

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW MEDIA INC.

March 31, 2011

(unaudited)

Table of contents

Interim Condensed Consolidated Statements of Financial Position.....	2
Interim Condensed Consolidated Income Statements.....	3
Interim Condensed Consolidated Statements of Comprehensive Income.....	4
Interim Condensed Consolidated Statements of Equity.....	5-6
Interim Condensed Consolidated Statements of Cash Flows.....	7
Notes to the Interim Condensed Consolidated Financial Statements.....	8-44

Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – unaudited)

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 15)	\$ 33,981	\$ 69,325	\$ 36,170
Trade receivables	183,350	219,026	215,356
Prepaid expenses	5,437	7,298	6,480
Deferred publication costs and other assets	102,377	104,258	130,844
Assets held for sale (Note 5)	938,083	-	-
TOTAL CURRENT ASSETS	1,263,228	399,907	388,850
DEFERRED PUBLICATION COSTS	8,098	9,701	8,358
OTHER FINANCIAL ASSETS	7,232	6,845	3,111
INVESTMENTS IN ASSOCIATES	54,209	64,503	34,977
DERIVATIVES	1,408	6,145	2,612
PROPERTY, PLANT AND EQUIPMENT	41,286	80,743	67,424
INTANGIBLE ASSETS	1,753,962	2,152,000	2,035,341
GOODWILL	5,895,901	6,467,092	6,342,580
DEFERRED INCOME TAXES	22,987	24,174	31,197
TOTAL NON-CURRENT ASSETS	7,785,083	8,811,203	8,525,600
TOTAL ASSETS	\$ 9,048,311	\$ 9,211,110	\$ 8,914,450
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	\$ 184,593	\$ 201,560	\$ 147,962
Dividends payable	23,614	27,820	34,220
Current income tax liabilities	8,468	4,024	6,956
Provisions	44,637	60,341	52,161
Deferred revenues	70,460	80,725	110,402
Derivatives	4,276	-	76
Liabilities associated with assets held for sale (Note 5)	142,474	-	-
Commercial paper	263,000	295,000	74,000
Current portion of long-term debt and exchangeable and convertible instruments (Note 7 and 8)	36,669	3,669	2,254
TOTAL CURRENT LIABILITIES	778,191	673,139	428,031
DEFERRED CREDITS	18,355	21,165	23,452
DEFERRED INCOME TAXES	250,056	355,900	227,949
POST-EMPLOYMENT BENEFITS	191,271	188,877	104,836
DERIVATIVES	-	-	719
DEFERRED CONSIDERATION (Note 4)	14,617	14,567	-
LONG-TERM DEBT (Note 7)	1,908,679	1,923,203	2,151,720
EXCHANGEABLE AND CONVERTIBLE INSTRUMENTS (Note 8)	251,205	319,029	83,886
PREFERRED SHARES (Note 9)	447,207	446,725	472,777
TOTAL NON-CURRENT LIABILITIES	3,081,390	3,269,466	3,065,339
TOTAL LIABILITIES	3,859,581	3,942,605	3,493,370
CAPITAL AND RESERVES	6,522,675	6,476,910	6,090,067
DEFICIT	(1,383,576)	(1,260,973)	(1,024,817)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF			
YELLOW MEDIA INC.	5,139,099	5,215,937	5,065,250
NON-CONTROLLING INTERESTS (Note 10)	49,631	52,568	355,830
TOTAL EQUITY	5,188,730	5,268,505	5,421,080
TOTAL LIABILITIES AND EQUITY	\$ 9,048,311	\$ 9,211,110	\$ 8,914,450

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

Interim Condensed Consolidated Income Statements

For the three-month periods ended March 31,

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

	2011	2010
Revenues	\$ 349,372	\$ 339,684
Operating costs (Note 13)	159,337	141,112
Income from operations before depreciation and amortization and acquisition-related costs	190,035	198,572
Depreciation and amortization	52,368	24,378
Acquisition-related costs	803	3,615
Income from operations	136,864	170,579
Financial charges, net (Note 14)	47,142	36,195
Earnings before dividends on Preferred shares, series 1 and 2, income taxes, and share of losses from investment in associates	89,722	134,384
Dividends on Preferred shares, series 1 and 2	5,132	5,379
Earnings before income taxes and share of losses from investment in associates	84,590	129,005
Provision for income taxes	6,601	8,354
Share of losses from investment in associates	7,536	264
Net earnings from continuing operations	70,453	120,387
Net (loss) earnings from discontinued operations, net of income taxes (Note 5)	(105,042)	6,732
Net (loss) earnings	\$ (34,589)	\$ 127,119
Net (loss) earnings attributable to:		
Common shareholders of Yellow Media Inc. ¹	\$ (33,429)	\$ 125,790
Non-controlling interests ³	(1,160)	(4,369)
Holders of Preferred shares, series 3, 5 and 7	-	5,698
	\$ (34,589)	\$ 127,119
Basic (loss) earnings per share attributable to common shareholders of Yellow Media Inc.		
From continuing operations	\$ 0.13	\$ 0.23
Total	\$ (0.08)	\$ 0.25
Weighted average number of shares outstanding used in computing basic earnings (loss) per share (Note 11) ²	510,404,617	504,752,813
Diluted (loss) earnings per share attributable to common shareholders of Yellow Media Inc.		
From continuing operations	\$ 0.11	\$ 0.20
Total	\$ (0.04)	\$ 0.21
Weighted average number of shares outstanding used in computing diluted (loss) earnings per share (Note 11) ²	665,199,416	619,026,583

¹ Included in the net earnings attributable to common shareholders of Yellow Media Inc. for the period ended March 31, 2010 are net earnings attributable to Owners of the Fund.

² Comparative amounts presented are trust units.

³ Included in the net (loss) earnings attributable to non-controlling interests is (\$1 million) related to discontinued operations (2010 - (\$4.4 million)).

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

Interim Condensed Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31,
(in thousands of Canadian dollars – unaudited)

	2011	2010
Net (loss) earnings	\$ (34,589) \$	127,119
Other comprehensive income (loss), net of related income taxes:		
Reclassification adjustment on derivatives designated as cash flow hedges in the period ¹	127	(113)
Change in gains and losses on derivatives designated as cash flow hedges	127	(113)
Unrealized gain (loss) on available-for-sale investment in the period ²	64	(96)
Change in unrealized loss on available-for-sale financial asset	64	(96)
Unrealized exchange differences on translating financial statements of foreign operations and foreign associates ³	(4,569)	(5,187)
Change in unrealized exchange differences on translating financial statements of foreign operations and foreign associates	(4,569)	(5,187)
Other comprehensive loss	(4,378)	(5,396)
Total comprehensive (loss) income	\$ (38,967) \$	121,723
Total comprehensive (loss) income attributable to:		
Common shareholders of Yellow Media Inc. ⁴	\$ (36,030) \$	120,394
Non-controlling interests	(2,937)	(4,369)
Holders of Preferred shares, series 3, 5 and 7	-	5,698
	\$ (38,967) \$	121,723

¹ Net of income taxes of \$57 (\$40 for 2010).

² Net of income taxes of \$nil (nil for 2010).

³ Unrealized exchange differences on translating financial statements of foreign operations and foreign associates include \$3.3 million for discontinued operations (2010 - \$5.2 million).

⁴ Included in the total comprehensive income (loss) attributable to common shareholders for the period ended March 31, 2010 is total comprehensive income attributable to Owners of the Fund.

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

Interim Condensed Consolidated Statements of Equity

For the three-month periods ended March 31,
(in thousands of Canadian dollars – unaudited)

	Shareholders' Capital (Note 11)	Restricted Shares	Preferred Shares	Compound financial instruments ¹	Stock based compensation	Reduction of capital and other reserves
Balance, December 31, 2010 (Note 18)	\$ 4,079,838	\$ (78,135)	\$ 328,880	\$ 7,423	\$ 20,798	\$ 2,119,177
Issuance (exchange) of shares	51,713	–	(750)	–	–	–
Stock options	–	–	–	–	200	–
Restricted shares	–	(1,199)	–	–	(1,598)	–
Restricted shares vested (Note 12)	–	26,010	–	–	(26,010)	–
Dividends	–	–	–	–	–	–
Other comprehensive loss	–	–	–	–	–	–
Net loss for the period	–	–	–	–	–	–
Dividends on Preferred shares, Series 3, 5 and 7	–	–	–	–	–	–
Balance, March 31, 2011	\$ 4,131,551	\$ (53,324)	\$ 328,130	\$ 7,423	\$ (6,610)	\$ 2,119,177

¹ The equity component of the convertible debentures presented above is net of income taxes of \$2.7 million.

² The foreign currency translation reserve balance as of March 31, 2011 includes \$3.8 million related to assets held for sale

	Shareholders' Capital (Note 11)	Restricted Shares	Compound financial instruments	Stock based compensation	Reduction of capital and other reserves
Balance, January 1, 2010 (Note 18)	\$ 6,030,339	\$ (72,898)	\$ 3,618	\$ 9,797	\$ 118,064
Conversion of exchangeable units of YPG LP	31,700	–	–	–	–
Stock options	–	–	–	37	–
Restricted shares	–	(1,129)	–	734	–
Restricted shares vested (Note 12)	–	8,711	–	(8,711)	–
Issuance of Preferred Shares, Series 7	–	–	–	–	–
Dividends	–	–	–	–	–
Business acquisitions (Note 4)	–	–	–	–	–
Other comprehensive loss	–	–	–	–	–
Net earnings for the period	–	–	–	–	–
Net loss attributable to non-controlling interests	–	–	–	–	–
Dividends on Preferred shares, Series 3, 5 and 7	–	–	–	–	–
Balance, March 31, 2010	\$ 6,062,039	\$ (65,316)	\$ 3,618	\$ 1,857	\$ 118,064

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

								2011	
Available for sale investment	Cash flow hedges	Foreign currency translation reserve ²	Capital and Reserves	Deficit	Total Equity attributable to common shareholders of Yellow Media Inc.	Non-controlling interests (Note 10)	Total Equity		
\$ 225	\$ 1,077	\$ (2,373)	\$ 6,476,910	\$ (1,260,973)	\$ 5,215,937	\$ 52,568	\$ 5,268,505		
-	-	-	50,963	-	50,963	-	50,963		
-	-	-	200	-	200	-	200		
-	-	-	(2,797)	-	(2,797)	-	(2,797)		
-	-	-	-	-	-	-	-		
-	-	-	-	(83,464)	(83,464)	-	(83,464)		
64	127	(2,792)	(2,601)	-	(2,601)	(1,777)	(4,378)		
-	-	-	-	(33,429)	(33,429)	(1,160)	(34,589)		
-	-	-	-	(5,710)	(5,710)	-	(5,710)		
\$ 289	\$ 1,204	\$ (5,165)	\$ 6,522,675	\$ (1,383,576)	\$ 5,139,099	\$ 49,631	\$ 5,188,730		

								2010	
Available for sale investment	Cash flow hedges	Foreign currency translation reserve	Capital and Reserves	Deficit	Total Equity attributable to common shareholders of Yellow Media Inc.	Non-controlling interests (Note 10)	Total Equity		
\$ 418	\$ 729	\$ -	\$ 6,090,067	\$ (1,024,817)	\$ 5,065,250	\$ 355,830	\$ 5,421,080		
-	-	-	31,700	-	31,700	(31,700)	-		
-	-	-	37	-	37	-	37		
-	-	-	(395)	-	(395)	-	(395)		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	9,750	9,750		
-	-	-	-	(101,033)	(101,033)	-	(101,033)		
-	-	-	-	-	-	71,513	71,513		
(96)	(113)	(5,187)	(5,396)	-	(5,396)	-	(5,396)		
-	-	-	-	127,119	127,119	-	127,119		
-	-	-	-	4,369	4,369	(4,369)	-		
-	-	-	-	(5,698)	(5,698)	-	(5,698)		
\$ 322	\$ 616	\$ (5,187)	\$ 6,116,013	\$ (1,000,060)	\$ 5,115,953	\$ 401,024	\$ 5,516,977		

Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended March 31,
(in thousands of Canadian dollars - unaudited)

	2011	2010
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 70,453	\$ 120,387
Items not affecting cash and cash equivalents:		
Depreciation and amortization	52,368	24,378
Amortization and write-off of deferred financing costs	3,518	1,893
Accretion on compound financial instruments	248	159
Net benefit plan costs	2,394	3,961
Non-cash derivative financial instruments	7,043	1,848
Stock compensation (recovery) expense	(1,398)	734
Gain on purchase of Preferred shares, series 1 and 2, and Medium Term Notes	–	(2,522)
Deferred income taxes	2,052	3,647
Share of losses from investment in associates	7,536	264
Other non-cash items	(565)	89
Change in operating assets and liabilities	(31,948)	(27,149)
	111,701	127,689
INVESTING ACTIVITIES		
Business acquisitions, net of cash acquired and bank indebtedness assumed (Note 4)	(24)	(6,149)
Acquisition of investment in associates	–	(3,600)
Acquisition of intangible assets	(10,627)	(19,856)
Acquisition of property, plant and equipment	(1,267)	(1,817)
Issuance of note	(1,238)	–
Proceeds from lease inducements	37	–
	(13,119)	(31,422)
FINANCING ACTIVITIES		
Issuance of long-term debt and commercial paper	305,000	410,000
Repayment of long-term debt and commercial paper	(337,164)	(100,371)
Dividends to shareholders	(72,097)	(101,033)
Purchase of Preferred shares, series 1 and 2, and Medium Term Notes	–	(298,964)
Dividends on Preferred shares, series 3, 5 and 7	(5,710)	(5,858)
Restricted shares (Note 12)	(1,199)	(1,129)
Proceeds from derivative financial instruments	826	–
Debt and preferred share issuance and other costs	–	(8,582)
	(110,344)	(105,937)
Effect of exchange rates changes on cash and cash equivalents denominated in foreign currencies	(508)	(302)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,270)	(9,972)
CASH FLOWS FROM DISCONTINUED OPERATIONS (Note 5)	(4,051)	11,684
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	69,325	36,170
CASH AND CASH EQUIVALENTS, END OF PERIOD¹	\$ 53,004	\$ 37,882
Supplemental disclosure of cash flow information (Note 15)		
Interest paid	\$ 41,807	\$ 49,048
Income taxes and capital taxes paid	\$ 246	\$ 7,669

¹ Cash and cash equivalents, end of period of March 31, 2011 include \$19 million of cash grouped with assets held for sale.

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

1. Description

Yellow Media Inc. through subsidiaries, operates print and online directories and performance marketing solutions in all the Provinces of Canada. Also, Yellow Media Inc. operates Trader Corporation (“Trader”), which includes print and online vertical publications as well as performance marketing solutions and Dealer.com, a leading provider of online marketing solutions in the United States. As explained in Note 5, the automotive and generalist verticals of Trader along with Dealer.com were discontinued in the first quarter of 2011. References herein to Yellow Media Inc. represent the financial position, results of operations, cash flows and disclosures of Yellow Media Inc. and its subsidiaries on a consolidated basis.

Yellow Media Inc.’s registered office is located at 16, Place du Commerce, Montreal, Quebec, Canada, H3E 2A5 and is listed on the Toronto Stock Exchange (“TSX”).

On November 1, 2010, Yellow Pages Income Fund (the “Fund”) and Yellow Media Inc. (the “Company”) entered into a Plan of arrangement pursuant to which, the parties proposed to implement an arrangement under the Canada Business Corporations Act (the “Plan of Arrangement”). The Plan of Arrangement involved the exchange, on a one-for-one basis of units of Fund for common shares of Yellow Media Inc. As a result of the Plan of Arrangement, the holders of units of the Fund became the sole shareholders of Yellow Media Inc. The effective date of the Plan of Arrangement was November 1, 2010.

As part of the reorganization, YPG LP was wound up and its assets were distributed to YPG General Partner Inc, (“YPG GP”) and YPG Trust (the “Trust”) on a pro rata basis. The Trust and the Fund were then wound up and their assets were ultimately distributed to the Fund. YPG GP amalgamated with Yellow Media Inc. and other entities of Yellow Media Inc. The conversion was treated as a change in business form and was accounted for as a continuity of interests; as such the carrying amounts of assets, liabilities and unitholders’ equity in the consolidated financial statements of the Fund immediately before the conversion were the same as the carrying values of Yellow Media Inc. immediately after the conversion. Yellow Media Inc. refers to common shares, shareholders and dividends which were formerly referred to as units, unitholders and distributions under the Fund. Comparative amounts in these and future financial statements are those of the Fund.

The Board of Directors approved the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2011 and authorized their publication on May 5, 2011.

2. Adoption of IFRS and upcoming revised standards

2.1 Adoption of IFRS

As a consequence of the adoption of the International Accounting Standards Board’s (“IASB”) standards and interpretations and the replacement of Canadian Generally Accepted Accounting Principles (“GAAP”) by International Financial Reporting Standards (“IFRS”) for publicly accountable enterprises, Yellow Media Inc.’s unaudited interim condensed consolidated financial statements for the period ended March 31, 2011 were prepared in accordance with the applicable international accounting standards.

IFRS transition (IFRS 1)

The 2010 comparative financial information has been prepared in accordance with the IFRS that are anticipated to be applicable at December 31, 2011 and in compliance with IFRS 1 on first-time adoption of IFRS.

The impacts of this change in accounting basis are reported in the reconciliation tables presented in Note 18. Specifically:

- as of January 1, 2010: a reconciliation note on the GAAP and IFRS opening balance sheet and equity;
- as of March 31, 2010: a reconciliation note on the balance sheet, equity and income statement and an explanation of variation in cash flow statements, for the comparison of the GAAP and IFRS unaudited interim financial statements;
- as of December 31, 2010: a reconciliation note on the balance sheet, equity and income statement and an explanation of variation in cash flow statements, for the comparison of the GAAP and IFRS annual financial statements;

Certain information and footnote disclosures which are considered material to the understanding of Yellow Media Inc.’s interim condensed financial statements and which are normally included in the annual financial statements prepared in accordance with IFRS are provided in Note 19.

Adopted IFRS base

The financial statements do not take into account:

- draft standards that are still at the exposure draft stage with the International Accounting Standards Board (IASB);
- standards published and approved by the IASB, but with an application date post December 31, 2011.

2.2 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Media Inc.'s accounting periods beginning on or after January 1, 2012 or later periods. Yellow Media Inc. has not early adopted these standards. Those which are considered to be relevant to Yellow Media Inc.'s operations are as follows:

IFRS 9 - Financial Instruments

IFRS 9 is the first phase of the IASB's three phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. It is applicable to financial assets and requires classification and measurement in either the amortised cost or the fair value category. IFRS 9 is applied prospectively with transitional arrangements depending on the date of application. The Standard is not applicable until annual periods beginning on or after January 1, 2013, but is available for early adoption. Yellow Media Inc. has not fully assessed the impact of adopting IFRS 9; however, it anticipates that its impact will be limited.

3. Basis of presentation and significant accounting policies

3.1 Statement of compliance

These unaudited interim condensed consolidated financial statements of Yellow Media Inc. and its subsidiaries were prepared by management in accordance with IFRS, as issued by the IASB. As these financial statements represent Yellow Media Inc.'s initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of IFRS. These unaudited interim condensed financial statements have been prepared in accordance with the accounting policies Yellow Media Inc. expects to adopt in its annual consolidated financial statements for the year ended December 31, 2011. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that Yellow Media Inc. expects to be applicable at that time.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently throughout the consolidated entities.

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value in accordance with IFRS.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of Yellow Media Inc.

3.4 Basis of consolidation

3.4.1 Subsidiaries

Subsidiaries that are directly controlled by Yellow Media Inc. or indirectly controlled by other consolidated subsidiaries are fully consolidated. Subsidiaries are all entities over which Yellow Media Inc. exercises control.

Control is defined as the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain economic benefit from its activities. This situation generally implies directly or indirectly holding more than 50% of the voting rights. The existence and effect of potential voting rights that are exercisable or convertible are taken into account in the assessment of control.

Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal. Inter-company assets and liabilities and transactions between fully consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated. Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at the Yellow Media Inc. level.

Changes in Yellow Media Inc.'s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of Yellow Media Inc.'s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to Yellow Media Inc.

When Yellow Media Inc. loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on

initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or as initial cost for an investment in an associate or jointly controlled entity.

3.4.2 Associates

Associates are all entities in which Yellow Media Inc. exercises a significant influence over the entity's management and financial policy, without exercising control, and generally implies holding 20% to 50% of the voting rights.

Investments in associates are accounted for using the equity method and initially measured at cost. Subsequently, the share in profits or losses of the associate attributable to equity holders of Yellow Media Inc. is recognized in net earnings and the change in equity attributable to equity holders of Yellow Media Inc. is recognized in equity.

Goodwill related to an associate is included in the carrying amount of the investment.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of Yellow Media Inc.'s investment in these companies, to the extent of Yellow Media Inc.'s interest.

The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at the Yellow Media Inc. level.

3.4.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Yellow Media Inc. in exchange for control of the acquiree. Acquisition-related costs are recognized in the income statement as incurred. Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and reflected through net earnings. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair value at the acquisition date, with the exception of:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- liabilities or equity instruments related to the replacement by Yellow Media Inc. of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Yellow Media Inc. reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date Yellow Media Inc. receives complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Where a business combination is achieved in stages, Yellow Media Inc.'s previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date Yellow Media Inc. attains control) and the resulting gain or loss, if any, is recognized in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

3.4.4 Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from Yellow Media Inc.'s equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

3.5 Foreign currency

3.5.1 Foreign currency transactions

Foreign currency transactions are converted into the relevant functional currency at market exchange rates applicable at the date of the transactions. Amounts payable or receivable in foreign currencies at the balance sheet date are converted into the relevant functional currency at market exchange rates at the balance sheet date. Any currency translation gains and losses that arise are included in the income statement.

3.5.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated in Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of transactions.

Foreign currency differences are recognized directly in equity.

Foreign exchange gains or losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in the foreign currency translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to Yellow Media Inc. are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

3.6 Cash and cash equivalents

Cash and cash equivalents consist of funds on deposit and, from time to time, highly liquid investments with a purchased maturity of three months or less.

3.7 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that Yellow Media Inc. will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

3.8 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit and loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. A financial asset is derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition.

3.8.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset/liability, or, where appropriate, a shorter period.

Transactions costs are comprised primarily of legal, accounting, underwriters' fees and other costs directly attributable to the issuance of the financial instruments.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3.8.2 Financial assets at FVTPL

Financial assets at FVTPL includes financial assets held by Yellow Media Inc. for short-term profit, derivatives not in a qualifying hedging relationship and assets voluntarily classified in this category subject to meeting specified criteria. These assets are measured at fair value, with any resultant gain or loss recognized in the income statement. The instruments in this category comprise the different elements presented under cash and cash equivalents.

3.8.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes or available for sale.

These assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Short-term receivables without a stated interest rate are valued at the amount of the original invoice unless the effective interest rate has a material impact.

Trade receivables are included in this category.

3.8.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, other than loans or receivables, with fixed or determinable payments and fixed maturity that Yellow Media Inc. has the positive intention and ability to hold to maturity.

These assets are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Held-to-maturity investments are presented in non-current financial assets. Other financial assets, with the exception of other investments, are classified in this category.

3.8.5 AFS financial assets

AFS financial assets are non-derivative financial assets that are not included in the aforementioned categories. They are recognized at fair value. Unrealized capital gains or losses are recognized in equity until the disposal of the assets. However, where there is an objective indication of loss in value of an AFS financial asset, the accumulated loss is recognized in income.

