

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES INCOME FUND

March 31, 2009

(unaudited)

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Interim Consolidated Balance Sheet

(in thousands of Canadian dollars – unaudited)

| | As at March 31, 2009 | As at December 31, 2008 |
|---|----------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 33,321 | \$ 25,054 |
| Accounts receivable | 240,548 | 249,786 |
| Prepaid expenses | 11,131 | 11,596 |
| Deferred publication costs and other assets | 148,606 | 140,741 |
| Future income taxes | 36,683 | 43,723 |
| | 470,289 | 470,900 |
| DEFERRED PUBLICATION COSTS | 9,911 | 12,068 |
| FIXED ASSETS | 96,163 | 104,642 |
| OTHER ASSETS (Note 3) | 49,568 | 2,315 |
| DERIVATIVE FINANCIAL INSTRUMENTS | 3,125 | 4,500 |
| INTANGIBLES | 2,082,641 | 2,102,466 |
| GOODWILL | 6,650,470 | 6,648,667 |
| FUTURE INCOME TAXES | 29,385 | 20,661 |
| | \$ 9,391,552 | \$ 9,366,219 |
| LIABILITIES AND UNITHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 200,901 | \$ 209,284 |
| Distributions payable | 50,508 | 50,709 |
| Deferred revenues | 117,532 | 112,364 |
| Current portion of long-term debt (Note 5) | 3,658 | 3,807 |
| | 372,599 | 376,164 |
| DEFERRED CREDITS | 25,586 | 26,143 |
| FUTURE INCOME TAXES | 125,544 | 117,114 |
| ACCRUED BENEFIT LIABILITIES | 81,687 | 78,197 |
| DERIVATIVE FINANCIAL INSTRUMENTS | 4,537 | 3,974 |
| LONG-TERM DEBT (Note 5) | 2,456,591 | 2,420,049 |
| EXCHANGEABLE DEBENTURES (Note 6) | 286,762 | 285,470 |
| PREFERRED SHARES (Note 7) | 489,544 | 489,072 |
| NON-CONTROLLING INTEREST | 8,156 | 8,544 |
| UNITHOLDERS' EQUITY | 5,540,546 | 5,561,492 |
| | \$ 9,391,552 | \$ 9,366,219 |

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

Interim Consolidated Statements of Earnings

For the three-month periods ended March 31,

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

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Revenues | \$ 408,353 | \$ 414,571 |
| Operating costs | 184,490 | 187,178 |
| Income from operations before depreciation and amortization | 223,863 | 227,393 |
| Depreciation and amortization | 38,117 | 55,964 |
| Income from operations | 185,746 | 171,429 |
| Financial charges, net (Note 11) | 37,556 | 34,665 |
| Earnings before dividends on Preferred shares, income taxes, share of earnings from equity investee and non-controlling interest | 148,190 | 136,764 |
| Dividends on Preferred shares | 5,688 | 5,688 |
| Earnings before income taxes, share of earnings from equity investee and non-controlling interest | 142,502 | 131,076 |
| Provision for income taxes | 10,593 | 3,971 |
| Share of earnings from equity investee | (178) | - |
| Non-controlling interest | 474 | 117 |
| Net earnings | \$ 131,613 | \$ 126,988 |
| Basic earnings per unit | \$ 0.26 | \$ 0.24 |
| Weighted average number of units outstanding used in computing earnings per unit (Note 8) | 513,839,842 | 530,044,365 |
| Diluted earnings per unit | \$ 0.21 | \$ 0.22 |
| Weighted average number of units outstanding used in computing diluted earnings per unit (Note 8) | 661,558,372 | 606,720,316 |

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

Interim Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31,

(in thousands of Canadian dollars – unaudited)

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Net earnings | \$ 131,613 | \$ 126,988 |
| Other comprehensive income (loss), net of related income taxes: | | |
| Unrealized losses on derivatives designated as cash flow hedges ¹ | (392) | – |
| Net loss on derivatives designated as cash flow hedges in prior periods transferred to earnings in the period ² | 114 | (75) |
| Change in gains and losses on derivatives designated as cash flow hedges | (278) | (75) |
| Unrealized gain (loss) on available-for-sale investment in the period ³ | 48 | (1,868) |
| Change in unrealized gain (loss) on available-for-sale financial asset | 48 | (1,868) |
| Unrealized gains on translating financial statements of self-sustaining foreign operations | 2,679 | – |
| Other comprehensive income (loss) | 2,449 | (1,943) |
| Comprehensive income | \$ 134,062 | \$ 125,045 |

