee benefit plans (note 14)	2,436	2,115
Non-cash curtailment gain relating to employee benefit plans (note 14)	-	(9,660)
Non-cash compensation expense of employee benefit plans (note 14)	-	674
Employee benefit plan funding in excess of compensation expense (note 14)	(3,323)	-
Net change in non-cash operating accounts (note 22)	(1,676)	(29,259)
Cash flows from operating activities	44,831	8,613
INVESTING ACTIVITIES		
Net proceeds from the disposal of property and equipment, assets held-for-sale and right of use assets (notes 8 ar	3,492	20,684
Purchases of property and equipment (note 8)	(2,457)	(4,513)
Purchases of intangible assets (note 10)	(613)	(1,497)
Cash flows from investing activities	422	14,674
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt (note 13)	95,235	-
Repayment of long-term debt (note 13)	(94,761)	(39,583)
Restricted cash (note 5)	(3,389)	5,698
Debt issuance costs (note 13)	(1,710)	-
Issuance of shares (note 15)	-	25
Lease payments (note 9)	(6,297)	-
Cash flows used in financing activities	(10,922)	(33,860)
Net change in cash	34,331	(10,573)
Cash at beginning of year	15,464	26,037
Cash at end of year	**49,795**	**15,464**

	2020	2019
Supplemental disclosure of operating cash flows		
Interest paid	3,993	10,219
Income taxes paid	-	-

The notes constitute an integral part of the consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Postmedia Network Canada Corp. ("Postmedia" or the "Company") is a holding company that has a 100% interest in its subsidiary Postmedia Network Inc. ("Postmedia Network"). The Company was incorporated on April 26, 2010, pursuant to the Canada Business Corporations Act. The Company's head office and registered office is 365 Bloor Street East, 12th Floor, Toronto, Ontario.

The Company's operations consist of both news and information gathering and dissemination operations, with products offered in local, regional and major metropolitan markets in Canada through a variety of print, web, tablet and smartphone platforms, and digital media and online assets including the canada.com and canoe.com websites and each newspaper's online website. The Company supports these operations through a variety of centralized shared services.

The Company has one operating segment for financial reporting purposes, the Newsmedia segment. The Newsmedia segment's revenue is primarily from print and digital advertising and circulation/subscription revenue.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

(a) Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of derivative financial instruments to fair value, certain assets classified as held-for-sale which were recorded at the lower of the carrying amount and fair value less costs of disposal ("FVLCD") and pension assets included in employee benefit obligations and other liabilities which are measured at fair value.

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and Postmedia Network, along with its subsidiaries. Subsidiaries are all entities which the Company controls. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances have been eliminated on consolidation.

(d) Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosures of contingent assets and liabilities. Although these estimates, assumptions and judgements are based upon management's best knowledge of the amount, event or actions; actual results could differ from those estimates, assumptions and judgements.

The following significant areas require management to use assumptions and to make estimates:

Impairment of long lived assets

The Company tests indefinite life intangible assets for impairment annually, or more frequently if there are indicators that an impairment may have arisen. In testing for impairment, assets including indefinite life intangible assets and other long lived assets, are grouped into a cash generating unit ("CGU" or "CGUs") which represents the lowest level for which there are separately identifiable cash inflows. The recoverable amount of each CGU or group of CGUs is based on the higher of value in use and FVLCD calculations. During the year ended August 31, 2020, the Company computed the FVLCD for each CGU using a market multiple range of 2.5 to 3.5 times the adjusted trailing twelve month operating income before depreciation, amortization, impairment and restructuring less disposal costs. Management determined this key assumption based on an average of market multiples for comparable entities. Additional information on the Company's impairment testing is contained in note 7. In addition, estimates were required in the determination of FVLCD for the Company's held-for-sale assets (note 9).

Employee future benefits

The cost of defined benefit pension benefit plans, post-retirement benefit plans and other long-term employee benefit plans and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions including the discount rate and mortality rates, among others to measure the net defined benefit obligation. Due to the complexity of the actuarial valuations and the long-term nature of employee future benefits, the corresponding obligation is highly sensitive to changes in assumptions. Discount rates are reviewed at each reporting date and corresponding adjustments to the net defined benefit obligation are recognized in other comprehensive income and deficit. Additional information on the Company's employee benefit plans is contained in note 14.

Future cash flow projections

The COVID-19 pandemic has caused a disruption to the economy and as a result the Company has incorporated its impact on future cash flow projections which includes making assumptions and estimates regarding the timing and amounts of future revenues and expenses and the ability to manage liquidity which includes the use of the senior secured asset-based revolving credit facility ("ABL Facility").

The following areas require management to use significant judgements apart from those involving estimates:

Determination of useful lives for the depreciation and amortization of assets with finite lives

For each class of assets with finite lives, management has to determine over which period the Company will consume the asset's future economic benefits. The determination of such periods and if necessary, the subsequent revision of such periods, involves judgement and has an impact on the depreciation and amortization recorded in the consolidated statements of operations. The Company takes into account industry trends and Company specific factors, including changing technologies and expectations for the in-service period of assets, when determining their respective useful lives.

Determination of the measurement of lease liabilities

Judgement is required in determining estimates of certain lease terms as described below in "Changes in accounting policies".

Determination of the measurement of government grants and tax credits

Judgement is required in determining when government grants and tax credits are recognized. Government grants and tax credits are recognized when there is reasonable assurance that the Company has complied with the conditions associated with the relevant government program. The determination of reasonable assurance involves judgement due to the complexity of the programs and related claim and review processes.

(e) Disposals of non-current assets and discontinued operations

Non-current assets are classified as held-for-sale if the carrying amount will be recovered principally through a sale transaction rather than through continued use, they are available for sale in their present condition and such sale is considered highly probable. The criteria for a sale to be considered highly probable includes a firm decision by the appropriate level of management or the Board to dispose of a business or a group of assets, such business or group of assets must be actively marketed for a price that is reasonable in relation to their current market value and there must be an expectation that such disposal will be completed within a twelve month period. Assets held-for-sale are carried at the lower of their carrying amount and FVLCD. Assets held-for-sale are classified as discontinued operations if the operations and cash flows can be clearly distinguished, both operationally and for financial reporting purposes, from the rest of the Company and they represent a separate major line of business or geographical area of operations, or are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired with the view to resell.

(f) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, the Company’s functional and reporting currency. As at the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the foreign currency exchange rate in effect at that date. Revenues and expense items are translated at the foreign currency exchange rate in effect when the transaction occurred. The resulting foreign currency exchange gains and losses are recognized in the statement of operations in foreign currency exchange (gains) losses.

(g) Cash and restricted cash

Cash is composed of cash on hand and current balances with banks. Pursuant to the indenture that governs the Company’s first-lien debt, any net proceeds from an asset disposition in excess of $0.1 million will be held in a collateral account by the noteholders and when the aggregate amount of the collateral account exceeds $1.0 million it will be used to make an offer to redeem an equal amount of first-lien debt. Such cash is classified as restricted cash on the statement of financial position.

(h) Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they are incurred in interest expense in the statement of operations.

(i) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment. Historical cost includes purchase cost, expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and borrowing costs if applicable.

Depreciation is provided for on a straight line basis over the following useful lives:

Assets	Estimated useful life
Buildings	10 - 40 years
Leaseholds	3 - 20 years
Computer hardware	3 - 5 years
Machinery and equipment	5 - 25 years

The depreciation method, estimates of useful lives and residual values assigned to property and equipment are reviewed at least at each financial year end and if necessary depreciation is adjusted on a prospective basis.

(j) Intangible assets

Finite life intangibles

Software
Costs of internally generated software are composed of all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Internally generated software consists primarily of internal costs in connection with the development of software to be used internally or for providing services to customers. All costs incurred during the research phase are expensed as incurred. Development costs that are attributable to the design and testing are recognized as intangible assets if the asset can be separately identified, it is probable the asset will generate future economic benefits, the development cost can be measured reliably, the project is technically feasible and the project will be completed with a view to use the asset.

Software costs are amortized using the straight line method of amortization over their estimated useful lives, which range from 2 to 10 years. The amortization method and estimates of useful lives ascribed to software are reviewed at least at each financial year end and if necessary amortization is adjusted on a prospective basis.

Other identifiable intangible assets
Other identifiable intangible assets are recorded at cost and are carried at cost less accumulated amortization and impairment. Other identifiable intangible assets with finite lives are amortized using the straight-line method of amortization over their estimated useful lives, as follows:

Other identifiable intangible assets with finite lives	Estimated useful life
Subscriber lists	5 years
Customer relationships	1-5 years
Domain names	15 years

The amortization method and estimates of useful lives ascribed to other identifiable intangible assets are reviewed at least at each financial year end and if necessary amortization is adjusted on a prospective basis.

Costs associated with purchasing and developing content are expensed as incurred, except for content development on the Company's websites which are capitalized when such costs meet the criteria for capitalization.

Indefinite life intangibles

Intangible assets with indefinite lives are not amortized. These include newspaper mastheads and domain names related to the newspaper online websites. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupportable the change in useful life from indefinite to finite life is made and amortization is adjusted on a prospective basis.

(k) Impairment

Impairment is recorded when the recoverable amount of an asset or CGU is less than its carrying amount. The Company's CGUs are primarily geographical groups of newspapers by city or region, as applicable. The recoverable amount of an asset or CGU is the higher of an asset or CGUs FVLCD or its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses, other than those relating to goodwill, are reviewed for potential reversals when events or changes in circumstances warrant such consideration.

Non-financial assets

The carrying values of non-financial assets with finite lives, except inventories as well as employee benefit plan net assets, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, intangible assets with indefinite lives composed of mastheads and newspaper domain names are included in their related CGU, and are tested annually for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (CGUs). Any corporate assets and cash flows are allocated to the respective CGUs. Non-financial assets other than goodwill that have incurred an impairment in previous periods are reviewed for the potential reversal of the impairment at each reporting date.

