

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES INCOME FUND

June 30, 2010

(unaudited)

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**Interim Consolidated Balance Sheet**

(in thousands of Canadian dollars – unaudited)

	As at June 30, 2010	As at December 31, 2009 (as adjusted <sup>1</sup> )
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 48,628	\$ 36,170
Accounts receivable	220,076	215,356
Prepaid expenses	12,049	6,480
Deferred publication costs and other assets	115,589	130,844
Future income taxes	25,928	28,812
	<b>422,270</b>	<b>417,662</b>
DEFERRED PUBLICATION COSTS	8,400	8,358
FIXED ASSETS	109,395	95,425
OTHER ASSETS	10,632	3,111
INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (Note 4)	80,819	34,977
DERIVATIVE FINANCIAL INSTRUMENTS	3,253	2,612
INTANGIBLES	2,225,834	2,008,499
GOODWILL	6,481,218	6,342,580
FUTURE INCOME TAXES	21,100	28,382
	<b>\$ 9,362,921</b>	<b>\$ 8,941,606</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 231,635	\$ 210,065
Distributions payable	34,220	34,220
Deferred revenues	136,887	104,662
Derivative financial instruments	-	76
Future income taxes	38,148	34,248
Current portion of long-term debt (Note 6)	2,557	2,254
	<b>443,447</b>	<b>385,525</b>
DEFERRED CREDITS	22,290	23,452
FUTURE INCOME TAXES	189,260	106,253
ACCRUED BENEFIT LIABILITIES	99,254	94,404
DERIVATIVE FINANCIAL INSTRUMENTS	-	719
LONG-TERM DEBT (Note 6)	2,313,184	2,225,720
EXCHANGEABLE DEBENTURES (Note 7)	84,694	83,886
EXCHANGEABLE PROMISSORY NOTES (Note 8)	128,127	-
PREFERRED SHARES (Note 9)	466,143	472,777
EQUITY ATTRIBUTABLE TO OWNERS OF THE FUND	5,218,104	5,224,740
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (Note 10)	398,418	324,130
	<b>\$ 9,362,921</b>	<b>\$ 8,941,606</b>

<sup>1</sup> As adjusted, see Note 1

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

## Interim Consolidated Statements of Earnings

For the periods ended June 30,

(in thousands of Canadian dollars, except per unit information - unaudited)

	Three months		Six months	
	2010	2009	2010	2009
	(as adjusted <sup>1</sup> )		(as adjusted <sup>1</sup> )	
Revenues	\$ 420,382	\$ 417,534	\$ 828,513	\$ 825,887
Operating costs	192,490	193,465	380,840	377,955
Conversion and rebranding costs	7,950	-	11,601	-
Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges	219,942	224,069	436,072	447,932
Depreciation and amortization	53,095	34,005	98,808	72,122
Acquisition-related costs (Note 15)	19,934	-	23,549	-
Restructuring and special charges (Note 15)	8,977	20,584	8,977	20,584
Income from operations	137,936	169,480	304,738	355,226
Financial charges, net (Note 13)	30,058	37,401	65,183	74,957
Gain on deemed disposition of equity investment (Note 2)	-	-	(2,374)	-
Gain on disposal of subsidiary (Note 3)	(2,338)	-	(2,338)	-
Earnings before dividends on Preferred shares, series 1 and 2, income taxes, and share of losses from equity investees	110,216	132,079	244,267	280,269
Dividends on Preferred shares, series 1 and 2	5,370	5,687	10,749	11,375
Earnings before income taxes and share of losses from equity investees	104,846	126,392	233,518	268,894
Provision for income taxes	20,341	7,898	26,992	18,491
Share of losses from equity investees	4,599	1,589	4,863	1,411
<b>Net earnings</b>	<b>\$ 79,906</b>	<b>\$ 116,905</b>	<b>\$ 201,663</b>	<b>\$ 248,992</b>
<b>Net earnings (losses) attributable to:</b>				
Owners of the Fund	\$ 78,141	\$ 116,827	\$ 198,569	\$ 248,440
Non-controlling interests related to investments	(4,014)	78	(8,383)	552
Holders of Preferred shares, series 3, 5 and 7	5,779	-	11,477	-
	\$ 79,906	\$ 116,905	\$ 201,663	\$ 248,992
Basic earnings per unit	\$ 0.16	\$ 0.23	\$ 0.39	\$ 0.48
Weighted average number of units outstanding used in computing earnings per unit (Note 11)	503,465,369	512,153,331	504,105,534	512,991,928
Diluted earnings per unit	\$ 0.14	\$ 0.19	\$ 0.35	\$ 0.40
Weighted average number of units outstanding used in computing diluted earnings per unit (Note 11)	616,986,232	665,654,081	617,640,121	663,601,407

<sup>1</sup> As adjusted, see Note 1

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

## Interim Consolidated Statements of Comprehensive Income

For the periods ended June 30,

(in thousands of Canadian dollars – unaudited)

	Three months		Six months	
	2010	2009	2010	2009
	(as adjusted <sup>1</sup> )		(as adjusted <sup>1</sup> )	
<b>Net earnings</b>	\$ 79,906	\$ 116,905	\$ 201,663	\$ 248,992
<b>Other comprehensive income (loss), net of related income taxes:</b>				
Net gain on derivatives designated as cash flow hedges <sup>2</sup>	-	527	-	135
Net loss on derivatives designated as cash flow hedges in prior periods transferred to earnings in the period <sup>3</sup>	201	370	88	484
Change in gains and losses on derivatives designated as cash flow hedges	201	897	88	619
Unrealized (loss) gain on available-for-sale investment in the period <sup>4</sup>	(354)	177	(450)	225
Change in unrealized (loss) gain on available-for-sale financial asset	(354)	177	(450)	225
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations and foreign investees	9,429	(9,128)	4,242	(6,449)
Unrealized cumulative translation loss on disposition of self-sustaining foreign operations transferred to earnings in the period	1,172	-	1,172	-
Unrealized cumulative translation loss on deemed disposition of foreign equity investment transferred to earnings in the period	-	-	5,633	-
Change in unrealized gains (losses) on translating financial statements of self-sustaining foreign investments and foreign investees	10,601	(9,128)	11,047	(6,449)
<b>Other comprehensive income (loss)</b>	<b>10,448</b>	<b>(8,054)</b>	<b>10,685</b>	<b>(5,605)</b>
<b>Total comprehensive income</b>	<b>\$ 90,354</b>	<b>\$ 108,851</b>	<b>\$ 212,348</b>	<b>\$ 243,387</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Fund	\$ 87,181	\$ 108,773	\$ 207,846	\$ 242,835
Non-controlling interests related to investments	(2,606)	78	(6,975)	552
Holders of Preferred shares, series 3, 5 and 7	5,779	-	11,477	-
	<b>\$ 90,354</b>	<b>\$ 108,851</b>	<b>\$ 212,348</b>	<b>\$ 243,387</b>

