

Interim consolidated financial statements of

YELLOW PAGES INCOME FUND

June 30, 2005

YELLOW PAGES INCOME FUND

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YELLOW PAGES INCOME FUND

Interim Consolidated Balance Sheet

(in thousands of Canadian dollars)

	June 30, 2005 (unaudited)	December 31, 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,557	\$ 186,957
Accounts receivable	129,507	83,672
Prepaid expenses	5,840	1,899
Deferred publication costs	77,058	63,405
Future income taxes	24,874	15,687
	258,836	351,620
DEFERRED PUBLICATION COSTS	6,529	5,399
CAPITAL ASSETS	80,601	58,082
OTHER ASSETS	22,104	10,558
ACCRUED BENEFIT ASSETS	45,395	46,664
INTANGIBLES	1,780,515	1,199,196
GOODWILL	5,276,239	3,268,927
FUTURE INCOME TAXES	12,667	-
	\$ 7,482,886	\$ 4,940,446
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 102,298	\$ 61,271
Distributions payable	37,717	26,376
Deferred revenues	39,610	46,550
Future income taxes	1,181	-
Current portion of long-term debt (Note 5)	1,524	1,673
	182,330	135,870
DEFERRED CREDITS	25,064	16,201
FUTURE INCOME TAXES	43,140	55,459
ACCRUED BENEFIT LIABILITIES	75,708	31,187
LONG-TERM DEBT (Note 5)	2,060,892	1,190,058
	2,387,134	1,428,775
UNITHOLDERS' EQUITY	5,095,752	3,511,671
	\$ 7,482,886	\$ 4,940,446

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

YELLOW PAGES INCOME FUND

Interim Consolidated Statements of Earnings

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

	For the three- month period ended June 30, 2005	For the three- month period ended June 30, 2004	For the six- month period ended June 30, 2005	For the six- month period ended June 30, 2004
Revenues	\$ 215,285	\$ 156,754	\$ 386,134	\$ 311,438
Operating costs	87,713	55,837	155,617	108,872
Income from operations before depreciation and amortization	127,572	100,917	230,517	202,566
Depreciation and amortization	39,812	70,657	66,680	143,448
Income from operations	87,760	30,260	163,837	59,118
Financial charges, net (Note 9)	33,787	14,334	46,176	23,998
Earnings before income taxes and non-controlling interest	53,973	15,926	117,661	35,120
Recovery of income taxes	(10,280)	(16,618)	(10,296)	(28,279)
Non-controlling interest	-	14,743	-	36,127
Net earnings	\$ 64,253	\$ 17,801	\$ 127,957	\$ 27,272
Net earnings per unit	\$ 0.14	\$ 0.07	\$0.32	\$0.11
Weighted average number of units outstanding used in computing earnings per unit (Note 6)	395,874,517	264,040,991	370,190,951	250,062,090
Diluted earnings per unit	\$ 0.13	\$ 0.07	\$0.30	\$0.11
Weighted average number of units outstanding used in computing diluted earnings per unit (Note 6)	461,799,207	269,257,678	405,462,260	255,471,916

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

YELLOW PAGES INCOME FUND

Interim Consolidated Statements of Unitholders' Equity

(in thousands of Canadian dollars - unaudited)

For the six-month
period ended
June 30, 2005

	Unitholders' Capital (Note 6)	Stock Based Compensation	Accumulated Earnings	Distributions	Total
Balance, December 31, 2004	\$ 3,719,189	\$ 568	\$ 110,133	\$ (318,219)	\$ 3,511,671
Issuance of units	1,649,423	-	-	-	1,649,423
Restricted units (Note 8)	(1,147)	353	-	-	(794)
Distributions	-	-	-	(192,711)	(192,711)
Obligations under stock options granted (Note 8)	-	206	-	-	206
Net earnings for the period	-	-	127,957	-	127,957
Balance, June 30, 2005	\$ 5,367,465	\$ 1,127	\$ 238,090	\$ (510,930)	\$ 5,095,752