(l) Revenue recognition

The Company has a number of different revenue streams all of which are derived from contracts with customers. Print and digital advertising revenue is primarily generated through the provision of advertisements in print publications as well as on various digital platforms. Print and digital circulation/subscription revenue is generated by home delivery subscriptions; single copy sales at newsstands and vending machines; and digital subscriptions. Other revenues are generated from commercial printing for external customers as well as the sale of various products and services. Revenue is measured based on the consideration specified in a contract and the Company recognizes revenue when it transfers control of a product or provides a service to a customer. A corresponding receivable is recognized in instances where credit terms are extended as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No element of financing is deemed present as normal credit terms are 30 days or less upon delivery. The contracts with customers typically have no further separate performance obligations to which a portion of the transaction price should be allocated nor are subject to variable consideration. When payment is received in advance of the criteria being met for recognition of revenue, a contract liability is recognized in deferred revenue which is typically a maximum period of one year. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company's contracts are one year or less.

Print advertising revenue

Revenue related to print advertising is recognized when a print advertisement or flyer is included in the newspaper and the newspapers are delivered.

Digital advertising revenue

The Company has a number of digital advertising revenue streams. The majority of the Company's digital revenue is recognized when advertisements are placed on digital platforms and to a lesser extent when a user clicks on an advertisement, on a per click basis.

Circulation/subscription revenue

Revenue from subscribers of print newspapers is recognized at the time of delivery of the newspaper to the subscriber. Revenue from single copy sales of print newspapers is recognized at the time of delivery of the newspaper to the newsstand net of a provision for returns based on historical rates of returns. Subscription revenue from digital subscribers is recognized proportionately over the term of the subscription. All Access Subscriptions represent a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer and are recognized over the term of the subscription.

Other revenue

Other revenue is recognized upon delivery to or at the time that goods are made available to the customer and includes products printed for external customers where revenue is recognized at the time that such materials are made available to the customer.

(m) Inventory

Inventory, consisting primarily of printing materials, is valued at the lower of cost, using the first-in-first out cost formula, and net realizable value, where net realizable value is determined to be the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Reversals of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories.

(n) Share-based compensation

The Company uses share-based compensation that is settled through the issuance of shares of Postmedia or through cash at the option of the Company. The Company uses the graded vesting method to calculate compensation expense for all share-based compensation plans.

The Company recognizes compensation expense for all share options granted based on the fair value of the option on the date of grant, net of estimated forfeitures, using the Black-Scholes option pricing model. The fair value of the options is recognized as compensation expense over the vesting period of the options, with a corresponding credit to contributed surplus. The contributed surplus balance is reduced as options are exercised through a credit to capital stock when the options are exercised.

The Company recognizes compensation expense for all restricted share units granted based on the fair value of the Company's shares on the issuance date of each restricted share unit grant net of estimated forfeitures. The fair value of the restricted share units is recognized as compensation expense, over the vesting period of each restricted share unit grant, with a corresponding credit to contributed surplus. Compensation expense is not adjusted for subsequent changes in the fair value of the Company's shares. The contributed surplus balance is reduced as units are exercised through a credit to capital stock.

(o) Financial instruments

The Company classifies its financial assets in the following measurement categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income ("FVOCI")
- Equity instruments at FVOCI
- Financial assets at fair value through profit loss ("FVTPL")

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flow. The Company assesses the business model and cash flows of debt instruments on the date of initial application and the date of initial recognition thereafter. Equity instruments are generally classified as FVTPL, however for those that are not held for trading, the Company can make an irrevocable election on initial recognition to classify the instrument as FVOCI with no recycling of gains or losses to earnings on derecognition.

Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of a financial asset carried at FVTPL are expensed in profit or loss.

Debt instruments at amortized cost
Debt instruments at amortized cost, includes cash, restricted cash, trade and other receivables and are held in order to collect contractual cash flows and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Debt instruments at amortized cost are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less a provision for impairment.

Financial assets at FVTPL
Financial assets at FVTPL are those not measured at amortized cost or at FVOCI. Assets in this category principally include warrants held by the Company. Financial assets at FVTPL are carried at fair value with changes recognized in the statement of operations.

Other financial liabilities
Other financial liabilities, includes accounts payable and accrued liabilities, long-term debt and other non-current liabilities. Other financial liabilities are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Derecognition
A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Impairment of financial assets
For trade receivables the Company applies a simplified approach in calculating expected credit losses and recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(p) Derivative financial instruments and hedging

The Company used derivative financial instruments to manage its exposure to fluctuations in foreign currency rates and interest rates. Derivative financial instruments are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and the nature of the item being hedged. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its strategy for using hedges and its risk management objectives. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Non-performance risk, including credit risk, is considered when determining the fair value of derivative financial instruments. The Company does not hold or use any derivatives instruments for trading purposes.

The Company enters into or is a party to the following types of derivative financial instruments:

Warrants

A warrant is a derivative financial instrument that grants the owner the right, but not the obligation, to buy or sell a security at a certain price before expiration and is measured at fair value in the statement of financial position. Changes in the fair value of warrants are recorded in the statement of operations in loss (gain) on derivative financial instruments.

(q) Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the current best estimate required to settle the obligation and when necessary the use of estimation techniques are utilized. If the effect of the time value of money is material the provision is measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense in the statement of operations.

(r) Employee benefits

Pension and post-retirement obligations
The Company maintains a number of defined contribution and defined benefit pension and defined benefit post-retirement plans. For defined benefit plans, the defined benefit obligation associated with pension and post-retirement benefits earned by employees is actuarially determined on an annual basis by independent actuaries. The determination of benefit expense requires assumptions such as the discount rate to measure the net defined benefit obligations, expected rate of future compensation increases, retirement ages of employees, expected health care cost trend rate and other factors as applicable. The asset or liability recognized in the statement of financial position is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Canadian corporate AA bonds that have terms to maturity which are similar to the terms of the related liability. The estimate of the expected long-term rate of return on plan assets is based on the discount rate of the defined benefit obligation. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized in other comprehensive income and then immediately transferred to deficit. Past service costs from plan amendments are recognized immediately in compensation expense in the statement of operations. The current service cost and past service cost of employee benefits expense is recorded in compensation expense in the statement of operations. The financing expense on the net defined benefit obligations are presented in net financing expense relating to employee benefit plans in the statement of operations. Gains and losses on curtailments or settlements are recognized in the period in which the curtailment or settlement occurs in restructuring and other items expense (recovery) in the statement of operations.

The Company's defined benefit pension plans are subject to minimum funding requirements. The liability in respect of minimum funding requirements is determined using the projected minimum funding requirements based on management's best estimates of the actuarially determined funded status of the plan, market discount rates and salary escalation estimates. In addition, a net defined benefit asset is limited to the plan surplus and the asset ceiling, or the present value of any economic benefits available in the form of refunds from the plan or future contributions to the plan. The liability related to the minimum funding requirements and asset ceiling and any subsequent re-measurement of that liability or asset is recognized immediately in other comprehensive income and then immediately transferred to deficit without subsequent reclassification to the statement of operations.

Defined benefit multi-employer pension plans are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. For defined contribution plans and defined benefit multi-employer plans, the Company pays contributions to the plan on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an expense in the period when they are earned by the employees.

Other long-term benefits
The Company maintains a number of other long-term employee benefit plans that are to be settled more than twelve months after the service was provided that entitled the employee to the benefit. These plans are accounted for similarly to the defined benefit pension and post-retirement plans with the exception that actuarial gains and losses are recognized as incurred in the statement of operations.

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary termination in exchange for these benefits. The Company recognises termination benefits when the Company has a detailed formal plan, approved by management, to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary termination, the termination benefits are measured based on the number of employees expected to accept the offer. If the effect of the time value of money is material, benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

(s) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered for current and prior periods under the tax rates and laws that have been enacted or substantively enacted as at the date of the statement of financial position.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the carrying amounts in the consolidated financial statements and the tax bases of assets and liabilities. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable income or loss. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates, as at the date of the statement of financial position, in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is probable of being realized. In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Tax expense or recovery is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented as non-current.

(t) Government grants and tax credits

Government grants and refundable tax credits are recognized when there is reasonable assurance that the Company has complied with the conditions associated with the relevant government program. These programs are recorded as either a reduction to the carrying amount of the related asset or as a recovery in the statement of operations. Government grants and tax credits receivable are recorded in trade and other receivables in the statement of financial position.

(u) Leases

Leases accounting policy applicable from September 1, 2019

The Company assesses at the inception of a contract whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. Leases are recognized as a right of use asset and a corresponding lease obligation at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease obligations include the net present value of fixed payments, amounts expected to be paid and the exercise price of purchase options if reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to interest expense over the lease term.

The lease obligation is measured at amortized cost using the effective interest method. It is remeasured if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company or if there is a change in the amount expected to be payable under a residual value guarantee. The lease obligation is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right of use asset will decrease relative to this change with the difference recorded in net earnings prior to the remeasurement of the lease liability. The remeasurement will use the applicable discount rate at the effective date of the lease modification.

The right of use asset is initially measured at cost, which is comprised of the initial amount of the lease obligation, any initial direct costs and an estimate of costs to restore the asset less any lease payments made at or before the commencement date. The right of use asset is amortized, on a straight-line basis, over the estimated useful life of the asset or the lease term. The right of use asset may be adjusted for certain remeasurements of the lease obligation and impairments. Leases that have terms of less than twelve months or leases where the underlying asset is of low value are recognized as an other operating expense in the consolidated statement of operations on a straight-line basis over the lease term. Certain leases require the Company to make payments that relate to property taxes, maintenance and other operating costs which are typically variable and are not included in the calculation of the right-of-use asset or lease obligation.

Leases accounting policy applicable prior to September 1, 2019

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in property and equipment and the related liabilities are recorded in employee benefit obligations and other liabilities. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the obligations under finance leases is included in interest expense in the statement of operations.

All other leases are operating leases and the rental costs are charged to the statement of operations on a straight-line basis over the lease term.

(v) Earnings per share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period, or when the underlying options were granted, if later. The treasury stock method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of the options to acquire shares provided the shares are not anti-dilutive.

Adoption of new accounting policies

There are several new accounting standards which were effective for the Company on September 1, 2019. The following new standards and the nature and impact of adoption are described below.

