INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES INCOME FUND

June 30, 2008

(unaudited)

Table of contents

Interim Consolidated Balance Sheet

(in thousands of Canadian dollars - unaudited)

	As at June 30, 2008	As at December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 53,650**	$ 53,275
Accounts receivable	**236,775**	225,251
Prepaid expenses	**12,286**	9,090
Deferred publication costs and other assets	**126,437**	125,344
Future income taxes	**53,367**	65,659
	482,515	478,619
DEFERRED PUBLICATION COSTS	**10,666**	10,216
CAPITAL ASSETS	**167,424**	175,492
OTHER ASSETS (Note 4)	**5,016**	4,612
DERIVATIVE FINANCIAL INSTRUMENTS	**9,449**	4,365
INTANGIBLES	**1,945,932**	2,016,444
GOODWILL	**6,583,530**	6,570,746
FUTURE INCOME TAXES	**5,167**	5,018
	$ 9,209,699	$ 9,265,512
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 169,029**	$ 207,487
Distributions payable	**49,779**	50,210
Deferred revenues	**100,076**	102,611
Current portion of long-term debt (Note 6)	**4,064**	4,416
	322,948	364,724
DEFERRED CREDITS	**27,472**	28,332
FUTURE INCOME TAXES	**108,463**	109,642
ACCRUED BENEFIT LIABILITIES	**72,508**	65,442
LONG-TERM DEBT (Note 6)	**2,224,865**	2,133,179
EXCHANGEABLE DEBENTURES (Note 7)	**282,966**	280,553
PREFERRED SHARES (Note 8)	**488,144**	487,238
NON-CONTROLLING INTEREST	**9,495**	10,222
UNITHOLDERS' EQUITY	**5,672,838**	5,786,180
	$ 9,209,699	$ 9,265,512

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

Interim Consolidated Statements of Earnings

For the periods ended June 30,
(in thousands of Canadian dollars, except per unit information - unaudited)

	Three months		Six months	
	2008	2007	**2008**	2007
Revenues	**$ 430,442**	$ 411,110	**$ 845,013**	$ 795,351
Operating costs	**194,461**	190,791	**381,639**	371,589
Income from operations before depreciation and amortization	**235,981**	220,319	**463,374**	423,762
Depreciation and amortization	**50,860**	49,982	**106,824**	94,012
Income from operations	**185,121**	170,337	**356,550**	329,750
Financial charges, net (Note 12)	**30,221**	34,828	**64,886**	69,916
Earnings before dividends on Preferred shares, income taxes and non-controlling interest	**154,900**	135,509	**291,664**	259,834
Dividends on Preferred shares	**5,687**	3,776	**11,375**	4,684
Earnings before income taxes and non-controlling interest	**149,213**	131,733	**280,289**	255,150
Provision for income taxes	**13,293**	3,600	**17,264**	6,066
Non-controlling interest	**234**	560	**351**	560
Net earnings	**$ 135,686**	$ 127,573	**$ 262,674**	$ 248,524
Basic earnings per unit	**$ $0.26**	$ 0.24	**$ $0.50**	$ 0.47
Weighted average number of units outstanding used in computing earnings per unit (Note 9)	**526,113,061**	530,376,724	**528,078,713**	530,428,376
Diluted earnings per unit	**$ 0.24**	$ 0.23	**$ $0.46**	$ 0.45
Weighted average number of units outstanding used in computing diluted earnings per unit (Note 9)	**611,946,207**	584,463,707	**609,162,219**	574,572,284

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

Interim Consolidated Statements of Comprehensive Income

For the periods ended June 30,

(in thousands of Canadian dollars - unaudited)

	Three months		Six months	
	2008	2007	**2008**	2007
Net earnings	**$ 135,686**	$ 127,573	**$ 262,674**	$ 248,524
Other comprehensive (loss) gain, net of related income taxes:				
Net gain on derivatives as cash flow hedges in prior periods transferred to earnings in the current period[1]	**(76)**	(69)	**(151)**	(138)
Unrealized (losses) gains on available–for–sale asset in the current period[2]	**(386)**	1,870	**(2,254)**	1,870
Other comprehensive (loss) gain	**(462)**	1,801	**(2,405)**	1,732
Comprehensive income	**$ 135,224**	$ 129,374	**$ 260,269**	$ 250,256

[1] Net of income taxes for the three-month period ended June 30, 2008 of $31 thousand (2007 - $32 thousand) and net of income taxes for the six-month period ended June 30, 2008 of $62 thousand (2007 - $64 thousand).

[2] Net of income taxes for the three-month period ended June 30, 2008 of $nil (2007 - $344 thousand) and net of income taxes for the six-month period ended June 30, 2008 of $nil (2007 - $344 thousand).

