

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES INCOME FUND

**September 30, 2009**

(unaudited)

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**Interim Consolidated Balance Sheet**

(in thousands of Canadian dollars – unaudited)

	<b>As at September 30, 2009</b>	<b>As at December 31, 2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 73,685	\$ 25,054
Accounts receivable	221,268	249,786
Prepaid expenses	9,021	11,596
Deferred publication costs and other assets	143,916	140,741
Future income taxes	35,127	43,723
	<b>483,017</b>	<b>470,900</b>
DEFERRED PUBLICATION COSTS	7,931	12,068
FIXED ASSETS	90,987	104,642
OTHER ASSETS (Note 5)	41,376	2,315
DERIVATIVE FINANCIAL INSTRUMENTS	3,350	4,500
INTANGIBLES	2,034,588	2,102,466
GOODWILL	6,344,439	6,648,667
FUTURE INCOME TAXES	26,112	20,661
	<b>\$ 9,031,800</b>	<b>\$ 9,366,219</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 188,754	\$ 209,284
Distributions payable	34,553	50,709
Deferred revenues	110,055	112,364
Derivative financial instruments	1,611	–
Future income taxes	26,856	–
Current portion of long-term debt (Note 7)	1,744	3,807
	<b>363,573</b>	<b>376,164</b>
DEFERRED CREDITS	24,050	26,143
FUTURE INCOME TAXES	119,622	117,114
ACCRUED BENEFIT LIABILITIES	90,722	78,197
DERIVATIVE FINANCIAL INSTRUMENTS	524	3,974
LONG-TERM DEBT (Note 7)	2,231,928	2,420,049
EXCHANGEABLE DEBENTURES (Note 8)	289,411	285,470
PREFERRED SHARES (Note 9)	481,494	489,072
NON-CONTROLLING INTEREST (Note 10)	202,505	8,544
UNITHOLDERS' EQUITY	5,227,971	5,561,492
	<b>\$ 9,031,800</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 September 30,

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

	Three months		Nine months	
	2009	2008	2009	2008
Revenues	\$ 408,318	\$ 426,141	\$ 1,234,205	\$ 1,271,154
Operating costs	182,109	188,348	560,064	569,987
Income from operations before depreciation and amortization, impairment of goodwill and restructuring and special charges	226,209	237,793	674,141	701,167
Depreciation and amortization	35,282	33,369	107,404	140,193
Impairment of goodwill (Note 3)	315,000	–	315,000	–
Restructuring and special charges (Note 16)	–	–	20,584	–
(Loss) income from operations	(124,073)	204,424	231,153	560,974
Financial charges, net (Note 14)	11,128	34,731	86,085	99,617
Impairment of available-for-sale investment	–	4,357	–	4,357
(Loss) earnings before dividends on Preferred shares, income taxes, share of losses from equity investees and non-controlling interests	(135,201)	165,336	145,068	457,000
Dividends on Preferred shares, series 1 and 2	5,588	5,688	16,963	17,063
(Loss) earnings before income taxes, share of losses from equity investees and non-controlling interests	(140,789)	159,648	128,105	439,937
Provision for income taxes	24,238	13,379	42,729	30,643
Share of losses from equity investees	3,488	–	4,899	–
(Loss) earnings before non-controlling interests	(168,515)	146,269	80,477	409,294
Non-controlling interest related to investments	–	206	552	557
Dividends on Preferred shares, series 3	277	–	277	–
<b>Net (loss) earnings</b>	<b>\$ (168,792)</b>	<b>\$ 146,063</b>	<b>\$ 79,648</b>	<b>\$ 408,737</b>
Basic (loss) earnings per unit	\$ (0.33)	\$ 0.28	\$ 0.16	\$ 0.78
Weighted average number of units outstanding used in computing earnings per unit (Note 11)	510,030,789	519,908,187	511,994,035	525,335,325
Diluted (loss) earnings per unit	\$ (0.33)	\$ 0.25	\$ 0.15	\$ 0.72
Weighted average number of units outstanding used in computing diluted earnings per unit (Note 11)	510,030,789	613,718,644	514,910,239	610,252,373

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

**Interim Consolidated Statements of Comprehensive Income (loss)****For the periods ended September 30,**

(in thousands of Canadian dollars – unaudited)

