

Interim consolidated financial statements of

YELLOW PAGES INCOME FUND

*March 31, 2004
(unaudited)*

YELLOW PAGES INCOME FUND

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YELLOW PAGES INCOME FUND
Interim Consolidated Balance Sheets
(in thousands of Canadian dollars)

	March 31, 2004	December 31, 2003
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,912	\$ 45,545
Restricted cash (Note 4 and Note 12)	197,078	203,040
Accounts receivable	83,341	82,639
Prepaid expenses	5,205	3,903
Deferred publication costs	50,360	32,751
Future income taxes	18,970	18,453
	394,866	386,331
DEFERRED PUBLICATION COSTS	6,733	2,326
CAPITAL ASSETS	40,062	40,834
OTHER ASSETS	2,251	2,686
ACCRUED BENEFIT ASSETS	41,881	41,387
INTANGIBLES (Note 5)	1,252,191	1,307,601
GOODWILL	2,748,624	2,681,579
	\$ 4,486,608	\$ 4,462,744
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 55,385	\$ 65,506
Withholding taxes payable (Note 4 and Note 12)	197,078	203,040
Distributions payable	17,681	16,836
Deferred revenues	33,465	23,269
Current portion of long-term debt	1,362	1,114
	304,971	309,765
DEFERRED CREDITS	7,890	6,839
ACCRUED BENEFIT LIABILITIES	29,429	29,114
LONG-TERM DEBT	1,053,885	1,053,992
FUTURE INCOME TAXES	48,088	54,938
NON-CONTROLLING INTEREST	527,202	585,615
	1,971,465	2,040,263
UNITHOLDERS' EQUITY	2,515,143	2,422,481
	\$ 4,486,608	\$ 4,462,744

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

YELLOW PAGES INCOME FUND
Interim Consolidated Statement of Earnings
(in thousands of Canadian dollars, except unit information - unaudited)

	For the three -month period ended March 31, 2004
Revenues	\$ 154,684
Operating costs	53,035
Income from operations before depreciation and amortization	101,649
Depreciation and amortization	72,791
Income from operations	28,858
Financial charges (Note 10)	9,664
Earnings before income taxes and non-controlling interest	19,194
Recovery of income taxes	(11,661)
Non-controlling interest	21,384
Net earnings	\$ 9,471
Net earnings per unit	\$ 0.040
Weighted average number of units outstanding used in computing earnings per unit	236,040,035
Diluted earnings per unit	\$ 0.039
Weighted average number of units outstanding used in computing diluted earnings per unit	241,644,665

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

YELLOW PAGES INCOME FUND
Interim Consolidated Statement of Unitholders' Equity
(in thousands of Canadian dollars - unaudited)

	For the three-month period ended March 31, 2004				
	Unitholders' Capital (Note 7)	Stock Options Outstanding	Accumulated Earnings	Distributions	Total
Balance, December 31, 2003, as previously reported	\$ 2,464,600	\$ -	\$ 3,161	\$ (45,280)	\$ 2,422,481
Cumulative effect of adopting new accounting policy (Note 9)	-	17	(17)	-	-
Balance, December 31, 2003, as restated	2,464,600	17	3,144	(45,280)	2,422,481
Issuance of units	134,573	-	-	-	134,573
Employee unit purchase loans reimbursed	714	-	-	-	714
Distributions (Note 8)	-	-	-	(52,198)	(52,198)
Obligations under stock options granted (Note 9)	-	102	-	-	102
Net earnings for the period	-	-	9,471	-	9,471
Balance, March 31, 2004	\$ 2,599,887	\$ 119	\$ 12,615	\$ (97,478)	\$ 2,515,143

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

YELLOW PAGES INCOME FUND
Interim Consolidated Statement of Cash Flows
(in thousands of Canadian dollars - unaudited)