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

Interim Consolidated Statements of Unitholders' Equity

For the six-month periods ended June 30,

(in thousands of Canadian dollars - unaudited)

2008

	Unitholders' Capital (Note 9)	**Equity Component of Exchangeable Debentures (Note7)**	**Restricted Units**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss) (Note 15)**	**Deficit**	**Total**
Balance, December 31, 2007	$ 6,321,471	$ 12,542	$ (35,397)	$ 22,098	$ 632	$ (535,166)	$ 5,786,180
Issuance of units	6,321	-	-	-	-	-	6,321
Repurchase of Units (Note 9)	(74,547)	-	-	9,926	-	-	(64,621)
Restricted units (Note 11)	-	-	(21,618)	4,683	-	-	(16,935)
Restricted units vested (Note 11)	-	-	1,197	(1,197)	-	-	-
Distributions (Note 10)	-	-	-	-	-	(298,376)	(298,376)
Other comprehensive loss	-	-	-	-	(2,405)	-	(2,405)
Net earnings for the period	-	-	-	-	-	262,674	262,674
Balance, June 30, 2008	**$ 6,253,245**	**$ 12,542**	**$ (55,818)**	**$ 35,510**	**$ (1,773)**	**$ (570,868)**	**$ 5,672,838**

2007

	Unitholders' Capital (Note 9)	**Warrants**	**Equity Component of Exchangeable Debentures**	**Restricted Units**	**Contributed Surplus**	**Accumulated Other Comprehen-sive Income (Note 15)**	**Deficit**	**Total**
Balance, December 31, 2006, as previously reported	$ 6,305,850	$ 6,250	$ 12,542	$ (19,187)	$ 7,515	$ -	$ (481,426)	$ 5,831,544
Cumulative effect of adopting new accounting policy	-	-	-	-	-	2,202	537	2,739
Balance, January 1, 2007, as restated	6,305,850	6,250	12,542	(19,187)	7,515	2,202	(480,889)	5,834,283
Issuance of units	14,547	-	-	-	-	-	-	14,547
Restricted units (Note 11)	-	-	-	(16,410)	4,714	-	-	(11,696)
Distributions (Note 10)	-	-	-	-	-	-	(289,166)	(289,166)
Obligations under stock options granted (Note 11)	-	-	-	-	206	-	-	206
Other comprehensive gain	-	-	-	-	-	1,732	-	1,732
Net earnings for the period	-	-	-	-	-	-	248,524	248,524
Balance, June 30, 2007	**$ 6,320,397**	**$ 6,250**	**$ 12,542**	**$ (35,597)**	**$ 12,435**	**$ 3,934**	**$ (521,531)**	**$ 5,798,430**

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

Interim Consolidated Statements of Cash Flows

For the periods ended June 30,
(in thousands of Canadian dollars - unaudited)

	Three months		Six months	
	2008	2007	**2008**	2007
OPERATING ACTIVITIES				
Net earnings	**$ 135,686**	$ 127,573	**$ 262,674**	$ 248,524
Items not affecting cash and cash equivalents:				
Depreciation and amortization	**50,860**	49,982	**106,824**	94,012
Amortization of deferred financing costs	**1,714**	986	**3,371**	2,183
Accretion on Exchangeable Debentures	**588**	551	**1,170**	1,100
Net benefit plan costs	**3,633**	3,719	**7,066**	6,651
Non-cash derivative financial instruments	**(5,007)**	-	**(5,151)**	-
Stock-based compensation expense	**1,896**	2,495	**4,683**	4,920
Other non-cash items	**(1,168)**	(50)	**(2,018)**	(535)
Future income taxes	**10,178**	1,759	**10,964**	5,059
Non-controlling interest	**234**	560	**351**	560
Change in operating assets and liabilities	**(16,775)**	(12,313)	**(62,757)**	(34,750)
	181,839	175,262	**327,177**	327,724
INVESTING ACTIVITIES				
Business acquisitions, net of cash acquired (Note 3)	**-**	(341,769)	**(17,250)**	(341,769)
Acquisition of capital assets	**(11,787)**	(20,310)	**(23,915)**	(38,114)
Proceeds from lease inducements	**40**	-	**40**	1,826
Acquisition of investment	**-**	(5,000)	**-**	(5,000)
Acquisition of intangibles	**(100)**	-	**(100)**	(20)
	(11,847)	(367,079)	**(41,225)**	(383,077)
FINANCING ACTIVITIES				
Issuance of long-term debt	**49,600**	111,000	**104,655**	111,000
Repayment of long-term debt	**(17,322)**	(921)	**(17,322)**	(244,427)
Distributions to Unitholders	**(148,989)**	(144,488)	**(298,807)**	(289,071)
Distributions to non-controlling interest	**(416)**	-	**(1,078)**	-
Issuance of Preferred shares	**-**	200,000	**-**	500,000
Proceeds from exercise of options (Note 9)	**1,375**	2,707	**2,183**	4,094
Repurchase of Units (Note 9)	**(54,115)**	-	**(54,115)**	-
Purchase of restricted units	**(1,168)**	(793)	**(21,618)**	(16,410)
Proceeds received from derivative financial instruments	**3,215**	-	**3,215**	-
Deferred costs	**(1,679)**	(6,370)	**(2,690)**	(14,830)
	(169,499)	161,135	**(285,577)**	50,356
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**493**	(30,682)	**375**	(4,997)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**53,157**	83,093	**53,275**	57,408
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 53,650**	$ 52,411	**$ 53,650**	$ 52,411

Supplemental disclosure of cash flow information (Note 13)

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

1. Basis of presentation

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”), and include the accounts of Yellow Pages Income Fund (the “Fund”), YPG Trust (the “Trust”), YPG LP, YPG General Partner Inc. (“YPG GP”), YPG Holdings Inc., Yellow Pages Group Co. (“YPG Co.”), Trader Corporation (“Trader”) and LesPAC s.e.n.c., (“LesPAC”). These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2007.