	Three months		Nine months	
	2009	2008	2009	2008
<b>Net (loss) earnings</b>	<b>\$ (168,792)</b>	<b>\$ 146,063</b>	<b>\$ 79,648</b>	<b>\$ 408,737</b>
<b>Other comprehensive income (loss), net of related income taxes:</b>				
Net gains on derivatives designated as cash flow hedges <sup>1</sup>	16	–	151	–
Net loss (gain) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the period <sup>2</sup>	1,347	(77)	1,831	(228)
Change in gains and losses on derivatives designated as cash flow hedges	1,363	(77)	1,982	(228)
Unrealized gain (loss) on available-for-sale investment in the period <sup>3</sup>	16	(742)	241	(2,996)
Unrealized loss on available-for-sale investment transferred to earnings in the period	–	4,357	–	4,357
Change in unrealized gains and losses on available-for-sale investment	16	3,615	241	1,361
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	(7,294)	587	(13,743)	587
<b>Other comprehensive (loss) income</b>	<b>(5,915)</b>	<b>4,125</b>	<b>(11,520)</b>	<b>1,720</b>
<b>Comprehensive (loss) income</b>	<b>\$ (174,707)</b>	<b>\$ 150,188</b>	<b>\$ 68,128</b>	<b>\$ 410,457</b>

<sup>1</sup> Net of income taxes for the three-month period ended September 30, 2009 of \$7 and net of income taxes for the nine-month period ended September 30, 2009 of \$66.

<sup>2</sup> Net of income taxes for the three-month period ended September 30, 2009 of \$587 (2008 – \$32) and net of income taxes for the nine-month period ended September 30, 2009 of \$801 (2008 - \$94)

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

							2009
	Unitholders' Capital (Note 11)	Equity Component of Exchangeable Debentures	Restricted Units	Contributed Surplus	Accumulated Other Comprehen- sive Income (Loss) (Note 17)	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 11)	12	-	-	-	-	-	12
Repurchase of units (Note 11)	(3,169)	-	-	1,244	-	-	(1,925)
Restricted units (Note 13)	-	-	(28,143)	(1,025)	-	-	(29,168)
Restricted units vested (Note 13)	-	-	15,191	(15,191)	-	-	-
Distributions (Note 12)	-	-	-	-	-	(370,568)	(370,568)
Other comprehensive loss	-	-	-	-	(11,520)	-	(11,520)
Net earnings for the period	-	-	-	-	-	79,648	79,648
<b>Balance, September 30, 2009</b>	<b>\$ 6,141,259</b>	<b>\$ 12,542</b>	<b>\$ (71,255)</b>	<b>\$ 64,603</b>	<b>\$ (2,389)</b>	<b>\$ (916,789)</b>	<b>\$ 5,227,971</b>

							2008
	Unitholders' Capital (Note 11)	Equity Component of Exchangeable Debentures	Restricted Units	Contributed Surplus	Accumulated Other Comprehen- sive Income (Note 17)	Deficit	Total
Balance, December 31, 2007	\$ 6,321,471	\$ 12,542	\$ (35,397)	\$ 22,098	\$ 632	\$ (535,166)	\$ 5,786,180
Issuance of units	6,417	-	-	-	-	-	6,417
Repurchase of units (Note 11)	(132,307)	-	-	24,329	-	-	(107,978)
Restricted units (Note 13)	-	-	(22,827)	6,470	-	-	(16,357)
Restricted units - vested (Note 13)	-	-	1,197	(1,197)	-	-	-
Distributions (Note 12)	-	-	-	-	-	(448,628)	(448,628)
Other comprehensive gain	-	-	-	-	1,720	-	1,720
Net earnings for the period	-	-	-	-	-	408,737	408,737
<b>Balance, September 30, 2008</b>	<b>\$ 6,195,581</b>	<b>\$ 12,542</b>	<b>\$ (57,027)</b>	<b>\$ 51,700</b>	<b>\$ 2,352</b>	<b>\$ (575,057)</b>	<b>\$ 5,630,091</b>

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

**Interim Consolidated Statements of Cash Flows****For the periods ended September 30,**

(in thousands of Canadian dollars - unaudited)

