

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES INCOME FUND

**June 30, 2009**

(unaudited)

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**Interim Consolidated Balance Sheet**

(in thousands of Canadian dollars – unaudited)

	As at June 30, 2009	As at December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 63,743	\$ 25,054
Accounts receivable	234,495	249,786
Prepaid expenses	10,104	11,596
Deferred publication costs and other assets	143,225	140,741
Future income taxes	40,125	43,723
	<b>491,692</b>	<b>470,900</b>
DEFERRED PUBLICATION COSTS	9,007	12,068
FIXED ASSETS	91,648	104,642
OTHER ASSETS (Note 5)	46,940	2,315
DERIVATIVE FINANCIAL INSTRUMENTS	1,912	4,500
INTANGIBLES	2,061,458	2,102,466
GOODWILL	6,663,323	6,648,667
FUTURE INCOME TAXES	31,547	20,661
	<b>\$ 9,397,527</b>	<b>\$ 9,366,219</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 208,679	\$ 209,284
Distributions payable	34,553	50,709
Deferred revenues	118,353	112,364
Current portion of long-term debt (Note 7)	1,778	3,807
	<b>363,363</b>	<b>376,164</b>
DEFERRED CREDITS	24,756	26,143
FUTURE INCOME TAXES	138,231	117,114
ACCRUED BENEFIT LIABILITIES	86,070	78,197
DERIVATIVE FINANCIAL INSTRUMENTS	3,509	3,974
LONG-TERM DEBT (Note 7)	2,500,260	2,420,049
EXCHANGEABLE DEBENTURES (Note 8)	288,070	285,470
PREFERRED SHARES (Note 9)	489,499	489,072
NON-CONTROLLING INTEREST	–	8,544
UNITHOLDERS' EQUITY	5,503,769	5,561,492
	<b>\$ 9,397,527</b>	<b>\$ 9,366,219</b>

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

## Interim Consolidated Statements of Earnings

For the periods ended June 30,

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

	Three months		Six months	
	2009	2008	2009	2008
Revenues	\$ 417,534	\$ 430,442	\$ 825,887	\$ 845,013
Operating costs	193,465	194,461	377,955	381,639
Income from operations before depreciation and amortization and restructuring and special charges	224,069	235,981	447,932	463,374
Depreciation and amortization	34,005	50,860	72,122	106,824
Restructuring and special charges (Note 15)	20,584	–	20,584	–
Income from operations	169,480	185,121	355,226	356,550
Financial charges, net (Note 13)	37,401	30,221	74,957	64,886
Earnings before dividends on Preferred shares, income taxes, share of losses from equity investees and non-controlling interest	132,079	154,900	280,269	291,664
Dividends on Preferred shares	5,687	5,687	11,375	11,375
Earnings before income taxes, share of losses from equity investees and non-controlling interest	126,392	149,213	268,894	280,289
Provision for income taxes	7,898	13,293	18,491	17,264
Share of losses from equity investees	1,589	–	1,411	–
Non-controlling interest	78	234	552	351
<b>Net earnings</b>	<b>\$ 116,827</b>	<b>\$ 135,686</b>	<b>\$ 248,440</b>	<b>\$ 262,674</b>
Basic earnings per unit	\$ 0.23	\$ 0.26	\$ 0.48	\$ 0.50
Weighted average number of units outstanding used in computing earnings per unit (Note 10)	512,153,331	526,113,061	512,991,928	528,078,713
Diluted earnings per unit	\$ 0.19	\$ 0.24	\$ 0.40	\$ 0.46
Weighted average number of units outstanding used in computing diluted earnings per unit (Note 10)	665,654,081	611,946,207	663,601,407	609,162,219

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

**Interim Consolidated Statements of Comprehensive Income****For the periods ended June 30,**

(in thousands of Canadian dollars – unaudited)

	Three months		Six months	
	2009	2008	2009	2008
<b>Net earnings</b>	\$ 116,827	\$ 135,686	\$ 248,440	\$ 262,674
<b>Other comprehensive income (loss), net of related income taxes:</b>				
Net gains on derivatives designated as cash flow hedges <sup>1</sup>	527	–	135	–
Net loss (gain) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the period <sup>2</sup>	370	(76)	484	(151)
Change in gains and losses on derivatives designated as cash flow hedges	897	(76)	619	(151)
Unrealized gain (loss) on available-for-sale investment in the period <sup>3</sup>	177	(386)	225	(2,254)
Unrealized losses on translating financial statements of self-sustaining foreign operations	(9,128)	–	(6,449)	–
<b>Other comprehensive loss</b>	<b>(8,054)</b>	<b>(462)</b>	<b>(5,605)</b>	<b>(2,405)</b>
<b>Comprehensive income</b>	<b>\$ 108,773</b>	<b>\$ 135,224</b>	<b>\$ 242,835</b>	<b>\$ 260,269</b>

<sup>1</sup> Net of income taxes for the three-month period ended June 30, 2009 of \$230 and net of income taxes for the six-month period ended June 30, 2009 of \$59.