¹ Net of income taxes of \$171

² Net of income taxes of \$50 (2008 – (\$31))

³ Net of income taxes of nil (2008 - nil)

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

Interim Consolidated Statements of Unitholders' Equity

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

| | | | | | | | 2009 |
|--------------------------------------|-------------------------------------|--|---------------------|------------------------|--|---------------------|---------------------|
| | Unitholders' Capital (Note 8) | Equity Component of Exchangeable Debentures | Restricted Units | Contributed Surplus | Accumulated Other Comprehen- sive Income (Note 14) | Deficit | Total |
| Balance, December 31, 2008, | \$ 6,144,416 | \$ 12,542 | \$ (58,303) | \$ 79,575 | \$ 9,131 | \$ (625,869) | \$ 5,561,492 |
| Repurchase of units (Note 8) | (3,169) | - | - | 1,244 | - | - | (1,925) |
| Restricted units (Note 10) | - | - | (1,251) | (1,500) | - | - | (2,751) |
| Restricted units vested (Note 10) | - | - | 13,204 | (13,204) | - | - | - |
| Distributions (Note 9) | - | - | - | - | - | (150,332) | (150,332) |
| Other comprehensive income | - | - | - | - | 2,449 | - | 2,449 |
| Net earnings for the period | - | - | - | - | - | 131,613 | 131,613 |
| Balance, March 31, 2009 | \$ 6,141,247 | \$ 12,542 | \$ (46,350) | \$ 66,115 | \$ 11,580 | \$ (644,588) | \$ 5,540,546 |

| | | | | | | | 2008 |
|--|-------------------------------------|--|---------------------|------------------------|--|---------------------|---------------------|
| | Unitholders' Capital (Note 8) | Equity Component of Exchangeable Debentures | Restricted Units | Contributed Surplus | Accumulated Other Comprehen- sive Income (Loss) (Note 14) | Deficit | Total |
| Balance, December 31, 2007 | \$ 6,321,471 | \$ 12,542 | \$ (35,397) | \$ 22,098 | \$ 632 | \$ (535,166) | \$ 5,786,180 |
| Issuance of units | 2,495 | - | - | - | - | - | 2,495 |
| Restricted units (Note 10) | - | - | (20,450) | 2,787 | - | - | (17,663) |
| Restricted units - vested (Note 10) | - | - | 947 | (947) | - | - | - |
| Distributions (Note 9) | - | - | - | - | - | (149,838) | (149,838) |
| Other comprehensive loss | - | - | - | - | (1,943) | - | (1,943) |
| Net earnings for the period | - | - | - | - | - | 126,988 | 126,988 |
| Balance, March 31, 2008 | \$ 6,323,966 | \$ 12,542 | \$ (54,900) | \$ 23,938 | \$ (1,311) | \$ (558,016) | \$ 5,746,219 |

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

Interim Consolidated Statements of Cash Flows

For the three-month periods ended March 31,

(in thousands of Canadian dollars - unaudited)

| | 2009 | 2008 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Net earnings | \$ 131,613 | \$ 126,988 |
| Items not affecting cash and cash equivalents: | | |
| Depreciation and amortization | 38,117 | 55,964 |
| Amortization of deferred financing costs | 1,992 | 1,657 |
| Accretion on Exchangeable Debentures | 621 | 582 |
| Net benefit plan costs | 3,490 | 3,433 |
| Non-cash derivative financial instruments | 1,650 | (144) |
| Stock compensation (recovery) expense | (1,500) | 2,787 |
| Other non-cash items | (2,127) | (850) |
| Future income taxes | 7,610 | 786 |
| Non-controlling interest | 474 | 117 |
| Share of earnings from equity investee | (178) | - |
| Change in operating assets and liabilities | 15,656 | (45,982) |
| | 197,418 | 145,338 |
| INVESTING ACTIVITIES | | |
| Acquisition of equity investment (Note 3) | (44,898) | - |
| Business acquisition, net of cash acquired and bank indebtedness assumed | - | (17,250) |
| Acquisition of fixed assets | (12,489) | (12,128) |
| Proceeds from lease inducements | 33 | - |
| | (57,354) | (29,378) |
| FINANCING ACTIVITIES | | |
| Issuance of long-term debt | 137,300 | 55,055 |
| Repayment of long-term debt | (101,044) | - |
| Distributions to unitholders | (150,533) | (149,818) |
| Distribution to non-controlling interest | (862) | (662) |
| Proceeds from exercise of options (Note 8) | - | 808 |
| Repurchase of units | (13,382) | - |
| Purchase of restricted units (Note 10) | (1,251) | (20,450) |
| Deferred costs | (2,161) | (1,011) |
| | (131,933) | (116,078) |
| Effect of exchange rates changes on cash and cash equivalents denominated in foreign currencies | 136 | - |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,267 | (118) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 25,054 | 53,275 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 33,321 | \$ 53,157 |
| Supplemental disclosure of cash flow information (Note 12) | | |