	Three months		Nine months	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Net (loss) earnings	\$ (168,792)	\$ 146,063	\$ 79,648	\$ 408,737
Items not affecting cash and cash equivalents:				
Depreciation and amortization	35,282	33,369	107,404	140,193
Impairment of goodwill	315,000	–	315,000	–
Amortization and write-off of deferred financing costs	3,301	1,773	7,220	5,144
Accretion on Exchangeable Debentures	640	600	1,887	1,770
Impairment of available-for-sale investment	–	4,357	–	4,357
Net benefit plan costs	4,652	3,819	12,525	10,885
Non-cash derivative financial instruments	(2,713)	(1,044)	154	(6,195)
Stock compensation expense (recovery)	2,537	1,787	(1,025)	6,470
Gain on repurchase of preferred shares and debt	(30,285)	–	(30,506)	–
Future income taxes	17,881	11,141	29,961	22,105
Non-controlling interest related to investments	–	206	552	557
Dividends on Preferred shares, series 3	277	–	277	–
Share of losses from equity investees	3,488	–	4,899	–
Other non-cash items	2,138	(1,137)	(100)	(3,155)
Change in operating assets and liabilities	(14,858)	(13,406)	23,557	(76,163)
	<b>168,548</b>	<b>187,528</b>	<b>551,453</b>	<b>514,705</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of equity investments (Note 5)	–	–	(47,698)	–
Business acquisitions, net of cash acquired and bank indebtedness assumed (Note 4)	–	(194,125)	(25,189)	(211,375)
Acquisition of fixed assets	(7,686)	(10,908)	(32,488)	(34,823)
Acquisition of intangibles	–	–	(246)	(100)
Proceeds from lease inducements	175	–	208	40
	<b>(7,511)</b>	<b>(205,033)</b>	<b>(105,413)</b>	<b>(246,258)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of long-term debt	493,000	219,400	1,192,300	324,055
Repayment of long-term debt	(571,975)	(37,775)	(1,183,855)	(55,097)
Distributions to unitholders	(102,041)	(148,977)	(386,724)	(447,784)
Distributions to non-controlling interest	–	(562)	(1,634)	(1,640)
Proceeds from exercise of options (Note 11)	5	96	12	2,279
Repurchase of preferred shares and Medium Term Notes	(162,434)	–	(165,224)	–
Issuance of Preferred shares, series 3	207,500	–	207,500	–
Repurchase of units	–	(44,087)	(13,382)	(98,202)
Purchase of restricted units (Note 13)	(1,592)	(1,209)	(28,143)	(22,827)
(Payments made) proceeds received from derivative financial instruments	(1,726)	–	(1,998)	3,215
Debt and preferred share issuance and other costs	(11,056)	(743)	(15,126)	(3,433)
	<b>(150,319)</b>	<b>(13,857)</b>	<b>(396,274)</b>	<b>(299,434)</b>
Effect of exchange rates changes on cash and cash equivalents denominated in foreign currencies	(776)	14	(1,135)	14
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,942</b>	<b>(31,348)</b>	<b>48,631</b>	<b>(30,973)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>63,743</b>	<b>53,650</b>	<b>25,054</b>	<b>53,275</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 73,685</b>	<b>\$ 22,302</b>	<b>\$ 73,685</b>	<b>\$ 22,302</b>

**Supplemental disclosure of cash flow information (Note 15)**

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 disclosed in our financial statements for the quarter ended June 30, 2009, 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. At the end of the second quarter, the Fund was not able to reasonably estimate the amount of impairment loss, 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 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 Fund 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 impairment testing was completed during the third quarter and the Fund has determined that the goodwill of the Vertical Media segment was impaired by \$315 million. As a result, an impairment loss was recorded in net earnings for the 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 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	\$	(296)
Intangibles		
Trademark		1,500
Customer contracts		145
Future income tax liabilities		(526)
Net identifiable assets acquired		823
Non-controlling interest acquired		7,462
Goodwill		16,904
<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

	September 30, 2009	December 31, 2008
Investments – equity method	\$ 38,196	\$ –
Investment – available for sale	469	228
Other	2,711	2,087
	<b>\$ 41,376</b>	<b>\$ 2,315</b>

On February 6, 2009, a subsidiary of the Fund acquired an equity interest in Dealer Dot Com Inc. of approximately 20% (“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 September 30, 2009, the Fund’s share of losses from the equity investee was \$4.6 million.