For the six-month
period ended
June 30, 2004

	Unitholders' Capital (Note 6)	Stock Based Compensation	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	-	17	(17)	-	-
Balance, December 31, 2003 as restated	2,464,600	17	3,144	(45,280)	2,422,481
Issuance of units	1,251,807	-	-	-	1,251,807
Employee unit purchase loans reimbursed	714	-	-	-	714
Distributions	-	-	-	(114,759)	(114,759)
Obligations under stock options granted (Note 8)	-	206	-	-	206
Net earnings for the period	-	-	27,272	-	27,272
Balance, June 30, 2004	\$ 3,717,121	\$ 223	\$ 30,416	\$ (160,039)	\$ 3,587,721

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

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

	For the three- month period ended June 30, 2005	For the three- month period ended June 30, 2004	For the six- month period ended June 30, 2005	For the six- month period ended June 30, 2004
OPERATING ACTIVITIES				
Net earnings	\$ 64,253	\$ 17,801	\$ 127,957	\$ 27,272
Items not affecting cash and cash equivalents:				
Depreciation and amortization	39,812	70,657	66,680	143,448
Amortization of deferred financing costs	286	1,383	464	1,554
Non-controlling interest	-	14,743	-	36,127
Other non-cash items	5,134	3,614	7,693	5,091
Future income taxes	(11,244)	(16,735)	(11,746)	(28,551)
Change in operating assets and liabilities	(10,374)	2,812	(17,635)	(14,701)
	87,867	94,275	173,413	170,240
INVESTING ACTIVITIES				
Business acquisition (Note 3)	(2,623,822)	-	(2,623,822)	-
Acquisition of capital assets	(8,788)	(2,235)	(16,030)	(11,319)
Proceeds from lease inducements	1,036	2,606	1,036	5,614
Acquisition of non-controlling interest, net of restricted cash	-	(535,199)	-	(535,199)
Restricted cash	227,622	(178,400)	227,622	(178,400)
Acquisition of intangibles	-	(25)	-	(25)
	(2,403,952)	(713,253)	(2,411,194)	(719,329)
FINANCING ACTIVITIES				
Issuance of long-term debt	1,215,500	828,500	1,506,500	1,016,000
Repayment of long-term debt	(576,124)	(804,138)	(863,508)	(991,916)
Distributions to unitholders	(101,104)	(53,886)	(181,369)	(105,239)
Distributions to non-controlling interest	-	(22,901)	-	(46,884)
Proceeds from exercise of options (Note 8)	838	3,341	1,176	4,963
Purchase of restricted units	-	-	(1,147)	-
Proceeds from reimbursement of employee unit purchase loans	-	-	-	714
Issuance of units, net	1,625,206	712,291	1,625,206	710,047
Deferred financing costs	(6,885)	(6,583)	(14,477)	(6,583)
	2,157,431	656,624	2,072,381	581,102
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(158,654)	37,646	(165,400)	32,013
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	180,211	39,912	186,957	45,545
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 21,557	\$ 77,558	\$ 21,557	\$ 77,558
Cash and cash equivalents consist of:				
Cash	\$ 21,407	\$ 77,558	\$ 21,407	\$ 77,558
Short-term investments	150	-	150	-
	\$ 21,557	\$ 77,558	\$ 21,557	\$ 77,558

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

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

June 30, 2005

(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., Yellow Pages Group Co. and those of Yellow Pages Holdings Inc. (formerly Advertising Directory Solutions Holdings Inc. or “ADS”), Yellow Pages Inc. (formerly Advertising Directory Solutions Inc.), 3100653 Nova Scotia Limited (Nova Scotia) and of Advertising Directory Solutions Independent LP (Ontario). 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, 2004.

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, 2004, with the exception of the following:

Variable interest entities

Effective January 1, 2005, the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 15 (“AcG-15”), *Consolidation of Variable Interest Entities* (“VIEs”). AcG-15 applies to interim periods beginning on or after November 1, 2004. VIEs are entities in which equity investors do not have controlling financial interest or the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties. AcG-15 requires the consolidation of a VIE by its primary beneficiary (i.e., the party that receives the majority of the expected residual returns and/or absorbs the majority of the entity’s losses). Management of the Fund conducted a review of the ownership and contractual interest in entities and determined that the adoption of this guideline did not have any impact on the Fund’s consolidated financial statements.