<sup>2</sup> Net of income taxes for the three-month period ended June 30, 2009 of \$163 (2008 – \$31) and net of income taxes for the six-month period ended June 30, 2009 of \$214 (2008 - \$62)

<sup>3</sup> Net of income taxes for the three-month period ended June 30, 2009 of nil (2008 – nil) and net of income taxes for the six-month period ended June 30, 2009 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 six-month periods ended June 30,  
(in thousands of Canadian dollars - unaudited)

								2009
	Unitholders' Capital (Note 10)	Equity Component of Exchangeable Debentures	Restricted Units	Contributed Surplus	Accumulated Other Comprehen- sive Income (Note 16)	Deficit	Total	
Balance, December 31, 2008,	\$ 6,144,416	\$ 12,542	\$ (58,303)	\$ 79,575	\$ 9,131	\$ (625,869)	\$ 5,561,492	
Issuance of units (Note 10)	7	-	-	-	-	-	7	
Repurchase of units (Note 10)	(3,169)	-	-	1,244	-	-	(1,925)	
Restricted units (Note 12)	-	-	(26,551)	(3,562)	-	-	(30,113)	
Restricted units vested (Note 12)	-	-	15,091	(15,091)	-	-	-	
Distributions (Note 11)	-	-	-	-	-	(268,527)	(268,527)	
Other comprehensive income	-	-	-	-	(5,605)	-	(5,605)	
Net earnings for the period	-	-	-	-	-	248,440	248,440	
<b>Balance, June 30, 2009</b>	<b>\$ 6,141,254</b>	<b>\$ 12,542</b>	<b>\$ (69,763)</b>	<b>\$ 62,166</b>	<b>\$ 3,526</b>	<b>\$ (645,956)</b>	<b>\$ 5,503,769</b>	
								2008
	Unitholders' Capital (Note 10)	Equity Component of Exchangeable Debentures	Restricted Units	Contributed Surplus	Accumulated Other Comprehen- sive Income (Loss) (Note 16)	Deficit	Total	
Balance, December 31, 2007	\$ 6,321,471	\$ 12,542	\$ (35,397)	\$ 22,098	\$ 632	\$ (535,166)	\$ 5,786,180	
Issuance of units	6,321	-	-	-	-	-	6,321	
Repurchase of units (Note 10)	(74,547)	-	-	9,926	-	-	(64,621)	
Restricted units (Note 12)	-	-	(21,618)	4,683	-	-	(16,935)	
Restricted units - vested (Note 12)	-	-	1,197	(1,197)	-	-	-	
Distributions (Note 11)	-	-	-	-	-	(298,376)	(298,376)	
Other comprehensive loss	-	-	-	-	(2,405)	-	(2,405)	
Net earnings for the period	-	-	-	-	-	262,674	262,674	
<b>Balance, June 30, 2008</b>	<b>\$ 6,253,245</b>	<b>\$ 12,542</b>	<b>\$ (55,818)</b>	<b>\$ 35,510</b>	<b>\$ (1,773)</b>	<b>\$ (570,868)</b>	<b>\$ 5,672,838</b>	

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

## Interim Consolidated Statements of Cash Flows

For the periods ended June 30,

(in thousands of Canadian dollars - unaudited)