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

1. Basis of presentation

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”), and include the accounts of Yellow Pages Income Fund (the “Fund”), YPG Trust (the “Trust”), YPG LP, YPG General Partner Inc. (“YPG GP”), YPG Holdings Inc., Yellow Pages Group Co. (“YPG Co.”), Trader Corporation (“Trader”), LesPAC s.e.n.c. (“LesPAC”), and those of YPG (USA) Holdings, Inc., Yellow Pages Group, LLC, and YPG Directories, LLC, (collectively “YPG USA”). These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, the financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2008.

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the year ended December 31, 2008, with the exception of the following:

a) Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. This Section, effective January 1, 2009, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including intangible assets developed internally. The provisions of this Section were adopted retrospectively. The adoption of this Section did not have a significant impact on the consolidated financial statements of the Fund or on the carrying value of the goodwill, deferred publication costs, internally developed software and other intangible assets.

b) Emerging Issues Committee (“EIC”) EIC 173, *Credit risk and the fair value of financial assets and financial liabilities*. This Abstract concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities including derivative instruments. This Abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this Abstract did not have a significant impact to the Fund’s consolidated financial statements.

2. Description of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on June 25, 2003 by a declaration of trust and amended by amended and restated declarations. The Fund has been created to invest, through the Trust, a wholly-owned trust, in partnership units of YPG LP and shares of YPG GP, the general partner of YPG LP. YPG LP, through subsidiaries, operates print and online directories and classified advertising in all the Provinces of Canada and also operates independent directories in selected Mid-Atlantic and Southeast American markets.

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

3. Other assets

| | March 31, 2009 | December 31, 2008 |
|---------------------------------|------------------|-------------------|
| Investment – equity method | \$ 45,076 | \$ - |
| Investment – available for sale | 276 | 228 |
| Other | 4,216 | 2,087 |
| | \$ 49,568 | \$ 2,315 |

On February 6, 2009, a subsidiary of the Fund acquired a 20% equity interest in Dealer Dot Com Inc. (“Dealer.com”) for a cash consideration of \$44.9 million (including acquisition related costs of \$1.8 million). The acquisition was financed with cash on hand. The investment was accounted for using the equity method. During the three-month period ended March 31, 2009, the Fund’s share of earnings from the equity investee was \$0.2 million.

The difference between the Fund’s acquisition cost and the amount of its share of the underlying equity in the net assets of the investee has not been finalized.

4. Employee benefit plans

The total net benefit plan costs for the three-month period ended March 31, 2009 were \$3.7 million (2008 - \$3.5 million) for pension benefits. Other benefits costs totalled \$0.9 million (2008 - \$0.9 million) for the same period.