For listed securities, fair value corresponds to a market price. For unlisted securities, fair value is determined by reference to recent transactions or using valuation techniques based on reliable and objective indicators. However, when the fair value of a security cannot be reasonably estimated, it is recorded at historical cost.

This category mainly comprises other than temporary investments and marketable securities that do not meet other financial asset definitions.

3.8.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant or prolonged decline in the fair value of an investment in an equity instrument.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

With the exception of AFS equity instruments and debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Yellow Media Inc. does not currently hold any AFS debt instruments.

In respect of AFS equity securities, impairment losses previously recognized in the income statement are not subsequently reversed in the income statement. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.9 Deferred publication costs

An intangible asset is recognized for direct and incremental publication costs incurred during the sale, manufacturing and distribution of telephone print directories. The intangible asset represents costs that will be recovered in future periods, when the related directories revenues are recognized. An intangible asset is capitalized when the following conditions are met:

- Yellow Media Inc. has control over the contract for which the costs were incurred;
- the control results from past events;
- future economic benefits are expected to flow to Yellow Media Inc.;
- the asset is identifiable, non-monetary and without physical substance.

Deferred publication costs are initially measured at cost and are amortized over the same period in which the related revenues are recognized.

3.10 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. The various components of property, plant and equipment are recognized separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate component, where necessary, if it is probable that future economic benefits will flow to Yellow Media Inc. and the cost of the asset can be reliably measured. All other repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the capitalized costs, less any residual value over a period corresponding to the useful life of each asset category. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

As of March 31, 2011, the expected useful lives are as follows:

Office equipment	10 years
Computer equipment	3 years
Other equipment	3 – 12 years
Leasehold improvements	Over the terms of the various leases
Building	40 years

The residual value, the depreciation method and the useful life of an asset are reviewed annually.

Property, plant and equipment are tested for impairment when an indication of impairment loss exists. When the asset's recoverable amount is less than its net carrying amount, an impairment loss is recognized. Where the recoverable amount of an individual asset cannot be determined precisely, Yellow Media Inc. determines the recoverable amount of the cash generating units ("CGU") or group of CGUs to which the asset belongs.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of Yellow Media Inc. at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance lease that is included with long-term debt.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with Yellow Media Inc.'s general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a deferred credit. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

3.12 Intangibles assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they arise from legal or contractual rights or are capable of being separated from the acquiree and sold, transferred, licensed or exchanged. The cost of such intangible assets is their fair value at the acquisition date.

Intangible assets developed internally (consisting of software used by the company) are recognized to the extent the criteria in IAS 38 *Intangible Assets* are met. Development costs for internally generated intangible assets are recognized at cost if and only if Yellow Media Inc. can demonstrate:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to the income statement in the period in which it is incurred.

Internally developed intangibles include the cost of software tools and licenses used in the development of Yellow Media Inc.'s systems, as well as all directly attributable payroll and consulting costs. These items are not amortized until the assets are available for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. Intangibles assets are amortized, unless their useful lives are indefinite, as follows:

Non-competition agreements and logos	Straight-line over life of agreement
Customer-related intangible assets	Pro rata based on related revenues, not exceeding 24 months
Trademarks	Indefinite or straight-line over 1-6 years
Domain names	Indefinite or straight-line over 18 years
Software	Straight-line over 3 years

The estimated useful life and amortization method are reviewed at the end of each period or annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.13 Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognized.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

3.14 Impairment of tangible and intangible assets

At each reporting date, Yellow Media Inc. reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Yellow Media Inc. estimates the recoverable amount of the CGU to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of Yellow Media Inc.'s CGUs expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

3.15 Trade and other payables

Trade and other payables, including accruals, are recorded when Yellow Media Inc. is required to make future payments as a result of purchases of assets or services. Trade and other payables are carried at amortized cost.

3.16 Financial liabilities

The valuation of financial liabilities depends on their IAS 39 classification. Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Excluding liability derivatives and financial liabilities accounted for at FVTPL, Yellow Media Inc. recognizes all financial liabilities and particularly debts, trade payables and other liabilities initially at fair value less transaction costs and subsequently at amortized cost, using the effective interest method.

The net carrying amount of financial liabilities that qualify as hedged items as part of fair value hedging relationships are valued at amortized cost and is adjusted to the fair value of the hedged risk.

Financial liabilities designated as FVTPL, other than derivative liabilities, are carried at fair value. Changes in fair value are taken to the income statement. Transaction costs incurred in setting up these financial liabilities are recognized immediately in expenses.

Yellow Media Inc. derecognizes financial liabilities when, and only when, Yellow Media Inc.'s obligations are discharged, cancelled or they expire.

3.17 Provisions

Provisions are recognized when Yellow Media Inc. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financial charge.

3.17.1 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where Yellow Media Inc. has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.17.2 Restructuring

A restructuring provision is recognized when Yellow Media Inc. has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.18 Long-term debt

All long-term debts are initially stated at the fair value of consideration received after deduction of issue costs. Debts are subsequently stated at amortized cost. Issue costs are charged to the income statement together with the coupon, as finance costs, on a constant-yield basis over the term of the debt, or over a shorter period where the lender can require earlier repayment.

3.19 Employee benefits

3.19.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3.19.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Yellow Media Inc.'s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

All actuarial gains and losses at January 1, 2010, the date of transition to IFRSs, were recognized in retained earnings. Yellow Media Inc. recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income. The interest cost and expected return on plan assets of defined benefit plans are included within net financial charges while service costs are recorded in operating expenses.

3.19.3 Other long-term employee benefits

Yellow Media Inc.'s net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related asset is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have terms to maturity approximating the terms of the related obligation. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in the period in which they arise.

3.19.4 Termination benefits

Termination benefits are recognized as an expense when Yellow Media Inc. is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if Yellow Media Inc. has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.19.5 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if Yellow Media Inc. has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

3.19.6 Share-based payment transactions

Yellow Media Inc.'s Restricted Shares granted to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Yellow Media Inc.'s estimate of equity instruments that will eventually vest. At each balance sheet date, Yellow Media Inc. revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognized in the income statement, with a corresponding adjustment to the equity-settled employee benefits reserve.

Yellow Media Inc. also maintains an employee stock purchase plan whereby eligible employees can purchase Yellow Media Inc. shares at a 20% discount up to a specified limit utilizing after-tax payroll deductions. The discount is expensed as incurred.

3.20 Equity instruments issued by Yellow Media Inc.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Yellow Media Inc. are recorded at the proceeds received, net of direct issue costs.

Transaction costs incurred by Yellow Media Inc. in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

3.21 Operating segments

Disclosure of segment information is reported in a manner consistent with the internal reports regularly reviewed by Yellow Media Inc.'s Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer.

3.22 Revenues

Yellow Media Inc.'s revenues are measured at the fair value of the consideration received or receivable after deduction of sales allowances and sales taxes.

Revenues from print directory advertising as well as revenues from related internet products are recognized in the income statement from the point at which service is first provided over the life of the contract. Print directory advertising is mostly sold in bundles that can include several related advertising products including online products that are not sold separately. As such, the revenues for the print and online portion are recognized ratably on a monthly basis over the estimated life of the contract. Revenues for certain other directories, not sold in bundles, are recognized when the directory is published (publication method).

Revenues from private and commercial classified advertisements, display advertisements and circulation revenues are recognized at the time the advertisements are published either on a weekly or monthly basis. Revenues related to advertisements appearing on multiple occasions are recognized over the period the advertisements are displayed. Circulation revenues, net of returns, are recognized on a weekly basis at the time the publications are delivered to customers. Circulation revenues are earned primarily upon the delivery of magazines by independent distributors to retail outlets.

3.23 Derivative financial instruments

Yellow Media Inc. enters into a variety of derivative financial instruments to manage the combination of fixed to floating interest rates on its long-term debt and to manage the interest rate risk for future planned issuances.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognized in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Yellow Media Inc. designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

3.23.1 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the income statement.

3.23.2 Hedge accounting

Yellow Media Inc. designates certain hedging instruments, which include derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Yellow Media Inc. documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Details of the fair values of the derivative instruments used for hedging purposes are presented on an annual basis. Movements in the hedging reserve in equity are detailed in the statement of changes in equity.

3.23.3 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded immediately in the income statement, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when Yellow Media Inc. revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to the income statement from that date.

3.23.4 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts deferred in equity are transferred to the income statement in the periods when the hedged item is recognized in the income statement, in the same line of the income statement as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when Yellow Media Inc. revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in the income statement.

3.24 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.25 Taxation

Income tax expense represents the sum of the current and deferred tax.

3.25.1 Current income tax

Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Yellow Media Inc.'s liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3.25.2 Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where Yellow Media Inc. is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yellow Media Inc. expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and Yellow Media Inc. intends to settle its tax assets and liabilities on a net basis.

3.25.3 Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside net earnings (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside net earnings, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

3.26 Significant estimates and judgements

The preparation of consolidated financial statements requires management to make estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

The estimates and judgements made by management that are critical to the determination of the carrying value of assets and liabilities are addressed below.

Intangible assets and goodwill

The values associated with identifiable intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates require considerable judgment which could affect Yellow Media Inc.'s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on identifiable intangible assets recognized in future periods.

Yellow Media Inc. assesses impairment by comparing the recoverable amount of an identifiable intangible asset or goodwill with its carrying value. The determination of the recoverable amount involves significant management judgment.

Yellow Media Inc. performs its annual test for impairment of indefinite life intangible assets and goodwill in the second and fourth quarter in accordance with the policy described in note 3.14. Goodwill is tested at the operating segment level since this represents the lowest level within Yellow Media Inc. at which the goodwill is monitored for internal management purposes. For the purpose of testing other intangible assets, Yellow Media Inc. has identified 8 CGUs, two in the directories segment and six in the vertical media segments.

As of January 1, 2010, Yellow Media Inc. recognized an impairment charge of \$2.1 million to reflect the fact that the recoverable amount of some of the intangible assets of one CGU in the vertical media segment was lower than their respective carrying values. No other impairment losses and more precisely no impairment losses in respect of goodwill were recognized in 2010 or up to the first quarter of 2011. The recoverable amount of the CGUs was determined based on a present value of expected future cash flows model that relies on significant key assumptions, including after-tax cash flows forecasted over an extended period of years, terminal growth rates and discount rates. We use published statistics or seek advice where possible when determining the assumptions we use. Details of Yellow Media Inc.'s impairment reviews are disclosed in Note 19. The recoverable amount of each of the units was greater than its carrying value. Projections of future revenues were a critical estimate in determining fair value.

Employee future benefits

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of benefit expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actual results will differ from results which are estimated based on assumptions.

Income Taxes

Income taxes in interim reporting periods are accrued, to the extent practicable, by applying estimated average annual effective income tax rates for each taxing jurisdiction to the interim period pre-tax income in those jurisdictions. A weighted average of rates across jurisdictions or categories of income is used if it is a reasonable approximation of the effect of using more specific rates. The estimated average annual effective income tax rates are re-estimated at each interim reporting date.

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Media Inc.'s ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Media Inc.'s assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Media Inc.'s ability to utilize the underlying future tax deductions changes, Yellow Media Inc. would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

Yellow Media Inc. is subject to taxation in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Media Inc. maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Yellow Media Inc. reviews the adequacy of these provisions at each balance sheet date. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. Business acquisitions

2011

During the first quarter of 2011, Yellow Media Inc. did not complete any business acquisition.

2010

Directories

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

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

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

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

On September 21, 2010, Yellow Media Inc. acquired a 60% equity interest in Mediative LP, formerly Enquiro Search Solutions Inc. (“Enquiro”), a leading search engine solutions company. The non-controlling interest in Enquiro was measured at the non-controlling interest's proportionate share of the fair value of Enquiro's identifiable net assets.

On October 20, 2010 Yellow Media Inc. acquired all of the shares of Uptrend, Canada's leading independent online advertising representation firm and on October 28, 2010, Yellow Media Inc. acquired all of the assets of AdSplash Inc. (“Adsplash”) a national retail advertising leader.

