

Interim consolidated financial statements of

YELLOW PAGES INCOME FUND

March 31, 2006

YELLOW PAGES INCOME FUND

Table of contents

Interim Consolidated Balance Sheets	1
Interim Consolidated Statements of Earnings.....	2
Interim Consolidated Statements of Unitholders' Equity	3
Interim Consolidated Statements of Cash Flows.....	4
Notes to the Interim Consolidated Financial Statements	5-15

YELLOW PAGES INCOME FUND

Interim Consolidated Balance Sheets

(in thousands of Canadian dollars)

	March 31, 2006 (unaudited)	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 194,877	\$ 49,420
Accounts receivable	144,563	125,543
Prepaid expenses	6,874	5,743
Deferred publication costs	103,206	100,608
Future income taxes	37,959	16,612
	487,479	297,926
DEFERRED PUBLICATION COSTS	5,434	4,817
CAPITAL ASSETS	103,193	89,267
OTHER ASSETS	18,697	20,267
ACCRUED BENEFIT ASSETS	14,340	17,103
INTANGIBLES	1,762,761	1,641,421
GOODWILL	5,612,049	5,281,404
FUTURE INCOME TAXES	23,918	21,394
	\$ 8,027,871	\$ 7,373,599
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 150,617	\$ 146,993
Distributions payable	43,472	37,780
Other liabilities	2,949	1,655
Deferred revenues	78,455	76,688
Current portion of long-term debt (Note 5)	1,811	1,411
	277,304	264,527
DEFERRED CREDITS	30,278	30,516
FUTURE INCOME TAXES	85,485	15,400
ACCRUED BENEFIT LIABILITIES	54,903	54,469
LONG-TERM DEBT (Note 5)	2,083,789	2,013,043
	2,531,759	2,377,955
UNITHOLDERS' EQUITY	5,496,112	4,995,644
	\$ 8,027,871	\$ 7,373,599

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 March 31, 2006	For the three-month period ended March 31, 2005
Revenues	\$ 295,770	\$ 170,849
Operating costs	128,188	67,904
Income from operations before depreciation and amortization	167,582	102,945
Depreciation and amortization	58,712	26,868
Income from operations	108,870	76,077
Financial charges, net (Note 9)	27,782	12,389
Earnings before income taxes	81,088	63,688
Recovery of income taxes	(4,145)	(16)
Net earnings	\$ 85,233	\$ 63,704
Net earnings per unit	\$ 0.17	\$ 0.19
Weighted average number of units outstanding used in computing earnings per unit (Note 6)	487,118,171	344,221,790
Diluted earnings per unit	\$ 0.17	\$ 0.18
Weighted average number of units outstanding used in computing diluted earnings per unit (Note 6)	490,462,608	348,499,593

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 three-month
period ended
March 31, 2006

	Unitholders' Capital (Note 6)	Restricted units	Stock-Based Compensation	Accumulated Earnings	Distributions	Total
Balance, December 31, 2005	\$ 5,381,984	\$ (2,619)	\$ 1,759	\$ 351,966	\$ (737,446)	\$ 4,995,644
Issuance of units	551,409	-	-	-	-	551,409
Restricted units (Note 8)	-	(13,886)	1,382	-	-	(12,504)
Distributions	-	-	-	-	(123,773)	(123,773)
Obligations under stock options granted (Note 8)	-	-	103	-	-	103
Net earnings for the period	-	-	-	85,233	-	85,233
Balance, March 31, 2006	\$ 5,933,393	\$ (16,505)	\$ 3,244	\$ 437,199	\$ (861,219)	\$ 5,496,112

For the three-month
period ended
March 31, 2005

	Unitholders' Capital (Note 6)	Restricted units	Stock-Based Compensation	Accumulated Earnings	Distributions	Total
Balance, December 31, 2004	\$ 3,720,446	\$ (1,257)	\$ 568	\$ 110,133	\$ (318,219)	\$ 3,511,671
Issuance of units	1,163	-	-	-	-	1,163
Restricted units (Note 8)	-	(1,147)	152	-	-	(995)
Distributions	-	-	-	-	(81,442)	(81,442)
Obligations under stock options granted (Note 8)	-	-	103	-	-	103
Net earnings for the period	-	-	-	63,704	-	63,704
Balance, March 31, 2005	\$ 3,721,609	\$ (2,404)	\$ 823	\$ 173,837	\$ (399,661)	\$ 3,494,204