<sup>1</sup> As adjusted, see Note 1

<sup>2</sup> Net of income taxes of nil (2009 – \$230 for the three-month period and \$59 for the six-month period ended June 30)

<sup>3</sup> Net of income taxes for the three-month period ended June 30, 2010 of \$88 (2009 – \$163) and net of income taxes for the six-month period ended June 30, 2010 of \$48 (2009 – \$214).

<sup>4</sup> Net of income taxes of nil (2009 – nil for the three and six-month periods ended June 30)

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

## Interim Consolidated Statements of Equity

For the six-month period ended June 30,  
(in thousands of Canadian dollars - unaudited)

	2010							
	Unitholders' Capital (Note 11)	Equity Component of Exchangeable Debentures and Exchangeable Promissory Notes	Restricted Units	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (Note 16)	Deficit	Equity Attributable to Owners of the Fund	Equity Attributable to Non- controlling interests (Note 10)
Balance, December 31, 2009, as previously reported	\$ 6,062,039	\$ 3,618	\$ (72,898)	\$ 128,226	\$ (2,734)	\$ (893,511)	\$ 5,224,740	\$ -
Effect of adopting new accounting policy (Note 1)	-	-	-	-	-	-	-	324,130
Balance, January 1, 2010, as adjusted	6,062,039	3,618	(72,898)	128,226	(2,734)	(893,511)	5,224,740	324,130
Issuance of units	12	-	-	-	-	-	12	-
Obligations under stock options granted	-	-	-	40	-	-	40	-
Restricted units (Note 12)	-	-	(21,076)	(1,542)	-	-	(22,618)	-
Restricted units vested (Note 12)	-	-	8,793	(8,793)	-	-	-	-
Issuance of preferred shares, Series 7 (Note 10)	-	-	-	-	-	-	-	9,750
Option on exchangeable promissory notes (Note 8)	-	9,770	-	-	-	-	9,770	-
Distributions	-	-	-	-	-	(201,686)	(201,686)	-
Business acquisitions (Note 2)	-	-	-	-	-	-	-	71,513
Other comprehensive income	-	-	-	-	9,277	-	9,277	1,408
Net earnings for the period	-	-	-	-	-	201,663	201,663	-
Net loss attributable to non-controlling interests related to investments	-	-	-	-	-	8,383	8,383	(8,383)
Dividends on Preferred shares, Series 3, 5 and 7	-	-	-	-	-	(11,477)	(11,477)	-
<b>Balance, June 30, 2010</b>	<b>\$ 6,062,051</b>	<b>\$ 13,388</b>	<b>\$ (85,181)</b>	<b>\$ 117,931</b>	<b>\$ 6,543</b>	<b>\$ (896,628)</b>	<b>\$ 5,218,104</b>	<b>\$ 398,418</b>

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

## Interim Consolidated Statements of Equity

For the six-month period ended June 30,  
(in thousands of Canadian dollars - unaudited)

2009

	Unitholders' Capital (Note 11)	Equity Component of Exchangeable Debentures	Restricted Units	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (Note 16)	Deficit	Equity Attributable to Owners of the Fund	Equity Attributable to Non- controlling interests
Balance, December 31, 2008, as previously reported	\$ 6,144,416	\$ 12,542	\$ (58,303)	\$ 79,575	\$ 9,131	\$ (625,869)	\$ 5,561,492	\$ -
Effect of adopting new accounting policy (Note 1)	-	-	-	-	-	-	-	8,544
Balance, January 1, 2009, as adjusted	6,144,416	12,542	(58,303)	79,575	9,131	(625,869)	5,561,492	8,544
Issuance of units	7	-	-	-	-	-	7	-
Repurchase of units	(3,169)	-	-	1,244	-	-	(1,925)	-
Restricted units (Note 12)	-	-	(26,551)	(3,562)	-	-	(30,113)	-
Restricted units vested (Note 12)	-	-	15,091	(15,091)	-	-	-	-
Distributions	-	-	-	-	-	(268,527)	(268,527)	(1,634)
Other comprehensive income	-	-	-	-	(5,605)	-	(5,605)	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(7,462)
Net earnings for the period	-	-	-	-	-	248,992	248,992	-
Net earnings attributable to non-controlling interests related to investment	-	-	-	-	-	(552)	(552)	552
Balance, June 30, 2009	\$ 6,141,254	\$ 12,542	\$ (69,763)	\$ 62,166	\$ 3,526	\$ (645,956)	\$ 5,503,769	\$ -

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

## Interim Consolidated Statements of Cash Flows

For the periods ended June 30,

(in thousands of Canadian dollars - unaudited)