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, 2007, with the exception of the following which have been adopted effective January 1, 2008. These sections relate to disclosure and presentation only and did not have an impact on the Fund’s results, financial position or cash flows.

a) Section 3862, *Financial Instruments – Disclosures.* This section describes the required disclosures related to the significance of financial instruments on the Fund’s financial position and performance. It also describes the nature and extent of risks arising from financial instruments to which the Fund is exposed during the period and at the consolidated balance sheet date and how the Fund manages those risks. This section complements the principles of recognition, measurement, and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation* and Section 3865, *Hedges.*

b) Section 3863, *Financial Instruments – Presentation*. This section establishes standards for presentation of financial instruments and non-financial derivatives. It replaces standards of Section 3861, *Financial Instruments – Disclosure and Presentation*.

c) Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity’s capital and how it is managed to enable users of financial statements to evaluate the entity’s objectives, policies and procedures for managing capital.

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 in the Provinces of British Columbia, Alberta, Manitoba, Ontario, Québec, and Atlantic Canada and classified advertising in all the Provinces of Canada.

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.

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

3. Business acquisition

Acquisition of TBayTel Directory Business

On February 19, 2008, a subsidiary of the Fund acquired the assets of the directory business of TBayTel ("ThunderBay") for a cash consideration of $17.3 million (including acquisition related costs of $0.2 million). The acquisition was financed with cash on hand.

ThunderBay publishes the City of Thunder Bay directory for a circulation of over 120,000 copies. The business is included in the Directories segment.

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 fair value of the underlying net identifiable assets of ThunderBay acquired is allocated as follows:

Intangibles	
Non-competition agreement	**$ 3,536**
Customer contracts	**1,270**
Customer relationships	**3,798**
Net identifiable assets acquired	**8,604**
Goodwill	**8,646**
Purchase price	**$ 17,250**
Consideration:	
Cash	**$ 17,050**
Transaction costs	**200**
	$ 17,250

4. Other assets

	June 30, 2008	December 31, 2007
Investment	**$ 1,388**	$ 3,642
Other	**3,628**	970
	$ 5,016	$ 4,612

5. Employee benefit plans

The total net benefit plan costs for the three-month and six-month periods ended June 30, 2008 were $3.8 million (2007 - $3.7 million) and $7.3 million (2007 - $6.6 million) for pension benefits. Other benefits costs totalled $1.1 million (2007 - $1.3 million) and $2 million (2007 - $1.8 million) for the same periods.

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6. Long-term debt

				June 30, 2008
	Principal amount	**Fair value adjustment of hedged item**	**Deferred financing costs**	**Total**
Medium Term Notes	$ 2,050,000	$ 17,096	$ (15,698)	**$ 2,051,398**
Commercial paper	161,600	-	-	**161,600**
Obligations under capital leases	15,931	-	-	**15,931**
	2,227,531	17,096	(15,698)	**2,228,929**
Less current portion of long-term debt	4,064	-	-	**4,064**
	$ 2,223,467	**$ 17,096**	**$ (15,698)**	**$ 2,224,865**

				December 31, 2007
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	$ 2,050,000	$ 14,894	$ (16,827)	$ 2,048,067
Revolving credit facilities	72,000	-	-	72,000
Obligations under capital leases	17,528	-	-	17,528
	2,139,528	14,894	(16,827)	2,137,595
Less current portion of long-term debt	4,416	-	-	4,416
	$ 2,135,112	$ 14,894	$ (16,827)	$ 2,133,179

The Fund has in place two senior unsecured revolving credit facilities totalling $950 million consisting of :

a) A $700 million facility (the “Principal Facility”) which is comprised of:

- a $500 million 364-day revolving tranche with a 2-year term-out option maturing in May 2011; and,
- a $200 million 5-year revolving tranche maturing in May 2012.

b) A new $250 million 364-day revolving tranche with a 2-year term-out option maturing in May 2011 (the “New Revolving Facility”).

The Revolving credit facilities are subject to customary terms and conditions including limits on pledging assets without the consent of lenders. These facilities are also subject to the maintenance of a maximum ratio of funded debt to Adjusted EBITDA[1] of 4.25 times and a minimum ratio of Adjusted EBITDA[1] to cash interest expense on total debt of 3.5 times.

On April 8, 2008, the Fund terminated the two interest rate swaps with a nominal amount of $75 million each totalling $150 million, for gross proceeds of $3.2 million, which equalled the carrying value of these derivative financial instruments at that date. These interest rate swap agreements were originally entered into in February 2006 to convert the fixed interest rate of the Series 6 Medium Term Notes into floating interest rates.

