

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

March 31, 2016 and 2015

Table of contents

Interim Condensed Consolidated Statements of Financial Position	2
Interim Condensed Consolidated Income Statements	3
Interim Condensed Consolidated Statements of Comprehensive (Loss) Income	4
Interim Condensed Consolidated Statements of Changes in Equity.....	5-6
Interim Condensed Consolidated Statements of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8-14

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS - UNAUDITED)

As at	March 31, 2016	December 31, 2015
ASSETS		(audited)
CURRENT ASSETS		
Cash	\$ 35,054	\$ 67,253
Trade and other receivables	132,539	123,826
Prepaid expenses	10,710	8,728
Deferred publication costs	61,429	61,216
Income taxes receivable	3,202	3,192
TOTAL CURRENT ASSETS	242,934	264,215
NON-CURRENT ASSETS		
Deferred publication costs	6,944	7,348
Financial and other assets (Note 11)	4,111	4,162
Property and equipment	27,765	30,554
Intangible assets	1,376,317	1,369,781
Goodwill (Note 3)	45,342	26,829
Deferred income taxes	6,956	7,738
TOTAL NON-CURRENT ASSETS	1,467,435	1,446,412
TOTAL ASSETS	\$ 1,710,369	\$ 1,710,627
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	\$ 84,509	\$ 73,627
Provisions	47,315	67,641
Deferred revenues	22,795	23,386
Current portion of long-term debt (Note 4)	98,714	98,530
TOTAL CURRENT LIABILITIES	253,333	263,184
NON-CURRENT LIABILITIES		
Provisions	3,153	4,451
Deferred credits and other	5,816	6,538
Deferred income taxes	91,891	94,970
Post-employment benefits (Note 7)	208,973	182,659
Long-term debt (Note 4)	308,559	308,823
Exchangeable debentures (Note 5)	90,887	90,478
TOTAL NON-CURRENT LIABILITIES	709,279	687,919
TOTAL LIABILITIES	962,612	951,103
CAPITAL AND RESERVES	6,597,281	6,600,966
DEFICIT	(5,849,524)	(5,841,442)
TOTAL EQUITY	747,757	759,524
TOTAL LIABILITIES AND EQUITY	\$ 1,710,369	\$ 1,710,627

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE INFORMATION – UNAUDITED)

For the three-month periods ended March 31,	2016	2015
Revenues	\$ 203,627	\$ 205,902
Operating costs	141,734	135,116
Income from operations before depreciation and amortization, and restructuring and special charges	61,893	70,786
Depreciation and amortization	24,859	18,672
Restructuring and special charges (Note 6)	4,258	2,002
Income from operations	32,776	50,112
Financial charges, net (Note 10)	14,196	14,724
Earnings before income taxes	18,580	35,388
Provision for income taxes	5,429	9,864
Net earnings	\$ 13,151	\$ 25,524
Basic earnings per share	\$ 0.49	\$ 0.95
Weighted average shares outstanding – basic earnings per share (Note 8)	26,659,035	26,843,099
Diluted earnings per share	\$ 0.45	\$ 0.81
Weighted average shares outstanding – diluted earnings per share (Note 8)	33,655,534	33,711,841

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(IN THOUSANDS OF CANADIAN DOLLARS - UNAUDITED)

For the three-month periods ended March 31,	2016	2015
Net earnings	\$ 13,151	\$ 25,524
Other comprehensive loss:		
Items that will not be reclassified subsequently to net earnings		
Actuarial losses (Note 7)	(29,035)	(3,012)
Income taxes relating to items that will not be reclassified subsequently to net earnings	7,802	800
Other comprehensive loss	(21,233)	(2,212)
Total comprehensive (loss) income	\$ (8,082)	\$ 23,312

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(IN THOUSANDS OF CANADIAN DOLLARS - UNAUDITED)

For the three-month periods ended March 31,

	Shareholders' Capital (Note 8)	Restricted Shares	Warrants	Compound Financial Instruments ¹	Stock-based Compensation and Other Reserves
Balance, December 31, 2015 (audited)	\$ 4,031,528	\$ (24,965)	\$ 1,456	\$ 3,619	\$ 132,275
Other comprehensive loss	–	–	–	–	–
Net earnings for the period	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–
Restricted shares settled	–	3,474	–	–	(3,474)
Restricted shares (Note 9)	–	(5,786)	–	–	1,655
Stock options granted (Note 9)	–	–	–	–	331
Exercise of stock options (Note 9)	157	–	–	–	(42)
Balance, March 31, 2016	\$ 4,031,685	\$ (27,277)	\$ 1,456	\$ 3,619	\$ 130,745