	Three months		Six months	
	2010	2009	2010	2009
		(as adjusted <sup>1</sup> )		(as adjusted <sup>1</sup> )
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 79,906	\$ 116,905	\$ 201,663	\$ 248,992
Items not affecting cash and cash equivalents:				
Depreciation and amortization	53,095	34,005	98,808	72,122
Amortization of deferred financing costs	2,253	1,927	4,146	3,919
Accretion on Exchangeable Debentures and Exchangeable Promissory Notes	266	626	456	1,247
Gain on deemed disposition of equity investment	-	-	(2,374)	-
Gain on disposal of subsidiary before disposition costs	(5,545)	-	(5,545)	-
Net benefit plan costs	1,195	4,383	4,850	7,873
Non-cash derivative financial instruments	(469)	1,217	1,379	2,867
Stock compensation recovery	(2,414)	(2,062)	(1,502)	(3,562)
Gain on purchase of Preferred shares, series 1 and 2, and Medium Term Notes, net	(2,595)	(221)	(5,117)	(221)
Future income taxes	11,747	4,470	12,558	12,080
Share of losses from equity investees	4,599	1,589	4,863	1,411
Other non-cash items	(1,679)	(111)	(2,121)	(2,238)
Change in operating assets and liabilities	39,034	22,759	10,868	38,415
	<b>179,393</b>	<b>185,487</b>	<b>322,932</b>	<b>382,905</b>
<b>INVESTING ACTIVITIES</b>				
Business acquisitions, net of cash acquired and bank indebtedness assumed (Note 2)	(80,935)	(25,189)	(88,142)	(25,189)
Acquisition of equity investment	-	(2,800)	(3,600)	(47,698)
Acquisition of intangible assets	(7,348)	(246)	(19,945)	(246)
Acquisition of investment	(1,756)	-	(1,756)	-
Acquisition of fixed assets	(13,572)	(12,313)	(25,312)	(24,802)
Proceeds from lease inducements	-	-	-	33
	<b>(103,611)</b>	<b>(40,548)</b>	<b>(138,755)</b>	<b>(97,902)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of long-term debt	145,000	562,000	555,000	699,300
Repayment of long-term debt	(57,607)	(510,836)	(158,422)	(611,880)
Distributions to unitholders	(100,653)	(134,150)	(201,686)	(284,683)
Distributions to non-controlling interest	-	(772)	-	(1,634)
Proceeds from exercise of options	12	7	12	7
Purchase of Preferred shares, series 1 and 2, and Medium Term Notes	(21,181)	(2,790)	(320,145)	(2,790)
Dividends on Preferred shares, series 3, 5 and 7	(5,780)	-	(11,638)	-
Repurchase of units	-	-	-	(13,382)
Purchase of restricted units (Note 12)	(19,947)	(25,300)	(21,076)	(26,551)
Payments made on derivative financial instruments	-	(272)	-	(272)
Debt and preferred share issuance and other costs	(5,895)	(1,909)	(14,477)	(4,070)
	<b>(66,051)</b>	<b>(114,022)</b>	<b>(172,432)</b>	<b>(245,955)</b>
Effect of exchange rates changes on cash and cash equivalents denominated in foreign currencies	1,015	(495)	713	(359)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>10,746</b>	<b>30,422</b>	<b>12,458</b>	<b>38,689</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>37,882</b>	<b>33,321</b>	<b>36,170</b>	<b>25,054</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 48,628</b>	<b>\$ 63,743</b>	<b>\$ 48,628</b>	<b>\$ 63,743</b>
<b>Supplemental disclosure of cash flow information (Note 14)</b>				

<sup>1</sup> As adjusted, see Note 1

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

## 1. Basis of presentation

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”), and include the accounts of Yellow Pages Income Fund (the “Fund”), YPG Trust (the “Trust”), YPG LP, YPG General Partner Inc. (“YPG GP”), Yellow Media Inc., Yellow Pages Group Co. (“YPG Co.”), Trader Corporation (“Trader”), LesPAC s.e.n.c. (“LesPAC”), Dealer Dot Com Inc. (“Dealer.com”), Canadian Phone Directories Holdings Inc. (“Canpages”) and those of YPG (USA) Holdings, Inc., and Yellow Pages Group, LLC, (collectively “YPG USA”). These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2009.

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the year ended December 31, 2009, with the exception of the following:

a) Section 1582, *Business Combinations*. Section 1582 provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3 *Business Combinations*. The new recommendations require measuring business acquisitions at the fair value of the acquired business, including the measurement at fair value of items such as non-controlling interests and contingent payment considerations. In addition, business acquisition-related costs including transaction costs and restructuring costs are expensed rather than capitalized.

b) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. Section 1601, together with Section 1602, replace Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. The requirements in this Section are substantially converged with the portion of Section 1600 which established standards for the preparation of consolidated financial statements. Section 1602 is substantially converged with the portion of IAS 27, *Consolidated and Separate Financial Statements* that establishes standards for accounting for non-controlling interests in a subsidiary subsequent to a business combination. Section 1602 introduces a number of changes, including:

- in the consolidated balance sheets and consolidated statements of equity, non-controlling interests are now presented as a separate component of equity as opposed to a separate item on the balance sheet outside of equity;
- non-controlling interests are no longer recorded as a deduction in calculating net earnings and total comprehensive income. Instead, net earnings and each component of other comprehensive income are attributed to the owners of the Fund and to the non-controlling interests;
- shares owned prior to a change in control on a business acquisition achieved in stages have to be valued at their fair value on the date of acquisition and any gain or loss on those shares needs to be recognized in net earnings;

Basic earnings per unit is computed by dividing net earnings attributable to owners of the Fund by the weighted average number of units outstanding during the period. This calculation is consistent with the calculation of the Basic earnings per unit before adopting this Section. Therefore earnings per unit did not change.

The above sections were not mandatorily applicable for the Fund before the fiscal year beginning on January 1, 2011. However, the Fund has elected to early adopt these sections, as of January 1, 2010, in order to more closely align itself with IFRS and mitigate the impact of adopting IFRS at the changeover date. In accordance with the transitional provisions, these sections have been applied prospectively, with the exception of the presentation requirements for non-controlling interests, which must be applied retrospectively. The adoption of these sections modified the accounting of business combinations realized during the first half of 2010 for which acquisition-related costs amounting to \$23.5 million were recorded directly in the consolidated statement of earnings. Furthermore, the adoption of these sections gave rise to the above-mentioned reclassifications of non-controlling interests, including the reclassification as at January 1, 2010 of an amount of \$324.1 million from non-controlling interests to equity.

Certain comparative figures have been reclassified to conform to the current period’s presentation and adoption of new accounting policies.

## 2. Business acquisitions

During the first quarter of 2010, the Fund completed three business acquisitions.

On January 5, 2010 Trader acquired an additional 10% equity interest in Dealer.com bringing its total equity interest to approximately 30%. Trader has an option to increase its ownership in the privately held company that is currently exercisable. If exercised, this option would provide the Fund with a majority voting interest and the continuing ability to elect the majority of the members of the board of directors of Dealer.com. As such, Trader controls Dealer.com and accordingly the financial position and results of Dealer.com are now consolidated in the Fund’s financial statements from the date of acquisition.