[1] Income from operations before depreciation and amortization adjusted for comparability purposes (“Adjusted EBITDA”). These adjustments include removing the effect of purchase accounting related to the acquisitions of the assets of MTS Media (“MTS”), Aliant Directory Services (“Aliant”) and Vertical Guides Limited Partnership.

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6. Long-term debt (continued)

On May 8, 2008, the Fund increased its liquidity by entering into a new $250 million senior unsecured revolving credit facility. This New Revolving facility has a 364-day revolving tranche with a 2-year term-out option that matures in May 2011. The tranche can be extended annually, subject to the lender's consent. If not extended, any amount drawn may be converted, at the Fund's option, into a 2-year non-revolving term loan. The New Revolving Facility can be used for general corporate purposes.

The Fund has classified the Series 1 Medium Term Notes that mature in April 2009 as long-term since the Fund has the intention and ability to refinance these obligations. The Fund had $788.4 million of unutilized revolving credit facilities at June 30, 2008 which can be drawn to refinance the Series 1 Medium Term Notes. The maturities vary between May 2011 and May 2012.

The Fund was in compliance with all of its debt covenants as at June 30, 2008.

7. Exchangeable debentures

	June 30, 2008	December 31, 2007
Principal amount	**$ 300,000**	$ 300,000
Equity component	**(12,542)**	(12,542)
Accretion (Note 12)	**4,446**	3,276
Deferred financing costs	**(8,938)**	(10,181)
	$ 282,966	$ 280,553

8. Preferred shares

	June 30, 2008	December 31, 2007
Shares issued, Series 1 and Series 2	**$ 500,000**	$ 500,000
Derivative component	**1,586**	1,586
Accretion (Note 12)	**(127)**	(66)
Deferred financing costs	**(13,315)**	(14,282)
	$ 488,144	$ 487,238

9. 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 earnings, 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.

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

9. Unitholders' capital (continued)

		June 30, 2008
	Number of Units	**Amount**
Balance, December 31, 2007	**533,188,571**	**$ 6,321,471**
Units issued	**556,889**	**6,321**
Repurchase of Units	**(6,285,600)**	**(74,547)**
Balance, June 30, 2008 [1,2]	**527,459,860**	**$ 6,253,245**

		June 30, 2007
	Number of Units	Amount
Balance, December 31, 2006	532,067,956	$ 6,305,850
Units issued	1,044,275	14,547
Balance, June 30, 2007 [1,2]	533,112,231	$ 6,320,397

[1] Includes 10,815,000 (2007 - 15,000,000) Exchangeable Units of YPG LP issued as partial consideration of the Trader Media Corp. ("TMC") acquisition, which are presented as part of Unitholders' capital as the criteria of Emerging Issues Committee Abstract 151 "*Exchangeable Securities Issued by Subsidiaries of Income Trust"* are met.

[2] Includes 4,196,070 Restricted Units (2007 - 2,411,145) pursuant to the Restricted Unit Plan.

Normal course issuer bid

On March 28, 2008, the Fund received approval from the Toronto Stock Exchange ("TSX") on its notice of intention to make a normal course issuer bid for its units through the facilities of the TSX from April 2, 2008 to April 1, 2009, in accordance with applicable rules of the TSX.

Under its normal course issuer bid, the Fund intends to purchase for cancellation up to 25 million of its outstanding units. As at June 30, 2008, the Fund has purchased for cancellation 6,285,600 Units of the Fund for a total cost of $64.6 million including brokerage commissions. An amount of $10.5 million representing 1,152,300 Units repurchased in the last three days of June and settled in July, is included in accounts payables and accrued liabilities as at June 30, 2008. The average carrying value of these Units was $11.86 per Unit. The difference between the purchase price and the carrying value of the Units of $9.9 million was charged to Contributed Surplus.

Exercise of options

During the three-month period ended June 30, 2008, optionholders exercised 350,771 (2007 – 690,255) options at an exercise price of $3.92 per option for a cash consideration of $1.4 million (2007 – $2.7 million). These options were exercised into 350,771 (2007 – 690,255) shares of YPG Holdings Inc. which were automatically exchanged into 350,771 (2007 – 690,255) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average fair value of approximately $10.90 (2007 – $14.37) per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of $2.4 million (2007 – $7.2 million).

During the six-month period ended June 30, 2008, optionholders exercised 556,889 (2007 – 1,044,275) options at an exercise price of $3.92 per option for a cash consideration of $2.2 million (2007 – $4.1 million). These options were exercised into 556,889 (2007 – 1,044,275) shares of YPG Holdings Inc. which were automatically exchanged into 556,889 (2007 – 1,044,275) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average fair value of approximately $11.35 (2007 – $13.93) per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of $4.1 million (2007 – $10.4 million).