	Shareholders' Capital	Restricted Shares	Warrants	Compound Financial Instruments ¹	Stock-based Compensation and Other Reserves
Balance, December 31, 2014 (audited)	\$ 4,030,325	\$ (18,981)	\$ 1,456	\$ 3,619	\$ 126,706
Other comprehensive loss	–	–	–	–	–
Net earnings for the period	–	–	–	–	–
Total comprehensive income	–	–	–	–	–
Restricted shares settled	–	14	–	–	(14)
Restricted shares (Note 9)	–	(5,775)	–	–	2,373
Stock options granted (Note 9)	–	–	–	–	278
Exercise of stock options (Note 9)	314	–	–	–	(84)
Balance, March 31, 2015	\$ 4,030,639	\$ (24,742)	\$ 1,456	\$ 3,619	\$ 129,259

¹ The equity component of the exchangeable debentures presented above is net of income taxes of \$1.3 million (2015 - \$1.3 million).

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

2016

	Reduction of Capital Reserve	Total Capital and Reserves	Deficit	Total Equity
\$	2,457,053	\$ 6,600,966	\$ (5,841,442)	\$ 759,524
	–	–	(21,233)	(21,233)
	–	–	13,151	13,151
	–	–	(8,082)	(8,082)
	–	–	–	–
	–	(4,131)	–	(4,131)
	–	331	–	331
	–	115	–	115
\$	2,457,053	\$ 6,597,281	\$ (5,849,524)	\$ 747,757

2015

	Reduction of Capital Reserve	Total Capital and Reserves	Deficit	Total Equity
\$	2,457,053	\$ 6,600,178	\$ (5,915,998)	\$ 684,180
	–	–	(2,212)	(2,212)
	–	–	25,524	25,524
	–	–	23,312	23,312
	–	–	–	–
	–	(3,402)	–	(3,402)
	–	278	–	278
	–	230	–	230
\$	2,457,053	\$ 6,597,284	\$ (5,892,686)	\$ 704,598

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF CANADIAN DOLLARS - UNAUDITED)

For the three-month periods ended March 31,	2016	2015
OPERATING ACTIVITIES		
Net earnings	\$ 13,151	\$ 25,524
Adjusting items		
Depreciation and amortization	24,859	18,672
Restructuring and other special charges (Note 6)	4,258	2,002
Stock-based compensation expense	3,312	2,174
Provision for income taxes recognized in net earnings	5,429	9,864
Financial charges recognized in net earnings	14,196	14,724
Past service costs (Note 7)	–	(3,541)
Other non-cash items	2,714	2,853
Change in operating assets and liabilities	(15,431)	(8,437)
Funding of post-employment benefit plans in excess of costs	(4,367)	(5,090)
Restructuring and other special charges paid (Note 6)	(12,473)	(9,294)
Income taxes (paid) received, net	(1,931)	25,554
Interest paid	(9,469)	(12,171)
	24,248	62,834
INVESTING ACTIVITIES		
Additions to intangible assets	(15,070)	(15,681)
Additions to property and equipment	(355)	(2,261)
Business acquisition (Note 3)	(35,271)	–
	(50,696)	(17,942)
FINANCING ACTIVITIES		
Purchase of restricted shares (Note 9)	(5,786)	(5,775)
Repayment of long-term debt	(80)	(101)
Issuance of common shares upon exercise of stock options (Note 9)	115	230
	(5,751)	(5,646)
NET (DECREASE) INCREASE IN CASH	(32,199)	39,246
CASH, BEGINNING OF PERIOD	67,253	102,776
CASH, END OF PERIOD	\$ 35,054	\$ 142,022

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

1. DESCRIPTION

Yellow Pages Limited, through its subsidiaries, offers local and national businesses access to digital and print media and marketing solutions to reach consumers in all the provinces and territories of Canada. References herein to Yellow Pages Limited (or the “Company”) represent the financial position, financial performance, cash flows and disclosures of Yellow Pages Limited and its subsidiaries on a consolidated basis.