IFRS 16 – Leases

The standard was issued in January 2016 and replaces IAS 17 – Leases. The Company adopted the standard on a modified retrospective basis on September 1, 2019 and accordingly has not restated comparative financial information. The Company mainly has lease contracts related to real estate which were primarily accounted for as operating leases. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases. In particular, lessees are required to report most leases on the statement of financial position by recognizing right-of-use assets and related lease liabilities. The right-of-use asset is depreciated over the term of the lease. The lease liability is initially measured at the present value of the applicable lease payments payable over the term of the lease and bears interest. Limited recognition exemptions apply if the underlying asset has a low value or the lease term is 12 months or less. The Company has also elected not to reassess whether a contract is, or contains a lease on the date of initial application. The impact of adoption includes an increase in right of use assets of $48.8 million and lease obligations of $51.1 million, a decrease in other long-term liabilities of $4.6 million and a decrease in property and equipment of $2.3 million. Lease obligations were measured using the Company's estimated incremental borrowing rate of 6.3% as at September 1, 2019 and the right of use assets were measured at an amount equal to the lease obligation adjusted for amounts previously recognized in the statement of financial position as at August 31, 2019. As at August 31, 2019, the Company disclosed contractual obligations related to leases of $134.2 million which included $68.6 million of non-lease components such as operating costs as well as immaterial leases which are not capitalized as part of IFRS 16. In addition, existing capital leases of $0.3 million were reclassified from other long-term liabilities and the lease obligations were then discounted by $14.8 million resulting in a lease obligation of $51.1 million as at September 1, 2019. During the year ended August 31, 2020, the adoption of IFRS 16 has resulted in a reduction of other operating expenses of $8.1 million, an increase in amortization expense of $7.2 million, and an increase in interest expense of $3.1 million.

IAS 19 – Employee Benefits

In February 2018, the IASB issued new guidance titled Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments apply for employee benefit plan amendments, curtailments or settlements that will occur during annual periods beginning on or after January 1, 2019. The amendments to IAS 19 clarify that for an amendment, curtailment or settlement of a defined benefit plan, a company uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan. The Company adopted the amendments to IAS 19 for the year ended August 31, 2020 and has determined there was no significant impact on the consolidated financial statements upon adoption.

3. OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION, IMPAIRMENT AND RESTRUCTURING

The Company presents as an additional IFRS measure, operating income before depreciation, amortization, impairment and restructuring, in the consolidated statement of operations, to assist users in assessing financial performance. The Company's management and Board use this measure to evaluate consolidated operating results and to assess the ability of the Company to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of performance including how much cash is being generated by the Company and assists in determining the need for additional cost reductions as well as the evaluation of personnel and resource allocation decisions. Operating income before depreciation, amortization, impairment and restructuring is referred to as an additional IFRS measure and may not be comparable to similarly titled measures presented by other companies.

4. GOVERNMENT ASSISTANCE

Canada Emergency Wage Subsidy

On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("CEWS") to support employers facing financial hardship as measured by certain revenue declines as a result of the COVID-19 pandemic. CEWS currently provides a reimbursement of compensation expense for the 40 week period from March 15 to December 20, 2020 provided the applicant has been impacted by the COVID-19 pandemic. The Company applied for CEWS for the period from March 15 to August 29, 2020 and during the year ended August 31, 2020, recognized a recovery of compensation expense of $40.3 million. As at August 31, 2020, the Company has an amount receivable related to CEWS of $13.0 million included in trade and other receivables on the consolidated statement of financial position. On September 23, 2020, the Government of Canada announced they will extend CEWS to the summer of 2021 and the Company will continue to monitor its eligibility.

Journalism Tax Credits

On June 21, 2019 the federal budget was approved which contained measures specific to the news media industry including a journalism tax credit whereby qualifying Canadian news organizations may apply for a refundable labour tax credit applied to the salaries of journalists. In December 2019, the Canada Revenue Agency ("CRA") issued the Application for Qualified Canadian Journalism Organization Designation and guidance related to the eligibility, qualifications and determination of the refundable labour tax credit which was further clarified in April 2020.

On October 2, 2019, the Government of Quebec announced a similar refundable labour tax credit to be applied to the salaries of journalists in Quebec provided an entity receives an eligibility certificate issued by Investissement Québec.

Both the federal and Quebec journalism tax credit legislation include provisions to reduce the qualifying salaries and wages eligible for the credit for other forms of assistance received including CEWS. During the year ended August 31, 2020, the Company recognized a recovery of compensation expense of $4.5 million related to the journalism tax credits (2019 – $7.0 million) and received $0.7 million related to the Quebec journalism tax credit for the year ended August 31, 2019. As at August 31, 2020, the aggregate journalism tax credit receivable of $10.8 million is included in trade and other receivables on the condensed consolidated statement of financial position (August 31, 2019 - $7.0 million). The recognition of the journalism tax credits receivable is based on the Company's interpretation of the federal budget and the related legislation. Actual amounts received may differ from the amounts currently recorded based on future CRA and/or Revenue Québec interpretations of eligibility, qualifications and determination of the tax credits.

5. RESTRICTED CASH

Changes to the Company's restricted cash for the years ended August 31, 2020 and 2019 are as follows:

	Restricted Cash
August 31, 2018 [1]	5,711
Net proceeds on sale of assets [2]	20,732
First-Lien Notes payment [3]	(26,442)
Interest earned	12
August 31, 2019	13
Returned (note 13)	(13)
Net proceeds on sale of assets [4]	3,402
August 31, 2020	3,402

(1) As at August 31, 2018, restricted cash of the Company included a portion of the net proceeds from an asset purchase agreement with Meltwater News Canada Inc. to sell Infomart, its media monitoring division (the "Infomart Transaction"), of $5.7 million which was held in escrow until February 15, 2019 to satisfy potential claims arising under the purchase agreement. On February 15, 2019, the funds were released as no claims were made.

(2) During the year ended August 31, 2019, the Company sold property and equipment for net proceeds of $20.7 million, which included net proceeds of $20.3 million from the sale of the Ottawa Citizen facility and realized a gain on sale of $11.2 million (note 8).

(3) During the year ended August 31, 2019, the Company used $26.4 million to redeem $25.9 million aggregate principal amount of first-lien debt and pay accrued interest of $0.5 million (note 13).

(4) During the year ended August 31, 2020, the Company sold the Barrie facility for net proceeds of $3.4 million and realized a gain on sale of $0.7 million (note 8). The net proceeds were used to redeem $3.3 million of first-lien debt and pay accrued interest of $0.1 million on October 1, 2020 (note 13).

6. IMPAIRMENT OF LONG LIVED ASSETS

Impairment for the years ended August 31, 2020 and 2019 are as follows:

	2020	2019
Impairment of long-lived assets		
Intangible assets - domain names (note 10)	1,263	710
Intangible assets - mastheads (note 10)	11,244	-
Other impairments		
Property and equipment - land and buildings (note 8)	800	6,600
Impairment	13,307	7,310

Impairment of long-lived assets

During the year ended August 31, 2020 and 2019, the Company completed its annual impairment testing of indefinite life intangible assets. The recoverable amounts for all tests were based on FVLCD of the CGUs, which are primarily geographical groups of newspapers by city or region, as applicable. The FVLCD was determined by applying a market multiple range of 2.5 to 3.5 times the adjusted trailing twelve month operating income before depreciation, amortization, impairment and restructuring less disposal costs (2019 – range of 3.5 to 4.75). Management determined this key assumption based on an average of market multiples for comparable entities. The FVLCD measurements represent a Level 3 measurement within the fair value hierarchy due to required allocation of corporate costs and digital revenues and the estimated costs of disposal within the individual CGUs. Based on the annual impairment tests, the Company determined that certain of its CGUs recoverable amounts were less than their carrying amount and as a result during the year ended August 31, 2020, the Company recognized an impairment of $12.5 million allocated to its mastheads and domain names of $11.2 million and $1.3 million, respectively (2019 – $0.7 million related to domain names). For one CGU with $3.4 million of indefinite life intangible assets the recoverable amount is equal to its carrying amount and any reduction in the market multiple assumption would result in an impairment. There were no tax impacts as a result of the impairment.

7. INVENTORY

	As at August 31, 2020	As at August 31, 2019
Newsprint	2,343	2,411
Other	917	1,143
Total inventory	3,260	3,554

No inventories were carried at net realizable value at August 31, 2020 and 2019.

8. PROPERTY AND EQUIPMENT

	Land	Buildings and leaseholds	Computer hardware	Machinery and equipment	Total
Cost					
August 31, 2018	33,797	109,757	28,715	110,471	282,740
Additions	-	2,882	809	822	4,513
Disposals	(3,046)	(11,925)	(2,002)	(2,114)	(19,087)
Transfer - asset held-for-sale (1)	(10,700)	(34,042)	-	1,601	(43,141)
August 31, 2019	20,051	66,672	27,522	110,780	225,025
Additions	-	1,524	422	511	2,457
Disposals	(886)	(2,796)	(207)	(660)	(4,549)
Transfer - assets held-for-sale (2)	(1,020)	(4,350)	-	-	(5,370)
Transfer - right of use assets (note 9)	-	(25,834)	-	-	(25,834)
August 31, 2020	18,145	35,216	27,737	110,631	191,729
Accumulated depreciation and accumulated impairment losses					
August 31, 2018	(2,000)	(54,699)	(23,770)	(47,806)	(128,275)
Depreciation	-	(5,785)	(2,719)	(8,411)	(16,915)
Disposals	-	5,415	2,002	2,114	9,531
Impairments (1)	(1,000)	(3,800)	-	-	(4,800)
Transfer - asset held-for-sale (1)	3,000	22,294	-	-	25,294
August 31, 2019	-	(36,575)	(24,487)	(54,103)	(115,165)
Depreciation	-	(2,180)	(1,482)	(7,985)	(11,647)
Disposals	-	670	207	660	1,537
Transfer - asset held-for-sale (2)	-	816	-	-	816
Transfer - right of use asset (note 9)	-	23,508	-	-	23,508
August 31, 2020	-	(13,761)	(25,762)	(61,428)	(100,951)
Net carrying value					
August 31, 2019	20,051	30,097	3,035	56,677	109,860
August 31, 2020	18,145	21,455	1,975	49,203	90,778

(1) During the year ended August 31, 2019, the Company determined that the carrying amount of the Calgary Herald facility will be recovered principally through a sales transaction and as a result has classified the property as held-for-sale on the consolidated statement of financial position at its estimated FVLCD of $19.5 million which was less than its carrying amount of $24.3 million. In addition, the FVLCD of the Calgary press facility classified as held-for-sale as at August 31, 2018 was reduced from $6.8 million to $5.0 million resulting in an aggregate impairment charge of $6.6 million in the consolidated statement of operations during the year ended August 31, 2019 and aggregate assets held-for sale of $24.5 million as at August 31, 2019 (note 6).