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

9. Unitholders' capital (continued)

Earnings per unit

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2008	2007	**2008**	2007
Weighted average number of units outstanding used in computing basic earnings per unit	**526,113,061**	530,376,724	**528,078,713**	530,428,376
Dilutive effect of options	**601,406**	1,407,765	**741,741**	1,663,691
Dilutive effect of Restricted Units[1]	**4,166,543**	2,384,498	**3,703,136**	2,077,334
Dilutive effect of Series 1 Preferred shares	**30,399,449**	23,346,304	**28,739,486**	15,415,155
Dilutive effect of Series 2 Preferred shares	**20,266,299**	3,830,592	**19,159,657**	507,924
Dilutive effect of Exchangeable Debentures	**30,399,449**	23,117,824	**28,739,486**	24,479,804
Weighted average number of units outstanding used in computing diluted earnings per unit	**611,946,207**	584,463,707	**609,162,219**	574,572,284

[1] At 200% pay-out including unallocated Restricted Units.

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2008	2007	**2008**	2007
Net earnings	**$ 135,686**	$ 127,573	**$ 262,674**	$ 248,524
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	**3,652**	3,619	**7,294**	7,251
Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes	**3,154**	3,374	**6,305**	4,348
Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes	**2,353**	652	**4,705**	652
Net earnings adjusted for dilutive effect	**$ 144,845**	$ 135,218	**$ 280,978**	$ 260,775

The Exchangeable Units described above are included in the number of units for both basic and diluted earnings per unit.

10. Distributions to unitholders

The Fund's distribution policy is to make distributions of its available cash taking into account the current and prospective performance of its business, amounts to service debt obligations, maintenance capital expenditures, taxes and other items considered to be prudent. The Fund's objective is to progressively reduce its payout ratio over the 2007 – 2010 period in order to provide the necessary flexibility to fund cash taxes starting in 2011, following the income tax rules changes enacted by the Canadian Federal government on June 22, 2007.

Cash distributions are payable monthly to the Unitholders and Exchangeable Unitholders of record on the last business day of each month and are paid on the 15th day of the following month.

During the six-month period ended June 30, 2008, the Fund declared total distributions to Unitholders and Exchangeable Unitholders of $298.4 million (2007 - $289.2 million) or $0.5650 per unit (2007 - $0.5450).

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

11. Stock-based compensation plans

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

Restricted Unit Plan

On August 30, 2004, YPG LP, through its general partner YPG GP, established the YPG Co. Restricted Unit Plan (the "RU Plan") to encourage ownership of units, to enhance YPG Co.'s ability to attract, motivate and retain key personnel, to reward the participants for significant performance and associated growth in distributable cash of the Fund and to align the interests of the participants and the Unitholders of the Fund.

Employees who were awarded units under the RU Plan prior to January 1, 2006 (pre-2006 grants), were granted Restricted Units in equal proportions between time-based vesting and performance-based vesting criteria. During the years 2006 to 2008, YPG LP awarded Restricted Units to key employees which are performance-based vesting only, between 2008 to 2010 and also awarded Restricted Units to non-executive directors of YPG GP, the general partner of YPG LP, which are time-based vesting only.

During the six-month period ended June 30, 2008, an amount of $10.9 million (2007 - $8.2 million) representing 961,397 (2007 - 611,694) Restricted Units were granted at an average market price of $11.35 (2007 - $13.50). Except for pre-2006 grants and Restricted Units granted to Directors, 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, $19.8 million (2007 - $15.4 million) was used to purchase 1,742,404 (2007- 1,140,347) Restricted Units of the Fund on the open market of the TSX, which are held in escrow in order to provide for a 200% pay-out subject to adjustment at time of vesting. In addition, an amount of $1.8 million (2007 - $1 million) was used to reinvest in 164,738 (2007 - 65,708) Restricted Units using the proceeds from the distributions on the Restricted Units held in escrow. This includes 74,749 (2007 - 28,342) Restricted Units associated with the portion which provides for 200% pay-out.

The following table summarizes the status of the grants:

	For the six-month period ended June 30,2008	
	Number of Restricted Units	
	Pre-2006 Grants	**2006 to 2008 Grants**
Outstanding, beginning of period	**69,915**	**1,167,613**
Granted	**-**	**961,397**
Vested	**(68,163)**	**(16,168)**
Forfeited	**(2,271)**	**(98,728)**
Cash distributions reinvested	**519**	**89,470**
Outstanding, end of period	**-**	**2,103,584**

	For the six-month period ended June 30,2007	
	Number of Restricted Units	
	Pre-2006 Grants	2006 and 2007 Grants
Outstanding, beginning of period	204,437	515,012
Granted	-	611,694
Forfeited	-	(6,498)
Cash distributions reinvested	10,911	26,455
Outstanding, end of period	215,348	1,146,663

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

11. Stock-based compensation plans (continued)

As at June 30, 2008 there were 162,334 (2007 - nil) Restricted Units which were not allocated to any specific employee and 1,930,152 (2007 - 1,049,134) Restricted Units representing the portion which provides for a 200% pay-out. Total compensation expense for the three-month and six-month periods ended June 30, 2008 of $1.9 million (2007 - $2.4 million) and $4.7 million (2007- $4.7 million) was recorded in the interim consolidated statements of earnings.