These acquisitions position Yellow Media Inc. to better compete in the digital world and will enable Yellow Media Inc. to expand the sales force, online capabilities and advertiser offerings.

Vertical Media

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

The previously held equity interest of Trader in Dealer.com, which was accounted for under the equity method up to that date, was re-measured at its fair value of \$40.6 million and the gain on deemed disposition was recognized in net earnings. The above transactions generated a net gain of \$8.0 million which is included in net earnings from discontinued operations.

The non-controlling interest in Dealer.com was measured at the non-controlling interest's proportionate share of the fair value of Dealer.com's identifiable net assets. At March 31, 2011, Yellow Media Inc.'s interest in equity of Dealer.com was 32%.

On July 9, 2010, Trader acquired all of the assets of CanadianDriver Communications Inc. (“Canadian Driver”). Canadian Driver is the operator of CanadianDriver.com, an award-winning online automotive magazine that features over 11,000 automotive articles including new car reviews, test drives and automotive news as well as other automotive topics.

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

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

For the year ended December 31, 2010	Canpages	Dealer.com	Other	Total
Current assets and liabilities				
Cash and cash equivalents	\$ 3,912	\$ 19,681	\$ 1,170	\$ 24,763
Trade receivables	10,722	6,459	5,858	23,039
Prepaid expenses	65	925	108	1,098
Trade and other payables	(29,385)	(5,406)	(5,128)	(39,919)
Deferred revenues	(1,730)	(2,997)	-	(4,727)
Fixed assets	1,328	9,028	419	10,775
Intangibles				
Trademarks and domain names	40,000	21,747	16,027	77,774
Customer-related	97,500	65,343	11,128	173,971
Non-competition agreements and logos	1,670	-	11,700	13,370
Software	3,500	52,025	42	55,567
Long-term debt	-	(5,352)	-	(5,352)
Deferred income tax liabilities	(4,983)	(56,702)	(7,561)	(69,246)
Non-controlling interest	-	(71,513)	(1,540)	(73,053)
Net identifiable assets acquired	122,599	33,238	32,223	188,060
Reversal of previously owned equity investment	-	(40,614)	-	(40,614)
Goodwill (\$65.9 million tax deductible)	103,810	28,186	37,512	169,508
Purchase price	\$ 226,409	\$ 20,810	\$ 69,735	\$ 316,954

Consideration:

	Canpages	Dealer.com	Other	Total
Cash	\$ 84,847	\$ 20,810	\$ 43,363	\$ 149,020
Series 7 shares	-	-	9,750	9,750
Exchangeable Notes	141,562	-	-	141,562
Deferred consideration	-	-	16,622	16,622
Total	\$ 226,409	\$ 20,810	\$ 69,735	\$ 316,954

Deferred consideration includes payments that are contingent on the basis of time and others that are based on the achievement of specific performance objectives. The amount recorded represents the acquisition-date fair value of the deferred consideration and could reach \$19 million if all performance objectives are met.

5. Discontinued operations

Trader Corporation

On March 25, 2011, Yellow Media Inc. announced that it had reached a definitive agreement to sell Trader (the "disposed business") for a purchase price of \$745 million subject to working capital and other adjustments. Closing of the contemplated transaction is expected to occur in June 2011, subject to regulatory approvals and other customary conditions.

Trader will continue to own and operate leading Canadian automotive and generalist online properties including AutoTrader.ca, Autos.ca, AutoHebdo.net, and Buysell.com, as well as 74 related publications. In addition, Trader will retain its interest of 32% in Dealer.com, the leading US digital solutions provider to the automotive dealer segment.

The real estate, employment and LesPAC.com businesses are excluded from the proposed divestiture. These businesses will continue to be owned and managed by Yellow Media Inc.

As a result of the above, we have reclassified the results of the disposed business as discontinued operations. Accordingly, the prior period consolidated income statement and cash flows have been restated to reflect this change and the net assets of the disposed business have been reclassified as held for sale on the consolidated balance sheet as at March 31, 2011.

YPG Directories, LLC

On March 29, 2010, Yellow Media Inc. entered into a definitive agreement with HM Capital whereby Yellow Media Inc. contributed its 100% interest in YPG Directories, LLC in exchange for a 35% minority ownership in a new entity resulting from the business combination of YPG Directories, LLC and Ziplocal, LP.

The fair value of the 35% minority ownership received substantially exceeds the carrying amount of the related net assets and, accordingly, no impairment losses were recognized on the reclassification of these operations as held for sale.

As provided under IFRS, Yellow Media Inc. presented the assets and liabilities related to YPG Directories, LLC operations as discontinued operations and as liabilities associated with assets held for sale as at March 31, 2010.

The transaction closed on April 15, 2010. Yellow Media Inc. ceased recording depreciation and amortization on these assets when they were classified as held for sale, effective March 29, 2010.

The assets and liabilities classified as held for sale of Trader as of March 31, 2011 are summarized below:

Assets held for sale		
Current assets	\$	56,379
Property, plant and equipment		37,650
Other non-current assets		1,555
Intangible assets		351,546
Goodwill		490,953
Total	\$	938,083
Liabilities associated with assets held for sale		
Trade and other payables	\$	24,872
Deferred revenues		4,867
Deferred credits		2,226
Long-term debt		13,893
Deferred income taxes		96,616
Total	\$	142,474

Analysis of net earnings from discontinued operations for the three-month periods ended March 31, 2011 and 2010:

	2011	2010
Revenues	\$ 60,648	\$ 68,447
Operating costs	44,649	49,951
Depreciation and amortization	16,065	21,506
Financial charges	222	34
Gain on deemed disposal of equity investment	–	(8,007)
Share of losses from investment in associates	22	–
Recovery of income taxes	(877)	(1,769)
Loss on disposal, net of income taxes of \$6.1 million	105,609	–
Net (loss) earnings from discontinued operations	\$ (105,042)	\$ 6,732

Cash flows from discontinued operations for the three-month periods ended March 31, 2011 and 2010 are as follows:

	2011	2010
Cash from (used in):		
Operating activities	\$ 6,436	\$ 15,850
Investing activities	(303)	(444)
Financing activities	(10,184)	(3,722)
Net increase (decrease) in cash from discontinued operations	\$ (4,051)	\$ 11,684

6. Post-employment benefit plans

The total net benefit plan costs for the three-month period ended March 31, 2011 were \$4.6 million for pension benefits (\$5.7 million in 2010). Other benefits costs totalled \$0.3 million for the same period (\$0.7 million in 2010).

For the three-month period ended March 31, 2011, a total \$3.1 million was contributed for pension benefits (\$1.8 million in 2010).

7. Long-term debt

	March 31, 2011			
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 1,661,586	\$ 6,772	\$ (13,132)	\$ 1,655,226
Credit facilities	250,000	-	-	250,000
Obligations under capital leases	5,833	-	-	5,833
	1,917,419	6,772	(13,132)	1,911,059
Less current portion of long-term debt	2,380	-	-	2,380
	\$ 1,915,039	\$ 6,772	\$ (13,132)	\$ 1,908,679
	December 31, 2010			
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 1,661,586	\$ 8,439	\$ (13,825)	\$ 1,656,200
Credit facilities	250,000	-	-	250,000
Note payable	12,258	-	-	12,258
Obligations under capital leases	8,414	-	-	8,414
	1,932,258	8,439	(13,825)	1,926,872
Less current portion of long-term debt	3,669	-	-	3,669
	\$ 1,928,589	\$ 8,439	\$ (13,825)	\$ 1,923,203
	January 1, 2010			
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 2,053,345	\$ 10,703	\$ (19,101)	\$ 2,044,947
Credit facilities	100,000	-	-	100,000
Obligations under capital leases	9,027	-	-	9,027
	2,162,372	10,703	(19,101)	2,153,974
Less current portion of long-term debt	2,254	-	-	2,254
	\$ 2,160,118	\$ 10,703	\$ (19,101)	\$ 2,151,720

Yellow Media Inc. was in compliance with all of its debt covenants as at March 31, 2011.

Interest rate swaps

As at March 31, 2011, December 31, 2010 and January 1, 2010 the interest rate swaps met the criteria for hedge accounting.

8. Exchangeable and convertible instruments

	March 31, 2011	December 31, 2010	January 1, 2010
Principal amount	\$ 306,171	\$ 341,562	\$ 86,549
Equity component	(10,139)	(10,139)	(3,618)
Accretion	811	533	2,362
Deferred financing costs	(11,349)	(12,927)	(1,407)
	285,494	319,029	83,886
Less current portion of exchangeable and convertible instruments	34,289	-	-
	\$ 251,205	\$ 319,029	\$ 83,886

On February 25, 2011, \$35.4 million Exchangeable Promissory Notes (“Exchangeable Notes”) were exchanged into 6,255,026 shares of Yellow Media Inc. (Note 11).

9. Preferred shares

	March 31, 2011	December 31, 2010	January 1, 2010
Shares issued, Series 1 and Series 2	\$ 452,978	\$ 452,978	\$ 481,408
Derivative component	932	962	1,161
Deferred financing costs	(6,703)	(7,215)	(9,792)
	\$ 447,207	\$ 446,725	\$ 472,777

10. Non-controlling interests

	March 31, 2011	December 31, 2010	January 1, 2010
Shares issued, net of issuance costs and income taxes	\$ -	\$ -	\$ 324,130
Exchangeable shares of YPG LP	-	-	31,700
Non-controlling interest	49,631	52,568	-
	\$ 49,631	\$ 52,568	\$ 355,830

11. Shareholders' capital

	March 31, 2011	
	Number of Shares	Amount
Balance, January 1, 2011	516,017,984	\$ 4,079,838
Shares issued pursuant to the dividend reinvestment plan	1,961,513	10,768
Exchange of Preferred Shares, Series 7	100,000	750
Conversion of Exchangeable Notes (Note 8)	6,255,026	35,390
	524,334,523	4,126,746
To be issued pursuant to the dividend reinvestment plan	957,316	4,805
Balance, March 31, 2011 ¹	525,291,839	\$ 4,131,551

	March 31, 2010	
	Number of Units	Amount
Balance, January 1, 2010	511,044,685	\$ 6,030,339
Conversion of Exchangeable Shares of YPG LP	2,000,000	31,700
Balance, March 31, 2010 ¹	513,044,685	\$ 6,062,039

¹ Includes 6,762,667 Restricted Shares (2010 – 8,014,750) pursuant to the Restricted Share Plan.

During the quarter ended March 31, 2011, Yellow Media Inc. declared total dividends to common shareholders of \$83.5 million or \$0.16 per share (\$101 million or \$0.20 per unit in 2010).

Exchangeable Shares of YPG LP

On February 22, 2010, 2,000,000 Exchangeable shares of YPG LP were converted into Shares of Yellow Media Inc.

Dividend reinvestment plan

During 2010, Yellow Media Inc. announced a dividend reinvestment plan ("Drip") which became effective November 1, 2010. Under the plan, holders of common shares of Yellow Media Inc. who are residents of Canada may elect to have cash dividends paid on their common shares reinvested into additional common shares of Yellow Media Inc. The Drip allows Yellow Media Inc. to purchase the common shares on the open market or elect to have the common shares issued from treasury. Yellow Media Inc. can issue the common shares from treasury with a discount from prevailing market prices ranging from 2% to 5%.

Preferred shares

	March 31, 2011	
	Number of Shares	Amount
Balance, January 1, 2011	13,933,333	\$ 328,880
Exchange of Preferred Shares, Series 7	(100,000)	(750)
Balance, March 31, 2011 ¹	13,833,333	\$ 328,130

¹ During the first quarter of 2010, the preferred shares, Series 3 and 5 were classified as non-controlling interest (Note 10).

Yellow Media Inc. exchanged 100,000 Preferred Shares, Series 7 into 100,000 common shares with a carrying value of \$0.8 million.