	For the three-month period ended March 31, 2004
OPERATING ACTIVITIES	
Net earnings	\$ 9,471
Items not affecting cash and cash equivalents	
Depreciation and amortization	72,791
Amortization of deferred financing costs	171
Non-controlling interest	21,384
Other non-cash items	1,477
Future income taxes	(11,816)
Changes in operating assets and liabilities	(17,513)
	75,965
INVESTING ACTIVITIES	
Acquisition of capital assets	(9,084)
Proceeds from lease inducements	3,008
	(6,076)
FINANCING ACTIVITIES	
Issue costs	(2,244)
Proceeds from exercise of options (Note 3)	1,622
Proceeds from reimbursement of employee unit purchase loans	714
Repayment of long-term debt, net	(278)
Distributions to unitholders	(51,353)
Distributions to non-controlling interest	(23,983)
	(75,522)
DECREASE IN CASH AND CASH EQUIVALENTS	(5,633)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,545
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 39,912

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

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

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, YPG General Partner Inc. (“YPG GP”), YPG LP, YPG Holdings Inc. and those of Yellow Pages Group Co. 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 financial statements for the period from commencement of operations, August 1, 2003 to December 31, 2003.

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the period from commencement of operations, August 1, 2003 to December 31, 2003, with the exception of the following:

Stock-based compensation plan

Effective January 1, 2003, YPG LP adopted the accounting standard of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”. The standard requires recognition of compensation awards granted to employees and others. The standard was applied to awards granted on or after January 1, 2003.

For 2003, YPG LP, as permitted under the new standard, chose not to use the fair value method to account for stock options issued to employees under the stock option program. No compensation expense was recognized for this plan when stock options were granted to employees.

Effective January 1, 2004, YPG LP adopted the amendment to CICA Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”. The amendment, issued in November 2003, requires the expensing of all stock-based compensation awards for fiscal years beginning on or after January 1, 2004 using the fair value method. YPG LP has chosen to adopt the amendment using the retroactive without restatement transitional alternative as permitted by the standard.

Impairment of long-lived assets

Effective January 1, 2004, the Fund adopted the accounting standard of the new CICA Handbook, Section 3063, “Impairment of long-lived assets”. This standard provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. It replaces the write-down provisions in Section 3061, “Property, plant and equipment”. The new standard requires the recognition of an impairment loss for a long-lived asset to be held and used when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. The adoption of this standard did not have any impact on the Fund’s financial statements.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

2. DESCRIPTION OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on June 25, 2003 by a declaration of trust and amended by amended and restated declarations. The Fund has been created to invest, through YPG Trust, a newly constituted wholly-owned trust, in partnership units of YPG LP and shares of YPG GP, the general partner of YPG LP. YPG LP, through subsidiaries, operates print and electronic directories advertising businesses, primarily in the Provinces of Ontario and Québec.

On February 10, 2004, BCE Inc. ("BCE") exchanged all of its 11,111,100 units of YPG LP and its 11,111,100 common shares of YPG GP for the equivalent number of units of the Fund, in accordance with the Investor Liquidity Agreement entered into at the time of the Fund's initial public offering (the "Offering"). Following the exercise of this liquidation right, the Fund held a 70.25% equity interest in YPG LP.

References herein to YPG LP represent the financial position, results of operations, cash flows and disclosures of YPG LP and its subsidiaries on a consolidated basis.

3. BUSINESS ACQUISITION

In February 2004, optionholders exercised 413,683 options at an exercise price of \$3.92 per option for cash consideration of \$1.6 million. These options were exercised into 413,683 shares of YPG Holdings Inc. which were automatically exchanged into 413,683 units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$11.85 per share which in turn were exchanged into units of YPG LP. This transaction, combined with the exchange by BCE of all its 11,111,100 units of YPG LP and its 11,111,100 common shares of YPG GP for the equivalent number of units of the Fund as described in Note 2, resulted in the Fund acquiring, directly and indirectly, an additional 3.28% interest in YPG LP for a total consideration of \$134.6 million, increasing its interest to 70.28%. The Fund accounted for this acquisition of non-controlling interest as a step purchase. The excess of the purchase price over the net book value of the non-controlling interest acquired was allocated to the net identifiable assets acquired on the basis of their fair market values, based on preliminary valuations, using the purchase method of accounting. The allocation to the net identifiable assets could change as a result of receiving the final valuations. The Fund's share in the fair value increments of the underlying net identifiable assets of YPG LP was allocated as follows:

Current assets and liabilities, net	\$	564
Other assets		(261)
Accrued benefit assets		542
Intangibles		
Trademark		2,587
Non-competition agreement and logo		240
Customer contracts		9,607
Customer relationships		2,042
Domain names		28
Future income tax liabilities		(4,449)
Net identifiable assets acquired		10,900
Non-controlling interest acquired		56,628
Goodwill		67,045
Purchase price	\$	134,573

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

4. RESTRICTED CASH

In connection with the purchase by the Fund through the Trust of 118,000,000 units of YPG LP from the other Limited Partners on December 17, 2003, the Trust entered into an escrow agreement with CIBC Mellon Trust Company and certain other Limited Partners of YPG LP who were non-residents of Canada for tax purposes. Under the terms of this agreement, the Trust transferred \$203.0 million of the proceeds payable to these non-resident Limited Partners to an escrow account. The restricted cash held in escrow for the benefit of the non-residents will be remitted in accordance with the escrow arrangements. During the three-month period ended March 31, 2004, the Fund remitted \$7.3 million to these non-residents. As at March 31, 2004, the balance remaining in the escrow account amounts to \$197.0 million.

5. INTANGIBLES

	March 31, 2004		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Trademark	\$ 1,037,739	\$ -	\$ 1,037,739
Non-competition agreement and logo	108,709	1,089	107,620
Customer contracts	134,740	69,070	65,670
Customer relationships	47,800	12,380	35,420
Domain names	5,742	-	5,742
	<u>\$ 1,334,730</u>	<u>\$ 82,539</u>	<u>\$ 1,252,191</u>

	December 31, 2003		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Trademark	\$ 1,035,152	\$ -	\$ 1,035,152
Non-competition agreement and logo	108,469	151	108,318
Customer contracts	125,133	10,884	114,249
Customer relationships	45,758	1,590	44,168
Domain names	5,714	-	5,714
	<u>\$ 1,320,226</u>	<u>\$ 12,625</u>	<u>\$ 1,307,601</u>

Amortization for the three-month period ended March 31, 2004 was \$69.9 million.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

6. EMPLOYEE BENEFIT PLANS

The net benefit plans cost for the period included the following components:

	For the three-month period ended March 31, 2004	
	<u>Pension Benefits</u>	<u>Other Benefits</u>
Current service cost	\$ 1,551	\$ 244
Interest cost on accrued benefit obligation	4,251	644
Expected return on plan assets	(5,670)	(104)
Net benefit plan cost, recognized	\$ 132	\$ 784

7. UNITHOLDERS' CAPITAL

The Fund Declaration of Trust provides that an unlimited number of units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund. All Trust Units are of the same class with equal rights and privileges. The units issued are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole unit held at all meetings of Unitholders.

Issued

	<u>Number of Units</u>	<u>Amounts</u>
Balance, December 31, 2003	229,504,642	\$ 2,464,600
Units issued	11,524,783	134,573
Employee unit purchase loans reimbursed	155,493	714
Balance, March 31, 2004	241,184,918	\$ 2,599,887

In February 2004, the Fund issued 11,524,783 units as a result of the transaction described in Note 3, for a total consideration of \$134.6 million.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

8. DISTRIBUTIONS TO UNITHOLDERS

The Fund intends to make distributions of its available cash to the maximum extent possible to the Unitholders. The Fund intends to make equal monthly cash distributions to Unitholders on the last day of each month, less estimated cash amounts required for expenses and other obligations of the Fund and cash redemptions of Units and any tax liabilities.

Cash distributions are payable monthly to the Unitholders of record on the last business day of each month and are paid within 30 days following the end of each month.