	Three months		Six months	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 116,827	\$ 135,686	\$ 248,440	\$ 262,674
Items not affecting cash and cash equivalents:				
Depreciation and amortization	34,005	50,860	72,122	106,824
Amortization of deferred financing costs	1,927	1,714	3,919	3,371
Accretion on Exchangeable Debentures	626	588	1,247	1,170
Net benefit plan costs	4,383	3,633	7,873	7,066
Non-cash derivative financial instruments	1,217	(5,007)	2,867	(5,151)
Stock compensation (recovery) expense	(2,062)	1,896	(3,562)	4,683
Gain on repurchase of preferred shares and debt	(221)	–	(221)	–
Other non-cash items	(111)	(1,168)	(2,238)	(2,018)
Future income taxes	4,470	10,178	12,080	10,964
Non-controlling interest	78	234	552	351
Share of losses from equity investees	1,589	–	1,411	–
Change in operating assets and liabilities	22,759	(16,775)	38,415	(62,757)
	<b>185,487</b>	<b>181,839</b>	<b>382,905</b>	<b>327,177</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of equity investments (Note 5)	(2,800)	–	(47,698)	–
Business acquisition, net of cash acquired and bank indebtedness assumed (Note 4)	(25,189)	–	(25,189)	(17,250)
Acquisition of fixed assets	(12,313)	(11,787)	(24,802)	(23,915)
Acquisition of intangibles	(246)	(100)	(246)	(100)
Proceeds from lease inducements	–	40	33	40
	<b>(40,548)</b>	<b>(11,847)</b>	<b>(97,902)</b>	<b>(41,225)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of long-term debt	562,000	49,600	699,300	104,655
Repayment of long-term debt	(510,836)	(17,322)	(611,880)	(17,322)
Distributions to unitholders	(134,150)	(148,989)	(284,683)	(298,807)
Distribution to non-controlling interest	(772)	(416)	(1,634)	(1,078)
Proceeds from exercise of options (Note 10)	7	1,375	7	2,183
Repurchase of preferred shares and long-term debt	(2,790)	–	(2,790)	–
Repurchase of units	–	(54,115)	(13,382)	(54,115)
Purchase of restricted units (Note 12)	(25,300)	(1,168)	(26,551)	(21,618)
Proceeds received (payments made) from derivative financial instruments	(272)	3,215	(272)	3,215
Debt issuance and other costs	(1,909)	(1,679)	(4,070)	(2,690)
	<b>(114,022)</b>	<b>(169,499)</b>	<b>(245,955)</b>	<b>(285,577)</b>
Effect of exchange rates changes on cash and cash equivalents denominated in foreign currencies	(495)	–	(359)	–
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>30,422</b>	<b>493</b>	<b>38,689</b>	<b>375</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>33,321</b>	<b>53,157</b>	<b>25,054</b>	<b>53,275</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 63,743</b>	<b>\$ 53,650</b>	<b>\$ 63,743</b>	<b>\$ 53,650</b>
<b>Supplemental disclosure of cash flow information (Note 14)</b>				

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. Goodwill impairment testing

As at June 30, 2009, the Fund had approximately \$6.7 billion of goodwill, of which approximately \$1.0 billion relates to the Vertical Media segment. The Fund determined that the deterioration of the economic environment in the vehicle and real estate industries and its continuing negative impact on our Vertical Media segment revenues was an indicator that the goodwill related to the Vertical Media segment should be tested for potential impairment.

The goodwill impairment test involves a two-step methodology. The first step is accomplished by comparing the fair value of the reporting unit to its carrying value. The Fund determines fair value, by using the “discounted expected future cash flow” model. The process for determining the fair value requires management to make a number of estimates and assumptions such as market conditions, projected future sales, cost of sales, earnings and discount rates. If the carrying value of the reporting unit exceeds its estimated fair value, a second step is required. In the second step, the Company must allocate the fair value of the reporting unit to the reporting unit’s net identifiable assets, with any value in excess allocated to goodwill. A goodwill impairment loss would be recognized to the extent that the carrying value of goodwill exceeds its implied fair value.

The Fund has initiated step one of the valuation process. While the analysis is not yet finalized, indications are that the fair value might be below the carrying value of the reporting unit thus potentially requiring the performance of the second step of the analysis. Results of step two will determine the amount of impairment charge, if any, that may be recorded. At the time of issuing these financial statements, the Fund has not been able to reasonably estimate the amount of impairment loss, if any, due to the complexity in establishing key assumptions and estimates resulting from recently acquired businesses, significant changes in the business model and go-to-market strategy with Trader provisioning integrated solutions through Dealer Smart Solutions and restructuring initiatives implemented towards the end of the second quarter. The impairment testing will be completed during the third quarter with any potential impairment loss recorded in net earnings for that period.

### 4. Business acquisition

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 for a cash consideration of \$25.2 million (including acquisition related costs of \$0.2 million). The acquisition of LesPAC was financed with cash on hand.

The Fund accounted for the acquisition of non-controlling interest as a step-purchase. The excess of the purchase price over the net book value of the non-controlling interest acquired was allocated to the net identifiable assets acquired on the basis of their fair value. The purchase price allocations are preliminary and are subject to change once the final valuation of the assets acquired and the liabilities assumed are completed and the final determination of the costs related to acquisition have been made. The Fund’s share in the fair value increments of the underlying net identifiable assets of LesPAC acquired was allocated as follows :

## 4. Business acquisition (continued)

Current liabilities		
Accounts payable and accrued liabilities	\$	(337)
Intangibles		
Trademark		1,500
Customer contracts		145
Future income tax liabilities		(526)
Net identifiable assets acquired		782
Non-controlling interest acquired		7,462
Goodwill		16,945
<b>Purchase price</b>	<b>\$</b>	<b>25,189</b>
<b>Consideration:</b>		
Cash	\$	25,000
Transaction costs		189
	<b>\$</b>	<b>25,189</b>

## 5. Other assets

	June 30, 2009	December 31, 2008
Investments – equity method	\$ 43,516	\$ –
Investment – available for sale	453	228
Other	2,971	2,087
	<b>\$ 46,940</b>	<b>\$ 2,315</b>

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 is accounted for using the equity method. During the period from acquisition to June 30, 2009, the Fund’s share of losses from the equity investee was \$1.2 million.