The previously held equity interest of Trader in Dealer.com, which was accounted for under the equity method up to that date, was re-measured at its fair value of \$40.6 million and the gain on deemed disposition was recognized in net earnings. The unrealized cumulative loss on translating the financial statements of Dealer.com to Canadian dollars of \$5.6 million was also recognized in net earnings on the same basis as would be required if Trader had disposed directly of its previously held equity interest. The above transactions generated a net gain of \$2.4 million.

The non-controlling interest in Dealer.com was measured at the non-controlling interest's proportionate share of the fair value of Dealer.com's identifiable net assets. The business is included in the Vertical Media segment.

On January 8, 2010, the Fund completed the acquisition of all the assets related to the operations of the website Restaurantica.ca ("Restaurantica"), one of Canada's largest growing restaurant and dining communities. Restaurantica was established in 2003 and lists restaurants, bars and cafés' information, with user-generated reviews on these establishments in North America.

On February 9, 2010, the Fund acquired all of the shares of Clear Sky Media Inc. ("Clear Sky Media"), owner of RedFlagDeals.com ("Red Flag Deals"). Red Flag Deals is a leader in providing online promotions and shopping tools to Canadians.

These two acquired businesses are included in the Directories segment.

The acquisitions were financed with drawings under existing credit facilities, issuance of preferred shares, series 7 ("Series 7 shares") and cash on hand.

The Fund accounted for the acquisitions using the purchase method of accounting. The purchase prices were allocated to the identifiable assets acquired and the liabilities assumed on the basis of their fair values.

The fair values of the identifiable assets acquired and liabilities assumed were allocated as follows:

Current assets and liabilities	
Cash and cash equivalents	\$ 19,752
Accounts receivable	7,582
Prepaid expenses	934
Future income taxes	348
Accounts payable and accrued liabilities	(5,727)
Deferred revenues	(2,997)
Fixed assets	9,262
Intangibles	
Trademarks	29,647
Customer relationships	40,059
Customer contracts	25,284
Domain names	78
Non-competition agreements and logos	1,450
Software	52,067
Long-term debt	(5,352)
Future income tax liabilities	(59,586)
Non-controlling interest	(71,513)
Net identifiable assets acquired	41,288
Reversal of previously owned equity investment	(40,614)
Goodwill (\$1.2 million tax deductible)	36,035
Purchase price	\$ 36,709

**Consideration:**

Cash	\$ 26,959
Series 7 shares (Note 10)	9,750
Total	\$ 36,709

During the second quarter of 2010, the Fund completed the following acquisition:

On May 25, 2010, the Fund acquired all of the shares of Canpages for a purchase price consideration of \$226.4 million, which includes working capital and other adjustments. The purchase price consideration was comprised of \$84.8 million payable in cash at closing to settle third party debt obligations and the issuance of \$141.6 million of Mandatory Exchangeable Promissory Notes ("Exchangeable Notes") of Yellow Media Inc.

Canpages publishes 84 directories for a total circulation of 8 million copies. Canpages website attracts more than 3.5 million unique visitors each month. The acquisition of Canpages positions the Fund to better compete in the digital world and will enable the Fund to expand the sales force, online capabilities and advertiser offerings.

The Fund accounted for the acquisition using the purchase method of accounting. The purchase price was allocated to the identifiable assets acquired and the liabilities assumed on the basis of their fair values. The purchase price allocation is preliminary and is subject to change once the final valuation of the identifiable assets acquired and liabilities assumed is completed.

The acquired business is included in the Directories segment.

The fair values of the identifiable assets acquired and liabilities assumed were allocated as follows:

Current assets and liabilities	
Cash and cash equivalents	\$ 3,912
Accounts receivable	2,523
Prepaid expenses	65
Accounts payable and accrued liabilities	(29,384)
Deferred revenues	(40,407)
Fixed assets	1,328
Intangibles	
Trademarks	40,000
Customer relationships	55,000
Customer contracts	42,500
Non-competition agreements and logos	1,670
Software	3,500
Net identifiable assets acquired	80,707
Goodwill (\$62.9 million tax deductible)	145,702
Purchase price	\$ 226,409
<b>Consideration:</b>	
Cash	\$ 84,847
Exchangeable Notes (Note 8)	141,562
Total	\$ 226,409

### 3. Disposal of subsidiary

On March 29, 2010, the Fund entered into a definitive agreement with HM Capital whereby the Fund would contribute its interest in YPG Directories, LLC in exchange for a 35% minority ownership in a new entity resulting from the business combination of YPG Directories, LLC and Ziplocal, LP. The fair value of the Fund's minority ownership was \$75.2 million on the date of acquisition.

The transaction closed on April 15, 2010. The carrying value of the assets and liabilities disposed on April 15, 2010 was \$68.7 million. In relation to this transaction, an unrealized cumulative translation loss on self-sustaining foreign operations of \$1.2 million was realized and transferred to earnings. In addition, the Fund incurred incremental direct costs of \$3 million in relation to the disposal, resulting in a gain of \$2.3 million recorded in the interim consolidated statement of earnings.

The carrying value of assets and liabilities disposed are summarized below:

Current assets <sup>1</sup>	\$ 7,789
Fixed assets	285
Intangibles	18,634
Goodwill	41,767
Future income taxes	6,314
Current liabilities	(6,047)
<b>Total</b>	<b>\$ 68,742</b>

<sup>1</sup> Includes cash of \$0.2 million.

## 4. Investments in equity accounted investees

On January 5, 2010, Trader acquired an additional 10% equity interest in Dealer.com, as described in Note 2.

On March 9, 2010, YPG Co. acquired a 30% equity interest in 411 Local Search Corp. In connection with this investment, YPG Co. also acquired the 411.ca brand. This brand is included in trademarks. The acquisition was financed with cash on hand and was accounted for using the equity method.

As a result of the transaction discussed in Note 3, the Fund received a 35% minority ownership in a new entity resulting from the business combination of YPG Directories, LLC and Ziplocal, LP.

The difference between the acquisition cost and the Fund's share of the underlying net book value of the investees' net assets for the equity method investments, at the date of purchase amounted to \$75.6 million and was assigned to the acquired net identifiable assets based on their fair values. As such, the difference was preliminarily assigned to intangible assets (consisting mainly of trademarks, website and software, customer contracts and customer relationships) in the amount of \$52.4 million and will be amortized over their expected useful lives and future income tax liabilities of \$20.9 million. The remaining difference between the acquisition cost and the assigned value in the amount of \$44.1 million is similar to goodwill (equity method goodwill) and is not amortized. The assigned difference between the acquisition costs and the underlying net book values is preliminary and is subject to change once the final evaluation is completed.