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 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 (the “directories business”), primarily in the Provinces of Ontario and Québec.

On April 1, 2005, the Fund issued 104,100,000 subscription receipts at a price of \$13.45 per subscription receipt for proceeds of \$1.37 billion (net of one half of the underwriters’ fees of \$28 million) pursuant to the filing of a prospectus and placed in escrow by CIBC Mellon Trust pending the closing of the acquisition of ADS (“the Acquisition”) which occurred on May 25, 2005 (See Note 3-Business Acquisition). Each subscription receipt entitled the holder thereof to automatically receive one Unit of the Fund upon closing of the Acquisition, as described in Note 3.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

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

2. DESCRIPTION OF THE FUND (continued)

In addition, holders of subscription receipts were entitled to receive an amount per subscription receipt equal to the per Unit distribution, if any, actually paid or payable to Unitholders in respect of all record dates occurring between April 1, 2005 and the closing of the Acquisition, as if the subscription receipts had been converted to Units immediately prior to such record dates. On May 25, 2005, these subscription receipts were exchanged for 104,100,000 Units of the Fund for proceeds of \$1.34 billion (net of underwriters' fees of \$56 million) which has been recorded in Unitholders' equity. A private placement of Units also closed on May 25, 2005 through the issuance of 22,727,273 Units for proceeds of \$288 million (net of placement fees of \$12 million). These proceeds combined with new debt financing and cash on hand were used to purchase all of the shares of ADS (See Note 3 – Business Acquisition).

References herein to the Fund represent the financial position, results of operations, cash flows and disclosures of the Fund and its subsidiaries on a consolidated basis. The results of ADS have been consolidated as of May 25, 2005.

3. BUSINESS ACQUISITION

Acquisition of ADS

On May 25, 2005, the Fund purchased all of the outstanding shares of ADS for a purchase price consideration of \$2,626 million (including acquisition related costs of \$76 million). The Acquisition was financed through debt and equity including a private placement of Units of the Fund, and cash on hand.

ADS is the second largest telephone directories publisher in Canada, which publishes directories under the SuperPages™ brand name, and publishes directories in Alberta, British Columbia and in certain parts of Québec where Telus is the incumbent telephone service provider.

The Fund accounted for the Acquisition using the purchase method of accounting. The purchase price was allocated to the net identifiable assets acquired on the basis of their fair values. The purchase price allocations are preliminary and are subject to changes once the final valuations of the assets acquired and the liabilities assumed are completed and the final determination of the costs related to the acquisitions have been made. The fair value of the underlying net identifiable assets of ADS was allocated as follows:

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

3. BUSINESS ACQUISITION (continued)

Current assets and liabilities, net (including cash of \$2,089)	\$9,477
Restricted cash (US\$ 180 million)	227,622
Capital assets	16,673
Future income tax assets, net	507
Intangibles	
Trademark	31,500
Non-competition agreement and logo	377,500
Customer contracts	161,600
Customer relationships	61,000
Domain name	6,700
Accrued benefit liabilities	(43,442)
Notes payable (US\$ 180 million)	(227,622)
Net identifiable assets acquired	621,515
Goodwill	2,004,396
Purchase price	\$2,625,911

Consideration:

Cash	\$2,550,000
Transaction costs	75,911
	\$2,625,911

Repayment of ADS notes

On May 25, 2005, a portion of the consideration paid for the Acquisition was utilized to repay long-term debt of ADS. The Fund deposited US\$ 180 million in escrow with the US National Bank Association as Trustee for a period of 30 days in accordance with the terms of a trust indenture. The funds remained in escrow until June 24, 2005 at which time the funds were released and used to discharge the long-term debt of ADS.