During the quarter ended March 31, 2011, Yellow Media Inc. declared dividends to holders of Series 3, 5, and 7 of \$5.7 million or \$0.42 per Series 3, \$0.43 per Series 5, and \$0.09 per Series 7 (\$5.7 million in 2010 or \$0.42 per Series 3, \$0.43 per Series 5 and \$0.05 per Series 7).

Earnings per share

The following table reconciles the net earnings attributable to shareholders and the weighted average number of shares outstanding used in computing basic earnings per share to weighted average number of shares outstanding used in computing diluted earnings per share:

	For the three-month periods ended March 31,	
	2011	2010 ²
Weighted average number of shares outstanding used in computing basic earnings per share	510,404,617	504,752,813
Dilutive effect of options	380,882	383,986
Dilutive effect of Restricted Shares ¹	8,598,016	8,291,872
Dilutive effect of Series 7 Preferred shares	582,222	742,857
Dilutive effect of Series 1 Preferred shares	52,598,095	55,052,803
Dilutive effect of Series 2 Preferred shares	31,899,251	33,742,987
Dilutive effect of Exchangeable Debentures	-	16,059,265
Dilutive effect of Convertible Debentures	37,307,517	-
Dilutive effect of Exchangeable notes	23,428,816	-
Weighted average number of shares outstanding used in computing diluted earnings per share	665,199,416	619,026,583

¹ Subject to specific pay-out conditions.

² Comparative amounts presented as trust units.

	For the three-month periods ended March 31,	
	2011	2010
Net earnings from continuing operations	\$ 70,453	\$ 120,387
Attributable to non-controlling interest	167	-
Dividends to preferred shareholders ¹	(5,710)	(5,698)
Net earnings from continuing operations available to common shareholders of Yellow Media Inc. used in the computation of basic earnings per share	64,910	114,689
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	-	1,152
Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes	3,522	3,658
Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes	2,390	2,022
Impact of assumed conversion of Series 7 Preferred shares, net of applicable taxes	56	74
Impact of assumed conversion of Convertible Debentures	2,626	-
Impact of assumed conversion of Exchangeable notes	1,264	-
Net earnings from continuing operations adjusted for dilutive effect	\$ 74,768	\$ 121,595

¹ Comparative amounts presented as non-controlling interest

	For the three-month periods ended March 31,	
	2011	2010
Net (loss) earnings attributable to common shareholders of Yellow Media Inc.	\$ (33,429)	\$ 125,790
Dividends to preferred shareholders ¹	(5,710)	-
Net (loss) earnings available to common shareholders of Yellow Media Inc. used in the computation of basic earnings per share	(39,139)	125,790
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	-	1,152
Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes	3,522	3,658
Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes	2,390	2,022
Impact of assumed conversion of Series 7 Preferred shares, net of applicable taxes	56	74
Impact of assumed conversion of Convertible Debentures	2,626	-
Impact of assumed conversion of Exchangeable notes	1,264	-
Net (loss) earnings adjusted for dilutive effect	\$ (29,281)	\$ 132,696

¹ Comparative amounts presented as non-controlling interest

	For the three-month periods ended March 31,	
	2011	2010
Net (loss) earnings from discontinued operations	\$ (105,042)	\$ 6,732
Attributable to non-controlling interest	993	4,369
Net (loss) earnings from discontinued operations available to common shareholders of Yellow Media Inc. used in the computation of basic and diluted earnings per share	\$ (104,049)	\$ 11,101

	For the three-month periods ended March 31,	
	2011	2010
Basic (loss) earnings per share attributable to common shareholders from discontinued operations	\$ (0.20)	\$ 0.02
Diluted (loss) earnings per share attributable to common shareholders from discontinued operations	\$ (0.20)	\$ 0.02

The dilutive earnings per share from discontinued operations is not calculated for the three-month periods ended March 31, 2011 because the conversion of the dilutive instruments listed above would be anti-dilutive.

12. Stock-based compensation plans

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

Restricted Share Plan

During the three-month period ended March 31, 2011, an amount of \$10.8 million (2010 - \$18.5 million) was authorized to be granted to participants in the Plan. As of March 31, 2011, the shares to service this grant have not yet been purchased on the open

market of the Toronto Stock Exchange. With the exception of the 2010 grants and Restricted Shares granted to Directors, the number of Restricted Shares that vest can potentially reach up to two-and-a-half times the actual number of Restricted Shares awarded if the actual performance reaches the maximum level of the objectives. An amount of \$1.2 million (2010 - \$1.1 million) was used to reinvest in 185,756 (2010 - 202,924) Restricted Shares using the proceeds from the distributions on the Restricted Shares held in escrow. This includes 62,608 (2010 - 76,566) Restricted Shares associated with the portion which provides for up to a 250% pay-out.

The following table summarizes the status of the grants:

	March 31, 2011
	Number of Restricted Shares
	2009 to 2010 Grants
Outstanding, beginning of period	7,337,315
Granted	-
Vested	(3,723,692)
Forfeited	(906,280)
Cash distributions reinvested	123,148
Outstanding, end of period	2,830,491

	March 31, 2010
	Number of Restricted Shares
	2008 to 2010 Grants
Outstanding, beginning of period	4,558,668
Granted	3,447,762
Vested	(536,520)
Forfeited	(102,237)
Cash distributions reinvested	126,358
Outstanding, end of period	7,494,031

As at March 31, 2011 there were 1,850,289 (2010 - 800,379) Restricted Shares which were not allocated to any specific employee and 2,081,887 (2010 - 3,168,102) Restricted Shares representing the portion which provides up to a 250% pay-out. A recovery of \$1.6 million was recorded in the consolidated income statement for the three-month period ended March 31, 2011 compared to an expense of \$0.7 million for the corresponding period in 2010.

Stock Options

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

	March 31, 2011	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	380,882	\$ 3.92
Exercised	-	3.92
Outstanding and exercisable, end of period	380,882	\$ 3.92

	March 31, 2010	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	383,986	\$ 3.92
Exercised	-	3.92
Outstanding and exercisable, end of period	383,986	\$ 3.92

Yellow Media Inc.

On November 11, 2010, the Board of Directors of Yellow Media Inc. adopted a new stock option plan (the "2010 Plan"). The 2010 Plan is subject to approval by the Shareholders and by the TSX. If approved, the 2010 Plan will permit the Board of Directors to select eligible employees that will qualify for the 2010 Plan. A maximum of 25 million options may be granted under the 2010 Plan.

On November 11, 2010, the Board of Directors granted, subject to approval, 15,850,000 options from the 2010 Plan. The significant terms and conditions of the options granted are as follows:

- The exercise price is equal to the weighted-average trading prices on the TSX during the five trading days preceding the date on which the options were granted.
- The options vest at the expiration of the third year following the grant date.
- The options expire five years after the grant date.

An expense of \$0.2 million was recorded in the first quarter of 2011 in relation to this grant.

13. Operating costs

	For the three-month periods ended March 31,	
	2011	2010
Salaries, commissions and benefits	\$ 76,658	\$ 70,240
Supply chain and logistics ¹	26,744	26,883
Other goods and services ²	35,646	25,783
Information services	10,397	9,741
Bad debt expense	9,892	8,465
	\$ 159,337	\$ 141,112

¹ Supply chain and logistics relate to external supplier costs for manufacturing and distribution costs.

² Other goods and services include promotion and advertising costs, real estate, telecommunications, office services and equipment, consulting services including contractors and professional fees.

14. Financial charges, net

The significant components of the financial charges are as follows:

	For the three-month periods ended March 31,	
	2011	2010
Interest on long-term debt, exchangeable and convertible instruments	\$ 32,488	\$ 31,043
Interest on commercial paper	1,017	384
Standby fees and other financial charges, net	1,291	1,285
Other charges related to derivative financial instruments	7,043	1,908
Gain on purchase of Preferred shares, series 1 and 2 and Medium Term Notes, net	-	(2,522)
Amortization and write-off of deferred financing costs	3,518	1,893
Accretion on compound financial instruments	248	159
Interest cost accretion on retirement benefit obligations	8,302	8,188
Expected return on pension plan assets	(7,028)	(7,084)
Foreign exchange loss	263	941
	\$ 47,142	\$ 36,195

15. Supplemental disclosure of cash flow information

	For the three-month periods ended March 31,	
	2011	2010
Dividends on Preferred shares paid	\$ 5,134	\$ 5,382
Issuance of Series 7 shares as partial consideration for a business acquisition	\$ -	\$ 9,750
Conversion of Exchangeable Notes (Note 8)	\$ 35,390	\$ -
Additions to property, plant and equipment included in trade and other payables	\$ 1,686	\$ 1,080
Additions to intangible assets included in trade and other payables	\$ 3,897	\$ 3,862

Cash and cash equivalents consisted only of cash as of March 31, 2011, December 31, 2010 and January 1, 2010. Total cash includes an amount of \$35.6 million of restricted cash (\$35.5 million as of December 31, 2010, \$nil as of January 1, 2010).

16. Guarantees

In the normal course of operations, Yellow Media Inc. has entered into agreements which are customary in the industry.

Yellow Media Inc. has entered into agreements which contain indemnification of its directors 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 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 Yellow Media Inc. Yellow Media Inc. benefits from directors' and officers' liability insurance which is purchased by Yellow Media Inc. No amount has been accrued in the consolidated balance sheet as of March 31, 2011, with respect to this indemnity.

Pursuant to the acquisitions of Aliant, LesPAC, YPG USA, Dealer.com, the contribution of YPG Directories, LLC to Ziplocal, LP in exchange for a 35% minority interest in such combined entity as well as pursuant to the Share Purchase Agreement for the sale of the shares of Trader Corporation to funds advised by Apax Partners which is expected to close in June 2011, Yellow Media Inc. has entered into agreements whereby Yellow Media Inc. agrees to indemnify and hold harmless the other party from and against any and all claims, liabilities, costs and expenses arising out of, based upon or related to (i) any breach by Yellow Media Inc. 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 and which will be transferred as part of the Trader shares divestiture contain indemnifications similar to the ones just described. No amount has been accrued in the consolidated balance sheet as at March 31, 2011 with respect to these indemnities.

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

17. Segmented information

During the first quarter of 2011, in light of the disposal of Trader (Note 5), Yellow Media Inc. reviewed the structure of its internal organization and decided to change the composition of its reportable segments in a way that will be better aligned with the way operating results are now reviewed by senior management to make decisions about resources to be allocated to the segments and to assess their performance.

The key changes include the reallocation of the real estate, employment and LesPac businesses to the Directories segment. These businesses were previously included in the Vertical Media segment but are not included in the divestiture of Trader Corporation.

Yellow Media Inc. will continue to report results in two reportable segments: Directories and Vertical Media. However, the Vertical Media segment will include solely the automotive and generalist verticals along with Dealer.com to be disposed of as described in Note 5.

The accounting policies of the segments remain the same as those used for the consolidated financial statements.

After considering the effect of restating the reportable segments and given the presentation as discontinued operations of the totality of the Vertical Media segment, the income statements of Yellow Media Inc., up to net earnings from discontinued operations, represent the results of the Directories segment.

18. Transition to IFRS

Yellow Media Inc.'s financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these interim financial statements were prepared as described in Note 1, including the application of IFRS 1. IFRS 1 requires an entity to make an explicit and unreserved statement of compliance with IFRS in its first annual financial statements prepared under IFRS. Yellow Media Inc. will make this statement in its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which Yellow Media Inc. has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for Yellow Media Inc. will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters.

Initial Elections upon Adoption

Set forth below are the IFRS 1 elections made by Yellow Media Inc. to convert the GAAP results to IFRS.

IFRS Exemption Options

1. Business combinations – IFRS 3, *Business Combinations*, may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. We elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date have not been adjusted from the carrying value previously determined under GAAP as a result of applying these exemptions except as required under IFRS 1. Goodwill was tested for impairment at the date of transition and Yellow Media Inc. concluded that no impairment charge was necessary as of that date.