## 5. Employee benefit plans

The total net benefit plan costs for the three-month and six-month periods ended June 30, 2010 were \$4.8 million (2009 - \$5.1 million) and \$10.9 million (2009 - \$8.8 million) for pension benefits. Other benefits costs totalled \$0.7 million (2009 - \$0.2 million) and \$1.4 million (2009 - \$\$1.1 million) for the same periods.

In the context of new pension regulations enacted in 2009, the Fund will have to make annual contributions to the YPG Pension Plan ("the Plan") for an amount equivalent to the current service contributions of approximately \$10 million to the defined benefit component of the Plan. For the three-month and six-month periods ended June 30, 2010, \$3 million (2009 - nil) and \$4.8 million (2009 - nil) was contributed for pension benefits.

## 6. Long-term debt

June 30, 2010				
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 1,737,408	\$ 9,143	\$ (15,891)	\$ 1,730,660
Credit facilities	205,000	-	-	205,000
Commercial paper	367,000	-	-	367,000
Note payable	5,210	-	-	5,210
Obligations under capital leases	7,871	-	-	7,871
	2,322,489	9,143	(15,891)	2,315,741
Less current portion of long-term debt	2,557	-	-	2,557
	<b>\$ 2,319,932</b>	<b>\$ 9,143</b>	<b>\$ (15,891)</b>	<b>\$ 2,313,184</b>

  

December 31, 2009				
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 2,053,345	\$ 10,703	\$ (19,101)	\$ 2,044,947
Credit facilities	100,000	-	-	100,000
Commercial paper	74,000	-	-	74,000
Obligations under capital leases	9,027	-	-	9,027
	2,236,372	10,703	(19,101)	2,227,974
Less current portion of long-term debt	2,254	-	-	2,254
	<b>\$ 2,234,118</b>	<b>\$ 10,703</b>	<b>\$ (19,101)</b>	<b>\$ 2,225,720</b>

### Credit facilities

On February 19, 2010, the Fund increased its sources of liquidity by amending and extending the principal facility from \$700 million to \$1 billion. The principal facility now matures on February 18, 2013.

### Medium Term Notes

During the first and second quarters, Yellow Media Inc. repurchased for cancellation an amount of \$56 million of the Series 3 Medium Term Notes, \$73.8 million of the Series 4 Medium Term Notes, and \$36.1 million of the Series 5 Medium Term Notes for a total cash consideration of \$157 million. The difference between the purchase price and the carrying value of the Medium Term Notes of \$9.6 million was recorded in net earnings.

On January 15, 2010, Yellow Media Inc. redeemed all of its outstanding \$150 million 4.65% Medium Term Notes, Series 6 which were due February 28, 2011. Yellow Media Inc. financed the purchase with drawings under its commercial paper program. Yellow Media Inc. redeemed the Series 6 Medium Term Notes at a redemption price of \$1,041.681 per \$1,000 principal amount in accordance with the terms of the Series 6 Notes and the provisions of the trust indenture dated April 21, 2004 for a total cash consideration of \$156.3 million. The excess between the purchase price and the carrying value of the Medium Term Notes of \$5.2 million was recorded in net earnings.

The Fund was in compliance with all of its debt covenants as at June 30, 2010.

### Interest rate swaps

In February 2010, the Fund entered into two interest rate swaps totalling \$125 million to hedge the Series 8 Medium Term Notes. The Fund receives interest on these swaps at 6.85% and pays a floating rate equal to the three-month Banker's Acceptance plus a spread of 4.3%. The swaps mature December 3, 2013, matching the maturity date of the underlying debt.

As at June 30, 2010, these interest rate swaps met the criteria for hedge accounting.

## 7. Exchangeable debentures

	June 30, 2010	December 31, 2009
Principal amount	\$ 86,549	\$ 86,549
Equity component	(3,618)	(3,618)
Accretion	2,746	2,362
Deferred financing costs	(983)	(1,407)
	<b>\$ 84,694</b>	<b>\$ 83,886</b>

On May 6, 2010, the Fund announced its intention to repurchase at par the remaining balance of the Exchangeable Debentures on August 1, 2010.

The Fund has classified the Exchangeable Debentures that mature in August 2011 as long-term since the Fund has the intention and ability to refinance these obligations using its long-term credit facility. The Fund had \$528 million of unutilized credit facility as at June 30, 2010.

## 8. Exchangeable Promissory Notes

	June 30, 2010
Principal amount	\$ 141,562
Equity component	(9,770)
Accretion	73
Deferred financing costs	(3,738)
	<b>\$ 128,127</b>

In connection with the Canpages acquisition, Yellow Media Inc. issued Mandatory Exchangeable Promissory Notes ("Exchangeable Notes") for a principal amount of \$141.6 million. The Exchangeable Notes bear interest, payable quarterly at an initial rate of 5% subject to step-up provisions over time and mature on December 31, 2014. Commencing on January 1, 2011, the Exchangeable Notes can be exchanged at the option of the holder, for units of the Fund or of the successor thereof upon conversion of the Fund into a corporation. Each quarter, the holders will be entitled to exchange 25% of the principal amount of the Exchangeable Notes, representing a maximum of \$35.4 million. The number of units or newly traded securities of the successor company the holder will receive in respect of each Exchangeable Note will be determined by dividing the principal amount of the Exchangeable Notes that are to be exchanged by 95% of the market price of the Units or newly traded securities. In addition, Yellow Media Inc. may at its option at any time, redeem in whole or in part at a price equal to their principal amount plus accrued interest. Any remaining Exchangeable Notes will be automatically exchanged into units of the Fund or newly traded securities on December 31, 2014.

The conversion option was valued at \$9.8 million at the date of issuance and is included in Unitholders' equity. The liability portion of the Exchangeable Notes is being accreted such that the liability at maturity will equal the gross proceeds less conversions.

## 9. Preferred shares

	June 30, 2010	December 31, 2009
Shares issued, Series 1 and Series 2	\$ 473,673	\$ 481,408
Derivative component	1,077	1,161
Deferred financing costs	(8,607)	(9,792)
	<b>\$ 466,143</b>	<b>\$ 472,777</b>

### Normal course issuer bid

On June 9, 2009, the Fund received approval from the Toronto Stock Exchange ("TSX") on its notice of intention to make a normal course issuer bid for its first preferred shares through the facilities of the TSX from June 11, 2009 to June 10, 2010, in accordance with applicable rules of the TSX.