(2) During the year ended August 31, 2020, as a result of an outsourcing agreement, the Company determined that the Edmonton press facility's carrying amount will be recovered principally through a sales transaction and as a result, classified this property at its carrying amount of $4.5 million as held-for-sale on the consolidated statement of financial position. In addition, the FVLCD of the Edmonton and Calgary press facilities was reduced based on the expected net proceeds from $4.5 million to $4.0 million and $5.0 million to $4.7 million, respectively, resulting in an aggregate impairment charge of $0.8 million in the consolidated statement of operations during the year ended August 31, 2020 and aggregate assets held-for-sale as at August 31, 2020 of $28.2 million (August 31, 2019 - $24.5 million). Subsequent to August 31, 2020, the Company sold the Calgary press facility for net proceeds of $4.7 million. The net proceeds will be used as part of a redemption of $5.2 million of first-lien debt on November 5, 2020 (note 13).

9. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

Changes to the Company's right of use assets and lease obligations for the year ended August 31, 2020 are as follows:

	Right of use assets	Lease Liabilities
Balance as at September 1, 2019	48,783	51,058
Amortization	(7,185)	-
Additions	107	107
Terminations [(1)]	(607)	(1,055)
Adjustments	(241)	(241)
Payments	-	(6,297)
Interest	-	3,046
Balance as at August 31, 2020	40,857	46,618
Lease obligations due within one year		(9,482)
Non-current lease obligations		37,136

(1) During the year ended August 31, 2020, the Company paid $0.2 million to terminate two leases resulting in a gain of $0.2 million which is included in gain on disposal of property and equipment, assets held-for-sale and right of use assets on the consolidated statement of operations.

10. INTANGIBLE ASSETS

	Finite Life				Indefinite Life		
	Software	Subscriber lists	Customer relationships	Domain names	Mastheads	Domain names	Total
Cost							
August 31, 2018	77,845	206,200	11,336	7,687	271,450	31,207	605,725
Additions	1,497	-	-	-	-	-	1,497
Disposals	(16,711)	-	-	-	-	-	(16,711)
August 31, 2019	62,631	206,200	11,336	7,687	271,450	31,207	590,511
Additions	613	-	-	-	-	-	613
Disposals	(24)	-	-	-	-	-	(24)
August 31, 2020	63,220	206,200	11,336	7,687	271,450	31,207	591,100
Accumulated amortization and accumulated impairment losses							
August 31, 2018	(62,283)	(198,926)	(9,541)	(6,214)	(232,079)	(22,787)	(531,830)
Amortization	(7,868)	(4,477)	(1,795)	(175)	-	-	(14,315)
Impairment (note 6)	-	-			-	(710)	(710)
Disposals	16,711	-	-	-	-	-	16,711
August 31, 2019	(53,440)	(203,403)	(11,336)	(6,389)	(232,079)	(23,497)	(530,144)
Amortization	(4,174)	(2,797)	-	(168)	-	-	(7,139)
Impairment (note 6)	-	-	-	-	(11,244)	(1,263)	(12,507)
Disposals	24	-	-	-	-	-	24
August 31, 2020	(57,590)	(206,200)	(11,336)	(6,557)	(243,323)	(24,760)	(549,766)
Net carrying value							
August 31, 2019	9,191	2,797	-	1,298	39,371	7,710	60,367
August 31, 2020	5,630	-	-	1,130	28,127	6,447	41,334

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at August 31, 2020	As at August 31, 2019
Trade accounts payable	11,574	11,219
Accrued liabilities	32,045	38,768
Accrued interest on long-term debt	4,422	4,135
Accounts payable and accrued liabilities	48,041	54,122

12. PROVISIONS

	Restructuring [(a)]	Unoccupied leases [(a)]	Other provisions [(b)]	Total
Provisions as at August 31, 2018	16,801	1,547	844	19,192
Charges	4,413	(100)	(769)	3,544
Payments	(15,883)	(945)	(15)	(16,843)
Provisions as at August 31, 2019	5,331	502	60	5,893
Charges	14,845	-	(60)	14,785
Payments	(13,320)	(502)	-	(13,822)
Provisions as at August 31, 2020	6,856	-	-	6,856
Portion due within one year	(6,856)	-	-	(6,856)
Non-current provisions	-	-	-	-

(a) Restructuring and unoccupied leases

During the year ended August 31, 2020, the Company began new restructuring initiatives which include additional cost saving measures as a result of the COVID-19 pandemic including the closure of 15 community publications in Manitoba and Ontario. During year ended August 31, 2020, the Company incurred restructuring expense related to these initiatives of $14.8 million which include both involuntary terminations and voluntary buyouts. During the year ended August 31, 2019, the Company completed initiatives that commenced in the year ending August 31, 2018 and incurred restructuring expense of $4.4 million which include both involuntary terminations and voluntary buyouts as well as a reversal of the provision for onerous leases related to unoccupied property of $0.1 million.

(b) Other provisions

Other provisions included claims and grievances which have been asserted against the Company. During the year ended August 31, 2019, a provision for claims related to the Infomart Transaction was reversed from other provisions as no claims were made under the purchase agreement and a gain on sale of discontinued operations of $0.8 million was recognized in the consolidated statements of operations (note 5).

13. LONG-TERM DEBT

	Maturity	Principal	Financing fees, discounts and other	As at August 31, 2020 Carrying value of debt	As at August 31, 2019 Carrying value of debt
8.25% Senior Secured Notes	July 2021	-	-	-	94,761
8.25% Senior Secured Notes	July 2023	99,163	(1,229)	97,934	-
10.25% Second Lien Secured Notes (US$134.6M) (1)	January 2024	175,602	(181)	175,421	160,250
Senior Secured Asset-Based Revolving Credit Facility	January 2021	-	-	-	-
Total long-term debt				273,355	255,011
Portion due within one year				(20,372)	(5,000)
Non-current long-term debt				252,983	250,011

(1) - US$ principal translated to the Canadian equivalent based on the foreign exchange rate on August 31, 2020 of US$1:$1.3042 (August 31, 2019 - US$1:$1.3295).

Changes to the Company's long-term debt for the years ended August 31, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of year	255,011	272,740
Repayment of long-term debt	(94,761)	(39,583)
Proceeds from issuance of long-term debt	95,235	-
Debt issuance costs	(1,710)	-
Non-cash interest (1)	23,394	19,426
Non-cash foreign currency exchange (gains) losses	(3,672)	2,678
Other	(142)	(250)
Balance, end of year	273,355	255,011

(1) Non-cash interest in the year ended August 31, 2020 includes the issuance of additional Second-Lien Notes of US$14.0 million ($18.6 million) related to paid-in-kind interest (2019 - US$12.5 million ($16.4 million)).

Refinancing Transaction

On September 9, 2019, the Company completed a refinancing transaction ("Refinancing Transaction") that included the redemption of $94.8 million aggregate principal amount of 8.25% Senior Secured Notes due 2021 ("First-Lien Notes") at par, plus accrued interest of $2.8 million, and terminated the First-Lien Notes indenture. The Company financed the redemption through the issuance of $95.2 million aggregate principal amount of 8.25% Senior Secured Notes due 2023 ("New First-Lien Notes") to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages (collectively, "Canso") for net proceeds of $93.5 million, after financing fees of $1.7 million. The New First-Lien Notes have substantially similar terms to the First-Lien Notes with the exception of a reduction to the minimum annual excess cash flow redemption from $10.0 million to $5.0 million. In addition, the Company extended the maturity of its 10.25% Second Lien Secured Notes due 2023 ("Second-Lien Notes") by six months to January 15, 2024. The Company determined that the refinancing of the First-Lien Notes was an extinguishment and the refinancing of the Second-Lien Notes was a modification. The resulting effective interest rate of the New First-Lien Notes which amortizes the aggregate initial financing fees based on the estimated initial cash flows is 9.1%. Upon close of the Refinancing Transaction, a nominal amount of restricted cash was released to the Company.

8.25% Senior Secured Notes due 2021 ("First-Lien Notes")

As at August 31, 2019, Postmedia Network had $94.8 million of First-Lien Notes outstanding. The First-Lien Notes were subject to semi-annual mandatory principal redemptions equal to 50% of excess cash flow, calculated as per the terms of the amended and restated First- Lien Notes indenture, with a minimum of $10.0 million annually. During the year ended August 31, 2019, the Company redeemed $39.6 million aggregate principal amount of New First-Lien Notes, which includes a redemption of $8.7 million as a result of the excess cash flow offer related to the six months ended August 31, 2018, $25.9 million related to the sale of assets, and $5.0 million as a result of the excess cash flow offer for the six months ended February 28, 2019. There was no excess cash flow offer for the six months ended August 31, 2019 as a result of the Refinancing Transaction. The effective interest rate of the First-Lien Notes which amortized the aggregate initial financing fees based on the estimated initial cash flows was 9.4%. The First-Lien Notes were secured on a first priority basis by substantially all of the assets of Postmedia Network and the assets of the Company ("First-Lien Notes Collateral").

The First-Lien Notes were also subject to covenants that restrict the Company's ability to incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock, make loans and investments, sell assets, incur certain liens, enter into certain transactions with affiliates, alter the businesses it conducts, enter into agreements restricting its subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of its assets.