Restructuring charges and special charges

In connection with the Acquisition, the Fund recorded a provision for restructuring and special charges of \$24.1 million related to the Acquisition. The Fund has adopted a formal plan to integrate and restructure the acquired business. Consequently, the Fund established provisions related to planned termination of certain employees of the acquired business that are performing functions already available through its existing structure and other restructuring of the acquired business' operations. The other special charges are composed mainly of costs to exit or terminate specific leases and contracts which the Fund intends to modify or terminate. The liabilities related to these costs have been included in the underlying net identifiable assets acquired.

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Notes to the Interim Consolidated Financial Statements
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(all tabular amounts are in thousands of Canadian dollars, except unit information - unaudited)

3. BUSINESS ACQUISITION (continued)

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

	Restructuring charges	Other special charges	Total
Provision	\$14,953	\$9,193	\$24,146
Utilized in 2005:			
Cash	1,028	715	1,743
Balance, as at June 30, 2005	\$13,925	\$8,478	\$22,403

4. EMPLOYEE BENEFIT PLANS

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

	For the three-month period ended June 30, 2005		For the three-month period ended June 30, 2004	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Current service cost	\$ 2,503	\$ 490	\$ 1,551	\$ 244
Interest cost on accrued benefit obligation	4,565	678	4,251	644
Expected return on plan assets	(6,017)	(57)	(5,670)	(104)
Net benefit plan cost, recognized	\$ 1,051	\$ 1,111	\$ 132	\$ 784

	For the six-month period ended June 30, 2005		For the six-month period ended June 30, 2004	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Current service cost	\$ 4,591	\$ 785	\$ 3,102	\$ 488
Interest cost on accrued benefit obligation	9,130	1,355	8,502	1,288
Expected return on plan assets	(12,034)	(113)	(11,340)	(208)
Net benefit plan cost, recognized	\$ 1,687	\$ 2,027	\$ 264	\$ 1,568

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Notes to the Interim Consolidated Financial Statements
June 30, 2005

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

5. LONG-TERM DEBT

	June 30, 2005	December 31, 2004
Term facilities	\$ 800,000	\$ -
Medium Term Notes	1,000,000	1,000,000
Commercial paper facility	255,500	184,000
Obligation under capital leases	6,916	7,731
	2,062,416	1,191,731
Less current portion of long-term debt	1,524	1,673
	\$ 2,060,892	\$ 1,190,058

New Credit Facilities

In connection with the Acquisition, the Fund established new credit facilities for YPG Holdings Inc. with a syndicate of banks consisting of the following facilities (collectively, the “New Credit Facilities”):

Term facilities

A \$1.0 billion 5-year senior unsecured non-revolving term facility maturing May 25, 2010, composed of two tranches:

- a) \$750.0 million single draw tranche and
- b) \$250.0 million multiple draw tranche that can be drawn until May 25, 2006

On June 30, 2005, the first tranche was fully drawn and \$50 million was drawn on the second tranche. The second tranche can also be used for general corporate purposes. These facilities bear interest at Bankers’ Acceptance (“BA”) rates plus 0.7%.

Revolver

A \$500 million senior unsecured revolving credit facility composed of two tranches:

- a) \$300.0 million, 364-day revolving credit facility with a two year term-out option, and
- b) \$200.0 million 5-year revolving credit facility maturing May 25, 2010.

On June 30, 2005, the revolver remains undrawn. The revolver is used as back-up for the commercial paper program and for general corporate purposes. These facilities bear interest at BA rates plus 0.7%.

The New Credit Facilities provide for certain restrictive undertakings and covenants to be complied with by the Fund, all of which have been met.

In connection with the issuance of these new credit facilities, the Fund incurred financing costs of \$31.7 million of which \$21.3 million was recorded in financial charges in the interim consolidated statement of earnings as the \$1.5 billion subordinated equity bridge facility originally included in the above credit facilities was cancelled as a result of the issuance of units.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

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

5. LONG-TERM DEBT (continued)

Interest rate swaps

The Fund uses interest rate swaps to manage the combination of fixed and floating interest rates on its long-term debt.