On June 8, 2010, the Fund received approval from the TSX on its notice of intention to renew its normal course issuer bid for its preferred shares, Series 1 and preferred shares, Series 2 through the facilities of the TSX from June 11, 2010 to no later than June 10, 2011, in accordance with applicable rules and regulations of the TSX.

Under its normal course issuer bid, the Fund can purchase for cancellation up to 1,174,691 and 720,000 of its outstanding first preferred shares, series 1 ("Series 1 shares") and first preferred shares, series 2 ("Series 2 shares"), respectively. During the first and second quarters, the Fund had purchased for cancellation 167,620 Series 1 shares of the Fund for a total cash consideration of \$4.1 million including brokerage fees at an average price of \$24.55 per Series 1 share and 141,774 Series 2 shares of the Fund for a total cash consideration of \$2.8 million including brokerage fees at an average price of \$19.45 per Series 2 share. The carrying value of these Series 1 and Series 2 shares was \$4.1 million and \$3.5 million, respectively. The difference between the purchase price and the carrying value of the Series 1 and Series 2 shares of \$0.7 million was recorded in net earnings.

## 10. Equity attributable to non-controlling interests

	June 30, 2010	December 31, 2009
Shares issued, net of issuance costs and income taxes	\$ 333,880	\$ 324,130
Non-controlling interest related to Dealer.com	64,538	-
	<b>\$ 398,418</b>	<b>\$ 324,130</b>

On February 9, 2010, in connection with the acquisition of Red Flag Deals, Yellow Media Inc. issued 1,300,000 Series 7 shares at a price of \$7.50 per Series 7 share as payment to the vendors for the acquisition by way of a private placement. The holders of the Series 7 shares are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of Yellow Media Inc. in an amount equal to \$0.375 per Series 7 share per annum, yielding 5% per annum, payable quarterly on the third last business day of March, June, September and December of each year. The Series 7 shares are exchangeable into Units of the Fund or of the successor thereof upon conversion of the Fund into a corporation, at a ratio of one preferred share for one unit or newly tradable security. Of the 1,300,000 Series 7 shares, 1,000,000 shares are subject to a lock up agreement. The remaining 300,000 Series 7 shares may only be exchanged commencing January 1, 2012, subject to certain time-based and performance conditions (Note 2).

## 11. Unitholders' capital

	June 30, 2010	
	Number of Units	Amount
Balance, December 31, 2009	513,044,685	\$ 6,062,039
Units issued	3,104	12
Balance June 30, 2010 <sup>1,2</sup>	<b>513,047,789</b>	<b>\$ 6,062,051</b>

  

	June 30, 2009	
	Number of Units	Amount
Balance, December 31, 2008	518,301,059	\$ 6,144,416
Units issued	1,787	7
Repurchase of units	(267,300)	(3,169)
Balance June 30, 2009 <sup>1,2</sup>	<b>518,035,546</b>	<b>\$ 6,141,254</b>

<sup>1</sup> Includes nil (2009 - 8,715,000) Exchangeable Units of YPG LP issued as partial consideration of the Trader Media Corp. ("TMC") acquisition, which are presented as part of Unitholders' capital as the criteria of Emerging Issues Committee Abstract 151 Exchangeable Securities Issued by Subsidiaries of Income Trust are met.

<sup>2</sup> Includes 11,056,853 Restricted Units (2009 - 7,851,772) pursuant to the Restricted Unit Plan.

### Normal course issuer bid

During the six-month period ended June 30, 2009, the Fund purchased for cancellation 267,300 Units of the Fund for a total cost of \$1.9 million including brokerage fees at an average price of \$7.20 per unit. The average carrying value of these Units was \$11.86 per Unit. The difference between the purchase price and the carrying value of the Units of \$1.2 million was credited to Contributed Surplus. There were no such transactions in the first and second quarters of 2010.

### Exercise of options

During the three and six-month periods ended June 30, 2010, optionholders exercised 3,104 (2009 - 1,787) options at an exercise price of \$3.92 per option for cash consideration of \$12 thousand (2009 - \$7 thousand). These options were exercised into 3,104 (2009 - 1,787) shares of YPG Holdings Inc. which were automatically exchanged into 3,104 (2009 - 1,787) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$3.92 (2009- \$3.92) per share, which in turn were exchanged into units of YPG LP.

## Earnings per unit

The following table reconciles the net earnings attributable to owners of the Fund and the weighted average number of units outstanding used in computing basic earnings per unit to weighted average number of units outstanding used in computing diluted earnings per unit:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009 <sup>1</sup>	2010	2009 <sup>1</sup>
Weighted average number of units outstanding used in computing basic earnings per unit	503,465,369	512,153,331	504,105,534	512,991,928
Dilutive effect of options	382,451	394,028	383,214	394,468
Dilutive effect of Restricted Units <sup>2</sup>	9,550,471	5,839,440	8,924,648	5,027,131
Dilutive effect of Exchangeable Notes	9,699,703	-	4,876,646	-
Dilutive effect of Series 1 Preferred shares	48,576,019	55,225,035	51,606,505	54,445,358
Dilutive effect of Series 2 Preferred shares	29,721,362	36,814,987	31,603,624	36,296,061
Dilutive effect of Exchangeable Debentures	14,290,857	55,227,260	15,118,521	54,446,461
Dilutive effect of Series 7 Preferred shares	1,300,000	-	1,021,429	-
Weighted average number of units outstanding used in computing diluted earnings per unit	616,986,232	665,654,081	617,640,121	663,601,407

<sup>1</sup> The Exchangeable Units of YPG LP issued as partial consideration of the TMC acquisition described above are included in the number of units for both basic and diluted earnings per unit for the three-month and six-month periods ended June 30, 2009.

<sup>2</sup> Subject to specific pay-out conditions.