8.25% Senior Secured Notes due 2023 ("New First-Lien Notes")

As at August 31, 2020, Postmedia Network has $99.2 million of New First-Lien Notes outstanding. The New First-Lien Notes are subject to semi-annual mandatory principal redemptions equal to 50% of excess cash flow, calculated as per the terms of the amended and restated New First- Lien Notes indenture, with a minimum of $5.0 million annually. On April 6, 2020, the Company received a waiver of certain terms related to the New First-Lien Notes indenture which included the cash interest payment of $3.9 million due on April 30, 2020 being satisfied through the issuance of additional New First-Lien Notes and the mandatory excess cash flow redemption related to the six months ended February 29, 2020 being waived in full. Subsequent to August 31, 2020, the net proceeds, classified as restricted cash on the consolidated statement of financial position, from the sale of the Barrie facility were used to redeem $3.3 million New First-Lien Notes and pay accrued interest of $0.1 million on October 1, 2020 and on October 5, 2020, the Company sold the Calgary press facility for net proceeds of $4.7 million which will be used as part of a redemption of $5.2 million of first-lien debt on November 5, 2020 (note 24). The excess cash flow for the six months ended August 31, 2020 resulted in an excess cash flow offer of $6.9 million which will be used to redeem a portion of the New First-Lien Notes and pay accrued interest on November 13, 2020 (note 24). The effective interest rate of the New First-Lien Notes which amortizes the aggregate initial financing fees based on the estimated initial cash flows is 9.1%. The New First-Lien Notes were secured on a first priority basis by substantially all of the assets of Postmedia Network and the assets of the Company ("New First-Lien Notes Collateral").

The New First-Lien Notes are also subject to covenants that restrict the Company's ability to incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock, make loans and investments, sell assets, incur certain liens, enter into certain transactions with affiliates, alter the businesses it conducts, enter into agreements restricting its subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of its assets.

10.25% Senior Secured Notes due 2024 ("Second-Lien Notes")

As at August 31, 2020, Postmedia Network has US$134.6 million ($175.6 million) of Second-Lien Notes outstanding (2019 – US$120.7 million ($160.5 million)). The Second-Lien Notes bear interest at 10.25% cash interest or 11.25% paid-in-kind interest, at the option of the Company until maturity subject to the conditions of no option to pay cash interest until the year ended August 31, 2020 unless the aggregate amount of First-Lien Notes, together with any other first-lien debt of the Company, was $112.5 million or less. Interest is payable in cash or issued as additional Second-Lien Notes semi-annually on January 31 and July 31 of each year. During the year ended August 31, 2020, the Company issued additional Second-Lien Notes of US$14.0 million ($18.6 million) related to paid-in-kind interest as per the terms of the second lien secured notes indenture (2019 – US$12.5 million ($16.4 million)). The effective interest rate of the Second-Lien Notes which amortizes the initial financing fees based on the estimated initial cash flows is 11.6%. There were no redemptions of Second-Lien Notes during the years ended August 31, 2020 and 2019. The Second-Lien Notes are secured on a second priority basis by the New First-Lien Notes Collateral.

The Second-Lien Notes are subject to covenants that restrict the Company's ability to incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock, make loans and investments, sell assets, incur certain liens, enter into certain transactions with affiliates, alter the businesses it conducts, enter into agreements restricting its subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of its assets.

Senior Secured Asset-Based Revolving Credit Facility ("ABL Facility")

On January 18, 2017, the Company entered into the ABL Facility for a term of two years with Chatham Asset Management LLC ("Chatham LLC") and certain investment funds or accounts for which Chatham LLC or its affiliates acts as an investment advisor, sub-advisor or manager (collectively, "Chatham"). On December 15, 2018, the Company entered into an agreement to extend the term of the ABL Facility to January 18, 2021 with Chatham, for an aggregate availability of up to $15.0 million, which may be increased by up to $10.0 million at the Company's request and with the consent of the lender. On August 10, 2020, the Company entered into an agreement with an effective date of October 1, 2020 to extend the term of the ABL Facility to October 1, 2022. The ABL Facility bears interest on amounts drawn at bankers acceptance rate plus 5.0% with a commitment fee of 0.5% on the amount of available borrowings. The ABL Facility is secured on a first-priority basis by trade and other receivables, cash, inventory and any related assets of the Company and on a third priority basis by the New First-Lien Notes Collateral. As at August 31, 2020, the Company has no amount drawn on the ABL Facility and has availability of $15.0 million (August 31, 2019 – nil and $15.0 million, respectively) and during the year ended August 31, 2020, incurred interest expense of $0.2 million and paid interest of $0.2 million (2019 – $0.1 million and $0.2 million, respectively).

The following table provides principal undiscounted minimum payments of long-term debt, based upon terms and conditions existing at August 31, 2020.

2021	20,372
2022	5,000
2023	73,791
2024	175,602
2025	-
Thereafter	-
	274,765

Aggregate interest expense relating to long-term debt for the year ended August 31, 2020 was $27.7 million (2019 - $28.7 million).

14. EMPLOYEE BENEFIT PLANS

The Company has a number of funded and unfunded defined benefit plans that include pension benefits, post-retirement benefits, and other long-term employee benefits as well as a defined contribution pension benefit plan. The defined benefit pension plans are registered under the Ontario Pension Benefits Act and provide benefits upon retirement, termination or death based upon years of service and final average salary. The post-retirement benefit plans are non-contributory and include health and life insurance benefits available to eligible retired employees. The other long-term employee benefit plans are non-contributory and include disability, health and life insurance benefits available to eligible active employees. The Company also pays contributions to the defined contribution pension benefit plan which provides benefits upon retirement to eligible employees.

On January 29, 2019, the Company entered into an agreement with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Pension Plan"), a multi-employer defined benefit plan, to merge the Company's defined benefit pension plans (the "Postmedia Plans"), with the CAAT Pension Plan. Effective July 1, 2019, the Company received approval from Postmedia Plan members and the Company became a participating employer under the CAAT Pension Plan and all members of the Postmedia Plans, as well as members of the Company's defined contribution pension plan began accruing benefits under the DBplus provisions of the CAAT Pension Plan. DBplus is a defined benefit pension plan with a fixed contribution rate for members, matched dollar for dollar by employers. The merger remains subject to consent from the Financial Services Regulatory Authority of Ontario ("FSRA"). Contingent on the consent of FSRA to the transfer of assets from the Postmedia Plans, the CAAT Pension Plan will assume defined benefit obligations accrued prior to July 1, 2019. Once this transfer is completed, an additional cash funding obligation of $10.1 million related to the transferred Postmedia Plans deficits will be payable to the CAAT Pension Plan over a term of ten years and the Company will recognize a gain or loss on settlement. Subsequent to August 31, 2020, the Company received approval from FSRA to transfer the assets from the Postmedia Plans which is anticipated will be completed in November 2020 (note 24).

The net defined benefit plan obligation related to the Company's pension benefit plans, post-retirement benefit plans and other long-term employee benefit plans recorded in employee benefit obligations and other liabilities on the consolidated financial position as at August 31, 2020 and 2019 are as follows:

	As at August 31, 2020	As at August 31, 2019
Pension benefits	62,238	48,113
Post-retirement benefits	28,367	28,536
Other long-term employee benefits	11,257	13,287
Net defined benefit plan obligation	101,862	89,936

Changes to the Company's pension benefit plans, post-retirement benefit plans and other long-term employee benefit plans benefit obligations and the fair value of plan assets for the years ended August 31, 2020 and 2019 are as follows:

	Pension benefits		Post-retirement benefits		Other long-term employee benefits	
	2020	2019	2020	2019	2020	2019
Change in benefit obligations						
Benefit obligations, beginning of year	580,157	539,693	28,536	38,016	13,287	14,108
Current service cost	-	2,673	411	1,023	379	352
Interest cost	15,954	19,045	790	1,386	297	434
Employee contributions	-	598	-	-	-	-
Actuarial losses (gains)	14,545	56,797	943	(5,434)	(608)	576
Benefits paid	(28,626)	(33,282)	(2,313)	(2,162)	(2,098)	(2,183)
Curtailment gains [1]	-	(5,367)	-	(4,293)	-	-
Benefit obligations, end of year	582,030	580,157	28,367	28,536	11,257	13,287
Change in fair value of plan assets						
Fair value of plan assets, beginning of year	533,414	533,152	-	-	-	-
Expected return on plan assets [2]	14,605	18,750	-	-	-	-
Actuarial gains	2,132	14,591	-	-	-	-
Employer contributions	120	1,003	2,313	2,162	2,098	2,183
Employee contributions	-	598	-	-	-	-
Benefits paid	(28,626)	(33,282)	(2,313)	(2,162)	(2,098)	(2,183)
Administration costs	(1,026)	(1,398)	-	-	-	-
Fair value of plan assets, end of year	520,619	533,414	-	-	-	-
Net defined benefit plan obligations						
Benefit obligations	582,030	580,157	28,367	28,536	11,257	13,287
Fair value of plan assets	520,619	533,414	-	-	-	-
Impact of asset ceiling	827	1,370	-	-	-	-
Net defined benefit plan obligations	62,238	48,113	28,367	28,536	11,257	13,287

(1) On July 1, 2019 as a result of the CAAT Pension Plan merger, the Postmedia Plans were amended to cease all service accruals on this date. In addition, the Company reached an agreement with certain union employees to discontinue retiree benefits for active employees. As a result of these plan amendments, during the year ended August 31, 2019, the Company recognized a curtailment gain in restructuring and other items expense (recovery) in the consolidated statement of operations of $9.7 million.

(2) The actual return on plan assets for the year ended August 31, 2020 was $16.7 million (2019 - $33.3 million).

The investment strategy for pension plan assets is to utilize a balanced mix of equity and fixed income portfolios to earn a long-term investment return that meets the Company's pension plan obligations. Active management strategies and style diversification strategies are utilized for the equity portfolios in anticipation of realizing investment returns in excess of market indices. The Compensation and Pension Committee, composed of certain members of the Board oversees and monitors the management and overall governance of the pension and retirement plans sponsored and administered by the Company. The Compensation and Pension Committee, among other things, oversees the investment strategy for the pension plan assets, including adopting the Company's investment policy and monitoring compliance with the policy, appoints the investment fund managers and reviews their performance. The utilization of investment fund managers who adopt different style mandates allows the Company to achieve a diversified portfolio and reduce portfolio risks.