In May 2005, concurrent with the Acquisition, the Fund entered into interest rate swap agreements for a nominal amount totaling \$400.0 million maturing on December 25, 2005 to convert to fixed rate a portion of the drawings under the Term Facility. The Fund pays a fixed interest rate of 1.2% on the swaps and receives a floating rate based on Banker's Acceptance plus a spread of 0.7%. At the same time, the Fund unwound its existing interest rate swap agreements of \$125.0 million. The interest rate swap agreements were originally entered into in November 2004 to convert to floating a portion of the \$250.0 million Series 3 Medium Term Notes. A \$5.2 million gain resulting from the unwinding of the swaps is deferred and will be recognized over the remaining term of the underlying debt, November 18, 2019. The \$5.2 million gain was settled by obtaining a lower than market (1.2%) rate on the fixed leg for the \$400.0 million interest rate swap agreements mentioned above.

As of June 30, 2005, all of the existing interest rate swap agreements were recorded at fair value (\$5.6 million) and are presented in Other assets with changes in fair value recorded in financial charges.

Bond Forward Agreements

In June 2005, the Fund entered into bond forward transactions totaling \$200 million in order to effectively lock in the Government of Canada rate on a portion of an expected issuance of 10 year Medium Term Notes. The rates on these contracts are between 3.94% and 3.95%. The bond forward agreements were designated as hedges. Any gains or losses are deferred and will be recorded in the consolidated statement of earnings effectively offsetting the corresponding gains or losses on the hedged items.

6. 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.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
June 30, 2005

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

6. UNITHOLDERS' CAPITAL (continued)

Issued and outstanding:

	June 30, 2005	
	Number of Units	Amount
Balance, December 31, 2004	344,330,140	\$ 3,720,446
Units issued (net of issuance costs of \$54.8 million net of income taxes of \$20.7 million)	127,127,311	1,649,423
Total units outstanding	471,457,451	5,369,869
Restricted units (Note 8)	(190,636)	(2,404)
Balance, June 30, 2005	471,266,815	\$5,367,465

Units issued are as a result of the transaction described in Note 2 and exercise of stock options described below.

	June 30, 2004	
	Number of Units	Amount
Balance, December 31, 2003	229,692,030	\$ 2,465,460
Units issued	114,377,113	1,251,807
Total units outstanding	344,069,143	3,717,267
Employee unit purchase loans	(31,895)	(146)
Balance, June 30, 2004	344,037,248	\$ 3,717,121

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

June 30, 2005

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

6. UNITHOLDERS' CAPITAL (continued)

Exercise of options

During the first quarter of 2005, optionholders exercised 86,252 options at an exercise price of \$3.92 per option for cash consideration of \$0.3 million. These options were exercised into 86,252 shares of YPG Holdings Inc. which were automatically exchanged into 86,252 units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$13.49 per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of \$0.8 million.

During the second quarter of 2005, optionholders exercised 213,786 options at an exercise price of \$3.92 per option for cash consideration of \$0.8 million. These options were exercised into 213,786 shares of YPG Holdings Inc. which were automatically exchanged into 213,786 units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$13.70 per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of \$2.1 million.

Earnings per unit

The calculation of basic earnings per unit includes a reduction to earnings available to unitholders of \$8.3 million relating to distributions declared on April 30, 2005 pertaining to the subscription receipts.

The calculation of diluted earnings per unit includes a reduction to earnings available to unitholders of \$5.1 million relating to the interest earned on the funds held in escrow pertaining to the subscription receipts.

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

	For the three-month period ended June 30, 2005	For the three-month period ended June 30, 2004	For the six-month period ended June 30, 2005	For the six-month period ended June 30, 2004
Weighted average number of units outstanding used in computing basic earnings per unit	395,874,517	264,040,991	370,190,951	250,062,090
Dilutive effect of options	3,965,571	5,216,687	4,032,767	5,409,826
Dilutive effect of subscription receipts	61,773,626	-	31,057,459	-
Dilutive effect of restricted units	185,493	-	181,083	-
Weighted average number of units outstanding used in computing diluted earnings per unit	461,799,207	269,257,678	405,462,260	255,471,916

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

June 30, 2005

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

7. DISTRIBUTIONS TO UNITHOLDERS

During the six-month period ended June 30, 2005, the Fund declared total distributions to Unitholders of \$192.7 million (2004 - \$114.8 million) or \$0.4766 per Unit (2004 - \$0.4464).