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Net earnings attributable to owners of the Fund	\$ 78,141	\$ 116,827	\$ 198,569	\$ 248,440
Impact of assumed conversion of Exchangeable Notes, net of applicable taxes	188	-	188	-
Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes	3,650	3,167	7,308	6,330
Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes	2,515	2,357	4,537	4,713
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	1,156	3,930	2,307	7,848
Impact of assumed conversion of Series 7 Preferred shares, net of applicable taxes	132	-	207	-
Net earnings adjusted for dilutive effect	\$ 85,782	\$ 126,281	\$ 213,116	\$ 267,331

## 12. Stock-based compensation plans

The Fund's stock-based compensation plans consist of a Restricted Unit Plan and a Stock Option Plan.

### Restricted Unit Plan

During the six-month period ended June 30, 2010, an amount of \$20.2 million (2009 – \$15 million) representing 3,744,460 (2009 – 2,407,340) Restricted Units were granted at an average market price of \$5.40 (2009 – \$6.23). Subject to the conversion of the Fund into a corporation not later than January 3, 2011, half of these Restricted Units will vest on the basis of time and the other half of these Restricted Units will vest based on the achievement of targets determined by the Board of Trustees. With the exception of the 2010 grants and Restricted Units granted to Directors, the number of Restricted Units that vest can potentially reach up to two-and-a-half times the actual number of Restricted Units awarded if the actual performance reaches the maximum level of the objectives. Consequently, \$17.6 million was used (2009 – \$24.1 million) to purchase 2,689,203 (2009 – 3,849,791) Restricted Units of the Fund on the open market of the Toronto Stock Exchange. In addition, an amount of \$3.5 million (2009 – \$2.5 million) was used to reinvest in 561,487 (2009 – 401,018) Restricted Units using the proceeds from the distributions on the Restricted Units held in escrow. This includes 172,337 (2009 – 179,163) Restricted Units associated with the portion which provides for up to a 250% pay-out.

The following table summarizes the status of the grants:

	June 30, 2010
	Number of Restricted Units
	2008 to 2010 Grants
Outstanding, beginning of period	4,558,668
Granted	3,744,460
Vested	(541,234)
Forfeited	(847,437)
Cash distributions reinvested	389,150
<b>Outstanding, end of period</b>	<b>7,303,607</b>

  

	June 30, 2009
	Number of Restricted Units
	2007 to 2009 Grants
Outstanding, beginning of period	2,221,443
Granted	2,407,340
Vested	(501,317)
Forfeited	(182,122)
Cash distributions reinvested	221,855
Outstanding, end of period	4,167,199

As at June 30, 2010 there were 821,617 (2009 - 244,505) Restricted Units which were not allocated to any specific employee and 2,931,629 (2009 - 3,440,068) Restricted Units representing the portion which provides up to a 250% pay-out. A recovery of \$2.4 million (2009 - \$2.1 million) and \$1.5 million (2009 - \$3.6 million) was recorded in the consolidated statement of earnings for the three-month and six-month periods ended June 30, 2010.

## Stock Options

### YPG LP

The following table summarizes the status of the stock option program:

	June 30, 2010	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	383,986	\$ 3.92
Exercised	(3,104)	3.92
<b>Outstanding, end of period</b>	<b>380,882</b>	<b>\$ 3.92</b>
<b>Exercisable, end of period</b>	<b>380,882</b>	<b>\$ 3.92</b>

  

	June 30, 2009	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	394,912	\$ 3.92
Exercised	(1,787)	3.92
Outstanding, end of period	393,125	\$ 3.92
Exercisable, end of period	393,125	\$ 3.92

No options have been granted to employees and non-employees since the inception of the Fund.

## 13. Financial charges, net

The significant components of the Fund's financial charges are as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Interest on long-term debt, Exchangeable Debentures and Exchangeable Notes	\$ 30,069	\$ 32,120	\$ 61,496	\$ 65,269
Standby fees and other financial charges, net	2,083	758	3,402	1,667
(Credits) other charges related to derivative financial instruments	(468)	1,489	1,440	3,139
Gain on purchase of Preferred shares, series 1 and 2 and Medium Term Notes, net	(2,595)	(221)	(5,117)	(221)
Amortization of deferred financing costs	2,253	1,927	4,146	3,919
Accretion on Exchangeable Debentures, Preferred shares and Exchangeable Notes	236	593	395	1,182
Foreign exchange (gain) loss	(1,520)	735	(579)	2
	\$ 30,058	\$ 37,401	\$ 65,183	\$ 74,957

## 14. Supplemental disclosure of cash flow information

Supplemental information:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Interest paid	\$ 22,291	\$ 31,823	\$ 71,400	\$ 71,256
Dividends on Preferred shares, series 1 and 2 paid	\$ 5,370	\$ 5,687	\$ 10,752	\$ 11,375
Issuance of Series 7 shares as partial consideration for a business acquisition	\$ -	\$ -	\$ 9,750	\$ -
Issuance of Exchangeable Notes as partial consideration for a business acquisition	\$ 141,562	\$ -	\$ 141,562	\$ -
Contribution of the Fund's interest in subsidiary for equity investment (Note 4)	\$ 75,248	\$ -	\$ 75,248	\$ -
Income taxes and capital taxes paid (received)	\$ 6,031	\$ (630)	\$ 13,700	\$ 3,101
Additions to fixed assets under capital leases	\$ -	\$ -	\$ -	\$ 172
Additions to fixed assets included in accounts payable and accrued liabilities	\$ 4,820	\$ 2,220	\$ 4,820	\$ 2,220

Cash and cash equivalents consist of:

	As at June 30,	
	2010	2009
Cash	\$ 48,628	\$ 3,743
Short-term investments	-	60,000
	\$ 48,628	\$ 63,743

## 15. Restructuring and special charges

In connection with the acquisitions described in Note 2, the Fund recorded costs of \$19.9 million for the quarter and \$23.5 million for the six-month period ended June 30, 2010. Included in these amounts is a provision for restructuring and special charges of \$9.5 million. The Fund has adopted formal plans to integrate and restructure the acquired businesses. Consequently, the Fund established provisions related to planned termination of employment of certain employees of the acquired businesses who are performing functions already available through its existing structuring and other restructuring of the acquired businesses' operations.

During the quarter, the Fund also recorded additional restructuring and special charges of \$9 million related to an internal reorganization and workforce reduction.