The Company's investment policy addresses the permitted and prohibited investments for the plan assets including restrictions on the fixed income quality, and quantity of investments in various asset classes as follows:

- The fixed income quality restrictions include a minimum rating of "BBB" from the Dominion Bond Rating Services or equivalent for bonds and debentures; a minimum rating of "R1" from the Dominion Bond Rating Services or equivalent for short-term investments; and a minimum rating of "P1" or equivalent for preferred stock.
- The quantity of investments allowed in various asset classes ranges from 0% to 45% and contains restrictions such that no single equity holding shall exceed 10% of the market value of plan assets, no single equity holding shall exceed 15% of the market value of an investment managers equity portfolio, no single equity holding will exceed 30% of the voting shares of any such corporation, no more than 10% of any investment managers bond portfolio may be invested in bonds of any company other than bonds of the federal government or bonds of any provincial governments with a minimum rating of AA and no more than 15% of the market value of any investment managers bond portfolio may be invested in bonds with a rating of BBB or equivalent.
- Investment managers are prohibited from making direct investments in resource properties, mortgages, venture capital financing, bonds of foreign issuers, investing in companies for the purposes of managing them, purchasing securities on margin or making short sales.
- The pension plans are not permitted to directly invest in debt or equity securities of the Company.

The pension benefit plans of the Company have an asset mix as at August 31, 2020 and 2019, as follows:

	As at August 31, 2020	**As at August 31, 2019**	**Target**	**Fair value hierarchy (note 21)**
Canadian equities	31%	31%	30%	Level 2
Foreign equities	33%	30%	30%	Level 2
Fixed income	35%	38%	40%	Level 2
Cash	1%	1%	0%	Level 1

The net employee benefit plan costs related to the Company's pension benefit plans, post-retirement benefit plans and other long-term employee benefit plans reported in net loss in the consolidated statements of operations for the years ended August 31, 2020 and 2019 are as follows:

	Pension benefits		**Post-retirement benefits**		**Other long-term employee benefits**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Current service cost	-	2,673	411	1,023	379	352	790	4,048
Administration costs	1,026	1,398	-	-	-	-	1,026	1,398
Net actuarial (gains) losses	-	-	-	-	(608)	576	(608)	576
Curtailment gains	-	(5,367)	-	(4,293)	-	-	-	(9,660)
Net financing expense	1,349	295	790	1,386	297	434	2,436	2,115
Net defined benefit plan expense (recovery) [(1)]	2,375	(1,001)	1,201	(1,884)	68	1,362	3,644	(1,523)
Employer contributions to the multi-employer plan and defined contribution plans	4,773	3,922	-	-	-	-	4,773	3,922
Total plan expense (recovery)	7,148	2,921	1,201	(1,884)	68	1,362	8,417	2,399

(1) All current service costs, administration costs and net actuarial (gains) losses related to other long-term employee benefits are included in compensation expense in the consolidated statements of operations. Net financing expense is included in net financing expense relating to employee benefit plans in the consolidated statements of operations. Curtailment gains are included in restructuring and other items expense (recovery) in the consolidated statement of operations.

Gains (losses) related to the Company's pension benefit plans and post-retirement benefit plans recognized in the consolidated statements of comprehensive loss for the years ended August 31, 2020 and 2019 are as follows:

	Pension benefits		Post-retirement benefits		Total	
	2020	2019	2020	2019	2020	2019
Net actuarial gains (losses) on employee benefit plans	(12,413)	(42,206)	(943)	5,434	(13,356)	(36,772)
Impact of asset ceiling	543	(1,370)	-	-	543	(1,370)
Gains (losses) recognized in other comprehensive income (loss)	(11,870)	(43,576)	(943)	5,434	(12,813)	(38,142)

The cumulative actuarial losses related to the Company's pension benefit plans and post-retirement benefit plans recognized directly in deficit in the consolidated statement of financial position are as follows:

	Actuarial Losses
August 31, 2019	(1,477)
Net actuarial losses recognized in other comprehensive loss and deficit	(13,356)
August 31, 2020	(14,833)

Significant actuarial assumptions used in measuring the Company's benefit obligations as at August 31, 2020 and 2019 and employee benefit plan expense for the years ended August 31, 2020 and 2019 are as follows:

	Pension benefits		Post-retirement benefits (1)		Other long-term employee benefits	
	2020	2019	2020	2019	2020	2019
Benefit obligations (2)						
Discount rate (3)	2.60%	2.80%	2.65%	2.85%	1.80%	2.35%
Rate of compensation increase	2.50%	2.65%	2.50%	2.65%	N/A	N/A
	2020	2019	2020	2019	2020	2019
Benefit plan expense						
Discount rate	2.80%	3.60%	2.85%	3.65%	2.35%	3.25%
Rate of compensation increase	2.65%	2.65%	2.65%	2.65%	N/A	N/A

(1) The assumed health care cost trend rates for the next year used to measure the expected cost of benefits covered for the post-retirement benefit health and life plans were 5.5% for medical, with an ultimate rate of 4.5% over 4 years to 2025.

(2) As at August 31, 2020, the duration of the pension, post-retirement and other long term employee benefit obligation was 12, 13 and 5 years, respectively (August 31, 2019 – 13, 13 and 5 years, respectively).

(3) A change in the discount rate used in the valuation of defined benefit obligations, affects the reported funded status of the Company's plans as well as the net benefit cost in subsequent years. As at August 31, 2020, a 50 basis-point decrease in the discount rate would increase the pension, post-retirement and other long-term employee benefit obligations by $40.2 million, $1.6 million and $0.3 million, respectively, and a 50 basis-point increase in the discount rate would decrease the pension, post-retirement and other long-term employee defined benefit obligations by $36.2 million, $1.8 million and $0.3 million, respectively.

The most recently filed actuarial funding valuations for the pension benefit plans were as of November 27, 2017 and December 31, 2017 and indicated they had an aggregate going concern actuarial surplus of $109.5 million and a wind up deficiency (which assumes that the pension plans terminate on their actuarial valuation date) of $60.6 million. For the year ending August 31, 2021, the Company expects no additional contributions to the defined benefit pension plans. Upon completion of the transfer of assets to the CAAT Pension Plan a cash funding obligation of $10.1 million related to the transferred Postmedia Plans deficits will be payable to the CAAT Pension Plan over a term of ten years. If the CAAT Pension Plan merger is not completed, the Company's next required actuarial funding valuations for its defined benefit pension plans will be as at November 27, 2020 and December 31, 2020 and must be complete by August 27, 2021 and September 30, 2021, respectively. The Company expects to contribute $5.0 million to its defined contribution and multi-employer plans during the year ending August 31, 2021.

15. CAPITAL STOCK AND LOSS PER SHARE

The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbols PNC.A for its Class C voting shares ("Voting Shares") and PNC.B for its Class NC variable voting shares ("Variable Voting Shares").

Authorized capital stock

The Company's authorized capital stock consists of two classes; Voting Shares and Variable Voting Shares. The Company is authorized to issue an unlimited number of Voting Shares and Variable Voting Shares.

Voting Shares

Holders of the Voting Shares shall be entitled to one vote at all meetings of shareholders of the Company. The Voting Shares and Variable Voting Shares rank equally on a per share basis in respect of dividends and distributions of capital.

A Voting Share shall be converted into one Variable Voting Share automatically if a Voting Share becomes held or beneficially owned or controlled, by a person who is a citizen or subject of a country other than Canada. In addition to the automatic conversion feature, a holder of Voting Shares shall have the option at any time to convert some or all of such shares into Variable Voting Shares on a one-for-one basis and to convert those shares back to Voting Shares on a one-for-one basis.

Variable Voting Shares

The Variable Voting Shares have identical terms as the Voting Shares and rank equally with respect to voting, dividends and distribution of capital, except that Variable Voting Shares shall not carry one vote per Variable Voting Share if:

(a) the number of issued and outstanding Variable Voting Shares exceeds 49.9% of the total number of all issued and outstanding shares; or

(b) the total number of votes that may be cast by, or on behalf of, holders of Variable Voting Shares present at any meeting of holders of shares exceeds 49.9% of the total number of votes that may be cast by all holders of shares present and entitled to vote at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically to equal the maximum permitted vote per Variable Voting Share.

Postmedia Rights Plan

Under the Postmedia Rights Plan, one right has been issued by Postmedia in respect of each Voting Share and Variable Voting Share. A right shall become exercisable following the acquisition or attempted acquisition by an person (including such person's affiliates or associates or any person acting jointly or in concert with such parties) of beneficial ownership of 20% or more of any class of outstanding shares of Postmedia and/or public announcement of the intent of any person to commence a taker bid without complying with the "Permitted Bid" provisions of the Postmedia Rights Plan. For purposes of determining beneficial ownership under the Postmedia Rights Plan, Variable Voting Shares beneficially owned or controlled by a citizen or subject of Canada are deemed to also include the Voting Shares into which such Variable Voting Shares could be converted. Should such an acquisition occur or be announced, subject to all other provisions of the Postmedia Rights Plan, each right will entitle the registered holder thereof to purchase from Postmedia one additional Voting Share or Variable Voting Share, as the case may be at a substantial discount to the prevailing market price. This purchase could cause significant dilution to the person or group of persons attempting to acquire control of Postmedia, other than by way of a Permitted Bid. The Board has discretion to waive the application of the Postmedia Rights Plan, and to amend the Postmedia Rights Plan at any time, or redeem all of the outstanding rights for $0.000001 per right.

The Postmedia Rights Plan will remain in force until the earlier of the Termination Time (the time at which the right to exercise rights will terminate pursuant to the Postmedia Rights Plan) and the date of the next reconfirmation of the Postmedia Rights Plan by shareholders at the annual shareholder meeting to be held in 2023.

Issued and outstanding capital stock

	Voting Shares		Variable Voting Shares		Total Shares	
	Number	$ 000's	Number	$ 000's	Number	$ 000's
August 31, 2018	40,124	17,981	93,677,075	792,855	93,717,199	810,836
Shares issued [1]	23,100	25	-	-	23,100	25
Conversions	(1,599)	(14)	1,599	14	-	-
August 31, 2019	61,625	17,992	93,678,674	792,869	93,740,299	810,861
Conversions	(7,603)	(66)	7,603	66	-	-
August 31, 2020	54,022	17,926	93,686,277	792,935	93,740,299	810,861

(1) During the year ended August 31, 2019 the Company issued 23,100 Voting Shares.