The allocation of the acquisition cost over the costs assigned to the underlying net assets of the investee at the date of acquisition has not been finalized.

On April 9, 2009, a subsidiary of the Fund acquired a 24% equity interest in a small technology provider for a cash consideration of \$2.8 million (including acquisition related costs of \$0.6 million). The acquisition was financed with cash on hand. The investment is accounted for using the equity method. During the period from acquisition to June 30, 2009, the Fund’s share of losses from the equity investee was \$0.2 million.

The difference between the acquisition cost and the Fund’s share of the underlying net book value of the investees’ assets for the equity method investments, at the date of purchase amounted to \$45.3 million.

## 6. Employee benefit plans

The total net benefit plan costs for the three-month and six-month periods ended June 30, 2009 were \$5.1 million (2008 – \$3.8 million) and \$8.8 million (2008 – \$7.3 million) for pension benefits. Other benefits costs totalled \$0.2 million (2008 – \$1.1 million) and \$1.1 million (2008 – \$2 million) for the same periods.

## 7. Long-term debt

June 30, 2009				
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 1,857,500	\$ 14,664	\$ (16,398)	\$ 1,855,766
Credit facilities	250,000	–	–	250,000
Commercial paper	388,000	–	–	388,000
Obligations under capital leases	8,272	–	–	8,272
	2,503,772	14,664	(16,398)	2,502,038
Less current portion of long-term debt	1,778	–	–	1,778
	<b>\$ 2,501,994</b>	<b>\$ 14,664</b>	<b>\$ (16,398)</b>	<b>\$ 2,500,260</b>

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
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
	<b>\$ 2,418,679</b>	<b>\$ 15,909</b>	<b>\$ (14,539)</b>	<b>\$ 2,420,049</b>

### Medium Term Notes

On June 25, 2009, YPG Holdings Inc. issued 7.3% Series 7 Medium Term Notes for gross proceeds of \$260 million maturing February 2, 2015, priced at par, for an initial yield to noteholders of 7.3% compounded semi-annually.

The proceeds from the issuance of the Series 7 Medium Term Notes were used to reduce indebtedness under the New Credit Facility while the balance was used to reduce commercial paper indebtedness as well as for general corporate purposes. In addition, an amount of \$2.5 million of the Series 2 Medium Term Notes was repurchased during the quarter for a total cash consideration of \$2.4 million. The difference between the purchase price and the carrying value of the Series 2 Medium Term Notes of \$0.1 million was recorded in net earnings.

## 7. Long-term debt (continued)

The Fund has in place two senior unsecured credit facilities (the “Credit Facilities”) totalling \$950 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.

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

- A \$250 million 2-year non-revolving term loan maturing in May 2011 (the “New Credit Facility” formerly the “New Revolving Facility”).

On April 21, 2009, the Fund used the full amount of the New Revolving Facility to repay its then maturing \$450 million Series 1 Medium Term Notes. The Fund did not request an extension of the revolving period on the New Revolving Facility. Therefore, on May 7 2009, this facility automatically converted to a 2-year non revolving term loan maturing in May 2011 (the “New Credit Facility”). From that date, repayments on the New Credit facility will automatically reduce the limit of the facility.

The Fund had \$312 million of unutilized Principal Revolving Facility at June 30, 2009. The maturities range between May 2011 and May 2012.

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

The interest rate swaps are comprised of two tranches:

- the first tranche was a \$50 million interest rate swap that increased to \$100 million on May 3, 2009, and
- the second tranche was a \$100 million interest rate swap that increased to \$200 million on May 3, 2009.

The Fund discontinued hedge accounting on the first tranche effective June 1, 2009. On June 19, 2009, the Fund discontinued hedge accounting on the second tranche. All of the accumulated losses on the interest rate swaps remained in accumulated other comprehensive income and will be reclassified to net earnings over the life of the interest rate swaps which mature January 5, 2010. The Fund continues to hold the swaps.

## 7. Long-term debt (continued)

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 June 30, 2009, these interest rate swaps met the criteria for hedge accounting.