5. Long-term debt

| | March 31, 2009 | | | |
|--|---------------------|---|-----------------------------|---------------------|
| | Principal amount | Fair value adjustment of hedged item | Deferred financing costs | Total |
| Medium Term Notes | \$ 2,050,000 | \$ 15,284 | \$ (13,950) | \$ 2,051,334 |
| Revolving credit facilities | 240,000 | – | – | 240,000 |
| Commercial paper | 156,000 | – | – | 156,000 |
| Obligations under capital leases | 12,915 | – | – | 12,915 |
| | 2,458,915 | 15,284 | (13,950) | 2,460,249 |
| Less current portion of long-term debt | 3,658 | – | – | 3,658 |
| | \$ 2,455,257 | \$ 15,284 | \$ (13,950) | \$ 2,456,591 |

5. Long-term debt (continued)

| | December 31, 2008 | | | |
|--|-------------------|---|-----------------------------|--------------|
| | Principal amount | Fair value adjustment of hedged item | Deferred financing costs | Total |
| Medium Term Notes | \$ 2,050,000 | \$ 15,909 | \$ (14,539) | \$ 2,051,370 |
| Revolving credit facilities | 358,700 | – | – | 358,700 |
| Obligations under capital leases | 13,786 | – | – | 13,786 |
| | 2,422,486 | 15,909 | (14,539) | 2,423,856 |
| Less current portion of long-term debt | 3,807 | – | – | 3,807 |
| | \$ 2,418,679 | \$ 15,909 | \$ (14,539) | \$ 2,420,049 |

The Fund has in place two senior unsecured revolving credit facilities (the “Revolving Credit Facilities”) totalling \$1,150 million consisting of:

- A \$700 million facility (the “Principal Facility”) which is comprised of:
 - a \$500 million 364-day revolving tranche with a 2-year term-out option maturing in May 2012; and,
 - a \$200 million 5-year revolving tranche maturing in May 2012.
- A \$450 million 364-day revolving facility with a 2-year term-out option maturing in May 2011 (the “New Revolving Facility”).

The Principal Facility can be used for general corporate purposes and as back-up for the commercial paper program. The New Revolving Facility can be used for general corporate purposes.

The Fund has classified the Series 1 Medium Term Notes that mature in April 2009 as long-term since the Fund had the intention and ability to refinance these obligations. The Fund had \$754 million of unutilized Revolving Credit Facilities at March 31, 2009. The maturities range between May 2011 and May 2012.

The Fund was in compliance with all of its debt covenants as at March 31, 2009.

Interest rate swaps

The Fund uses derivative contracts to manage the combination of fixed and floating interest rates on its long-term debt and to manage interest rate risk on planned debt issuances.

In October 2008, the Fund entered into floating to fixed interest rate swaps to fix the rate on its floating rate exposure to the Canadian Banker’s acceptance rate. The Fund will pay a fixed rate of interest of 2.25% and receive a floating rate corresponding to the Banker’s acceptance rate on an amount of \$150 million between November 3, 2008 and May 3, 2009, increasing to \$300 million from May 3, 2009 to January 5, 2010.

In February 2009, the Fund also entered into floating to fixed interest rate swaps to fix the rate on its floating rate exposure to the Canadian Banker’s acceptance rate. The Fund will pay a fixed rate of interest of between 0.73% and 0.74% and receive a floating rate corresponding to the Banker’s acceptance rate on an amount of \$200 million between April 21, 2009 and December 21, 2009.

As at March 31, 2009, these interest rate swaps met the criteria for hedge accounting.

6. Exchangeable debentures

| | March 31, 2009 | December 31, 2008 |
|--------------------------|-------------------|-------------------|
| Principal amount | \$ 300,000 | \$ 300,000 |
| Equity component | (12,542) | (12,542) |
| Accretion (Note 11) | 6,274 | 5,653 |
| Deferred financing costs | (6,970) | (7,641) |
| | \$ 286,762 | \$ 285,470 |

7. Preferred shares

| | March 31, 2009 | December 31, 2008 |
|--------------------------------------|-------------------|-------------------|
| Shares issued, Series 1 and Series 2 | \$ 500,000 | \$ 500,000 |
| Derivative component | 1,586 | 1,586 |
| Accretion (Note 11) | (222) | (190) |
| Deferred financing costs | (11,820) | (12,324) |
| | \$ 489,544 | \$ 489,072 |

8. Unitholders' capital

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

| | March 31, 2009 | |
|--|--------------------|---------------------|
| | Number of Units | Amount |
| Balance, December 31, 2008 | 518,301,059 | \$ 6,144,416 |
| Repurchase of units | (267,300) | (3,169) |
| Balance March 31, 2009 ^{1,2} | 518,033,759 | \$ 6,141,247 |

| | March 31, 2008 | |
|---|--------------------|---------------------|
| | Number of Units | Amount |
| Balance, December 31, 2007 | 533,188,571 | \$ 6,321,471 |
| Units issued | 206,118 | 2,495 |
| Balance, March 31, 2008 ^{1,2} | 533,394,689 | \$ 6,323,966 |

¹ Includes 9,815,000 (2008 – 10,815,000) Exchangeable Units of YPG LP issued as partial consideration of the Trader Media Corp. ("TMC") acquisition, which are presented as part of Unitholders' capital as the criteria of Emerging Issues Committee Abstract 151 *Exchangeable Securities Issued by Subsidiaries of Income Trust* are met.