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 March 31, 2006	For the three-month period ended March 31, 2005
OPERATING ACTIVITIES		
Net earnings	\$ 85,233	\$ 63,704
Items not affecting cash and cash equivalents:		
Depreciation and amortization	58,712	26,868
Amortization and write-off of deferred financing costs	412	178
Net benefit plans cost	3,197	1,227
Other non-cash items	2,357	1,332
Future income taxes	(4,044)	(502)
Change in operating assets and liabilities	(35,431)	(7,261)
	110,436	85,546
INVESTING ACTIVITIES		
Business acquisition, net of cash acquired (Note 3)	(131,216)	-
Acquisition of capital assets	(11,776)	(7,242)
Proceeds from lease inducements	184	-
Acquisition of intangibles	(10)	-
	(142,818)	(7,242)
FINANCING ACTIVITIES		
Issuance of long-term debt	249,669	168,000
Repayment of long-term debt	(181,938)	(164,384)
Distributions to unitholders	(118,081)	(80,265)
Issuance of units, net	242,081	-
Proceeds from exercise of options (Note 8)	958	338
Purchase of restricted units	(13,886)	(1,147)
Deferred financing costs	(964)	(7,592)
	177,839	(85,050)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	145,457	(6,746)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	49,420	186,957
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 194,877	\$ 180,211

Cash and cash equivalents consist of:

Cash	\$ 9,877	\$ 4,211
Short-term investments	185,000	176,000
	\$ 194,877	\$ 180,211

Supplemental disclosure		
Interest paid	\$ 11,181	\$ 1,165
Income taxes paid	\$ 2,606	\$ 902
Capital assets under capital leases	\$ 2,744	\$ -
Additions to capital assets included in accounts payable and accrued liabilities	\$ 6,783	\$ 3,422

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

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2006

(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 (the “Trust”), YPG General Partner Inc. (“YPG GP”), YPG LP, YPG Holdings Inc., those of Yellow Pages Group Co. and Trader Media Corporation (“TMC”). 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, 2005.

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, 2005.

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 the 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 online directories, and classified advertising primarily in the Provinces of Québec, Ontario, British Columbia and Alberta.

On January 1, 2006, YPG Holdings Inc. amalgamated with Yellow Pages Holdings Inc., (formerly Advertising Directory Solutions Holdings Inc.). YPG Holdings Inc. subsequently sold its 100% interest in Yellow Pages Inc. to Yellow Pages Group Co. Subsequently, Yellow Pages Inc. and Yellow Pages Group Co. merged.

On February 14, 2006, as partial consideration for the acquisition (the “Acquisition”) of TMC, the Fund issued 19,000,000 Exchangeable Units of YPG LP at a price of \$15.85 per Exchangeable Unit. The Exchangeable Units are exchangeable on a one-for-one basis at any time at the option of the holder into fully paid units of the Fund, representing an ownership interest of approximately 4%. The holders of the Exchangeable Units of YPG LP are entitled to receive equivalent distributions to unitholders of the Fund. The Exchangeable Units of YPG LP are subject to lock-up and other restrictions.

On February 27, 2006, the Fund issued 15,000,000 units to the public in exchange for net proceeds of \$242.4 million, after deducting underwriters’ fees in the amount of \$10.1 million and other issuance costs of \$1.0 million. The net proceeds were used to repay indebtedness and for general corporate purposes.

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 TMC have been consolidated as of February 14, 2006.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

3. BUSINESS ACQUISITION

Acquisition of TMC

On February 14, 2006, the Fund acquired all of the outstanding shares of TMC for a consideration of \$443.8 million (including acquisition related costs of \$7.7 million).

The Acquisition was financed through the issuance of Exchangeable Units of YPG LP and drawing under existing credit facilities and cash on hand.

TMC is Ontario's largest publisher of classified advertising and related web sites. It operates in the local print and online classified advertising for the automotive, real estate, employment and general merchandise.