## 8. Exchangeable debentures

	June 30, 2009	December 31, 2008
Principal amount	\$ 300,000	\$ 300,000
Equity component	(12,542)	(12,542)
Accretion (Note 13)	6,900	5,653
Deferred financing costs	(6,288)	(7,641)
	<b>\$ 288,070</b>	<b>\$ 285,470</b>

## 9. Preferred shares

	June 30, 2009	December 31, 2008
Shares issued, Series 1 and Series 2	\$ 499,465	\$ 500,000
Derivative component	1,584	1,586
Accretion (Note 13)	(255)	(190)
Deferred financing costs	(11,295)	(12,324)
	<b>\$ 489,499</b>	<b>\$ 489,072</b>

### Normal course issuer bid

On June 9, 2009, the Fund received approval from the Toronto Stock Exchange ("TSX") on its notice of intention to make a normal course issuer bid for its first preferred shares through the facilities of the TSX from June 11, 2009 to June 10, 2010, in accordance with applicable rules of the TSX.

Under its normal course issuer bid, the Fund could purchase for cancellation up to 1,200,000 and 800,000 of its outstanding first preferred shares, series 1 ("Series 1 shares") and first preferred shares, series 2 ("Series 2 shares"), respectively. As at June 30, 2009, the Fund purchased for cancellation 8,800 Series 1 shares of the Fund for a total cash consideration of \$0.2 million including brokerage fees at an average price of \$22.47 per Series 1 share and 12,600 Series 2 shares of the Fund for a total cash consideration of \$0.2 million including brokerage fees at an average price of \$17.43 per Series 2 share. The average carrying value of these Series 1 and Series 2 shares was \$0.2 million and \$0.3 million, respectively. The difference between the purchase price and the carrying value of the Series 1 and Series 2 shares of \$0.1 million was recorded in net earnings.

## 10. 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.

## 10. Unitholders' capital (continued)

	June 30, 2009	
	Number of Units	Amount
Balance, December 31, 2008	518,301,059	\$ 6,144,416
Units issued	1,787	7
Repurchase of units	(267,300)	(3,169)
<b>Balance June 30, 2009</b> <sup>1,2</sup>	<b>518,035,546</b>	<b>\$ 6,141,254</b>

  

	June 30, 2008	
	Number of Units	Amount
Balance, December 31, 2007	533,188,571	\$ 6,321,471
Units issued	556,889	6,321
Repurchase of units	(6,285,600)	(74,547)
<b>Balance, June 30, 2008</b> <sup>1,2</sup>	<b>527,459,860</b>	<b>\$ 6,253,245</b>

<sup>1</sup> Includes 8,715,000 (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.

<sup>2</sup> Includes 7,851,772 Restricted Units (2008 – 4,196,070) pursuant to the Restricted Unit Plan.

### Normal course issuer bid

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

Under its normal course issuer bid, the Fund could purchase for cancellation up to 25 million of its outstanding units. During the six-month period ended June 30, 2009, the Fund purchased for cancellation 267,300 (2008 – 6,285,600) Units of the Fund for a total cash consideration of \$1.9 million (2008 – \$64.6 million) including brokerage fees at an average price of \$7.20 per unit (2008 – \$10.28). 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 (2008 – \$9.9 million) was credited to Contributed Surplus. An amount of \$11.5 million representing 1,789,600 Units repurchased in the last three days of December 2008 was settled in January 2009.

### Exercise of options

During the three-month period ended June 30, 2009, optionholders exercised 1,787 (2008 – 350,771) options at an exercise price of \$3.92 per option for cash consideration of \$7 thousand (2008 – \$1.4 million). These options were exercised into 1,787 (2008 – 350,771) shares of YPG Holdings Inc. which were automatically exchanged into 1,787 (2008 – 350,771) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$3.92 (2008– \$10.90) per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of nil (2008 – \$2.4 million).

During the six-month period ended June 30, 2009, optionholders exercised 1,787 (2008 – 556,889) options at an exercise price of \$3.92 per option for cash consideration of \$7 thousand (2008 – \$2.2 million). These options were exercised into 1,787 (2008 – 556,889) shares of YPG Holdings Inc. which were automatically exchanged into 1,787 (2008 – 556,889) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$3.92 (2008– \$11.35) per share, which in turn were exchanged into units of YPG LP. This transaction gave rise to an increase in goodwill of nil (2008 – \$4.1 million).