2. Fair value as deemed cost – IFRS 1 provides a choice between measuring property, plant and equipment or an intangible asset at its fair value at the date of transition and using those amounts as deemed cost. Yellow Media Inc. continued to apply the cost model for property, plant and equipment and intangible asset, as such; we did not restate property, plant and equipment or any intangible assets to fair value under IFRS.

3. Employee benefits – IAS 19, *Employee Benefits*, allows certain actuarial gains and losses to be either deferred and amortized, subject to certain provisions (corridor approach), or immediately recognized through equity. Retrospective application of the corridor approach for recognition of actuarial gains and losses in accordance with IAS 19 would require Yellow Media Inc. to determine actuarial gains and losses from the date benefit plans were established. Yellow Media Inc. elected to recognize all cumulative actuarial gains and losses that existed at the Transition Date in opening retained earnings for all of our employee benefit plans.

4. Cumulative translation differences – Retrospective application of IFRS would have required Yellow Media Inc. to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or associate was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. Yellow Media Inc. elected to reset all cumulative translation gains and losses to zero in opening retained earnings at the Transition Date.

5. Share based payments – IFRS 2, *Share Based Payments*, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. We elected to avail ourselves of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

6. Borrowing Costs – IAS 23 (Revised 2007) requires an entity to capitalize the borrowing costs related to all the qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. Early adoption is permitted. IFRS 1 permits to adopt IAS 23 at the Transition Date if later than January 1, 2009. Yellow Media Inc. elected to use this option, thus borrowing costs related to the qualifying assets for which the commencement date is prior to January 1, 2010 are expensed, and those with a commencement date subsequent to January 1, 2010 will be capitalized.

IFRS Mandatory Exceptions

1. Hedge accounting – Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date have been reflected as hedges in Yellow Media Inc.'s IFRS results.

2. Estimates – Hindsight is not used to create or revise estimates. The estimates we previously made under GAAP cannot be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliation of GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods.

The following represents the reconciliations from GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income:

Reconciliation of equity

For the periods ended,	December 31, 2010	March 31, 2010	January 1, 2010
Total shareholders' equity previously reported under Canadian GAAP ¹	\$ 5,503,344	\$ 5,645,179	\$ 5,548,870
Differences increasing (decreasing) reported equity:			
A – Employee benefits	(90,158)	(13,492)	(13,186)
B – Intangibles assets	(1,785)	(1,330)	(1,159)
C – Income taxes	(125,329)	(113,380)	(113,445)
D – Revenue recognition	(17,567)	-	-
Total equity under IFRS	\$ 5,268,505	\$ 5,516,977	\$ 5,421,080

¹ As adjusted by effect of adopting new accounting policy under Canadian GAAP.

Reconciliation of net earnings

For the year and the three-month period ended,	December 31, 2010	March 31, 2010
Net earnings previously reported under Canadian GAAP	\$ 274,035	\$ 121,757
Differences increasing (decreasing) reported net earnings:		
A – Employee benefits	\$ (1,227)	\$ (306)
B – Intangibles assets	(626)	(171)
C – Income taxes	(28,628)	65
D – Revenue recognition	(17,567)	-
E – Foreign currency translation adjustments	3,881	5,633
F – Stock based compensation	(461)	141
H – Discontinued operations	(3,043)	(2,224)
Net earnings from continued operations under IFRS	\$ 226,364	\$ 124,895
Net earnings from discontinued operations under IFRS	\$ 3,043	\$ 2,224

Reconciliation of other comprehensive income

For the year and the three-month period ended,	December 31, 2010	March 31, 2010
Comprehensive income (loss) previously reported under Canadian GAAP	\$ (962)	\$ 237
Differences increasing (decreasing) reported other comprehensive income:		
A – Employee benefits ¹	(56,285)	-
E – Foreign currency translation adjustments	(3,881)	(5,633)
Other comprehensive (loss) under IFRS	\$ (61,128)	\$ (5,396)

¹ Net of taxes of \$19,460.

Reconciliation of cash flows

Given that Yellow Media Inc.'s first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows, no specific reconciliation is presented for cash flows.

a. Employee Benefits

PAST SERVICE COST

GAAP – Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees expected to benefit from the amendment.

IFRS – These costs are amortized on a straight-line basis over the average period until the benefits become vested. To the extent that the amended benefits are already vested, past service costs are recognized immediately.

Impact on Yellow Media Inc. – As at January 1, 2010, Yellow Media Inc. had an unamortized plan amendment balance of \$4.9 million attributable to amended benefits already vested after modification to the other benefits plan made in 2005. This

balance was reversed against opening retained earnings at the date of transition. During the first quarter of 2010, Yellow Media Inc. recorded a gain of \$0.3 million (\$1.2 million for the year) representing reversal of amortization of these past service costs. This expense has been reversed in the IFRS income statement.

ACTUARIAL GAINS AND LOSSES

GAAP - Actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a “corridor” approach. The “corridor” equals to 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. This excess of 10% is amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Actuarial gains and losses below the 10% corridor are deferred.

IFRS - As stated in the section entitled “Initial Exemption Options”, Yellow Media Inc. applied the exemption in IFRS 1 for actuarial gains and losses. On a going forward basis, Yellow Media Inc. elected to recognize all actuarial gains and losses arising from its defined benefit plan in other comprehensive income.

Impact on Yellow Media Inc. - Unamortized net actuarial losses of \$24.4 million for pension benefits and gains of \$9.1 million for other benefits existing as of January 1, 2010 have been reversed against opening retained earnings at the date of transition. The change in accounting policy for recognition of actuarial gains and losses did not have a significant impact on Yellow Media Inc.’s net earnings in the first quarter of 2010. A charge of \$75.7 million representing actuarial losses of 2010 was recorded in the fourth quarter of 2010.

CONSTRUCTIVE OBLIGATION

GAAP - Employee benefits obligations are recognized based on both written and unwritten actions of an entity, with considerations given to company’s past practices.

IFRS - More specific guidance is provided under IFRS on the concept of constructive obligation. Constructive obligation may arise from informal practices which if changed would cause unacceptable damage to relationship with employees.

Impact on Yellow Media Inc. - As a result of the above difference, Yellow Media Inc. had to recognize a supplemental provision of \$2.8 million as of January 1, 2010. This provision did not vary significantly in the first quarter of 2010 or during the year.

b. Intangible assets

INTERNALLY GENERATED INTANGIBLE ASSETS

GAAP - Prior to the adoption of Section 3064 *Goodwill and Intangible assets*, which is significantly converged with IFRS, the cost of an internally generated intangible asset was not explicitly defined. Yellow Media Inc. adopted Section 3064 on January 1, 2009; however, transitional provisions at this time were different than upon transition to IFRS.

IFRS - The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Impact on Yellow Media Inc. - As of January 1, 2010, Yellow Media Inc. had expensed a total of \$0.9 million of costs related to internally generated assets, mostly software that needed to be capitalized under IFRS. These costs have been capitalized as part of opening retained earnings at the date of transition and are amortized over the remaining useful life of their related assets. During the first quarter of 2010, the supplemental amortization expense related to these costs represented \$0.2 million (\$0.6 million for the year).

IMPAIRMENT - GROUPING OF ASSETS

GAAP - When a long-lived asset does not have identifiable cash flows that are largely independent of those from other assets, that asset must be grouped with other related assets for impairment. This is referred to as the asset group.

IFRS - Grouping of assets should be done when an asset does not have identifiable cash inflows, as opposed to net cash flows, that are independent of those from other assets.

Impact on Yellow Media Inc. - As a result of the different asset grouping required under IFRS, intangible assets in our Vertical Media segment were deemed to be impaired by an amount of \$2.1 million as at January 1, 2010. The impairment described above was recorded through an opening retained earnings adjustment on the date of transition. No other impairment of either goodwill or other long-lived assets subject to impairment testing was needed in the opening balance sheet for both Directories and Vertical Media segments.

c. Income Taxes

INCOME TAXES – TEMPORARY DIFFERENCES ON INTANGIBLE ASSETS

GAAP – Deferred income taxes are calculated from temporary differences that are differences between the tax basis of an asset or liability and its carrying amount in the balance sheet. Under the current Canadian Income Tax Act, "eligible capital expenditures" are deductible for tax purposes to the extent of 75 percent of the cost incurred; Section 3465 – *Income taxes* addresses this specific situation and specifies that for these assets, at any point in time, the tax basis represents the balance in the cumulative eligible capital pool plus 25 percent of the carrying amount.

IFRS – The definition of temporary differences under IFRS is generally consistent with GAAP. However, IFRS does not provide specific guidance in relation to the determination of the tax basis of eligible capital expenditures such as the one described above. As such, the tax basis of these assets, without taking into consideration the 25 percent adjustment of the carrying amount as allowed under GAAP, should be compared with the carrying amount in the balance sheet to determine the temporary difference relating to these assets.

Impact on Yellow Media Inc. – As at January 1, 2010, in order to comply with IFRS, Yellow Media Inc. had to increase deferred income tax liabilities by \$76.8 million to account for temporary differences currently excluded on the 25 percent adjustment of the carrying amount of eligible capital expenditures. This increase was recorded through an opening retained earnings adjustment at the date of transition. During the first quarter of 2010, a change of \$nil was recorded in relation to this adjustment (\$0.2 million for the year).

INCOME TAXES – UNCERTAIN TAX POSITIONS

GAAP – Uncertain tax positions generally refers to positions taken by Yellow Media Inc. that may be challenged by the tax authorities, and which may result in additional taxes, penalties or interest, in changes in the tax basis of assets or liabilities, or in changes in the amount of available tax loss carry-forwards. Accounting for tax exposures is not specifically addressed under GAAP and a number of alternatives were possible. Yellow Media Inc. accounted for these tax positions under Section 3290 – *Contingencies*. This Section provides general recognition and measurement principles applicable to all contingencies, including tax exposures.

IFRS – Similar to GAAP, the accounting for tax exposures is not specifically addressed in the tax standard, IAS 12 – *Income taxes*. As such, uncertain tax positions are recognized and measured in accordance with IAS 37 – *Provisions*. The recognition and measurement approaches under IAS 37 significantly differ in some aspects from Section 3290, including a lower recognition threshold and different measurement methodologies applicable to certain situations.

Impact on Yellow Media Inc. – As at January 1, 2010, Yellow Media Inc. had to increase deferred income tax liabilities by \$39.3 million in order to comply with IAS 37 recognition and measurement criteria. This increase was recorded through an opening retained earnings adjustment at the date of transition. This difference had no impact on the results of Yellow Media Inc. for the first quarter of 2010 (expense of \$34.1 million for the year).

EQUITY PORTION OF EXCHANGEABLE AND CONVERTIBLE DEBENTURES

GAAP – Settlement of a compound financial instrument in accordance with its terms, either through settlement on maturity or conversion, might not result in the incidence of tax to the issuer. As such, when the enterprise is able to settle the instrument without the incidence of tax, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

IFRS – As a result of classifying the liability and equity components of a compound financial instrument according to its substance, the component of a compound financial instrument classified as a liability will be different from the tax basis of the instrument and this creates taxable or deductible amounts that would be included in the determination of taxable income. As such, a temporary difference needs to be recognized.

Impact on Yellow Media Inc. – As at January 1, 2010, in order to comply with IFRS, Yellow Media Inc. had to increase deferred income tax liabilities by \$1.1 million to account for temporary differences related to the equity portion of exchangeable debentures. This increase was recorded through an opening retained earnings adjustment at the date of transition. This difference had no impact on the results of the first quarter (recovery of \$1.1 million for the year). Furthermore, upon the issuance of convertible debentures in the third quarter of 2010, an amount of \$2.7 million was recorded directly to equity.