² Includes 3,888,250 Restricted Units (2008 – 4,119,526) pursuant to the Restricted Unit Plan.

8. Unitholders' capital (continued)

Normal course issuer bid

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

Under its normal course issuer bid, the Fund could purchase for cancellation up to 25 million of its outstanding units. During the three-month period ended March 31, 2009, the Fund purchased for cancellation 267,300 Units of the Fund for a total cost of \$1.9 million including brokerage fees at an average price of \$7.20 per unit. The average carrying value of these Units was \$11.86 per Unit. The difference between the purchase price and the carrying value of the Units of \$1.2 million was credited to Contributed Surplus.

Exercise of options

During the first quarter of 2009 optionholders exercised nil (2008 – 206,118) options at an exercise price of \$3.92 per option for cash consideration of nil (2008 – \$0.8 million). These options were exercised into nil (2008 – 206,118) shares of YPG Holdings Inc. which were automatically exchanged into nil (2008 – 206,118) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately nil (2008–\$12.11) per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of nil (2008 – \$1.7 million).

Earnings per unit

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

| | For the three-month periods ended March 31, | |
|--|---|-------------|
| | 2009 | 2008 |
| Weighted average number of units outstanding used in computing basic earnings per unit | 513,839,842 | 530,044,365 |
| Dilutive effect of options | 394,912 | 882,077 |
| Dilutive effect of Restricted Units ¹ | 4,205,797 | 3,239,729 |
| Dilutive effect of Series 1 Preferred shares | 53,669,183 | 27,198,549 |
| Dilutive effect of Series 2 Preferred shares | 35,779,455 | 18,132,366 |
| Dilutive effect of Exchangeable Debentures | 53,669,183 | 27,223,230 |
| Weighted average number of units outstanding used in computing diluted earnings per unit | 661,558,372 | 606,720,316 |

¹ Subject to specific pay-out conditions.

| | For the three-month periods ended March 31, | |
|--|---|------------|
| | 2009 | 2008 |
| Net earnings | \$ 131,613 | \$ 126,988 |
| Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes | 3,917 | 3,642 |
| Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes | 3,164 | 3,151 |
| Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes | 2,356 | 2,352 |
| Net earnings adjusted for dilutive effect | \$ 141,050 | \$ 136,133 |

8. Unitholders' capital (continued)

The Exchangeable Units of YPG LP issued as partial consideration of the TMC acquisition described above are included in the number of units for both basic and diluted earnings per unit.

9. Distributions to unitholders

The Fund's distribution policy is to make distributions of its available cash taking into account the current and prospective performance of its business, amounts to service debt obligations, maintenance capital expenditures, taxes and other items considered to be prudent.

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

During the three-month period ended March 31, 2009, the Fund declared total distributions to Unitholders and Exchangeable Unitholders of \$150.3 million (2008 – \$149.8 million) or \$0.2925 per unit (2008 – \$0.2825).

10. Stock-based compensation plans

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

Restricted Unit Plan

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

Employees who were awarded units under the RU Plan prior to January 1, 2006 (pre-2006 grants), were granted Restricted Units in equal proportions between time-based vesting and performance-based vesting criteria. During the years 2006 to 2009, YPG LP awarded Restricted Units to key employees which are performance-based vesting only, between 2009 to 2011 and also awarded Restricted Units to non-executive directors of YPG GP, the general partner of YPG LP, which are time-based vesting only.