## 10. Unitholders' capital (continued)

### Earnings per unit

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2009	2008	2009	2008
Weighted average number of units outstanding used in computing basic earnings per unit	<b>512,153,331</b>	526,113,061	<b>512,991,928</b>	528,078,713
Dilutive effect of options	<b>394,028</b>	601,406	<b>394,468</b>	741,741
Dilutive effect of Restricted Units <sup>1</sup>	<b>5,839,440</b>	4,166,543	<b>5,027,131</b>	3,703,136
Dilutive effect of Series 1 Preferred shares	<b>55,225,035</b>	30,399,449	<b>54,445,358</b>	28,739,486
Dilutive effect of Series 2 Preferred shares	<b>36,814,987</b>	20,266,299	<b>36,296,061</b>	19,159,657
Dilutive effect of Exchangeable Debentures	<b>55,227,260</b>	30,399,449	<b>54,446,461</b>	28,739,486
Weighted average number of units outstanding used in computing diluted earnings per unit	<b>665,654,081</b>	611,946,207	<b>663,601,407</b>	609,162,219

<sup>1</sup> Subject to specific pay-out conditions.

### Earnings per unit

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2009	2008	2009	2008
Net earnings	\$ <b>116,827</b>	\$ 135,686	\$ <b>248,440</b>	\$ 262,674
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	<b>3,930</b>	3,652	<b>7,848</b>	7,294
Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes	<b>3,167</b>	3,154	<b>6,330</b>	6,305
Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes	<b>2,357</b>	2,353	<b>4,713</b>	4,705
Net earnings adjusted for dilutive effect	\$ <b>126,281</b>	\$ 144,845	\$ <b>267,331</b>	\$ 280,978

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.

## 11. 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 15<sup>th</sup> day of the following month.

During the six-month period ended June 30, 2009, the Fund declared total distributions to Unitholders and Exchangeable Unitholders of \$268.5 million (2008 – \$298.4 million) or \$0.5233 per unit (2008 – \$0.5650).

## 12. 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) and subsequent to 2008, were granted Restricted Units in equal proportions between time-based vesting and performance-based vesting criteria. During the years 2006 to 2008, YPG LP awarded Restricted Units to key employees which are performance-based and vest between 2009 to 2011. The Fund also awarded Restricted Units to non-executive directors of YPG GP, the general partner of YPG LP, which are time-based vesting only.

During the six-month period ended June 30, 2009, an amount of \$15 million (2008 – \$10.9 million) representing 2,407,340 (2008 – 961,397) Restricted Units were granted at an average market price of \$6.23 (2008 – \$11.35). For the 2006 to 2008 grants to key employees, the number of Restricted Units that vest can potentially reach two times the actual number of Restricted Units awarded if the actual performance reaches the maximum level of the objectives. In the case of the 2009 grants to key employees, the number of performance-based Restricted Units that vest can potentially reach two and a half times the actual number of performance-based Restricted Units awarded. Consequently, \$24.1 million was used (2008 – \$19.8 million) to purchase 3,849,791 (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 \$2.5 million (2008 – \$1.8 million) was used to reinvest in 401,018 (2008 – 164,738) Restricted Units using the proceeds from the distributions on the Restricted Units held in escrow. This includes 179,163 (2008 – 74,749) Restricted Units associated with the maximum pay-out provisions.

The following table summarizes the status of the grants:

	June 30, 2009	
	Number of Restricted Units	
	2007 to 2009 Grants	
Outstanding, beginning of period		2,221,443
Granted		2,407,340
Vested		(501,317)
Forfeited		(182,122)
Cash distributions reinvested		221,855
<b>Outstanding, end of period</b>		<b>4,167,199</b>

  

	June 30, 2008	
	Number of Restricted Units	
	Pre-2006 Grants	2006 to 2008 Grants
Outstanding, beginning of year	69,915	1,167,613
Granted	–	961,397
Vested	(68,163)	(16,168)
Forfeited	(2,271)	(98,728)
Cash distributions reinvested	519	89,470
<b>Outstanding, end of period</b>	<b>–</b>	<b>2,103,584</b>

## 12. Stock-based compensation plans (continued)

As at June 30, 2009 there were 244,505 (2008 – 162,334) Restricted Units which were not allocated to any specific employee and 3,440,068 (2008 – 1,930,152) Restricted Units associated with the maximum pay out provisions. A recovery of \$2.1 million and \$3.6 million was recorded in the consolidated statement of earnings for the three-month and six-month periods ended June 30, 2009 compared to an expense of \$1.9 million and \$4.7 million for the corresponding periods in 2008.