During the three-month period ended March 31, 2004, the Fund declared total distributions to Unitholders of \$52.2 million or \$0.0733 per unit for three months. The amounts and record dates of the distributions were:

Record Date	Amount	Amounts per Unit
January 20, 2004	\$ 16,836	\$ 0.0733
February 17, 2004	17,681	0.0733
March 19, 2004	17,681	0.0733
	\$ 52,198	\$ 0.2199

9. STOCK-BASED COMPENSATION PLAN

YPG LP's stock-based compensation plans consist of the stock options of YPG Holdings Inc.

Prior to the Offering, the options held by all optionholders became options to purchase Class B common shares of YPG Holdings Inc. On closing of the Offering, all optionholders entered into the Optionholders' Liquidity Agreement pursuant to which the optionholders shall, at the time of the exercise of the options, automatically exercise their right to exchange the number of shares of YPG Holdings Inc. for a corresponding number of units of the Fund.

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

	For the three-month period ended March 31, 2004	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	5,856,797	\$3.92
Exercised	(413,683)	3.92
Cancelled	(36,998)	3.92
Outstanding, end of period	5,406,116	\$3.92
Exercisable, end of period	377,901	\$3.92

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

9. STOCK-BASED COMPENSATION PLAN (continued)

Effective January 1, 2004, YPG LP adopted the accounting standard related to the stock based compensation plan as described in Note 1 applicable to all awards granted on or after January 1, 2003 using the retroactive without restatement transitional alternative. As a result, the cumulative effect of adopting the new accounting policy on the opening accumulated earnings is \$17,000 and a compensation expense of \$102,000 is included in the consolidated statement of earnings for the three-month period ended March 31, 2004.

10. FINANCIAL CHARGES

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

	For the three-month period ended March 31, 2004
Interest on non-revolving term facilities	\$ 7,225
Interest on commercial paper	1,750
Standby fees and other charges	518
Amortization of deferred financing costs	171
	\$ 9,664

11. GUARANTEES

In the normal course of operations, the Fund has entered into agreements that contain certain features which meet the definition of a guarantee under the guidance provided by CICA Accounting Guideline 14 "Disclosure of Guarantees" and which are customary in the industry.

The Fund has entered into agreements which contain indemnification of certain of its directors and officers to indemnify them against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Fund. The Fund has purchased directors' and officers' liability insurance. No amount has been accrued in the consolidated balance sheet as of March 31, 2004, with respect to this indemnity.

Pursuant to the Offering and a subsequent offering on December 17, 2003, the Fund has also entered into underwriting agreements with the underwriters and Investor Liquidity Agreements with, KKR, Teachers' and BCE whereby the Partnership may have to indemnify the parties because of representations made at the time of the Offering and the subsequent offering. No amount has been accrued in the consolidated balance sheet as of March 31, 2004, with respect to these indemnities.

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

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

12. SUBSEQUENT EVENTS

On April 21, 2004, YPG Holdings Inc., a wholly-owned subsidiary of YPG LP, issued Series 1 and Series 2 Medium Term Notes for combined gross proceeds of \$749.9 million. The issuance is comprised of \$450.0 million of 4.57% Series 1 Notes maturing on April 21, 2009 priced at \$99.982 for an initial yield to the noteholders of 4.574% compounded semi-annually and \$300.0 million of 5.71% Series 2 Notes maturing on April 21, 2014 priced at \$99.985 for an initial yield to the noteholders of 5.712% compounded semi-annually. The proceeds from the issuance of the Notes were used to repay bank borrowings under the existing bank credit facilities and for general corporate purposes. The Series 1 Notes and Series 2 Notes are guaranteed by the Fund.

In April 2004, the Fund remitted an additional \$152.5 million under the terms of the escrow arrangement to the non-resident Limited Partners of YPG LP.