During the three-month period ended March 31, 2009, an amount of \$0.3 million (2008 – \$10.8 million) representing 46,544 (2008 – 954,891) Restricted Units were granted at an average market price of \$5.56 (2008 – \$11.35). Except for pre-2006 grants and Restricted Units granted to Directors, the number of Restricted Units that vest can potentially reach two-and-a-half times the actual number of Restricted Units awarded if the actual performance reaches the maximum level of the objectives. No amount was used (2008 – \$19.8 million) to purchase nil (2008 – 1,742,404) Restricted Units of the Fund on the open market of the Toronto Stock Exchange, which will be held in escrow in order to provide up to a 250% pay-out subject to adjustment at time of vesting. In addition, an amount of \$1.3 million (2008 – \$0.7 million) was used to reinvest in 180,898 (2008 – 55,856) Restricted Units using the proceeds from the distributions on the Restricted Units held in escrow. This includes 94,683 (2008 – 28,265) Restricted Units associated with the portion which provides for up to a 250% pay-out.

10. Stock-based compensation plans (continued)

The following table summarizes the status of the grants:

| | | March 31, 2009 | |
|-----------------------------------|--|----------------------------|------------------|
| | | Number of Restricted Units | |
| | | 2007 to 2009 Grants | |
| Outstanding, beginning of period | | | 2,221,443 |
| Granted | | | 46,544 |
| Vested | | | (394,726) |
| Forfeited | | | (109,861) |
| Cash distributions reinvested | | | 86,215 |
| Outstanding, end of period | | | 1,849,615 |

| | | March 31, 2008 | |
|--------------------------------|--|----------------------------|---------------------|
| | | Number of Restricted Units | |
| | | Pre-2006 Grants | 2006 to 2008 Grants |
| Outstanding, beginning of year | | 69,915 | 1,167,613 |
| Granted | | – | 954,891 |
| Vested | | (68,163) | – |
| Forfeited | | (2,271) | (35,685) |
| Cash distributions reinvested | | 519 | 27,072 |
| Outstanding, end of period | | – | 2,113,891 |

As at March 31, 2009 there were 400,934 (2008 – 64,894) Restricted Units which were not allocated to any specific employee and 1,637,701 (2008 – 1,940,741) Restricted Units representing the portion which provides up to a 250% pay-out. A recovery of \$1.5 million was recorded in the consolidated statement of earnings for the three-month period ended March 31, 2009 compared to an expense of \$2.8 million for the corresponding period in 2008.

Stock Options

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

| | | March 31, 2009 | |
|-----------------------------------|--|-------------------|--|
| | | Number of options | Weighted average exercise price per option |
| Outstanding, beginning of period | | 394,912 | \$ 3.92 |
| Exercised | | – | 3.92 |
| Outstanding, end of period | | 394,912 | \$ 3.92 |
| Exercisable, end of period | | 394,912 | \$ 3.92 |

10. Stock-based compensation plans (continued)

| | March 31, 2008 | |
|----------------------------------|-------------------|--|
| | Number of options | Weighted average exercise price per option |
| Outstanding, beginning of period | 977,600 | \$ 3.92 |
| Exercised | (206,118) | 3.92 |
| Outstanding, end of period | 771,482 | \$ 3.92 |
| Exercisable, end of period | 278,702 | \$ 3.92 |

No options have been granted to employees and non-employees since the inception of the Fund.

11. Financial charges, net

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

| | For the three-month periods ended March 31, | |
|---|---|------------------|
| | 2009 | 2008 |
| Interest on Medium Term Notes | \$ 26,775 | \$ 27,109 |
| Interest on Revolving Credit Facilities | 1,984 | 618 |
| Interest on Exchangeable Debentures, net of accretion | 4,125 | 4,125 |
| Interest on Commercial paper | 265 | 362 |
| Standby fees and other financial charges, net | 909 | 393 |
| Other charges (credits) related to derivative financial instruments | 1,650 | (144) |
| Amortization of deferred financing costs | 1,992 | 1,657 |
| Accretion on Exchangeable Debentures (Note 6) | 621 | 582 |
| Accretion on Preferred shares (Note 7) | (32) | (30) |
| Foreign exchange gain | (733) | (7) |
| | \$ 37,556 | \$ 34,665 |