### Stock Options

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

	June 30, 2009	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	394,912	\$ 3.92
Exercised	(1,787)	3.92
<b>Outstanding, end of period</b>	<b>393,125</b>	<b>\$ 3.92</b>
<b>Exercisable, end of period</b>	<b>393,125</b>	<b>\$ 3.92</b>

  

	June 30, 2008	
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	977,600	\$ 3.92
Exercised	(556,889)	3.92
Outstanding, end of period	420,711	\$ 3.92
Exercisable, end of period	420,711	\$ 3.92

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

## 13. Financial charges, net

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2009	2008	2009	2008
Interest on Medium Term Notes	\$ 23,144	\$ 26,776	\$ 49,919	\$ 53,885
Interest on Credit Facilities	3,642	2	5,626	620
Interest on Exchangeable Debentures, net of accretion	4,125	4,125	8,250	8,250
Interest on Commercial paper	1,209	1,267	1,474	1,629
Standby fees and other financial charges, net	758	774	1,667	1,167
Other charges (credits) related to derivative financial instruments	1,489	(5,007)	3,139	(5,151)
Gain on repurchase of preferred shares and long-term debt	(221)	–	(221)	–
Amortization of deferred financing costs	1,927	1,714	3,919	3,371
Accretion on Exchangeable Debentures (Note 8)	626	588	1,247	1,170
Accretion on Preferred shares (Note 9)	(33)	(31)	(65)	(61)
Foreign exchange loss	735	13	2	6
	<b>\$ 37,401</b>	<b>\$ 30,221</b>	<b>\$ 74,957</b>	<b>\$ 64,886</b>

## 14. Supplemental disclosure of cash flow information

Supplemental information:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2009	2008	2009	2008
Interest paid	\$ 31,823	\$ 27,608	\$ 71,256	\$ 66,555
Dividends on Preferred shares paid	\$ 5,687	\$ 5,687	\$ 11,375	\$ 11,375
Income taxes and capital taxes (received) paid	\$ (630)	\$ 4,189	\$ 3,101	\$ 15,091
Additions to fixed assets under capital leases	\$ –	\$ 52	\$ 172	\$ 674
Additions to fixed assets included in accounts payable and accrued liabilities	\$ 2,220	\$ 2,418	\$ 2,220	\$ 2,418

Cash and cash equivalents consist of:

	As at June 30,	
	2009	2008
Cash	\$ 3,743	\$ 8,350
Short-term investments	60,000	45,300
	\$ 63,743	\$ 53,650

## 15. 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.

In addition, during the second quarter of 2009, the Fund recorded additional restructuring and special charges of \$20.6 million related to an internal reorganization, workforce reduction and termination of certain contractual commitments. Included in these restructuring and special charges are write-offs of deferred lease improvements, capital assets under capital leases and other amounts totalling \$0.3 million which do not impact the restructuring and special charges provision.

## 15. Restructuring and special charges (continued)

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

	Restructuring charges	Other special charges	Total
Balance as at December 31, 2008	\$ 31,254	\$ 9,805	\$ 41,059
Provision related to 2009 initiatives	6,779	14,136	20,915
Utilized in 2009:			
Cash	(10,240)	(5,740)	(15,980)
<b>Balance as at June 30, 2009</b>	<b>\$ 27,793</b>	<b>\$ 18,201</b>	<b>\$ 45,994</b>

## 16. Accumulated other comprehensive income (loss)

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

	June 30, 2009
Net losses on derivatives designated as cash flow hedges, net of income taxes <sup>1</sup>	\$ (2,310)
Unrealized gains on translating financial statements of self-sustaining foreign operations	5,611
Unrealized gain on available-for-sale investment	225
<b>Balance June 30, 2009</b>	<b>\$ 3,526</b>
	June 30, 2008
Net gain on derivatives designated as cash flow hedges, net of income taxes <sup>1</sup>	\$ 1,842
Unrealized loss on available-for-sale investment	(3,615)
<b>Balance June 30, 2008</b>	<b>\$ (1,773)</b>

<sup>1</sup> The gains and losses 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 January 2010, May 2011, February 2016 and February 2036.

## 17. Guarantees

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

The Fund has entered into agreements which contain indemnification of its trustees and officers indemnifying them against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the trustees and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Fund. The Fund benefits from directors' and officers' liability insurance which is purchased by the Fund. No amount has been accrued in the interim consolidated balance sheet as of June 30, 2009 with respect to this indemnity.

## 17. Guarantees (continued)

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 June 30, 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.