Interim consolidated financial statements of

YPG LP

(formerly BAI Acquisition Limited Partnership)

March 31, 2004

(Unaudited)

YPG LP (formerly BAI Acquisition Limited Partnership)
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YPG LP (formerly BAI Acquisition Limited Partnership)
Interim Consolidated Balance Sheets
(in thousands of Canadian dollars)

	March 31, 2004	December 31, 2003
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,912	\$ 45,545
Accounts receivable	83,480	82,723
Prepaid expenses	5,201	3,895
Deferred publication costs	71,689	62,333
Future income taxes	15,517	14,043
	215,799	208,539
DEFERRED PUBLICATION COSTS	6,733	5,110
CAPITAL ASSETS	40,062	40,834
OTHER ASSETS	7,574	8,142
FUTURE INCOME TAXES	-	3,861
ACCRUED BENEFIT ASSETS	30,255	30,303
INTANGIBLES (Note 3)	1,120,677	1,127,754
GOODWILL (Note 4)	1,568,387	1,566,278
	\$ 2,989,487	\$ 2,990,821
LIABILITIES AND PARTNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 47,775	\$ 57,061
Distributions payable	25,158	25,197
Deferred revenues	44,648	42,776
Current portion of long-term debt	1,362	1,114
	118,943	126,148
DEFERRED CREDITS	7,890	6,839
ACCRUED BENEFIT LIABILITIES	29,427	29,112
LONG-TERM DEBT	1,053,885	1,053,992
FUTURE INCOME TAXES	5,671	-
	1,215,816	1,216,091
PARTNERS' EQUITY	1,773,671	1,774,730
	\$ 2,989,487	\$ 2,990,821

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

YPGLP (formerly BAI Acquisition Limited Partnership)
Interim Consolidated Statements of Earnings
(in thousands of Canadian dollars - unaudited)

	For the three-month period ended March 31, 2004	For the three-month period ended March 31, 2003
Revenues	\$ 164,323	\$ 146,295
Operating costs	66,307	43,245
Income from operations before depreciation and amortization	98,016	103,050
Depreciation and amortization	11,589	118,519
Income (loss) from operations	86,427	(15,469)
Financial charges (Note 8)	10,044	30,414
Earnings (loss) before income taxes and non-controlling interest	76,383	(45,883)
Provision for (recovery of) income taxes	7,733	(27,082)
Non-controlling interest	-	(505)
Net earnings (loss)	\$ 68,650	\$ (18,296)

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

YPG LP (formerly BAI Acquisition Limited Partnership)
Interim Consolidated Statements of Partners' Equity
(in thousands of Canadian dollars – unaudited)

	For the three-month period ended March 31, 2004				
	<u>Partners' Capital (Note 6)</u>	<u>Stock Options Outstanding</u>	<u>Accumulated Earnings</u>	<u>Distributions</u>	<u>Total</u>
Balance, December 31, 2003, as previously reported	\$ 1,988,319	\$ 258	\$ (93,788)	\$ (120,059)	\$ 1,774,730
Cumulative effect of adopting new accounting policy (Note 7)	-	275	(275)	-	-
Balance, December 31, 2003 as restated	1,988,319	533	(94,063)	(120,059)	1,774,730
Issuance of units	4,906	-	-	-	4,906
Employee unit purchase loans reimbursed	714	-	-	-	714
Distributions	-	-	-	(75,431)	(75,431)
Obligations under stock options granted (Note 7)	-	102	-	-	102
Net earnings for the period	-	-	68,650	-	68,650
Balance, March 31, 2004	\$ 1,993,939	\$ 635	\$ (25,413)	\$ (195,490)	\$ 1,773,671

	For the three-month period ended March 31, 2003				
	<u>Partners' Capital</u>	<u>Stock Options Outstanding</u>	<u>Accumulated Earnings</u>	<u>Distributions</u>	<u>Total</u>
Balance, December 31, 2002	\$ 905,878	\$ -	\$ (36,852)	\$ -	\$ 869,026
Net loss for the period	-	-	(18,296)	-	(18,296)
Balance, March 31, 2003	\$ 905,878	\$ -	\$ (55,148)	\$ -	\$ 850,730

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

YPG LP (formerly BAI Acquisition Limited Partnership)
Interim Consolidated Statements of Cash Flows
(in thousands of Canadian dollars - unaudited)