The following table sets forth the restructuring reserve activities and special charges provision:

	Restructuring charges	Other special charges	Total
Balance as at December 31, 2009	\$ 16,051	\$ 24,811	\$ 40,862
Provision related to the acquisition of Canpages	7,324	2,220	9,544
Provision related to 2010 initiatives	8,977	-	8,977
Utilized in 2010:			
Cash	(12,630)	(12,329)	(24,959)
<b>Balance as at June 30, 2010</b>	<b>\$ 19,722</b>	<b>\$ 14,702</b>	<b>\$ 34,424</b>

## 16. Accumulated other comprehensive income

The components of Accumulated other comprehensive income are as follows:

	June 30, 2010
Net gain on derivatives designated as cash flow hedges, net of income taxes <sup>1</sup>	\$ 817
Unrealized gains on translating financial statements of self-sustaining foreign operations	5,758
Unrealized loss on available-for-sale investment	(32)
<b>Balance June 30, 2010</b>	<b>\$ 6,543</b>
	June 30, 2009
Net loss on derivatives designated as cash flow hedges, net of income taxes <sup>1</sup>	\$ (2,310)
Unrealized gains on translating financial statements of self-sustaining foreign operations and foreign investees	5,611
Unrealized gain on available-for-sale investment	225
<b>Balance June 30, 2009</b>	<b>\$ 3,526</b>

<sup>1</sup> The net gain on derivatives designated as cash flow hedges in prior periods will be transferred to net earnings over the term of the underlying debt which matures on May 2011, February 2016 and February 2036.

## 17. Segmented information

The Fund's reportable segments consist of strategic business units that offer different products. Management has determined that the Fund operates in two reportable segments: Directories and Vertical Media. The Directories segment operates in print and online directories, and specialized publications. The Vertical Media segment operates in the vertical print publications and web sites by topic or area of interest. The accounting policies of the segments are the same as those used for the consolidated financial statements. The Fund or chief operating decision maker analyzes the performance of its operating segments based on their income from operations which is not a measure of performance under GAAP; however, management uses this performance measure for assessing the operating performance of its reportable segments.

The tables below summarize the selected financial information by segment:

	For the three-month period ended June 30, 2010		
	Directories	Vertical Media	Consolidated
Revenues	\$ 339,424	\$ 80,958	\$ 420,382
Operating costs	137,278	55,212	192,490
Conversion and rebranding costs	7,950	-	7,950
Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges	194,196	25,746	219,942
Depreciation and amortization	30,538	22,557	53,095
Acquisition-related costs	19,934	-	19,934
Restructuring and special charges	8,977	-	8,977
Income from operations	\$ 134,747	\$ 3,189	\$ 137,936

	For the six-month period ended June 30, 2010		
	Directories	Vertical Media	Consolidated
Revenues	\$ 675,719	\$ 152,794	\$ 828,513
Operating costs	272,495	108,345	380,840
Conversion and rebranding costs	11,601	-	11,601
Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges	391,623	44,449	436,072
Depreciation and amortization	54,595	44,213	98,808
Acquisition-related costs	23,549	-	23,549
Restructuring and special charges	8,977	-	8,977
Income from operations	\$ 304,502	\$ 236	\$ 304,738

	For the three-month period ended June 30, 2009		
	Directories	Vertical Media	Consolidated
Revenues	\$ 351,060	\$ 66,474	\$ 417,534
Operating costs	148,310	45,155	193,465
Income from operations before depreciation, amortization and restructuring and special charges	202,750	21,319	224,069
Depreciation and amortization	28,764	5,241	34,005
Restructuring and special charges	15,161	5,423	20,584
Income from operations	\$ 158,825	\$ 10,655	\$ 169,480

	For the six-month period ended June 30, 2009		
	Directories	Vertical Media	Consolidated
Revenues	\$ 699,859	\$ 126,028	\$ 825,887
Operating costs	289,309	88,646	377,955
Income from operations before depreciation and amortization and restructuring and special charges	410,550	37,382	447,932
Depreciation and amortization	61,026	11,096	72,122
Restructuring and special charges	15,161	5,423	20,584
Income from operations	\$ 334,363	\$ 20,863	\$ 355,226

	June 30, 2010		
	Directories	Vertical Media	Consolidated
Intangibles	\$ 1,792,811	\$ 433,023	\$ 2,225,834
Goodwill	\$ 5,788,127	\$ 693,091	\$ 6,481,218
Total assets	\$ 8,127,798	\$ 1,235,123	\$ 9,362,921

	December 31, 2009		
	Directories	Vertical Media	Consolidated
Intangibles	\$ 1,681,391	\$ 327,108	\$ 2,008,499
Goodwill	\$ 5,678,328	\$ 664,252	\$ 6,342,580
Total assets	\$ 7,799,723	\$ 1,141,883	\$ 8,941,606

	For the six-month periods ended June 30,	
	2010	2009
<b>Additions to fixed assets<sup>1</sup></b>		
Directories	\$ 17,402	\$ 13,636
Vertical Media	\$ 6,547	\$ 7,095
<b>Additions to intangible assets</b>		
Directories <sup>2</sup>	\$ 18,422	\$ 246
Vertical Media	\$ 1,523	\$ -

<sup>1</sup> These amounts represent total expenditures for additions to fixed assets, whether they are paid or not. The additions include internally developed software which will be reclassified to intangible assets once they become available for use.

<sup>2</sup> Excluding future income taxes of \$1.7 million.

## 18. Effect of new accounting standards not yet implemented

### International Financial Reporting Standards.

The Accounting Standards Board of Canada ("AcSB") will converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Fund has established a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created and third party advisors have been engaged to provide training to our staff. The Fund completed the scoping and diagnostic phase and is now in the implementation and review phase.

## 19. Subsequent event

On July 8, 2010, Yellow Media Inc. issued convertible unsecured subordinated debentures for a principal amount of \$200 million ("Convertible Debentures"). The Convertible Debentures bear interest payable semi-annually at a rate of 6.25% and mature on October 1, 2017. The Convertible Debentures may be exchanged at any time, at the option of the holder, for units of the Fund at an exchange price of \$8 per unit. On and after October 1, 2013 and prior to October 1, 2015, the Convertible Debentures may be redeemed in whole or in part from time to time at the option of Yellow Media Inc. at a price equal to their principal amount plus accrued and unpaid interest, provided that the current market price preceding the date on which the notice of redemption is given is not less than 125% of the Exchange price. On and after October 1, 2015, the Convertible Debentures may be redeemed in whole or in part from time to time at the option of Yellow Media Inc. at price equal to their principal amount plus accrued interest.