INCOME TAX EFFECT OF OTHER RECONCILING DIFFERENCES BETWEEN GAAP AND IFRS

Differences from income taxes include the deferred tax effect on earnings of pre-tax differences between GAAP and IFRS described above.

d. Revenue Recognition

GAAP – Under GAAP, all deliverables included in a multiple deliverable arrangement need to be measured and recognized separately if all of the following criteria are met:

- The delivered item has value to the customer on a stand-alone basis;
- There is objective and reliable evidence of the fair value of the undelivered item;
- Delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor;

When the above conditions are not met, revenue is recognized in the same period as that of the last deliverable of the arrangement.

IFRS – Under IFRS, the value of each deliverable to a contract should be recognized separately if an estimated selling price to the component exists and if all significant obligations related to the delivery of the component have been fulfilled.

Impact on Yellow Media Inc. – Revenues from print directories, that do not form part of a multiple deliverable arrangement are recognized when the directory is published (publication method) whereas revenues from print directories in a multiple deliverable arrangement are recognized using the deferral method when the estimated selling price is not determinable. This difference had no impact on equity at the date of transition but reduced net earnings for the year ended December 31, 2010 by \$17.6 million. This reduction includes the recognition of costs related to the print directories revenues recognized.

e. Foreign currency translation adjustment

As noted in the section entitled “IFRS Exemption Options,” Yellow Media Inc. has applied the one-time exemption to set the foreign currency cumulative translation adjustment (“CTA”) to zero as of January 1, 2010. The cumulative translation adjustment balance as of January 1, 2010 of \$3.8 million was recognized as an adjustment to opening retained earnings. The application of the exemption had no impact on net opening equity. During 2010, the amount of the foreign currency translation adjustment reversed upon transition to IFRS was reclassified to the statement of earnings. This recycling adjustment under GAAP created a difference in IFRS and GAAP net earnings (impact of \$5.6 million in the first quarter of 2010, \$3.8 million for the full year).

f. Stock-based Compensation

FORFEITURES

GAAP – Forfeitures of awards may and are recognized as they occur.

IFRS – Forfeiture estimates are recognized in the current period and revised for actual experience in subsequent periods.

Impact on Yellow Media Inc. – The opening adjustment related to the above difference as of January 1, 2010 of \$0.4 million was recognized as an adjustment to opening retained earnings. The application of this difference had no impact on net opening equity. During the first quarter of 2010, the stock based compensation expense per IFRS was \$0.1 million lower under IFRS than under GAAP (\$0.1 million for the full year).

STOCK OPTIONS

GAAP – Under GAAP, an enterprise becomes contingently obligated to award equity instruments on the grant date.

IFRS – IFRS requires an entity to recognize a compensation cost for the period between when the employees to whom the equity instruments were granted and when the employees begun rendering services. In this situation, the entity should estimate the grant date fair value of the equity instruments, for the purposes of recognizing the services received during the period between service commencement date and grant date.

Impact on Yellow Media Inc. – On November 11, 2010, the Board of Directors of Yellow Media Inc. granted, subject to approval by the Shareholders and by the TSX, 15,850,000 options. These options will be submitted to the Shareholders at the Annual Shareholders Meeting to be held on May 5, 2011. Under IFRS, Yellow Media Inc. recorded a compensation cost of \$0.5 million in 2010 for this grant (\$nil for the first quarter of 2010).

g. Discontinued Operations

GAAP - To qualify as a discontinued operation an entity may not have any significant continuing involvement in the operations of the entity after the disposal transaction.

IFRS – Continuing involvement with a sold entity does not preclude presentation as a discontinued operation.

Impact on Yellow Media Inc. – The disposal of YPG Directories LLC, a US subsidiary of Yellow Media Inc., as explained in Note 5, meets the definition of a discontinued operation under IFRS and is presented as such in the IFRS financial statements.

Presentation adjustments

EXCHANGEABLE UNITS

GAAP – Exchangeable securities issued by a subsidiary of an income trust should be presented on the consolidated balance sheet of the income trust as debt if classification as debt is appropriate under Section 3863 *Financial instruments - Presentation*. However, if the conditions mentioned in EIC-151, *Exchangeable securities issued by subsidiaries of income trusts*, are met upon issuance, the exchangeable securities can be presented as part of unitholders' equity in the consolidated balance sheet of the income trust.

IFRS – Exchangeable securities issued by a subsidiary of an income trust that do not meet the definition of a liability should be presented as a non controlling interest.

Impact on Yellow Media Inc. – To account for the above difference an amount of \$31.7 million was reclassified as of January 1, 2010 from unitholders' capital to non-controlling interest. This adjustment was no longer necessary at the end of the first quarter of 2010 since the exchangeable units had then all been converted.

COMMERCIAL PAPER

GAAP – EIC-122 – *Balance sheet classification of callable debt obligations and debt obligations expected to be refinanced* provides guidance on the classification as short-term or long-term of obligations that are callable by the creditor in the next year but for which the debtor does not intend to repay the obligation within one year from the balance sheet date. EIC-122 specifies that obligations, which by their terms are due within one year from the balance sheet date, should be classified as a current liability unless the obligation will be refinanced on a long-term basis and the debtor intends to refinance the obligation on a long-term basis and such intent is supported by an ability to consummate the refinancing. In such case, these obligations should be classified as long-term.

IFRS – Under IFRS, an obligation that the entity expects, and has the discretion, to refinance or roll over for at least twelve months after the reporting period should be classified as non-current only if it can be refinance or roll over under an existing loan facility with the same lender, on the same or similar terms.

Impact on Yellow Media Inc. – As a result of the above difference, in order to comply with IFRS, Yellow Media Inc. had to reclassify the outstanding obligation under the commercial paper program from long-term to short-term given that this obligation did not meet the IFRS conditions to be classified as long-term. An amount of \$74 million was reclassified to short-term as of January 1, 2010 (\$295 million as of December 31, 2010).

DEFERRED TAX

GAAP - Deferred taxes are split between current and non-current components on the basis of either (1) the underlying asset or liability or (2) the expected reversal of items not related to an asset or liability.

IFRS - All deferred tax assets and liabilities are classified as non-current.

OTHER

Under IFRS, investments in equity accounted investees, provisions and current income tax payables have to be presented as a separate line item in the statement of financial position.

19. Additional Annual Disclosures under IFRS

Additional annual IFRS disclosures that would have been presented in our December 31, 2010 financial statements if prepared under IFRS are included below.

a. Property, plant and equipment

	For the year ended December 31, 2010					
	Office equipment	Computer equipment	Other equipment	Leasehold improvements	Total	
Cost						
As at January 1, 2010	\$ 28,561	\$ 44,643	\$ 7,092	\$ 48,125	\$	128,421
Business acquisitions	1,821	697	7,599	658	\$	10,775
Additions	3,998	5,036	11,371	2,558	\$	22,963
Disposal of YPG Directories, LLC	(214)	(74)	(3)	(82)	\$	(373)
Disposals, write-offs and transfers	-	(851)	287	-	\$	(564)
Translation adjustments	(57)	(4)	(334)	(25)	\$	(420)
As at December 31, 2010	\$ 34,109	\$ 49,447	\$ 26,012	\$ 51,234	\$	160,802
Accumulated depreciation						
As at January 1, 2010	\$ 11,678	\$ 28,141	\$ 3,840	\$ 17,338	\$	60,997
Depreciation expense	4,162	9,278	1,216	5,843	\$	20,499
Disposal of YPG Directories, LLC	(27)	(53)	(3)	(7)	\$	(90)
Disposals, write-offs and transfers	-	(1,514)	192	-	\$	(1,322)
Translation adjustments	(14)	(2)	(7)	(2)	\$	(25)
As at December 31, 2010	15,799	35,850	5,238	23,172	\$	80,059
Net book value at December 31, 2010	\$ 18,310	\$ 13,597	\$ 20,774	\$ 28,062	\$	80,743

The net book value of office equipment and computer equipment include an amount of \$3.7 million and \$2.3 million in respect to assets held under finance lease.

b. Intangible assets and goodwill

	For the year ended December 31, 2010					
	Trademarks and domain names	Non-competition agreements and logos	Customer- related intangible assets	Software	Total Intangible assets	Goodwill
Cost						
As at January 1, 2010	\$ 1,404,067	\$ 630,393	\$ 26,325	\$ 241,576	\$ 2,302,361	\$ 6,342,580
Business acquisitions	77,774	13,370	173,971	55,567	320,682	169,508
Additions	12,616	5,831	200	-	18,647	-
Internally generated assets	-	-	-	51,989	51,989	-
Disposal of YPG Directories, LLC	(16,137)	(2,610)	(20,153)	(377)	(39,277)	(41,767)
Disposals, write-offs and transfers	(10,500)	-	(5,068)	181	(15,387)	-
Translation adjustments	(1,725)	(125)	(3,842)	(2,278)	(7,970)	(3,229)
As at December 31, 2010	\$ 1,466,095	\$ 646,859	\$ 171,433	\$ 346,658	\$ 2,631,045	\$ 6,467,092
Accumulated amortization						
As at January 1, 2010	\$ 25,800	\$ 108,526	\$ 26,182	\$ 106,512	\$ 267,020	-
Amortization expense	27,546	26,101	96,539	99,890	250,076	-
Disposal of YPG Directories, LLC	-	(413)	(20,116)	(97)	(20,626)	-
Disposals, write-offs and transfers	(10,500)	-	(5,068)	1,308	(14,260)	-
Translation adjustments	-	(10)	(2,505)	(650)	(3,165)	-
As at December 31, 2010	42,846	134,204	95,032	206,963	479,045	-
Net book value at December 31, 2010	\$ 1,423,249	\$ 512,655	\$ 76,401	\$ 139,695	\$ 2,152,000	\$ 6,467,092

Intangible assets and goodwill have been allocated to the CGUs or groups of CGUs, unless the recoverable amount of the asset could be calculated at the individual asset level.

Each CGU or group of CGU to which the goodwill is allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Other assets subject to impairment were tested at the CGU level. All the directories assets are grouped into one CGU while 6 CGUs were identified within the Vertical Media segment.

As of January 1, 2010, goodwill and intangible assets with an indefinite useful life were tested for impairment at the CGU level. As a result of the different asset grouping required under IFRS, trademarks related to the employment CGU of the Vertical Media segment were deemed to be impaired by an amount of \$2.1 million at the date of transition. The impairment was due to the deterioration of the economic environment and its continuing negative impact on this CGU revenue. The recoverable amount was determined based on the value-in-use approach. Yellow Media Inc. has used a discount rate of 17.50% and a terminal growth rate of 3.50% to calculate the value-in-use.