Yellow Pages Limited’s registered head office is located at 16, Place du Commerce, Montreal, Québec, Canada, H3E 2A5 and the common shares of Yellow Pages Limited are listed on the Toronto Stock Exchange (“TSX”) under the symbol “Y”.

The Board of Directors (the “Board”) approved the unaudited interim condensed consolidated financial statements for the three-month periods ended March 31, 2016 and 2015 and authorized their publication on May 10, 2016.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are consistent with International Financial Reporting Standards (“IFRS”) and are the same as those applied by Yellow Pages Limited in its audited consolidated financial statements as at and for the years ended December 31, 2015 and 2014. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014.

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ADOPTED WITH NO EFFECT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following revised standards are effective for annual periods beginning on January 1, 2016 and their adoption has not had any impact on the amounts reported in these interim condensed consolidated financial statements but may affect the accounting for future transactions or arrangements:

Amendments to IAS 16 – *Property, Plant and Equipment*, and IAS 38 – *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization*

In May 2014, the International Accounting Standards Board (“IASB”) issued Amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization* to clarify that the use of revenue-based methods to calculate depreciation is not appropriate as revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the related asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption may be rebutted in certain limited circumstances. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016.

IAS 1 – *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* as part of its initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 clarify the existing presentation and disclosure requirements as they relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the application of professional judgment to disclosure requirements when preparing the notes to the financial statements.

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Pages Limited’s accounting periods beginning on or after January 1, 2017. The new standards which are considered to be relevant to Yellow Pages Limited’s operations are as follows:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*. This new standard outlines a single comprehensive model for companies to use when accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition standards, including IAS 18 – *Revenue* and related interpretations. The core principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the company satisfies a performance obligation.

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard.

On April 12, 2016, the IASB published the final clarifications to IFRS 15. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments do not change the underlying principles of the standard yet clarify how the principles should be applied.

Yellow Pages Limited continues to evaluate the impact this standard will have on its interim condensed consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*. IFRS 9 replaces the requirements in IAS 39 – *Financial Instruments: Recognition and Measurement* for classification and measurement of financial assets and liabilities. The new standard introduces a single classification and measurement approach for financial instruments, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements and results in a single impairment model being applied to all financial instruments. IFRS 9 also modified the hedge accounting model to incorporate the risk management practices of an entity.

Additional disclosures will also be required under the new standard. The new standard will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted. Yellow Pages Limited continues to evaluate the impact this standard will have on its interim condensed consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 – *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. Yellow Pages Limited continues to assess the impact this standard will have on its interim condensed consolidated financial statements.

Amendments to IAS 7 – Statement of Cash Flows

In January 2016, the IASB published amendments to IAS 7 – *Statement of Cash Flows*. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value. They are effective for annual periods beginning on or after January 1, 2017, applied prospectively, with earlier adoption permitted. Yellow Pages Limited continues to assess the impact this standard will have on its interim condensed consolidated financial statements.

3. BUSINESS ACQUISITION

2016

On March 17, 2016, Yellow Pages Limited acquired the net assets of Oriole Media Corp. (doing business as JUICE Mobile), for a purchase price of \$35.3 million. The acquisition of JUICE Mobile, a premium advertising technology company whose proprietary programmatic platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers, positions Yellow Pages Limited as a leader in national advertising, expanding the Company's reach of brands and media publishers. The acquisition was fully funded with cash on hand. Transaction costs of \$1.2 million were incurred during the three-month period ended March 31, 2016, and are included in Restructuring and special charges (refer to Note 6 – Restructuring and special charges).

The following table summarizes the transaction and the preliminary purchase price allocation:

	March 17, 2016
Fair value of business acquired	
Trade and other receivables	\$ 9,003
Prepaid expenses	424
Property and equipment	220
Intangible assets	15,220
Goodwill	18,513
Trade and other payables	(7,802)
Provisions	(54)
Deferred revenues	(125)
Deferred income tax liabilities	(128)
	\$ 35,271

As at March 31, 2016, the initial purchase price allocation for the acquisition of the assets of JUICE Mobile is preliminary, and will be finalized in the upcoming quarters. As a result, the excess of the purchase price over the fair value of the net assets acquired, which has been allocated to goodwill, may be adjusted retrospectively in future reporting periods.