8. STOCK-BASED COMPENSATION PLAN

The Fund's stock-based compensation plans consist of the restricted units of Yellow Pages Income Fund as well as stock options of YPG Holdings Inc.

Restricted Unit Plan

The following table summarizes the status of the Restricted Unit Plan:

	For the six-month period ended June 30, 2005
	Number of restricted units
Outstanding, beginning of period	106,567
Granted	84,069
Outstanding, end of period	190,636
Vested, end of period	-

There were no restricted units forfeited during the period. During the six-month period ended June 30, 2005, 84,069 restricted units were granted at an average market price of \$13.65 for a granted incentive amount of \$1.1 million. Pursuant to the terms of the Restricted Unit Plan, \$1.1 million was used to purchase 84,069 Units of the Fund on the open market of the Toronto Stock Exchange, which units are held in escrow. Compensation expense of \$0.4 million was recorded in the interim consolidated statements of earnings for the six-month period ended June 30, 2005. There were no such restricted units for the six-month period ended June 30, 2004.

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Notes to the Interim Consolidated Financial Statements
June 30, 2005

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

8. STOCK-BASED COMPENSATION PLAN (continued)

Stock Options

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

	For the six-month period ended June 30, 2005	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	4,176,827	\$ 3.92
Exercised	(300,038)	3.92
Cancelled	(75,084)	3.92
Outstanding, end of period	3,801,705	\$ 3.92
Exercisable, end of period	893,074	\$ 3.92

	For the six-month period ended June 30, 2004	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	5,856,797	\$ 3.92
Exercised	(1,266,113)	3.92
Cancelled	(42,101)	3.92
Outstanding, end of period	4,548,583	\$ 3.92
Exercisable, end of period	222,425	\$ 3.92

Compensation expense for the three-month and six-month period ended June 30, 2005 of \$0.1 million (2004 -\$0.1 million) and \$0.2 million (2004- \$0.2 million) was recorded in the interim consolidated statements of earnings. No options have been granted to employees and non-employees since the inception of the Fund.

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

9. FINANCIAL CHARGES, NET

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

	For the three-month period ended June 30, 2005	For the three-month period ended June 30, 2004	For the six-month period ended June 30, 2005	For the six-month period ended June 30, 2004
Interest on Medium Term Notes	\$ 12,159	\$ 6,831	\$ 23,792	\$ 6,831
Interest on Term Facilities	2,679	1,980	2,679	9,205
Interest on Commercial Paper	1,318	1,435	2,307	3,185
Standby fees and other financial charges (income)	(276)	261	(804)	779
Interest revenue on funds held in escrow	(5,106)	-	(5,106)	-
Other non-cash charges related to derivatives and swaps	1,378	1,800	1,346	1,800
Amortization of deferred financing costs	286	2,027	464	2,198
Financing charges relating to the Acquisition	21,295	-	21,295	-
Foreign exchange loss	54	-	203	-
	\$ 33,787	\$ 14,334	\$ 46,176	\$ 23,998

10. 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 benefits from directors' and officers' liability insurance which is purchased by the Fund. No amount has been accrued in the interim consolidated balance sheet as of June 30, 2005 with respect to this indemnity.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

June 30, 2005

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

10. GUARANTEES (Continued)

Pursuant to the Acquisition, the Fund has entered into agreements whereby the Fund agrees to indemnify and hold harmless the Vendor from and against any and all claims, liabilities, costs and expenses arising out of, based upon or related to (i) any breach by the Fund in the performance of his obligations under this Agreement and (ii) any breach of a representation contained herein. Furthermore, agreements entered into by ADS prior to Acquisition contain indemnifications similar to the ones just described. No amount has been accrued in the interim consolidated balance sheet as of June 30, 2005, 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.