	For the three-month period ended March 31, 2004	For the three-month period ended March 31, 2003
OPERATING ACTIVITIES		
Net earnings (loss)	\$ 68,650	\$ (18,296)
Items not affecting cash and cash equivalents		
Depreciation and amortization	11,589	118,519
Amortization of deferred financing costs	568	2,149
Foreign exchange gains	-	(17,599)
Non-controlling interest	-	(505)
Other non-cash items	1,472	886
Future income taxes	7,600	(27,243)
Change in operating assets and liabilities	(13,780)	(10,466)
	76,099	47,445
INVESTING ACTIVITIES		
Acquisition of capital assets	(9,084)	(2,459)
Business acquisitions, net of cash acquired	-	(4,786)
Proceeds from lease inducements	3,008	-
	(6,076)	(7,245)
FINANCING ACTIVITIES		
Issue costs	(2,244)	-
Proceeds from exercise of options	1,622	-
Proceeds from reimbursement of employee unit purchase loans	714	-
Repayment of long-term debt, net	(278)	(12,791)
Distributions	(75,470)	-
Deferred financing costs	-	(9,311)
	(75,656)	(22,102)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,633)	18,098
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,545	37,382
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 39,912	\$ 55,480

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

YPG LP (formerly BAI Acquisition Limited Partnership)
Notes to the Interim Consolidated Financial Statements
March 31, 2004

(all tabular amounts are in thousands of Canadian dollars, except where otherwise noted - unaudited)

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 YPG LP (formerly BAI Acquisition Limited Partnership), YPG Holdings Inc. and those of Yellow Pages Group Co. (the “Partnership”). 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 financial statements for the year ended December 31, 2003.

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, 2003 with the exception of the following:

Stock-based compensation plan

Effective January 1, 2003, the Partnership adopted the accounting standard of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”. The standard requires recognition of compensation awards granted to employees and others. The standard was applied to awards granted on or after January 1, 2003.

For 2003, the Partnership, as permitted under the new standard, chose not to use the fair value method to account for stock options issued to employees under the stock option program. No compensation expense was recognized for this plan when stock options were granted to employees.

Effective January 1, 2004, the Partnership adopted the amendment to CICA Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”. The amendment, issued in November 2003, requires the expensing of all stock-based compensation awards for fiscal years beginning on or after January 1, 2004 using the fair value method. The Partnership has chosen to adopt the amendment using the retroactive without restatement transitional alternative as permitted by the standard.

Impairment of long-lived assets

Effective January 1, 2004, the Partnership adopted the accounting standard of the new CICA Handbook, Section 3063, “Impairment of long-lived assets”. This standard provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. It replaces the write-down provisions in Section 3061, “Property, plant and equipment”. The new standard requires the recognition of an impairment loss for a long-lived asset to be held and used when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. The adoption of this standard did not have any impact on the Partnership’s financial statements.

YPG LP (formerly BAI Acquisition Limited Partnership)
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(all tabular amounts are in thousands of Canadian dollars, except where otherwise noted - unaudited)

2. DESCRIPTION OF BUSINESS

YPG LP is a limited partnership established on November 29, 2002, under the laws of the Province of Manitoba by YPG General Partner Inc. (the General Partner). The Partnership is owned, indirectly, by Yellow Pages Income Fund (the "Fund") (70.28%), KKR 1996 Fund (Overseas), Limited Partnership and KKR Partners (International) Limited Partnership (investment funds managed by Kohlberg Kravis Roberts & Co.) ("KKR") (19.43%) and Ontario Teachers Pension Plan Board ("Teachers") (10.29%). The Partnership operates, through subsidiaries, print and electronic directories advertising businesses primarily in the Provinces of Ontario and Québec.

On February 10, 2004, BCE Inc. ("BCE") exchanged all of its 11,111,100 units of the Partnership and its 11,111,100 common shares of YPG GP for the equivalent number of units of the Fund, in accordance with the Investor Liquidity Agreement entered into at the time of the Fund's initial public offering (the "Offering").