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 September 30, 2009, the Fund’s share of losses from the equity investee was \$0.3 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. The difference was then assigned to the acquired net identifiable assets based on their fair values. These differences were assigned to intangible assets (consisting mainly of software, trademark, customer contracts and customer relationships) in the amount of \$38.6 million and will be amortized over their expected useful lives with the exception of the trademark which has an indefinite service life and is not amortized. The difference between the acquisition costs and the assigned values in the amount of \$6.7 million is similar to goodwill (equity method goodwill) and is not amortized.

## 6. Employee benefit plans

The total net benefit plan costs for the three-month and nine-month periods ended September 30, 2009 were \$5 million (2008 – \$3.9 million) and \$14 million (2008 – \$11.2 million) for pension benefits. Other benefits costs totalled \$0.6 million (2008 – \$1.1 million) and \$1.7 million (2008 – \$3.1 million) for the same periods.

## 7. Long-term debt

September 30, 2009				
	Principal amount	Fair value adjustment of hedged item	Deferred financing costs	Total
Medium Term Notes	\$ 1,927,462	\$ 12,296	\$ (18,841)	\$ 1,920,917
Credit facilities	100,000	–	–	100,000
Commercial paper	204,500	–	–	204,500
Obligations under capital leases	8,255	–	–	8,255
	2,240,217	12,296	(18,841)	2,233,672
Less current portion of long-term debt	1,744	–	–	1,744
	<b>\$ 2,238,473</b>	<b>\$ 12,296</b>	<b>\$ (18,841)</b>	<b>\$ 2,231,928</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.

On July 3, 2009, YPG Holdings Inc. issued 6.85% Series 8 Medium Term Notes for gross proceeds of \$90 million 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.

The proceeds from these issuances 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.

## 7. Long-term debt (continued)

During the second and third quarters of 2009, YPG Holdings Inc. repurchased for cancellation an amount of \$2.5 million of the Series 2 Medium Term Notes, \$30 million of the Series 3 Medium Term Notes, \$48.3 million of the Series 4 Medium Term Notes and \$106.7 million of the Series 5 Medium Term Notes for a total cash consideration of \$158.5 million. The difference between the purchase price and the carrying value of the Medium Term Notes of \$28.3 million was recorded in net earnings.

### Credit Facilities

The Fund has in place two senior unsecured credit facilities (the “Credit Facilities”) totalling \$800 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 \$100 million 5-year non-revolving term loan maturing in July 2014 (the “Private Facility”).

The Private Facility can be used for general corporate purposes.

On May 8, 2008, the Company increased its sources of liquidity by entering into a new credit facility which, at that time, provided a \$250 million senior unsecured revolving credit facility. On December 19, 2008, the size of the new credit facility was increased to \$450 million. 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 automatically reduced the limit of the facility. In July 2009, the New Credit Facility was fully repaid and cancelled.

The Fund had \$495.5 million of unutilized Credit Facilities at September 30, 2009.

The Fund was in compliance with all of its debt covenants as at September 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 was to 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.

## 7. Long-term debt (continued)

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. As the Fund continues to hold these swaps, the difference between their fair value from their date of discontinuance of hedge accounting and their value at the balance sheet date is recognized in earnings.

In February 2009, 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 was to 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. On July 22, 2009, the Fund terminated these interest swaps for a loss of \$0.3 million. 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 on December 21, 2009.

In August 2009, the Fund also entered into three interest rate swaps totalling \$130 million to hedge the Series 9 Medium Term Notes. The Fund receives interest on these swaps at 6.5% and pays a floating rate equal to the three-month Banker's Acceptance plus a spread of 4.3%. The swaps mature July 10, 2013, matching the maturity date of the underlying debt. As at September 30, 2009, the interest rate swaps met the criteria for hedge accounting.