With the exception of the \$2.1 million impairment charge recorded in opening balance sheet, there has been no impairment of intangible assets and goodwill in 2010. The recoverable amount of a CGU is determined based on the higher of its fair value less costs to sell and its value-in-use. These calculations use cash flow projections based on financial plans approved by management covering a five-year period. Cash flows beyond the periods of the approved plans are extrapolated using the long-term growth rates stated below. The allocation of intangible assets and goodwill as of December 31, 2010 by CGUs and the key assumptions used for value-in-use calculations are presented below:

	Directories				Vertical Media		
		Automobile	Real Estate	Dealer.com	LesPac	Other	Total
Assets by CGUs							
Trademarks and domain names	\$ 1,081,537	\$ 243,154	\$ 9,786	\$ 20,787	\$ 15,500	\$ 3,931	\$ 293,158
Trademarks and domain names with finite lives	\$ 48,554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-competition agreements and logos	\$ 496,496	\$ 14,305	\$ 524	\$ -	\$ 990	\$ 340	\$ 16,159
Customer -related intangible assets	\$ 57,255	\$ -	\$ -	\$ 19,146	\$ -	\$ -	\$ 19,146
Software	\$ 78,226	\$ 21,429	\$ 2,702	\$ 36,841	\$ 387	\$ 110	\$ 61,469
Goodwill	\$ 5,773,346	n/a	n/a	n/a	n/a	n/a	\$ 693,746
Key assumptions							
Terminal growth rate	2.50%	3.50%	3.50%	5.00%	3.50%	3.50%	2.50%
Discount rate	10.00%	10.00%	10.00%	21.5%	10.00%	17.50%	10.00%

The value-in-use calculations are sensitive to changes in the long-term growth rates and discount rates. The long-term growth rates used are consistent with forecasts of long-term national growth rates included in industry reports. The discount rates used are based on estimated weighted average costs of capital of the related asset and reflect specific risks relating to the relevant segments.

c. Provisions

	For the year ended December 31, 2010				
	Provisions for restructuring	Provisions for special charges	Other provisions	Total Provisions	
As at January 1, 2010	\$ 16,051	\$ 24,811	\$ 11,299	\$ 52,161	
Charge	37,538	8,033	9,967	55,538	
Reversal (utilized provision)	(30,096)	(14,891)	(3,623)	(48,610)	
Reversal (surplus provision)	-	-	(421)	(421)	
Business acquisitions	-	-	1,781	1,781	
Discontinued operations	-	-	(108)	(108)	
As at December 31, 2010	\$ 23,493	\$ 17,953	\$ 18,895	\$ 60,341	

d. Income taxes

On November 1, 2010, Yellow Media Inc. converted from a publicly traded income trust to a publicly traded corporation by way of the Plan of Arrangement. As a result, for the year ended December 31, 2010, Yellow Media Inc.'s income tax expense was calculated on the basis of it being a corporation from the date of the Plan of Arrangement.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	For the year ended December 31, 2010
Earnings before income taxes and share of losses from investment in associates	\$ 334,574
Combined Canadian federal and provincial tax rates	29.91%
Income tax expense at statutory rates	\$ 100,071
Increase (decrease) resulting from:	
Intercompany interest income earned in non-taxable entities and variation of uncertain tax positions	(43,820)
Valuation allowance	35,701
Other	(6,387)
Non-deductible dividend expense	8,503
Net tax impact of foreign activities	(6,445)
Effect of enacted deferred rates on temporary differences	646
Provision for income taxes	\$ 88,269

Provision for income taxes includes the following amounts:

	December 31, 2010
Current – Continuing operations	\$ 29,274
Deferred – Continuing operations	58,995
Current – Discontinued operations	-
Deferred – Discontinued operations	886
	\$ 89,155

The movements and type of deferred tax assets and liabilities are shown below:

	Deferred financing costs and redemption fees	Non-capital losses carryforward	Deferred revenues	Post- employment benefits	Net deferred loss on hedging activities	Accrued liabilities	Capital assets & lease induce- ments	Conver- tible Deben- tures	Intangibles	Deferred income tax liabilities, net
January 1, 2010	\$ 1,777	\$ (31,846)	\$ (26,714)	\$ (34,551)	\$ (53)	\$ (10,422)	\$ (1,088)	\$ 1,081	\$ 298,568	\$ 196,752
Acquisitions	-	-	-	-	-	-	(2)	-	69,248	69,246
(Benefit) expense to income statement	3,778	13,383	5,728	688	(1,011)	(380)	(849)	(1,081)	39,625	59,881
Charge to equity	-	-	-	-	-	-	-	2,716	-	2,716
(Benefit) expense to other comprehensive income	-	-	-	(19,460)	164	-	-	-	-	(19,296)
Discontinued operations	-	-	-	2,797	-	98	(12)	-	5,113	7,996
Translation and other	-	-	-	-	-	-	-	-	14,431	14,431
December 31, 2010	\$ 5,555	\$ (18,463)	\$ (20,986)	\$ (50,526)	\$ (900)	\$ (10,704)	\$ (1,951)	\$ 2,716	\$ 426,985	\$ 331,726

At December 31, 2010, the Corporation had foreign operating losses of \$20.9 million which expire from 2028 to 2030. The Corporation also had Canadian operating losses of \$138.6 million which expire from 2027 to 2030 and capital losses of \$42.5 million which can be utilized indefinitely. Deferred income tax assets of \$18.5 million were recognized in relation to Canadian operating losses.

No deferred tax is recognized on the unremitted earnings of U.S. subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings of non-Canadian subsidiaries is approximately \$132.2 million at December 31, 2010 (\$16.5 million as of January 1, 2010).

e. Post-employment benefits

Yellow Media Inc. maintains pension plans with defined benefit and defined contribution components which cover substantially all of the employees of Yellow Media Inc. Yellow Media Inc. maintains unfunded supplementary defined benefit pension plans for certain executives and also maintains other retirement and post-employment benefits (“other benefits”) plans which cover substantially all employees of Yellow Media Inc.

The changes in the defined benefit obligations and in the fair value of assets and the reconciliation of funded status of the defined benefit plans to the amount recorded on the consolidated balance sheets as at December 31, 2010 and January 1, 2010 were as follows:

	December 31, 2010		January 1, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Fair value of plan assets, beginning of year	\$ 400,955	\$ –	\$ 378,141	\$ –
Expected return on plan assets	28,335	–	26,406	–
Benefit payments	(31,464)	(2,276)	(29,622)	(2,145)
Transfers from defined benefit to defined contribution component of the plan	(276)	–	(2,963)	–
Actuarial gains ¹	7,965	–	27,673	–
Employer contributions	7,674	2,276	611	2,145
Employee contributions	566	–	709	–
Fair value of plan assets, end of year	413,755	–	400,955	–
Accrued benefit obligation, beginning of year	460,785	45,006	394,438	38,079
Current service cost	12,492	1,061	10,797	806
Employee contributions	566	–	709	–
Interest cost	29,829	2,923	29,436	2,834
Actuarial losses ²	79,499	4,211	55,027	5,432
Benefit payments	(31,464)	(2,276)	(29,622)	(2,145)
Defined benefit obligation, end of year	551,707	50,925	460,785	45,006
Net defined benefit obligation	\$ (137,952)	\$ (50,925)	\$ (59,830)	\$ (45,006)

¹ Actuarial gains included experience adjustments on plan assets of \$8.0 million.

² Actuarial losses included experience adjustments on plan liabilities of \$nil.

Pension benefits and other benefits are shown as post-employment benefit liabilities on the consolidated statements of financial position. While all the plans are not considered fully funded for financial reporting purposes, registered plans are funded in accordance with the applicable statutory funding rules and regulations governing the particular plans.

The significant assumptions adopted in measuring Yellow Media Inc.'s pension and other benefit obligations as at December 31, 2010 and January 1, 2010 were as follows:

	December 31, 2010		January 1, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
At December 31				
Post-employment benefit obligation				
Discount rate, end of year	5.50%	5.50%	6.50%	6.50%
Rate of compensation increase	3.25%	3.50%	3.25%	3.50%
For the years ended December 31				
Net benefit plan costs				
Discount rate, end of preceding year	6.50%	6.50%	7.50%	7.50%
Rate of compensation increase	3.25%	3.50%	3.25%	3.50%
Expected long-term rate of return on plan assets	7.0%	-	7.25%	-
Expected average remaining service life	13 years	15 years	16 years	15 years

For measurement purposes, a 8.50% annual increase in the per capita cost of covered health care benefits (the health care cost trend rate) was assumed in 2010. The rate of increase of the cost of medication was assumed to gradually decline to 4.50% by 2018 and to remain at that level thereafter. A 4.50% annual increase in per capita cost of covered dental care benefits was assumed in 2010.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-Percentage-Point - Increase	One-Percentage-Point - Decrease
Effect on other benefits – total service and interest costs	\$ 232	\$ (251)
Effect on other benefits – post-employment benefit obligation	\$ 1,831	\$ (1,941)

The net benefit plan costs for the year included the following components:

	For the year ended December 31, 2010	
	Pension Benefits	Other Benefits
Current service cost ¹	\$ 12,492	\$ 1,061
Interest cost ²	29,829	2,923
Expected return on plan assets ²	(28,335)	-
Net benefit plan costs recognized in income statement	13,986	3,984
Actuarial losses	71,534	4,211
Net benefit plan costs recognized in other comprehensive income	71,534	4,211
Total Net benefit plan costs for the YPG Co. defined benefit plans	\$ 85,520	\$ 8,195
Net benefit plan costs for the YPG Co. defined contribution plans	2,857	-
Net benefit plan costs for the Trader defined contribution plans	2,489	-
Total net benefit plan costs	\$ 90,866	\$ 8,195

¹ Included in operating costs.

² Included in financial charges.

Plan assets are represented primarily by Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages. Plan assets are held in trust and the asset allocation was as follows as at December 31, 2010 and January 1, 2010:

(in percentages - %)	December 31, 2010	January 1, 2010
	%	%
Pension Plan		
Asset categories in the Master Trust:		
Cash and other short-term investments	3	4
Publicly traded equity securities	62	60
Publicly traded fixed income securities	35	32
Pending MTS transfer	-	4

The expected return on plan assets is determined by considering long-term historical returns, future estimates of long-term investment returns and asset allocations.

The total cash payments for pension and other benefit plans made by Yellow Media Inc. amounted to \$15 million for 2010. Total cash payments for pension and other benefit plans expected in 2011 amount to \$15.5 million.

As at December 31, 2010 and January 1, 2010, the publicly traded equity securities did not directly include any shares of Yellow Media Inc.

Yellow Media Inc.'s funding policy is to make contributions to its pension plans based on various actuarial cost methods as permitted by pension regulatory bodies. Yellow Media Inc. is responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

f. Related party disclosures

Key management personnel compensation

Remuneration paid to members of the Board of Directors and Yellow Media Inc.'s key management personnel is as follows:

	For the year ended December 31, 2010
Short-term employee benefits	\$ 2,726
Post-employment benefits	210
Share-based payments	6,439
	\$ 9,375

Short-term employee benefits correspond to the amounts paid during the year, post-employment benefits, other long-term benefits and share-based payments correspond to the amounts recorded as expenses.

Other related party transactions

For the year ended December 31,	Transaction value 2010	Balance outstanding 2010
Sales of good and services		
Associate	\$ 8,138	\$ 962
Expenses		
Associate	\$ 1,398	\$ 4

All outstanding balances with these related parties are based on arm's length prices and are to be settled in cash under standard payment conditions. None of these balances are secured.

g. Investment in associates

The aggregated amounts of assets, liabilities, revenues and profit or loss for investment in associates not adjusted for the percentage ownership held by Yellow Media Inc. is presented below:

For the periods ended,	December 31, 2010		January 1, 2010	
Total assets	\$	97,552	\$	35,346
Total liabilities	\$	148,420	\$	17,535
Revenues	\$	83,901	\$	60,461
Net (loss) earnings	\$	(18,820)	\$	8,020

h. List of consolidated subsidiaries and investment in associates

As at,	December 31, 2010		January 1, 2010	
	Consolidation	% ownership	Consolidation	% ownership
Canada				
YPG Trust	-	-	Full consolidation	100
YPG LP	-	-	Full consolidation	98
YPG GP	-	-	Full consolidation	100
Yellow Media Inc.	Full consolidation	100	Full consolidation	100
Yellow Pages Group Co.	Full consolidation	100	Full consolidation	100
Snap Guides Inc.	-	-	Full consolidation	100
Vertical Guides Limited Partnership	-	-	Full consolidation	100
Trader Corporation	Full consolidation	100	Full consolidation	100
LesPAC s.e.n.c.	Full consolidation	100	Full consolidation	100
Gestion LesPAC Inc.	Full consolidation	100	Full consolidation	100
Clear Sky Media Inc.	Full consolidation	100	-	-
Bignition	Equity method	20	-	-
411 Local Search	Equity method	30	-	-
Acquisio	Equity method	24	Equity method	24
USA				
YPG (USA) Holdings, Inc	Full consolidation	100	Full consolidation	100
Yellow Pages Group, LLC	Full consolidation	100	Full consolidation	100
YPG Directories, LLC	-	-	Full consolidation	100
Dealer Dot Com, Inc.	Full consolidation	31.73	Equity method	20
Ziplocal	Equity method	35	-	-