3. INTANGIBLES

	March 31, 2004		
	Cost	Accumulated Amortization	Net Book Value
Trademark	\$ 1,006,150	\$ -	\$ 1,006,150
Non-competition agreement and logo	110,620	4,901	105,719
Customer contracts	261,942	261,531	411
Customer relationships	71,191	67,928	3,263
Domain names	5,134	-	5,134
	\$ 1,455,037	\$ 334,360	\$ 1,120,677

	December 31, 2003		
	Cost	Accumulated Amortization	Net Book Value
Trademark	\$ 1,005,000	\$ -	\$ 1,005,000
Non-competition agreement and logo	110,500	3,980	106,520
Customer contracts	261,655	261,216	439
Customer relationships	71,115	60,454	10,661
Domain names	5,134	-	5,134
	\$ 1,453,404	\$ 325,650	\$ 1,127,754

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3. INTANGIBLES (continued)

Amortization for the three-month period ended March 31, 2004 was \$8.7 million (2003 - \$117.4 million).

Immediately after the exercise of the options described in Note 7, the shares of YPG Holdings Inc. were exchanged for units of the Fund. The transaction has been accounted for by the Partnership as a step purchase under the purchase method. The excess price paid over the book value of the shares acquired resulted in an increase in the trademark of \$1.1 million, an increase of non-competition agreement and logo of \$0.1 million, an increase of \$0.3 million of customer contracts and an increase of customer relationships of approximately \$0.1 million.

4. GOODWILL

Immediately after the exercise of the options described in Note 7, the shares of YPG Holdings Inc. were exchanged for units of the Fund. The transaction has been accounted for by the Partnership as a step purchase under the purchase method. The excess price paid over the book value of the shares acquired resulted in an increase of goodwill of approximately \$2.1 million.

5. EMPLOYEE BENEFIT PLANS

The net benefit plans cost for the periods included the following components:

	For the three-month period ended March 31, 2004		For the three-month period ended March 31, 2003	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Current service cost	\$ 1,551	\$ 244	\$ 1,780	\$ 124
Interest cost on accrued benefit obligation	4,251	644	4,950	332
Expected return on plan assets	(5,670)	(104)	(6,243)	(57)
Net benefit plan cost, recognized	\$ 132	\$ 784	\$ 487	\$ 399

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6. PARTNERS' CAPITAL

The Partnership is authorized to issue an unlimited number of units. The units are voting and participate equally in income, losses and capital distributions of the Partnership.

Issued

	General Partner	Limited Partners		Total	
	\$	Units	\$	Units	\$
Balance, December 31, 2003	\$ 2,041	342,615,642	\$ 1,986,278	342,615,642	\$ 1,988,319
Units issued	-	413,683	4,901	413,683	4,901
Capital contributions	5	-	-	-	5
Employee unit purchase loans reimbursed	-	155,493	714	155,493	714
Balance, March 31, 2004	\$ 2,046	343,184,818	\$ 1,991,893	343,184,818	\$ 1,993,939

The General Partner does not own units of the Partnership but rather is entitled to an undivided interest of 0.1% as to capital and income (its general partnership interest).

In February 2004, optionholders exercised 413,683 options at an exercise price of \$3.92 per option for cash consideration of \$1.6 million. These options were exercised and exchanged for 413,683 shares of YPG Holdings Inc. which were automatically exchanged into 413,683 units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$11.85 per share which in turn were exchanged into 413,683 units of YPG LP, resulting in a total capital contribution of \$4.9 million.

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7. STOCK-BASED COMPENSATION PLAN

The Partnership's stock-based compensation plans consist of the stock options of YPG Holdings Inc.

Prior to the Offering, the options held by all optionholders became options to purchase Class B common shares of YPG Holdings Inc. On closing of the Offering, all optionholders entered into the Optionholders' Liquidity Agreement pursuant to which the optionholders shall, at the time of the exercise of the options, automatically exercise their right to exchange the number of shares of YPG Holdings Inc. for a corresponding number of units of the Fund. As part of the reorganization that occurred prior to the Offering, the number of options was adjusted by a factor of 1.2756 and the exercise price was adjusted by a factor of 0.7839.