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 Acquisition have been made. The fair value of the underlying net identifiable assets of TMC acquired is allocated as follows:

Current assets and liabilities, net (including cash of \$11,457)	\$ (2,133)
Capital assets	8,844
Other assets	33
Intangibles	
Trademark	120,000
Non-competition agreement and logo	10,200
Customer relationships	37,500
Domain name	3,000
Long-term debt	(340)
Future income tax liabilities	(60,866)
Net identifiable assets acquired	116,238
Goodwill	327,585
Purchase price	\$ 443,823

Consideration:

Cash	\$ 135,000
Exchangeable Units of YPG LP	301,150
Transaction costs	7,673
	\$ 443,823

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

4. EMPLOYEE BENEFIT PLANS

The total net benefit plan costs for the three-month period ended March 31, 2006 were \$3.7 million (2005 - \$0.6 million) and \$0.9 million (2005 - \$0.9 million) for pension benefits and the other benefits, respectively.

5. LONG-TERM DEBT

	March 31, 2006	December 31, 2005
Medium Term Notes	\$ 2,050,000	\$ 1,800,000
Commercial paper facility	26,500	208,000
Obligations under capital leases	8,760	6,454
Note payable from business acquisition	340	-
	2,085,600	2,014,454
Less current portion of long-term debt	1,811	1,411
	\$ 2,083,789	\$ 2,013,043

Medium Term Notes

On February 27, 2006, YPG Holdings Inc. issued additional Series 5 Medium Term Notes and Series 6 Medium Term Notes for combined gross proceeds of \$250.7 million. Details are as follows:

- a) \$100.0 million of 6.25% Series 5 Notes maturing on February 15, 2036 priced at \$100.933, for an initial yield to the noteholders of 6.181% compounded semi-annually; and
- b) \$150.0 million of 4.65% Series 6 Notes maturing on February 28, 2011 priced at \$99.841, for an initial yield to the noteholders of 4.686% compounded semi-annually.

The proceeds from the issuance of the Medium Term Notes were used to repay part of the amounts outstanding under commercial paper facility and for general corporate purposes.

Interest rate swaps

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

In February 2006, the Fund entered into two interest rate swap agreements for a nominal amount of \$75 million each totalling \$150.0 million to hedge the Series 6 Medium Term Notes. The Fund receives interest on these swaps at 4.65%. The first swap agreement stipulates that the Fund pays a floating rate equal to the Banker's Acceptance plus a spread of 0.28% and the second swap agreement stipulates that the Fund pays a floating rate equal to the Banker's Acceptance plus a spread of 0.35%. The swaps mature on February 28, 2011 matching the maturity date of the underlying debt. As at March 31, 2006, the interest rate swaps met the criteria for hedge accounting.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

6. UNITHOLDERS' CAPITAL

The Fund's 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 and outstanding:

	March 31, 2006	
	Number of Units	Amount
Balance, December 31, 2005	472,245,176	\$ 5,381,984
Units issued ⁽¹⁾ (net of issuance costs of \$11.1 million before related income taxes of \$3.9 million)	34,244,449	551,409
Balance, March 31, 2006 ^{(1),(2)}	506,489,625	\$ 5,933,393

	March 31, 2005	
	Number of Units	Amount
Balance, December 31, 2004	344,330,140	\$ 3,720,446
Units issued	86,252	1,163
Balance, March 31, 2005 ⁽²⁾	344,416,392	\$ 3,721,609

(1) Includes 19,000,000 Exchangeable Units of YPG LP issued as partial consideration of the 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.

(2) Includes 1,034,756 Restricted units (2005 – 190,636) pursuant to the Restricted Unit Plan and the New Long Term Incentive Plan for a total incentive amount of \$16.5 million (2005 - \$2.4 million)

Units issued are as a result of the transactions described in Notes 1 and 2.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

(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 2006, optionholders exercised 244,449 options at an exercise price of \$3.92 per option for cash consideration of \$1.0 million. These options were exercised into 244,449 shares of YPG Holdings Inc. which were automatically exchanged into 244,449 units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$16.44 per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of \$3.1 million.