12. Supplemental disclosure of cash flow information

Supplemental information:

| | For the three-month periods ended March 31, | |
|---|---|-----------|
| | 2009 | 2008 |
| Interest paid | \$ 39,433 | \$ 38,947 |
| Dividends on Preferred shares paid | \$ 5,688 | \$ 5,688 |
| Income taxes and capital taxes paid | \$ 3,731 | \$ 10,902 |
| Additions to fixed assets under capital leases | \$ 172 | \$ 622 |
| Additions to fixed assets included in accounts payable and accrued liabilities | \$ 2,484 | \$ 3,926 |

Cash and cash equivalents consist of:

| | As at March 31, | |
|------------------------|------------------|------------------|
| | 2009 | 2008 |
| Cash | \$ 10,121 | \$ 10,657 |
| Short-term investments | 23,200 | 42,500 |
| | \$ 33,321 | \$ 53,157 |

13. Restructuring and special charges

In connection with the acquisitions of Advertising Directory Solutions Holdings Inc. (“ADS”), Trader, MTS Media (“MTS”), Aliant Directory Services (“Aliant”), and YPG USA, the Fund recorded provisions for restructuring and special charges of \$25.8 million, \$38.7 million, \$8.3 million, \$0.9 million, and USD\$6.5 million (CDN\$6.9 million), respectively. The Fund has adopted formal plans to integrate and restructure the acquired businesses. Consequently, the Fund established provisions related to planned termination of employment of certain employees of the acquired businesses who were performing functions already available through its existing structure and other restructuring of the acquired businesses’ operations. The other special charges are composed mainly of costs to exit or terminate specific leases and contracts which the Fund intends to modify or terminate, and costs related to decommissioning of the existing technology platforms following the integration of the acquired business’ operations. The liabilities related to these costs were initially included in the underlying net identifiable assets acquired. During the fourth quarter of 2008, the Fund recorded non-recurring charges relating to an internal reorganization, workforce reduction, the termination of certain contractual commitments, the acceleration of business process changes in call centers, the discontinuance of under-performing publications, the closure of certain ad centers and other items in the amount of \$36.2 million. Included in these restructuring and special charges of \$36.2 million are write-off of costs totalling \$3.6 million which does not impact the restructuring and special charges provision.

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

| | Restructuring charges | Other special charges | Total |
|-------------------------------------|-----------------------|-----------------------|------------------|
| Balance as at December 31, 2008 | \$ 31,254 | \$ 9,805 | \$ 41,059 |
| Utilized in 2009: | | | |
| Cash | (3,811) | (3,320) | (7,131) |
| Balance as at March 31, 2009 | \$ 27,443 | \$ 6,485 | \$ 33,928 |

14. Accumulated other comprehensive income (loss)

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

| | March 31, 2009 |
|--|------------------|
| Net gain on derivatives designated as cash flow hedges, net of income taxes ¹ | \$ (48) |
| Unrealized losses on derivatives designated as cash flow hedges, net of income taxes | (3,159) |
| Unrealized gains on translating financial statements of self-sustaining foreign operations | 14,739 |
| Unrealized gain on available-for-sale investment | 48 |
| Balance March 31, 2009 | \$ 11,580 |

| | March 31, 2008 |
|--|-------------------|
| Net gain on derivatives designated as cash flow hedges, net of income taxes ¹ | \$ 1,918 |
| Unrealized loss on available-for-sale investment | (3,229) |
| Balance March 31, 2008 | \$ (1,311) |

¹ The net gain on derivatives designated as cash flow hedges in prior periods will be transferred to net earnings over the term of the underlying debt which matures on May 2011, February 2016 and February 2036.

15. Guarantees

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

The Fund has entered into agreements which contain indemnification of its trustees and officers indemnifying them against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the trustees and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Fund. The Fund benefits from directors' and officers' liability insurance which is purchased by the Fund. No amount has been accrued in the interim consolidated balance sheet as of March 31, 2009 with respect to this indemnity.

Pursuant to the acquisitions of Aliant, LesPAC, and YPG USA, the Fund has entered into agreements whereby the Fund agrees to indemnify and hold harmless the vendors from and against any and all claims, liabilities, costs and expenses arising out of, based upon or related to (i) any breach by the Fund in the performance of its obligations under these agreements and (ii) any breach of a representation contained herein. Furthermore, agreements entered into by Trader and its predecessor companies prior to the acquisition contain indemnifications similar to the ones just described. No amount has been accrued in the interim consolidated balance sheet as March 31, 2009, with respect to these indemnities.