Stock Options

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

	For the six-month period ended June 30, 2008	
	Number of options	**Weighted average exercise price per option**
Outstanding, beginning of period	**977,600**	**$ 3.92**
Exercised	**(556,889)**	**3.92**
Outstanding, end of period	**420,711**	**$ 3.92**
Exercisable, end of period	**420,711**	**$ 3.92**

	For the six-month period ended June 30, 2007	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	2,055,300	$ 3.92
Exercised	(1,044,275)	3.92
Cancelled	(16,274)	3.92
Reinstatement	59,189	3.92
Outstanding, end of period	1,053,940	$ 3.92
Exercisable, end of period	170,761	$ 3.92

Compensation expense for the three-month and six-month periods ended June 30, 2008 of $nil (2007 - $0.1 million) and $nil (2007- $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.

12. Financial charges, net

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2008	2007	**2008**	2007
Interest on Medium Term Notes	**$ 26,776**	$ 27,100	**$ 53,885**	$ 54,203
Interest on Revolving credit facilities	**2**	-	**620**	-
Interest on Exchangeable Debentures, net of accretion	**4,125**	4,125	**8,250**	8,276
Interest on Commercial paper	**1,267**	2,062	**1,629**	4,119
Standby fees and other financial charges, net	**774**	24	**1,167**	32
Other credits related to derivative financial instruments	**(5,007)**	-	**(5,151)**	-
Amortization of deferred financing costs	**1,714**	986	**3,371**	2,183
Accretion on Exchangeable Debentures (Note 7)	**588**	551	**1,170**	1,100
Accretion on Preferred shares (Note 8)	**(31)**	-	**(61)**	-
Foreign exchange loss (gain)	**13**	(20)	**6**	3
	$ 30,221	$ 34,828	**$ 64,886**	$ 69,916

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

13. Supplemental disclosure of cash flow information

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2008	2007	**2008**	2007
Interest paid	**$ 27,608**	$ 28,694	**$ 66,555**	$ 68,863
Dividends on Preferred shares paid	**$ 5,687**	$ 3,947	**$ 11,375**	$ 3,947
Income taxes and capital taxes paid	**$ 4,189**	$ 2,207	**$ 15,091**	$ 3,230
Additions to capital assets under capital leases	**$ 52**	$ 6,989	**$ 674**	$ 8,976
Additions to capital assets included in accounts payable and accrued liabilities	**$ 2,418**	$ 2,707	**$ 2,418**	$ 2,707

Cash and cash equivalents consists of:

	As at June 30,	
	2008	2007
Cash	**$ 8,350**	$ 12,420
Short-term investments	**$ 45,300**	$ 39,991
	$ 53,650	$ 52,411

14. Restructuring and special charges

In connection with the acquisitions of Advertising Directory Solutions Holdings Inc. (“ADS”), Trader, MTS Media and Aliant Directory Services, the Fund recorded provisions for restructuring and special charges of $25.8 million, $38.7 million, $8.3 million and $0.9 million, respectively. The Fund has adopted formal plans to integrate and restructure the acquired businesses. Consequently, the Fund established provisions related to planned termination of employment of certain employees of the acquired businesses who were performing functions already available through its existing structure and other restructuring of the acquired businesses’ 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, and costs related to decommissioning of the existing systems platforms following the integration of the acquired business’ operations. The liabilities related to these costs were initially included in the underlying net identifiable assets acquired. During 2007, the Fund revised its initial estimates of provisions related to certain acquisitions. As a result, the allocation of the purchase prices were revised which resulted in a reduction of goodwill of $9.7 million before related income taxes of $3.1 million.

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

	Restructuring charges	Other special Charges	Total
Balance as at December 31, 2007	$ 5,281	$ 9,837	$ 15,118
Utilized in 2008:			
Cash	(2,471)	(5,696)	(8,167)
Balance as at June 30, 2008	**$ 2,810**	**$ 4,141**	**$ 6,951**

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

15. Accumulated other comprehensive income (loss)

The components of Accumulated other comprehensive income (loss) are as follows:

	June 30, 2008
Net gain on derivatives designated as cash flow hedges in prior periods	**$ 1,842**
Unrealized loss on available–for–sale financial asset	**(3,615)**
Balance June 30, 2008	**$ (1,773)**

	June 30, 2007
Net gain on derivatives designated as cash flow hedges in prior periods	$ 2,064
Unrealized gain on available–for–sale financial asset	1,870
Balance June 30, 2007	$ 3,934

16. Financial risk management

Credit Risk

Credit risk stems primarily from the potential inability of a customer or counterparty to a financial instrument to meet its contractual obligations. The Fund is exposed to credit risk with respect to cash and cash equivalents, accounts receivable from customers and derivative financial instruments. The carrying amount of financial assets represents the Fund's maximum exposure.

Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

The Fund's extension of credit to customers involves considerable judgment. The Fund has established internal controls designed to mitigate credit risk, including a formal credit policy managed by the Fund's credit department. New customers, customers increasing their advertising spent by a certain threshold and customers not respecting payment terms are subject to a specific vetting and approval process.