Earnings per unit

The following table reconciles 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 period ended March 31, 2006	For the three-month period ended March 31, 2005
Weighted average number of units outstanding used in computing basic earnings per unit	487,118,171	344,221,790
Dilutive effect of options	2,925,700	4,193,734
Dilutive effect of restricted units	418,737	84,069
Weighted average number of units outstanding used in computing diluted earnings per unit	490,462,608	348,499,593

7. DISTRIBUTIONS TO UNITHOLDERS

During the three-month period ended March 31, 2006, the Fund declared total distributions to Unitholders of \$123.8 million (2005 - \$81.4 million) or \$0.2517 per unit (2005 - \$0.2366).

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.

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2006

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

8. STOCK-BASED COMPENSATION PLAN (continued)

New Long-Term Incentive Plan

A new annual long-term incentive plan (the "New LTIP") was implemented in the first quarter of 2006 in order to attract and retain key executives of subsidiaries of YPG LP and to further align their interests with those of unitholders of the Fund. The New LTIP which is non-dilutive, provides that participants receive an award in Restricted Units which are purchased on the Toronto Stock Exchange.

The Restricted Units awarded to key executives under the New LTIP are performance-based vesting only and no Restricted Units vest unless the Fund achieves a specified performance target at the end of a three-year period. Cash distributions received on the Restricted Units awarded to key executives are reinvested in additional Restricted Units and vest according to the terms of the grant pursuant to which they are paid. The Restricted Units awarded to members of the Board of Directors of YPG GP, the general partner of YPG LP, are time-based vesting only.

The following table summarizes the status of the New Long-Term Incentive Plan:

	For the three-month period ended March 31, 2006
	Number of restricted units
Outstanding, beginning of period	-
Granted	455,089
Outstanding, end of period	455,089
Vested, end of period	-

During the quarter, 455,089 Restricted units were granted at an average market price of \$16.73. The number of Restricted Units that vest can potentially reach two times the actual number of Restricted Units awarded if the actual performance reaches the maximum level of the objectives. Consequently, \$13.9 million was used to purchase 830,178 Restricted Units of the Fund on the open market of the Toronto Stock Exchange, which are held in escrow in order to provide for a 200% pay-out subject to adjustment at time of vesting. The compensation expense will be amortized over the vesting period of three years. Compensation expense of \$1.2 million was recorded in the interim consolidated statements of earnings for the three-month period ended March 31, 2006.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

8. STOCK-BASED COMPENSATION PLAN (continued)

Restricted Unit Plan

On August 30, 2004, YPG Co. established a Restricted Unit Plan (the "RU Plan") to encourage ownership of units, to enhance YPG's ability to attract, motivate and retain key personnel, to reward the participants for significant performance and associated growth in distributable income and to align the interests of the participants and the unitholders of the Fund. Following the creation of the RU Plan, YPG Co. has granted to certain employees an incentive amount. Pursuant to the terms of the RU Plan, an amount equal to the incentive amount was used to purchase units of Yellow Pages Income Fund on the open market of the Toronto Stock Exchange. Employees who participated in the RU Plan were granted units in equal proportions between time-based vesting and performance-based vesting criteria. Time-based units will vest 36 months after the date of determination of the incentive amount.

Performance-based restricted units will vest at the earliest of 36 months after the date of determination of the incentive amount and the date of confirmation by the Board of achievement of specified performance targets. The Board will determine, not later than October 31 of the performance period immediately after the end of such performance cycle whether the performance-based vesting condition has been achieved. The performance-based units which have not been achieved shall automatically be forfeited and be cancelled. The distribution, from the Fund on such units, net of applicable taxes and contributions to government sponsored plans, will be remitted to the participant when the units become vested.

Upon the termination for cause or resignation, all restricted units not vested shall be forfeited and cancelled. Upon a participant's retirement, termination without cause, death and long-term disability, the time-based units will vest as a pro-rata of the performance cycle completed versus the 36 month period. All performance based restricted units that are not vested on the date of the participant's retirement, termination without cause, death or long-term disability shall be forfeited and cancelled on such date.