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

16. Segmented information

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

16. Segmented information (continued)

The tables below summarize the selected financial information by segment:

| | For the three-month period ended March 31, 2009 | | |
|---|---|----------------|--------------|
| | Directories ¹ | Vertical Media | Consolidated |
| Revenues | \$ 348,799 | \$ 59,554 | \$ 408,353 |
| Operating costs | 140,999 | 43,491 | 184,490 |
| Income from operations before depreciation and amortization | 207,800 | 16,063 | 223,863 |
| Depreciation and amortization | 32,262 | 5,855 | 38,117 |
| Income from operations | \$ 175,538 | \$ 10,208 | \$ 185,746 |

| | For the three-month period ended March 31, 2008 | | |
|---|---|----------------|--------------|
| | Directories | Vertical Media | Consolidated |
| Revenues | \$ 337,431 | \$ 77,140 | \$ 414,571 |
| Operating costs | 133,255 | 53,923 | 187,178 |
| Income from operations before depreciation and amortization | 204,176 | 23,217 | 227,393 |
| Depreciation and amortization | 46,400 | 9,564 | 55,964 |
| Income from operations | \$ 157,776 | \$ 13,653 | \$ 171,429 |

| | March 31, 2009 | | |
|--------------|--------------------------|-----------------------------|--------------|
| | Directories ¹ | Vertical Media ² | Consolidated |
| Intangibles | \$ 1,745,589 | \$ 337,052 | \$ 2,082,641 |
| Goodwill | \$ 5,687,083 | \$ 963,387 | \$ 6,650,470 |
| Total assets | \$ 7,956,456 | \$ 1,435,096 | \$ 9,391,552 |

| | December 31, 2008 | | |
|--------------|--------------------------|-----------------------------|--------------|
| | Directories ¹ | Vertical Media ² | Consolidated |
| Intangibles | \$ 1,768,649 | \$ 333,817 | \$ 2,102,466 |
| Goodwill | \$ 5,685,280 | \$ 963,387 | \$ 6,648,667 |
| Total assets | \$ 7,971,215 | \$ 1,395,004 | \$ 9,366,219 |

¹ Included in the Directories segment are the results of YPG USA. Consequently, \$7.9 million of revenues are included for the three-month period ended March 31, 2009 (2008 - \$nil). Revenues are attributed to countries based on the location of the customer. Also included in the Directories segment is goodwill of \$64.8 million (December 31, 2008 - \$63 million) and fixed assets of \$4.9 million at March 31, 2009 (December 31, 2008 - \$2.2 million) relating to YPG USA.

² The amount of investment in the investee subject to significant influence of \$45.1 million (2008 - nil) is included in the total assets of the Vertical Media segment.

| | For the three-month periods ended March 31, | |
|--|---|----------|
| | 2009 | 2008 |
| Additions to fixed assets¹ | | |
| Directories | \$ 5,964 | \$ 5,216 |
| Vertical Media | \$ 2,723 | \$ 3,993 |
| Additions to intangible assets | | |
| Directories | \$ - | \$ - |
| Vertical Media | \$ - | \$ - |

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

17. Effect of new accounting standards not yet implemented

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

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Fund has established a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created and third party advisors have been engaged to provide training to our staff. The Fund completed the scoping and diagnostic phase in the last quarter of 2008 and is now in the impact analysis and design phase. The Fund's analysis of IFRSs in comparison to Canadian GAAP has identified a number of differences. At this time, the impact on our future financial position and results of operations is not reasonably determinable or estimable. The Fund will continually review and adjust the changeover plan to ensure the implementation process properly addresses the key elements of the plan.

b) Section 1582, *Business Combinations*. This new Section will be applicable to business combinations for which the acquisition date is on or after the Fund's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This Section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

c) Section 1601 *Consolidated financial statements*. This new Section will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This Section establishes standards for the preparation of consolidated financial statements. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

d) Section 1602, *Non-Controlling interests*. This new Section will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

18. Subsequent event

On April 30, 2009, the Fund exercised its option to acquire the remaining 50% interest in LesPAC in which the Fund already had a 50% ownership. The acquisition was financed through drawings under existing credit facilities and cash on hand. As the consummation of the transaction occurred after March 31, 2009, the acquisition has not been accounted for in these interim consolidated financial statements.