## 18. 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.

The tables below summarize the selected financial information by segment:

	For the three-month period ended June 30, 2009		
	Directories <sup>1</sup>	Vertical Media	Consolidated
Revenues	\$ 351,060	\$ 66,474	\$ 417,534
Operating costs	148,310	45,155	193,465
Income from operations before depreciation and amortization and restructuring and special charges	202,750	21,319	224,069
Depreciation and amortization	28,764	5,241	34,005
Restructuring and special charges	15,161	5,423	20,584
Income from operations	\$ 158,825	\$ 10,655	\$ 169,480

	For the six-month period ended June 30, 2009		
	Directories <sup>1</sup>	Vertical Media	Consolidated
Revenues	\$ 699,859	\$ 126,028	\$ 825,887
Operating costs	289,309	88,646	377,955
Income from operations before depreciation and amortization and restructuring and special charges	410,550	37,382	447,932
Depreciation and amortization	61,026	11,096	72,122
Restructuring and special charges	15,161	5,423	20,584
Income from operations	\$ 334,363	\$ 20,863	\$ 355,226

<sup>1</sup> Included in the Directories segment are the results of YPG USA. Consequently, \$8 million of revenues are included for the three-month period ended June 30, 2009 (2008 – nil) and \$15.9 million for the six-month period ended June 30, 2009 (2008 – nil) and were generated in the United States of America. Revenues are attributed to countries based on the location of the customer.

## 18. Segmented information (continued)

	For the three-month period ended June 30, 2008		
	Directories <sup>1</sup>	Vertical Media	Consolidated
Revenues	\$ 339,878	\$ 90,564	\$ 430,442
Operating costs	136,329	58,132	194,461
Income from operations before depreciation and amortization	203,549	32,432	235,981
Depreciation and amortization	43,073	7,787	50,860
Income from operations	\$ 160,476	\$ 24,645	\$ 185,121

	For the six-month period ended June 30, 2008		
	Directories <sup>1</sup>	Vertical Media	Consolidated
Revenues	\$ 677,309	\$ 167,704	\$ 845,013
Operating costs	269,584	112,055	381,639
Income from operations before depreciation and amortization	407,725	55,649	463,374
Depreciation and amortization	89,473	17,351	106,824
Income from operations	\$ 318,252	\$ 38,298	\$ 356,550

<sup>1</sup> Included in the Directories segment are the results of YPG USA. Consequently, \$8 million of revenues are included for the three-month period ended June 30, 2009 (2008 – nil) and \$15.9 million for the six-month period ended June 30, 2009 (2008 – nil) and were generated in the United States of America. Revenues are attributed to countries based on the location of the customer.

	June 30, 2009		
	Directories <sup>1</sup>	Vertical Media <sup>2</sup>	Consolidated
Intangibles	\$ 1,722,621	\$ 338,837	\$ 2,061,458
Goodwill	\$ 5,682,991	\$ 980,332	\$ 6,663,323
Total assets	\$ 7,948,028	\$ 1,449,499	\$ 9,397,527

	December 31, 2008		
	Directories <sup>1</sup>	Vertical Media <sup>2</sup>	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

<sup>1</sup> Included in the Directories segment is goodwill of \$60.7 million (December 31, 2008 – \$63 million) and capital assets of \$100.8 million at June 30, 2009 (December 31, 2008 – \$125.2 million) relating to YPG USA. Included in the total assets of the Directories segment is \$2.6 million (2008 – nil) related to the recent equity-investment acquisition.

<sup>2</sup> The amount of investment in Dealer.com of \$40.9 million (2008 – nil) is included in the total assets of the Vertical Media segment.

## 18. Segmented information (continued)

	For the six-month periods ended June 30,	
	2009	2008
<b>Additions to fixed assets<sup>1</sup></b>		
Directories	\$ 13,636	\$ 10,877
Vertical Media	\$ 7,095	\$ 8,663
<b>Additions to intangible assets</b>		
Directories	\$ 246	\$ 100
Vertical Media	\$ –	\$ –

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

## 19. 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 the impact analysis and design phase is progressing as planned. 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.

## 20. Subsequent events

### Medium Term Notes

On July 3, 2009, YPG Holdings Inc. issued Series 8 Medium Term Notes for gross proceeds of \$90 million as follows:

a) \$90 million of 6.85% Series 8 Notes maturing December 3, 2013, priced at par, for an initial yield to noteholders of 6.85% compounded semi-annually.

On July 10, 2009, YPG Holdings Inc. issued additional Series 8 Medium Term Notes and Series 9 Medium Term Notes for combined gross proceeds of \$165 million as follows:

a) \$35 million of 6.85% Series 8 Notes maturing December 3, 2013, priced at par, for an initial yield to noteholders of 6.85% compounded semi-annually.

b) \$130 million of 6.5% Series 9 Notes maturing July 10, 2013 priced at par, for an initial yield to noteholders of 6.5% compounded semi-annually.

### Additional financing

On July 24, the Fund announced that it had arranged a 5-year term loan of \$100 million with an institutional investor which matures July 23, 2014. The credit facility will be available for general corporate purposes, including the refinancing of existing indebtedness.