## 8. Exchangeable debentures

	September 30, 2009	December 31, 2008
Principal amount	\$ 300,000	\$ 300,000
Equity component	(12,542)	(12,542)
Accretion (Note 14)	7,540	5,653
Deferred financing costs	(5,587)	(7,641)
	<b>\$ 289,411</b>	<b>\$ 285,470</b>

## 9. Preferred shares

	September 30, 2009	December 31, 2008
Shares issued, Series 1 and 2	\$ 490,797	\$ 500,000
Derivative component	1,532	1,586
Accretion (Note 14)	(287)	(190)
Deferred financing costs	(10,548)	(12,324)
	<b>\$ 481,494</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 can 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 September 30, 2009, the Fund had purchased for cancellation 39,500 Series 1 shares of the Fund for a total cash consideration of \$0.9 million including brokerage fees at an average price of \$22.71 per Series 1 share and 328,632 Series 2 shares of the Fund for a total cash consideration of \$5.9 million including brokerage fees at an average price of \$17.87 per Series 2 share. The carrying value of these Series 1 and Series 2 shares was \$1 million and \$8 million, respectively. The difference between the purchase price and the carrying value of the Series 1 and Series 2 shares of \$2.2 million was recorded in net earnings.

## 10. Non-controlling interest

	September 30, 2009	December 31, 2008
Shares issued, net of issuance costs	\$ 202,505	\$ -
Interest in LesPAC	-	8,544
	<b>\$ 202,505</b>	<b>\$ 8,544</b>

### Series 3

On September 23, 2009, YPG Holdings Inc. issued 7,500,000 Series 3 cumulative rate reset preferred shares (“Series 3 shares”) at a purchase price of \$25.00 per share. On September 28, 2009, YPG Holdings issued an additional 800,000 Series 3 shares pursuant to the exercise of the over allotment option granted to the underwriters for combined net proceeds of \$200.5 million after deducting underwriters’ fees in the amount of \$6 million and other issuance costs of \$1 million and income taxes of \$2 million.

### Voting rights

All of the issued and outstanding Series 3 shares are non-voting, except under special circumstances when the holders are entitled to one vote per share.

### Entitlement to dividends

The holders of the Series 3 shares are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, in an amount equal to \$1.6875 per Series 3 share per annum, payable quarterly, for the initial five year period ending September 30, 2014. The dividend rate will be reset on September 30, 2014 and every 5 years thereafter.

## 10. Non-controlling interest (continued)

### Redemption by the issuer

On September 30, 2014, and on September 30 every five years thereafter, YPG Holdings Inc. may, at its option, redeem at par for cash the Series 3 shares, in whole or in part.

### Conversion at the option of the holder

On September 30, 2014, each preferred share is convertible, at the option of the holder, into Series 4 preferred shares ("Series 4") on a one to one basis. The Series 4 shares will be entitled to floating rate cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly. The floating quarterly dividend rate will be equal to the sum of the three-month government of Canada Treasury bill yield plus 4.17% per annum.

As these shares were issued by YPG Holdings Inc., the Series 3 shares are classified as non-controlling interest on the balance sheet.

## 11. 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.

	September 30, 2009	
	Number of Units	Amount
Balance, December 31, 2008	518,301,059	\$ 6,144,416
Units issued	3,021	12
Repurchase of units	(267,300)	(3,169)
<b>Balance September 30, 2009</b> <sup>1,2</sup>	<b>518,036,780</b>	<b>\$ 6,141,259</b>

  

	September 30, 2008	
	Number of Units	Amount
Balance, December 31, 2007	533,188,571	\$ 6,321,471
Units issued	581,417	6,417
Repurchase of units	(11,155,700)	(132,307)
<b>Balance, September 30, 2008</b> <sup>1,2</sup>	<b>522,614,288</b>	<b>\$ 6,195,581</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 8,151,641 Restricted Units (2008 – 4,309,983) 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. On April 1, 2009, the normal course issuer bid for its units expired and was not renewed.

## 11. Unitholders' capital (continued)

Under its normal course issuer bid, the Fund could purchase for cancellation up to 25 million of its outstanding units. During the nine-month period ended September 30, 2009, the Fund purchased for cancellation 267,300 (2008 – 11,155,700) Units of the Fund for a total cash consideration of \$1.9 million (2008 – \$108 million) including brokerage fees. These Units were purchased at an average price of \$7.20 per unit (2008 – \$9.68). 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 – \$24.3 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 September 30, 2009, optionholders exercised 1,234 (2008 – 24,528) options at an exercise price of \$3.92 per option for cash consideration of \$5 thousand (2008 – \$0.1 million). These options were exercised into 1,234 (2008 – 24,528) shares of YPG Holdings Inc. which were automatically exchanged into 1,234 (2008 – 24,528) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$3.92 (2008 – \$3.92) per share, which in turn were exchanged into units of YPG LP.