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

	For the three-month period ended March 31, 2004	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	5,856,797	\$ 3.92
Exercised	(413,683)	3.92
Cancelled	(36,998)	3.92
Outstanding, end of period	5,406,116	\$ 3.92
Exercisable, end of period	377,901	\$ 3.92

	For the three-month period ended March 31, 2003	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	2,427,750	\$ 5.00
Conversion rate	1.2756	0.7839
Outstanding, end of period	3,096,881	\$ 3.92
Exercisable, end of period	-	\$ -

No options were granted during the three-month period ended March 31, 2003.

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7. STOCK-BASED COMPENSATION PLAN (continued)

Effective January 1, 2004, the Partnership adopted the accounting standard related to the stock based compensation plan as described in Note 1 applicable to all awards granted on or after January 1, 2003 using the retroactive without restatement transitional alternative. As a result, the cumulative effect of adopting the new accounting policy on the opening accumulated earnings is \$275,000. As there were no options granted during the three-month period ended March 31, 2003, there is no pro forma impact on the net earnings.

Subsequent to January 1, 2003, 3,144,189 stock options (net of 132,422 cancellations) were granted to certain employees at an exercise price of \$3.92 per share resulting in compensation expense of \$102,000 included in the consolidated statement of earnings for the three-month period ended March 31, 2004.

8. FINANCIAL CHARGES

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

	For the three-month period ended March 31, 2004	For the three-month period ended March 31, 2003
Interest on non-revolving term facilities	\$ 7,225	\$ 27,186
Interest on senior Subordinated loans	-	18,493
Interest on commercial paper	1,750	-
Standby fees and other charges	501	185
Amortization of deferred financing costs	568	2,149
Foreign exchange gains	-	(17,599)
	\$ 10,044	\$ 30,414

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9. RESERVE FOR RESTRUCTURING AND SPECIAL CHARGES

The following table sets forth the restructuring reserve activities and special charges against the reserve carried forward from December 31, 2003.

	Restructuring charges	Other special charges	Total
Balance, December 31, 2003	\$ 5,465	\$ 100	\$ 5,565
Utilized in 2004			
Cash	2,455	13	2,468
Balance, March 31, 2004	\$ 3,010	\$ 87	\$ 3,097

10. GUARANTEES

In the normal course of operations, the Partnership has entered into agreements that contain certain features which meet the definition of a guarantee under the guidance provided by CICA Accounting Guideline 14, "Disclosure of Guarantees" and which are customary in the industry.

The Partnership has entered into agreements which contain indemnification of certain of its directors and officers to indemnify them against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Partnership. The Partnership benefits from directors' and officers' liability insurance which is purchased by the Fund. No amount has been accrued in the consolidated balance sheet as of March 31, 2004, with respect to this indemnity.

Pursuant to the Offering and a subsequent offering on December 17, 2003, the Partnership has also entered into underwriting agreements with the underwriters and Investor Liquidity Agreements with KKR, Teachers and BCE whereby the Partnership may have to indemnify the parties because of representations made at the time of the Offering and the subsequent offering. No amount has been accrued in the consolidated balance sheet as of March 31, 2004, with respect to these indemnities.

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

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11. SUBSEQUENT EVENT

On April 21, 2004, YPG Holdings Inc., a wholly-owned subsidiary of the Partnership, issued Series 1 and Series 2 Medium Term Notes for combined gross proceeds of \$749.9 million. The issuance is comprised of \$450.0 million of 4.57% Series 1 Notes maturing on April 21, 2009 priced at \$99.982 for an initial yield to the noteholders of 4.574% compounded semi-annually and \$300 million of 5.71% Series 2 Notes maturing on April 21, 2014 priced at \$99.985 for an initial yield to the noteholders of 5.712% compounded semi-annually. The proceeds from the issuance of the Notes were used to repay bank borrowings under the Partnership's existing bank credit facilities and for general corporate purposes.

12. COMPARATIVE FIGURES

Certain of the prior period comparative figures have been reclassified to conform to the current period's presentation.