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

	For the three-month period ended March 31, 2006
	Number of restricted units
Outstanding, beginning of period	204,578
Granted	-
Outstanding, end of period	204,578
Vested, end of period	-

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

8. STOCK-BASED COMPENSATION PLAN (continued)

	For the three-month period ended March 31, 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. Compensation expense of \$0.2 million (2005 - \$0.2 million) was recorded in the interim consolidated statements of earnings for the three-month period ended March 31, 2006.

Stock Options

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

	For the three-month period ended March 31, 2006	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	3,006,321	\$ 3.92
Exercised	(244,449)	3.92
Cancelled	-	3.92
Outstanding, end of period	2,761,872	\$ 3.92
Exercisable, end of period	151,603	\$ 3.92

	For the three-month period ended March 31, 2005	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	4,176,827	\$ 3.92
Exercised	(86,252)	3.92
Cancelled	(42,860)	3.92
Outstanding, end of period	4,047,715	\$ 3.92
Exercisable, end of period	365,399	\$ 3.92

YELLOW PAGES INCOME FUND

Notes to the Interim Consolidated Financial Statements

March 31, 2006

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

8. STOCK-BASED COMPENSATION PLAN (continued)

Compensation expense of \$0.1 million (2005 - \$0.1 million) was recorded in the interim consolidated statements of earnings for the three-month period ended March 31, 2006. No options have been granted to employees and non-employees since the inception of the Fund.

9. FINANCIAL CHARGES

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

	For the three- month period ended March 31, 2006	For the three- month period ended March 31, 2005
Interest on Medium Term Notes	\$ 25,118	\$ 11,633
Interest on Commercial paper	1,535	989
Standby fees and other financial charges (income), net	(518)	(528)
Other charges (income) related to derivatives, financial instruments and swaps	1,294	(32)
Amortization of deferred financing costs	412	178
Foreign exchange (gain) loss	(59)	149
	\$ 27,782	\$ 12,389

10. RESTRUCTURING AND SPECIAL CHARGES

In connection with the acquisitions of ADS and TMC, the Fund recorded provisions for restructuring and special charges of \$25.2 million and \$20.5 million respectively. The Fund has adopted a formal plan 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 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 were initially included in the underlying net identifiable assets acquired. In addition, during the fourth quarter in 2005, the Fund recorded restructuring charges of \$7.3 million related to an internal reorganization and workforce reduction following the integration of the acquired business.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

10. RESTRUCTURING AND SPECIAL CHARGES (continued)

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

	Restructuring charges	Other special charges	Total
Balance, as at December 31, 2005	\$15,607	\$6,650	\$22,257
Provision related to the acquisition of TMC	16,867	3,680	20,547
Utilized in 2006:			
Cash	(4,080)	(1,749)	(5,829)
Balance as at March 31, 2006	\$28,394	\$8,581	\$36,975

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 its trustees 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 trustees 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 March 31, 2006 with respect to this indemnity.

Pursuant to the Acquisition of TMC, 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 its obligations under this Agreement and (ii) any breach of a representation contained herein. Furthermore, agreements entered into by TMC prior to Acquisition contain indemnifications similar to the ones just described. No amount has been accrued in the consolidated balance sheet as of March 31, 2006, 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.

12. SUBSEQUENT EVENT

On May 1, 2006, the Fund announced that it had entered into a definitive agreement to acquire Classified Media (Canada) Holdings Inc. ("Trader Canada"), a leading Canadian provider of classified publications and related web sites, from Trader Classified Media N.V. The Fund is acquiring Trader Canada for a purchase price of \$760 million payable in cash at closing.

YELLOW PAGES INCOME FUND
Notes to the Interim Consolidated Financial Statements
March 31, 2006

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

12. SUBSEQUENT EVENT (continued)

The Fund plans to enter into credit facilities for a total of \$600 million composed of a \$350 million 5-year senior term facility and a \$250 million 2-year senior term facility. In addition to drawings under these new facilities, the Fund will use cash on hand of approximately \$150 million and issue commercial paper under its existing facility to fund the acquisition and related expenses.

The closing of the acquisition is expected to occur on or about June 15, 2006, subject to regulatory clearance. As the consummation of the transaction will occur at closing, the acquisition has not been accounted for in these financial statements.

13. COMPARATIVE FIGURES

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