The Fund considers that it has limited exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating in numerous industries and its geographic diversity. There are no individual customers that account for 1% or more of revenues and there are no accounts receivable from any one individual customer and certified marketing representative that exceeds 5% of the total balance of accounts receivable at any point in time during the period.

Bell Canada ("Bell"), TELUS Communications Inc. ("TELUS"), MTS Allstream Inc. and Bell Aliant Regional Communications LP ("Bell Aliant") provide the Fund with customer collection services with respect to advertisers who are also their customers. As such they receive money from customers on behalf of the Fund. The Fund retains the ultimate collection risks on these receivables.

Allowance for doubtful accounts and past due receivables are reviewed by management at each balance sheet reporting date. The Fund updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into account historic collection trends of past due accounts. Accounts receivable are written-off once determined not to be collectable.

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

16. Financial risk management (continued)

Pursuant to their respective terms, accounts receivable are aged as follows as at June 30, 2008:

Current	**$ 142,037**
Past due less than 180 days	**75,334**
Past due over 180 days	**19,404**
Accounts receivable	**$ 236,775**

The Fund's accounts receivable are stated after deducting a provision of $36.6 million at June 30, 2008. The movements in the provision for doubtful accounts were as follows:

	June 30, 2008
Balance, beginning of period	**$ 35,848**
Bad debt expense, net of recovery	**13,445**
Written-off	**(12,664)**
Balance, end of period	**$ 36,629**

	June 30, 2007
Balance, beginning of period	$ 25,542
Bad debt expense, net of recovery	12,484
Written-off	(6,245)
Balance, end of period	$ 31,781

Interest Risk

The Fund is exposed to interest rate risks through its financial obligations bearing variable interest rates. The interest rates on YPG Holdings Inc.'s bank facility, commercial paper issuances, fixed-to-floating interest rate swaps and cash and short-term investments are generally based on the Canadian Banker's Acceptance rate. As of June 30, 2008, the net amount exposed to short-term rates fluctuations was $108 million. Based on the value of interest-bearing financial instruments as at June 30, 2008, an assumed 0.5 percentage point increase in the Banker's Acceptance rate would have an unfavourable impact of $0.1 million on quarterly net earnings with an equal but opposite effect for an assumed 0.5 percentage point decrease. The Fund is also exposed to fluctuations in long-term interest rates relative to the refinancing of its debt obligations upon their maturity. The interest rate on new long-term debt issuances will be based on the prevailing rates at the time of the refinancing, and will also depend on the tenor of the new debt issued. The Fund manages interest rate risk exposure by having a balanced schedule of debt maturities, as well as a combination of fixed and floating interest rate obligations.

Liquidity Risk

Liquidity risk is the exposure of the Fund to the risk of not being able to meet its financial obligations as they become due. The Fund manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 17 - Capital Disclosures.

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

16. Financial risk management (continued)

The following are the contractual maturities of the financial liabilities and related capital amounts:

	Payments due for the periods ending December 31				
	Total	**6 months**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long-term debt[1,2]	$2,511,600	$-	$900,000	$161,600	$1,450,000
Obligations under capital leases[2]	15,931	2,245	9,811	3,520	355
Preferred shares[2]	500,000	-	-	300,000	200,000
Total	**$3,027,531**	**$2,245**	**$909,811**	**$465,120**	**$1,650,355**

[1] Including Exchangeable Debentures.

[2] Principal amount.

On June 30, 2008, cash and cash equivalents amounted to $53.7 million. This amount does not include any investments in asset-backed commercial paper. In addition to cash and cash equivalents, YPG Holdings Inc. may issue additional notes amounting to $338.4 million under its commercial paper program and access another $450 million under its revolving credit facilities. Alternatively, if additional notes are not issued under the commercial paper program, YPG Holdings Inc. may access the full $788.4 million available under the revolving credit facilities.

17. Capital disclosures

The Fund's objective in managing capital is to:

- Maintain a diversified capital structure with well balanced debt maturities;
- Ensure flexibility in the capital structure to fund operations, distributions to unitholders, capital investments and to support the external growth strategy; and
- Maintain adequate liquidity at all times.

The Fund's capital management objectives, policies and procedures were unchanged since the last period.

The Fund actively manages and monitors the capital structure and makes adjustments based on the objectives described above in response to changes in economic conditions and the risk characteristics of the underlying assets.

The primary measure used by the Fund to monitor its financial leverage is its ratio of net debt to Adjusted EBITDA. The Fund also uses other financial metrics to monitor its financial leverage including net debt and preferred shares to Adjusted EBITDA, Fixed Charges Coverage Ratio and Net Debt to Capitalization.