During the nine-month period ended September 30, 2009, optionholders exercised 3,021 (2008 – 581,417) options at an exercise price of \$3.92 per option for cash consideration of \$12 thousand (2008 – \$2.3 million). These options were exercised into 3,021 (2008 – 581,417) shares of YPG Holdings Inc. which were automatically exchanged into 3,021 (2008 – 581,417) units of the Fund pursuant to the Optionholders' Liquidity Agreement, at an average stated value of approximately \$3.92 (2008 – \$11.04) 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).

### Earnings per unit

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2009	2008	2009	2008
Weighted average number of units outstanding used in computing basic (loss) earnings per unit	<b>510,030,789</b>	519,908,187	<b>511,994,035</b>	525,335,325
Dilutive effect of options	–	409,973	<b>390,577</b>	630,345
Dilutive effect of Restricted Units <sup>1</sup>	–	4,251,081	<b>2,525,627</b>	3,887,117
Dilutive effect of Series 1 Preferred shares	–	33,431,026	–	30,149,845
Dilutive effect of Series 2 Preferred shares	–	22,287,351	–	20,099,896
Dilutive effect of Exchangeable Debentures	–	33,431,026	–	30,149,845
Weighted average number of units outstanding used in computing diluted earnings per unit	<b>510,030,789</b>	613,718,644	<b>514,910,239</b>	610,252,373

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

The Fund did not calculate its diluted earnings per unit for the three-month period ended September 30, 2009 because the conversion of these elements would be anti-dilutive to the loss. For the nine-month period ended September 30, 2009, the diluted earnings per unit calculation did not take into consideration the potentially dilutive effect of the Series 1 and Series 2 Preferred shares and Exchangeable debentures since their impact was anti-dilutive.

## 11. Unitholders' capital (continued)

### Earnings per unit

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2009	2008	2009	2008
Net (loss) earnings	\$ (168,792)	\$ 146,063	\$ 79,648	\$ 408,737
Impact of assumed conversion of Exchangeable Debentures, net of applicable taxes	–	3,863	–	11,525
Impact of assumed conversion of Series 1 Preferred shares, net of applicable taxes	–	3,156	–	9,461
Impact of assumed conversion of Series 2 Preferred shares, net of applicable taxes	–	2,354	–	7,059
Net (loss) earnings adjusted for dilutive effect	\$ (168,792)	\$ 155,436	\$ 79,648	\$ 436,782

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.

## 12. 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 nine-month period ended September 30, 2009, the Fund declared total distributions to Unitholders and Exchangeable Unitholders of \$370.6 million (2008 – \$448.6 million) or \$0.7233 per unit (2008 – \$0.8542).

## 13. 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.

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

During the nine-month period ended September 30, 2009, an amount of \$15.3 million (2008 – \$11.3 million) representing 2,477,233 (2008 – 998,841) Restricted Units were granted at an average market price of \$6.19 (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 (2008 – \$19.8 million) was used 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 \$4 million (2008 – \$3 million) was used to reinvest in 704,581 (2008 – 284,080) Restricted Units using the proceeds from the distributions on the Restricted Units held in escrow. This includes 355,529 (2008 – 136,279) Restricted Units associated with the maximum pay-out provisions.

The following table summarizes the status of the grants:

	September 30, 2009	
	Number of Restricted Units	
	2007 to 2009 Grants	
Outstanding, beginning of period		2,221,443
Granted		2,477,233
Vested		(508,082)
Forfeited		(293,419)
Cash distributions reinvested		349,052
<b>Outstanding, end of period</b>		<b>4,246,227</b>

  

	September 30, 2008	
	Number of Restricted Units	
	Pre-2006 Grants	2006 to 2008 Grants
Outstanding, beginning of year	69,915	1,167,613
Granted	–	998,841
Vested	(68,163)	(16,168)
Forfeited	(2,271)	(121,171)
Cash distributions reinvested	519	147,282
Outstanding, end of period	–	2,176,397

As at September 30, 2009, there were 275,348 (2008 – 130,602) Restricted Units which were not allocated to any specific employee and 3,630,066 (2008 – 2,002,984) Restricted Units associated with the maximum pay out provisions. An expense of \$2.5 million and a recovery of \$1 million was recorded in the interim consolidated statement of earnings for the three-month and nine-month periods ended September 30, 2009 compared to an expense of \$1.8 million and \$6.5 million for the corresponding periods in 2008.