The following table provides a reconciliation of the denominators, which are presented in whole numbers, used in computing basic and diluted loss per share for the years ended August 31, 2020 and 2019. No reconciling items in the computation of net loss exist.

	2020	**2019**
Basic weighted average shares outstanding during the year	93,740,299	93,729,667
Dilutive effect of options and restricted share units	-	-
Diluted weighted average shares outstanding during the year	93,740,299	93,729,667
Options and restricted share units outstanding which are anti-dilutive [1]	-	-

(1) All outstanding options and restricted share units are anti-dilutive due to a net loss in the years ended August 31, 2020 and 2019.

16. SHARE-BASED COMPENSATION PLANS

Share option plan

The Company has a share option plan (the “Option Plan”) for its employees and officers to assist in attracting, retaining and motivating officers and employees. The Option Plan is administered by the Board.

The maximum number of options available for issuance under the Option Plan is 3.7 million and shall not exceed 10% of the Company’s issued and outstanding shares. The issued options entitle the holder to acquire one share of the Company at an exercise price no less than the fair value of a share at the date of grant, of which fair value is determined to be the volume-weighted average trading price of the Variable Voting Shares on the TSX for the five trading days immediately preceding the issuance of such options. The issued options vest as follows: 20% immediately with the remainder vesting evenly over 4 years ordinarily on the anniversary date of the date of grant. Each option may be exercised during a period not exceeding 10 years from the date of grant.

During the year ended August 31, 2020, the Company granted a nominal amount of options. The fair value of the underlying options was estimated using the Black-Scholes option pricing model. The weighted average fair value of the issued options and key assumptions used in applying the Black-Scholes option pricing model were as follows:

		2020
Fair value	$	1.06
Key assumptions		
Exercise Price	$	1.77
Risk-free interest rate (1)		1.51%
Dividend yield		-
Volatility factor (2)		72.34%
Expected life of options		5 years

(1) Based on Bank of Canada five year benchmark bond yield in effect on the date of grant.

(2) Based on the volatility of the Company and comparable companies shares due to the low liquidity of the Company's shares.

The following table provides details on the changes to the issued options, which are presented in whole numbers, for the years ended August 31, 2020 and 2019:

	2020		2019	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	2,547,500	$ 1.01	1,930,250	$ 1.03
Granted	29,223	$ 1.77	645,000	$ 0.97
Cancelled	-	$ -	(27,750)	$ (1.03)
Balance, end of year	2,576,723	$ 1.02	2,547,500	$ 1.01
Vested options at end of year - exercisable	1,558,345	$ 1.02	1,043,000	$ 1.02

During the year ended August 31, 2020, the Company recorded compensation expense relating to the Option Plan of $0.2 million (2019 - $0.5 million), with an offsetting credit to contributed surplus. The total unrecognized compensation expense is $0.2 million, which is expected to be recognized over the next four years (2019 - $0.4 million).

Restricted share unit plan

The Company has a restricted share unit plan (the “RSU Plan”). The RSU Plan provides for the grant of restricted share units (“RSUs”) to participants, being current, part-time or full-time officers, employees or consultants of the Company. As at August 31, 2020, the maximum aggregate number of RSUs issuable pursuant to the RSU Plan at any time shall not exceed 7.5 million shares of the Company (August 31, 2019 – 3.7 million). The RSU Plan is administered by the Board.

Each RSU will be settled for one share, without payment of additional consideration, after such RSU has vested; however, at any time, a participant may request in writing, upon exercising vested RSUs, subject to the consent of the Company, that the Company pay an amount in cash equal to the aggregate current fair market value of the shares on the date of such exercise in consideration for the surrender by the participant to the Company of the rights to receive shares under such RSUs. The issued RSUs vest either; 20% immediately with the remainder vesting evenly over 4 years ordinarily on the anniversary of the grant date or 1/3 annually on the vesting date which is ordinarily on the anniversary of grant date . Each RSU may be exercised during a period not exceeding 10 years from the date of grant. The Board may in its sole discretion accelerate the vesting date for all or any RSUs for any participant at any time and from time to time and issue tandem awards that provide a choice to either exercise stock options or RSUs, which are accounted for as RSUs. RSUs are non-transferable. The terms and conditions of RSUs granted under the RSU Plan will be subject to adjustments in certain circumstances, at the discretion of the Board and contain certain conditions regarding the resignation, cessation and termination of participants.

During the year ended August 31, 2020, the Company had two RSU grants of a nominal amount and 0.7 million RSUs. The fair value of the RSUs granted was estimated by using a grant date fair value per share of $1.77 and $2.03, respectively. The fair value of $1.77 and $2.03 per share was based on the volume-weighted average trading price of the Variable Voting Shares for the five trading days immediately preceding the issuance. As at August 31, 2020, the Company has 4.2 million RSUs and a 1.2 million tandem award outstanding (August 31, 2019 – 2.6 million RSUs and 1.2 million tandem award). During the year ended August 31, 2020, the Company recorded compensation expense related to the RSU Plan of $0.9 million with an offsetting credit to contributed surplus (2019 – $0.7 million). The total unrecognized compensation expense is $0.9 million, which is expected to be recognized over the next four years (2019 - $0.5 million).

17. INCOME TAXES

Provision for income taxes

The provision for income taxes differs from the amount that would have resulted from applying the statutory tax rate to loss before income taxes for the years ended August 31, 2020 and 2019 as follows:

	2020	2019
Loss before income taxes	(16,153)	(7,067)
Statutory income tax rate based on combined federal and provincial rates	26.34%	26.64%
Tax recovery based on statutory tax rates	(4,255)	(1,883)
Effects of:		
Non-taxable portion of net capital gains	(22)	(1,041)
Non-deductible expenses	622	1,439
Non-deductible portion of impairments	-	133
Tax rate changes on deferred income taxes	61	4,595
Adjustments in respect of prior years	1,549	(389)
Change in unrecognized deferred income tax assets	2,038	(2,861)
Other	7	7
Provision for income taxes	-	-

The Company's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Company operates. The increase in the Company's effective tax rate is due to the change in allocation of income taxes to the various jurisdictions in which the Company operates.

No taxes have been recorded in other comprehensive loss or net earnings from discontinued operations as the associated deferred tax assets have not been recognized.

Deferred income tax

As at August 31, 2020 and 2019, the Company has not recognized deferred tax assets in respect of the following:

	2020	2019
Total tax loss carryforwards	432,538	425,612
Other deductible temporary differences	221,060	207,307
Total deductible temporary differences	653,598	632,919
Deferred income tax rate	25.90%	25.90%
Deferred income tax assets	169,282	163,926
Deferred income tax liabilities	-	-
Net deferred income tax assets not recognized	169,282	163,926

As at August 31, 2020, the total non-capital losses and net-capital losses with expiration dates are as follows:

Year	Tax losses
2031	78,758
2032	86,124
2033	12,946
2034	25,347
2035	21,537
2036	67,935
2037	62,020
2038	23,862
2039	19,133
2040	8,073
Total non-capital losses	405,735
Total net-capital losses (no expiry date)	26,803
Total loss carryforwards	432,538

18. CAPITAL MANAGEMENT

The Company's capital management objective is to maximize shareholder returns by (a) prioritizing capital expenditures related to the development of digital media products with growth potential, and (b) utilizing the majority of remaining free cash flow for the repayment of debt. During the years ending August 31, 2020 and 2019, the Company's capital management strategy included reviewing alternatives to manage outstanding debt obligations that resulted in the Refinancing Transaction that was completed on September 9, 2019 (note 13).

The Company's capital structure is composed of deficiency and long-term debt, less assets related to derivative financial instruments, restricted cash and cash. The capital structure as at August 31, 2020 and 2019 is as follows:

	2020	2019
Long-term debt (note 13)	273,355	255,011
Net assets related to derivative financial instruments (note 19)	(1,788)	(1,829)
Cash	(49,795)	(15,464)
Restricted cash (note 5)	(3,402)	(13)
Net liabilities	218,370	237,705
Deficiency	(164,222)	(136,411)
Total capital	54,148	101,294

The Company's capital structure decreased $47.2 million in the year ended August 31, 2020, primarily as a result of comprehensive loss as a result of net actuarial losses.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk and market risks relating to foreign exchange and interest rate fluctuations. The enterprise risk management process is managed by a risk oversight committee composed of senior executives of the Company.

(a) Fair value of financial instruments measured at fair value

The Company has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its financial instruments accounted for at fair value in the statement of financial position:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs that are not based on observable market data (unobservable inputs).

The financial instruments measured at fair value in the consolidated statement of financial position, categorized by level according to the fair value hierarchy that reflects the significance of the inputs used in making the measurements as at August 31, 2020 and 2019 are as follows:

	2020			2019		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments						
Warrants [1]	-	1,788	-	-	1,829	-

(1) On January 25, 2016, the Company entered into a marketing collaboration agreement ("Marketing Agreement") with Mogo Finance Technology Inc. ("Mogo"). The Marketing Agreement provides the Company with revenue sharing and equity participation through warrants in Mogo in exchange for media promotional commitments over the next three years. As part of the Marketing Agreement, the Company paid $1.2 million for 1,196,120 five year warrants that entitled the Company to purchase common shares of Mogo at an exercise price of $2.96. Fifty percent of the warrants vest in equal instalments over three years and the remaining warrants vest in three equal instalments based on Mogo achieving certain quarterly revenue targets. In May 2018, the Company and Mogo revised the Marketing Agreement to extend it for an additional two years to January 2020 and amended the vesting terms of the warrants that were previously based on Mogo achieving certain quarterly revenue targets to vest in equal instalments over years four and five. In February 2020, the Company and Mogo revised the Marketing Agreement to extend it for an additional two years to January 2023 and amended the term of all the original warrants to expire on January 25, 2023 increasing the fair value of these warrants by $0.3 million. In addition, the Company received an additional 350,000 five year warrants with a fair value of $0.4 million that entitle the Company to purchase common shares of Mogo at an exercise price of $3.54, which vest in equal instalments over three years. In June 2020, the Company and Mogo revised the Marketing Agreement further to, among other things, waive the fixed revenue sharing payment for a period of six months in exchange for a reduction of the exercise price on all outstanding warrants to $1.292 which increased the fair value of the outstanding warrants by $0.5 million. During the year ended August 31, 2020, the Company recognized a loss of $1.2 million related to the warrants which is included in loss on derivative financial instruments in the consolidated statements of operations (2019 – $0.7 million).