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

17. Capital disclosures (continued)

The Fund's capital is comprised of net debt and Preferred shares and Unitholders' equity as follows:

	June 30, 2008	December 31, 2007
Cash and cash equivalents	**$ 53,650**	$ 53,275
Medium Term Notes	**2,051,398**	2,048,067
Exchangeable Debentures	**282,966**	280,553
Revolving credit facilities	**-**	72,000
Commercial Paper	**161,600**	-
Obligations under capital leases	**15,931**	17,528
Long-term debt, including current portion	**2,511,895**	2,418,148
Net debt (net of cash and cash equivalents)	**2,458,245**	2,364,873
Preferred shares	**488,144**	487,238
Net debt and Preferred shares (net of cash and cash equivalents)	**2,946,389**	2,852,111
Unitholders' equity	**5,672,838**	5,786,180
Total capitalization including Preferred shares	**$ 8,619,227**	$ 8,638,291
Net debt to total capitalization	**28.5%**	27.4%
Net debt and Preferred shares to total capitalization	**34.2%**	33.0%

	For the twelve-month periods ended on	
	June 30, 2008	December 31, 2007
Adjusted EBITDA[1]	**$ 910,713**	$ 884,134
Net Debt to Adjusted EBITDA ratio	**2.7**	2.7

[1] Latest twelve months Adjusted EBITDA giving effect to the impact of acquisitions.

18. 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 indemnifying 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 June 30, 2008 with respect to this indemnity.

Pursuant to the acquisitions of Aliant and LesPAC, the Fund has entered into agreements whereby the Fund agrees to indemnify and hold harmless the vendors 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 these agreements and (ii) any breach of a representation contained herein. Furthermore, agreements entered into by Trader and its predecessor companies prior to the acquisition contains indemnifications similar to the ones just described. No amount has been accrued in the interim consolidated balance sheet as of June 30, 2008, 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.

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

19. Segmented information

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

The tables below summarize the selected financial information by segment:

			For the three-month period ended June 30, 2008
	Directories	**Vertical Media**	**Consolidated**
Revenues	**$ 339,878**	**$ 90,564**	**$ 430,442**
Operating costs	**136,329**	**58,132**	**194,461**
Income from operations before depreciation and amortization	**203,549**	**32,432**	**235,981**
Depreciation and amortization	**43,073**	**7,787**	**50,860**
Income from operations	**$ 160,476**	**$ 24,645**	**$ 185,121**

			For the six-month period ended June 30, 2008
	Directories	**Vertical Media**	**Consolidated**
Revenues	**$ 677,309**	**$ 167,704**	**$ 845,013**
Operating costs	**269,584**	**112,055**	**381,639**
Income from operations before depreciation and amortization	**407,725**	**55,649**	**463,374**
Depreciation and amortization	**89,473**	**17,351**	**106,824**
Income from operations	**$ 318,252**	**$ 38,298**	**$ 356,550**

			For three-month period ended June 30, 2007
	Directories	Vertical Media	Consolidated
Revenues	$ 320,421	$ 90,689	$ 411,110
Operating costs	130,073	60,718	190,791
Income from operations before depreciation and amortization	190,348	29,971	220,319
Depreciation and amortization	38,598	11,384	49,982
Income from operations	$ 151,750	$ 18,587	$ 170,337

			For six-month period ended June 30, 2007
	Directories	Vertical Media	Consolidated
Revenues	$ 629,388	$ 165,963	$ 795,351
Operating costs	255,594	115,995	371,589
Income from operations before depreciation and amortization	373,794	49,968	423,762
Depreciation and amortization	71,552	22,460	94,012
Income from operations	$ 302,242	$ 27,508	$ 329,750

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

19. Segmented information (continued)

			June 30, 2008
	Directories	**Vertical Media**	**Consolidated**
Intangibles	**$ 1,629,687**	**$ 316,245**	**$ 1,945,932**
Goodwill	**$ 5,620,143**	**$ 963,387**	**$ 6,583,530**
Total assets	**$ 7,819,616**	**$ 1,390,083**	**$ 9,209,699**

			December 31, 2007
	Directories	Vertical Media	Consolidated
Intangibles	$ 1,689,445	$ 326,999	$ 2,016,444
Goodwill	$ 5,607,359	$ 963,387	$ 6,570,746
Total assets	$ 7,865,549	$ 1,399,963	$ 9,265,512

	For the six-month periods ended June 30	
	2008	2007
Additions to capital assets[1]		
Directories	**$ 10,877**	$ 17,483
Vertical Media	**$ 8,663**	$ 25,537
Additions to intangible assets		
Directories	**$ 100**	$ -
Vertical Media	**$ -**	$ 20

[1] These amounts represent total expenditures for additions to capital assets, whether they are paid or not.

20. Subsequent event

On July 30, 2008, the Fund announced the intention to acquire the assets of Volt Information Sciences Inc.'s ("VOLT") directory systems and services as well as its directory publishing operations. VOLT provides systems and services for the production and management of databases as well as the digitization of display advertisements for directory and other media publishers. The Fund is acquiring VOLT for a purchase price of US$178 million payable in cash at closing. The transaction is expected to close in September 2008, subject to regulatory approval. As the consummation of the transaction will occur after June 30, 2008, the acquisition has not been accounted for in these consolidated interim financial statements.

21. Effect of new accounting standards not yet implemented

a) Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section, issued in February 2008, will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Fund will adopt the new standards for its interim period and fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

21. Effect of new accounting standards not yet implemented (continued)

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

The Fund is currently assessing the future impact of these new standards on its consolidated financial statements.

22. Comparative figures

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