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

#### Stock Options

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

September 30, 2009		
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	394,912	\$ 3.92
Exercised	(3,021)	3.92
<b>Outstanding, end of period</b>	<b>391,891</b>	<b>\$ 3.92</b>
<b>Exercisable, end of period</b>	<b>391,891</b>	<b>\$ 3.92</b>

  

September 30, 2008		
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	977,600	\$ 3.92
Exercised	(581,417)	3.92
Outstanding, end of period	396,183	\$ 3.92
Exercisable, end of period	396,183	\$ 3.92

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

### 14. Financial charges, net

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2009	2008	2009	2008
Interest on Medium Term Notes	\$ 28,995	\$ 26,833	\$ 78,914	\$ 80,718
Interest on Credit Facilities	1,501	39	7,127	659
Interest on Exchangeable Debentures, net of accretion	4,125	4,125	12,375	12,375
Interest on Commercial paper	2,279	1,976	3,753	3,605
Standby fees and other financial charges, net	866	493	2,533	1,660
Other (credits) charges related to derivative financial instruments	(1,312)	(1,044)	1,827	(6,195)
Gain on repurchase of preferred shares and Medium Term Notes	(30,285)	–	(30,506)	–
Amortization of deferred financing costs	2,186	1,773	6,105	5,144
Write-off of deferred financing costs	1,115	–	1,115	–
Accretion on Exchangeable Debentures (Note 8)	640	600	1,887	1,770
Accretion on Preferred shares (Note 9)	(32)	(31)	(97)	(92)
Foreign exchange loss	1,050	(33)	1,052	(27)
	<b>\$ 11,128</b>	<b>\$ 34,731</b>	<b>\$ 86,085</b>	<b>\$ 99,617</b>

## 15. Supplemental disclosure of cash flow information

Supplemental information:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2009	2008	2009	2008
Interest paid	\$ 42,034	\$ 39,533	\$ 113,290	\$ 106,088
Dividends on Preferred shares paid, Series 1 and 2	\$ 5,592	\$ 5,688	\$ 16,967	\$ 17,063
Income taxes and capital taxes paid	\$ 3,412	\$ 3,791	\$ 6,513	\$ 18,882
Additions to fixed assets under capital leases	\$ 459	\$ –	\$ 631	\$ 674
Additions to fixed assets included in accounts payable and accrued liabilities	\$ 4,564	\$ 1,955	\$ 4,564	\$ 1,955

Cash and cash equivalents consist of:

	As at September 30,	
	2009	2008
Cash	\$ 73,685	\$ 8,702
Short-term investments	–	13,600
	\$ 73,685	\$ 22,302

## 16. 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.

## 16. 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	(18,771)	(8,417)	(27,188)
<b>Balance as at September 30, 2009</b>	<b>\$ 19,262</b>	<b>\$ 15,524</b>	<b>\$ 34,786</b>

## 17. Accumulated other comprehensive income (loss)

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

	September 30, 2009
Net losses on derivatives designated as cash flow hedges, net of income taxes <sup>1</sup>	\$ (947)
Unrealized gains on translating financial statements of self-sustaining foreign operations	(1,683)
Unrealized gain on available-for-sale investment	241
<b>Balance September 30, 2009</b>	<b>\$ (2,389)</b>
	September 30, 2008
Net gain on derivatives designated as cash flow hedges, net of income taxes <sup>1</sup>	\$ 1,765
Unrealized gains on translating financial statements of self-sustaining foreign operations	587
<b>Balance September 30, 2008</b>	<b>\$ 2,352</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.

## 18. Guarantees

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

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

## 18. 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 September 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.