The fair value of the warrants is determined by the Black-Scholes option pricing model using Level 2 market inputs, including exercise price, risk-free interest rate, expected life, dividend yield and expected volatility.

The Company's policy is to recognize transfers in and out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the years ended August 31, 2020 and 2019 there were no transfers within the fair value hierarchy.

(b) Financial instruments measured at amortized cost

Financial instruments that are not measured at fair value on the consolidated statement of financial position include cash, restricted cash, trade and other receivables and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

The financial carrying value and fair value of long-term debt as at as at August 31, 2020 and 2019 are as follows:

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Other financial liabilities				
Long-term debt	273,355	287,553	255,011	261,926

The fair value of long-term debt is estimated based on quoted market prices (Level 1 inputs).

(c) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations.

The maximum credit exposure to credit risk at the reporting date is the carrying value of cash, restricted cash and trade and other receivables in an asset position. No collateral is held from any of the counterparties to these financial assets.

Trade and other receivables

In the normal course of business, the Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. The Company's sales are widely distributed and the largest amount due from any single customer as at August 31, 2020 is $2.3 million or 5% of trade receivables (August 31, 2019 – $3.4 million or 5%). The Company establishes an allowance for expected credit loss when collection is determined to be unlikely based on the specific credit risk of its customers, historical trends and the impact of COVID-19. The allowance for expected credit loss amounted to $10.2 million as at August 31, 2020 (August 31, 2019 - $4.5 million). As at August 31, 2020, $23.6 million or 48% (August 31, 2019 - $32.7 million or 49%) of trade accounts receivable is considered past due as per the contractual credit terms and not yet impaired, which is defined as amounts outstanding beyond normal credit terms and conditions for respective customers. The amount past due relates to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables, the expected credit losses and expected credit loss ratio as at August 31, 2020 and 2019 are as follows:

	2020			2019		
Current	15,378	(157)	1.0%	29,355	(42)	0.1%
30 - 60 days	13,243	(156)	1.2%	18,556	(32)	0.2%
60 - 90 days	5,333	(149)	2.8%	8,302	(22)	0.3%
Greater than 90 days	15,104	(9,778)	64.7%	10,296	(4,436)	43.1%
Total	49,058	(10,240)		66,509	(4,532)	

Changes to the allowance for expected credit loss for the year ended August 31, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of year	(4,532)	(4,379)
Impairment loss	(7,769)	(303)
Write-offs	2,061	150
Balance, end of year	(10,240)	(4,532)

(d) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with existing and future financial liabilities that are and will be settled by delivering cash or another financial asset as they come due. The Company's financial obligations include long-term debt which requires principal repayments and interest payments (note 13). Economic and structural factors related to the industry impact the Company's ability to generate sufficient operating cash flows to satisfy its existing and future financial liabilities, however, the Company manages this risk by monitoring cash flow forecasts, implementing cost reduction initiatives, deferring or eliminating discretionary spending, monitoring and maintaining compliance with the terms of the note indentures, identifying and selling redundant assets including certain real estate assets and utilizing the ABL Facility to provide additional liquidity during seasonal fluctuations of the business. During the year ended August 31, 2020, the Company completed a Refinancing Transaction which extended the maturities of long-term debt (note 13). The impact of the COVID-19 pandemic caused a disruption to the economy which could further impact the Company's liquidity risk. The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel bans, self-imposed quarantine periods and social distancing that have caused disruption to businesses resulting in an economic slowdown. The Company is generally exempt from mandates requiring closures of non-essential businesses and therefore has been able to continue operations however advertising revenues have declined as a result of the COVID-19 pandemic and related government measures. The Company is currently addressing the challenges related to the COVID-19 pandemic (notes 4, 12 and 13).

Material contractual obligations related to financial instruments include debt repayments and interest payments on long-term debt. These contractual undiscounted obligations as well as accounts payable, accrued liabilities, provisions and lease obligations and their maturities as at August 31, 2020 are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Accounts payable	11,574	11,574	-	-	-
Accrued liabilities	32,045	32,045	-	-	-
Provisions	6,856	6,856	-	-	-
Lease obligations	59,183	9,482	15,088	14,325	20,288
Long-term debt (1)	355,610	20,372	78,791	256,447	-
Interest payments (2)	21,469	7,699	13,770	-	-
Total	486,737	88,028	107,649	270,772	20,288

(1) Principal repayments of long-term debt are based on the mandatory contractual payments and assumes paid-in-kind interest to maturity on the Second-Lien Notes translated to Canadian dollars based on the foreign exchange rate as at August 31, 2020 of US$1:$1.3042.

(2) Interest payments on long-term debt relate to the New First-Lien Notes and are based on fixed contractual interest rates. Interest payments on the Second-Lien Notes are included in repayments of long-term debt due to the assumption of paid-in-kind interest to maturity.

(e) Market risk management

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

Foreign currency risk

As at August 31, 2020, approximately 64% of the outstanding principal on the Company's long-term debt is payable in US dollars (August 31, 2019 – 63%). As at August 31, 2020, the Company is exposed to foreign currency risk on the US$134.6 million of Second-Lien Notes outstanding (August 31, 2019 - US$120.7 million). Based on the long-term debt outstanding as at August 31, 2020, a $0.01 change in the period-end exchange rate of a Canadian dollar per one US dollar, holding all other variables constant, would have resulted in a $1.3 million increase or decrease to foreign currency exchange losses in the statement of operations.

Interest rate risk

The ABL Facility bears interest at floating rates while the New First-Lien Notes and Second-Lien Notes bear interest at fixed rates. Therefore, changes in interest rates only exposes the Company to cash flow interest rate risk on the portion of the ABL Facility that is drawn, if any, at the time of the interest rate change.

20. COMMITMENTS

The Company has entered into various operating lease agreements for property, office equipment and vehicles and various other commitments. Aggregate future minimum payments under the terms of these commitments are as follows:

	Operating Leases	**Other**
2021	182	6,158
2022	121	2,710
2023	30	1,994
2024	-	-
2025	-	-
Thereafter	-	-

21. RELATED PARTY TRANSACTIONS

Key management personnel include the Company's senior management and all members of the Board. Key management personnel compensation for the years ended August 31, 2020 and 2019 is as follows:

	2020	2019
Salaries and short-term benefits	6,216	6,862
Share-based compensation plans (note 16)	682	1,045
Total compensation	6,898	7,907

As at August 31, 2020 Chatham owns 62,319,049, or approximately 66%, of the Company's shares and 33% of the outstanding voting rights. The Company has a consulting agreement with Chatham and during the year ended August 31, 2020 incurred an expense of $0.1 million (2019 - $0.2 million), which is included in other operating expenses in the consolidated statement of operations. In addition, the Company has an ABL Facility with associated companies of Chatham and as at August 31, 2020, the Company has no amount drawn and availability of $15.0 million (August 31, 2019 – nil and $15.0 million, respectively) and during the year ended August 31, 2020 incurred $0.2 million of interest expense and paid $0.2 million of interest (2019 – $0.1 million and $0.2 million, respectively).

22. STATEMENT OF CASH FLOWS

The following amounts compose the net change in non-cash operating accounts included in cash flows from operating activities in the consolidated statement of cash flows for the years ended August 31, 2020 and 2019:

	2020	2019
Trade and other receivables	6,680	(4,159)
Inventory	294	1,064
Prepaid expenses and other assets	(669)	(1,708)
Accounts payable, accrued liabilities and provisions	(5,260)	(22,177)
Deferred revenue	(2,721)	(3,087)
Other liabilities and provisions	-	808
Changes in non-cash operating accounts	(1,676)	(29,259)

23. SEGMENT INFORMATION

The Company has one operating segment for financial reporting purposes, the Newsmedia segment. The Newsmedia segment publishes daily and non-daily newspapers and operates digital media and online assets including each newspaper's online website. Its revenue is primarily from advertising and circulation/subscription revenue.

The following table provides disaggregated revenue from contracts with customers for the years ended August 31, 2020 and 2019:

	2020	2019
Revenues		
Print advertising		
Run of press	123,120	170,624
Insert	65,453	85,089
Other	2,124	3,696
Total print advertising	190,697	259,409
Print circulation	190,873	206,665
Digital		
Advertising	92,161	109,766
Subscription	15,882	15,300
Total digital	108,043	125,066
Other	18,793	28,498
Revenues	508,406	619,638

24. SUBSEQUENT EVENTS

On October 1, 2020 the Company redeemed $3.3 million of New First-Lien Notes and paid accrued interest of $0.1 million.

On October 5, 2020, the Company sold the Calgary press facility for net proceeds of $4.7 million which will be used as part of a redemption of $5.2 million of New First-Lien Notes on November 5, 2020 (note 13).

October 8, 2020, the Company received approval from FSRA to transfer the assets from the Postmedia Plans which will complete the previously announced merger with the CAAT Pension Plan (note 14).

The excess cash flow related to the six months ended August 31, 2020 resulted in an excess cash flow offer of $6.9 million which is expected to be used to redeem a portion of the New First-Lien Notes on November 13, 2020 (note 13).

POSTMEDIA

Corporate Information

BOARD OF DIRECTORS

Andrew MacLeod
President and Chief Executive Officer

Paul Godfrey
Executive Chair

Peter Sharpe
Lead Director

John Bode

Janet Ecker

Wendy Henkelman

Mary Junck

Daniel Rotstein

Graham Savage

OFFICERS

Andrew MacLeod
President and Chief Executive Officer

Paul Godfrey
Executive Chair

Brian Bidulka
Executive Vice President and Chief Financial Officer

Mary Anne Lavallee
Executive Vice President and Chief Operating Officer

Gillian Akai
Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange (TSX)
Trading Symbols: PNC.A, PNC.B

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