## 19. Segmented information

The Fund's reportable segments consist of strategic business units that offer different products. Management has determined that the Fund operates in two reportable segments: Directories and Vertical Media. The Directories segment operates in print and online directories, and specialized publications. The Vertical Media segment operates in the vertical print publications and web sites by topic or area of interest. The accounting policies of the segments are the same as those used for the consolidated financial statements. The Fund 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:

<b>For the three-month period ended September 30, 2009</b>			
	<b>Directories<sup>1</sup></b>	<b>Vertical Media</b>	<b>Consolidated</b>
Revenues	\$ 346,794	\$ 61,524	\$ 408,318
Operating costs	138,662	43,447	182,109
Income from operations before depreciation and amortization, impairment of goodwill and restructuring and special charges	208,132	18,077	226,209
Depreciation and amortization	24,690	10,592	35,282
Impairment of goodwill	–	315,000	315,000
(Loss) income from operations	\$ 183,442	\$ (307,515)	\$ (124,073)

<b>For the nine-month period ended September 30, 2009</b>			
	<b>Directories<sup>1</sup></b>	<b>Vertical Media</b>	<b>Consolidated</b>
Revenues	\$ 1,046,653	\$ 187,552	\$ 1,234,205
Operating costs	427,971	132,093	560,064
Income from operations before depreciation and amortization, impairment of goodwill and restructuring and special charges	618,682	55,459	674,141
Depreciation and amortization	85,716	21,688	107,404
Impairment of goodwill	–	315,000	315,000
Restructuring and special charges	15,161	5,423	20,584
(Loss) income from operations	\$ 517,805	\$ (286,652)	\$ 231,153

<sup>1</sup> Included in the Directories segment are the results of YPG USA. Consequently, \$9.8 million of revenues are included for the three-month period ended September 30, 2009 and \$25.7 million for the nine-month period ended September 30, 2009 and were generated in the United States of America. Revenues are attributed to countries based on the location of the customer.

## 19. Segmented information (continued)

	For the three-month period ended September 30, 2008		
	Directories <sup>1</sup>	Vertical Media	Consolidated
Revenues	\$ 343,913	\$ 82,228	\$ 426,141
Operating costs	135,593	52,755	188,348
Income from operations before depreciation and amortization	208,320	29,473	237,793
Depreciation and amortization	28,085	5,284	33,369
Income from operations	\$ 180,235	\$ 24,189	\$ 204,424

	For the nine-month period ended September 30, 2008		
	Directories <sup>1</sup>	Vertical Media	Consolidated
Revenues	\$ 1,021,222	\$ 249,932	\$ 1,271,154
Operating costs	405,177	164,810	569,987
Income from operations before depreciation and amortization	616,045	85,122	701,167
Depreciation and amortization	117,558	22,635	140,193
Income from operations	\$ 498,487	\$ 62,487	\$ 560,974

<sup>1</sup> Included in the Directories segment are the results of YPG USA. Consequently, \$2.3 million of revenues are included for the three-month period ended September 30, 2008 and \$2.3 million for the nine-month period ended September 30, 2008 and were generated in the United States of America. Revenues are attributed to countries based on the location of the customer.

	September 30, 2009		
	Directories <sup>1</sup>	Vertical Media <sup>2</sup>	Consolidated
Intangibles	\$ 1,702,541	\$ 332,047	\$ 2,034,588
Goodwill	\$ 5,679,148	\$ 665,291	\$ 6,344,439
Total assets	\$ 7,888,872	\$ 1,142,928	\$ 9,031,800

	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 \$56.9 million (December 31, 2008 – \$63 million) and capital assets of \$93 million at September 30, 2009 (December 31, 2008 – \$125.2 million) relating to YPG USA. Included in the total assets of the Directories segment is \$2.5 million (2008 – nil) related to the recent equity-investment acquisition.

<sup>2</sup> The amount of investment in Dealer.com of \$35.7 million (2008 – nil) is included in the total assets of the Vertical Media segment.

## 19. Segmented information (continued)

	For the nine-month periods ended September 30,	
	2009	2008
<b>Additions to fixed assets<sup>1</sup></b>		
Directories	\$ 21,858	\$ 15,901
Vertical Media	\$ 9,366	\$ 14,084
<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.

## 20. 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.

## 21. Subsequent event

On November 4, 2009, the Fund announced its intention to conduct a Substantial Issuer Bid to purchase for cancellation all of its outstanding 5.50% Exchangeable Unsecured Subordinated Debentures. The Fund expects to fund the purchase with a 364-day \$300 million multi-draw non-revolving term loan and the commercial paper program. The Conditions on this special purpose facility are substantially the same as the existing Credit Facilities. The Fund will purchase the Exchangeable Debentures at a purchase price of \$1,020 in cash for each \$1,000 principal amount of Exchangeable Debentures.