4. LONG-TERM DEBT

The long-term debt is comprised of the following:

As at	March 31, 2016	December 31, 2015
Senior secured notes	\$ 406,733	\$ 406,733
Obligations under finance leases	540	620
	\$ 407,273	\$ 407,353
Less current portion ¹	98,714	98,530
Non-current portion	\$ 308,559	\$ 308,823

¹ The current portion of the senior secured notes may vary subject to the Excess Cash Flow clause under the indenture governing the senior secured notes.

5. EXCHANGEABLE DEBENTURES

As at	March 31, 2016	December 31, 2015
Face value of exchangeable debentures	\$ 107,089	\$ 107,089
Less unaccreted interest	16,202	16,611
	\$ 90,887	\$ 90,478

6. RESTRUCTURING AND SPECIAL CHARGES

During the first quarter of 2016, Yellow Pages Limited recorded restructuring and special charges of \$4.3 million (2015 - \$2 million) relating primarily to internal reorganizations and workforce reductions, as well as transaction costs associated with the business acquisition of JUICE Mobile. For the three-month period ended March 31, 2016, Yellow Pages Limited made restructuring and special charges payments of \$12.5 million (2015 - \$9.3 million).

7. POST-EMPLOYMENT BENEFITS

Yellow Pages Limited recorded an actuarial loss of \$21.2 million in other comprehensive income, net of income taxes of \$7.8 million, for the three-month period ended March 31, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 4% to 3.75%. Yellow Pages Limited recorded an actuarial loss of \$2.2 million in other comprehensive loss, net of income taxes of \$0.8 million, for the three-month period ended March 31, 2015, as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 4% to 3.75%, offset by a gain due to the plan assets' performance.

During the first quarter of 2015, the Company amended the retirement and post-employment benefit plans for certain employees which resulted in a recovery of past service costs of \$3.5 million, which was included in operating costs.

8. SHAREHOLDERS' CAPITAL

Common shares

	For the three-month period ended March 31, 2016	
	Number of Shares	Amount
Balance, December 31, 2015	28,063,919	\$ 4,031,528
Exercise of stock options (Note 9)	11,375	157
Balance, March 31, 2016	28,075,294	\$ 4,031,685

Warrants

During the three-month period ended March 31, 2015, 8 common share purchase warrants ("Warrants") were exercised in exchange for 8 common shares of Yellow Pages Limited. As at March 31, 2016 and December 31, 2015, the Company had a total of 2,995,498 Warrants outstanding.

Earnings per share

The following table reconciles the weighted average number of shares outstanding used in computing basic earnings per share to the weighted average number of shares outstanding used in computing diluted earnings per share as well as net earnings used in the computation of basic earnings per share to net earnings adjusted for any dilutive effect:

	For the three-month period ended March 31,	
	2016	2015
Weighted average number of shares outstanding used in computing basic earnings per share	26,659,035	26,843,099
Dilutive effect of restricted share units and performance share units	1,303,561	1,137,359
Dilutive effect of stock options	68,516	106,961
Dilutive effect of exchangeable debentures	5,624,422	5,624,422
Weighted average number of shares outstanding used in computing diluted earnings per share	33,655,534	33,711,841

	For the three-month period ended March 31,	
	2016	2015
Net earnings used in the computation of basic earnings per share	\$ 13,151	\$ 25,524
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	1,869	1,842
Net earnings adjusted for dilutive effect used in the computation of diluted earnings per share	\$ 15,020	\$ 27,366

For the three-month periods ended March 31, 2016 and 2015, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as certain stock options that are not in the money as they are not dilutive.

9. STOCK-BASED COMPENSATION PLANS

Yellow Pages Limited's stock-based compensation plans consist of restricted share units, performance share units, deferred share units and stock options of Yellow Pages Limited.

Restricted Share Unit and Performance Share Unit Plan

During the three-month period ended March 31, 2016, 308,000 common shares of Yellow Pages Limited (2015 – 358,869) were purchased on the open market of the TSX by the trustee appointed under the restricted share unit and performance share unit plan (the "RSU and PSU Plan") at a cost of \$5.8 million (2015 - \$5.8 million) and are restricted for the purpose of funding of the RSU and PSU Plan. The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the RSU and PSU Plan amounted to 1,448,678 as at March 31, 2016.

The following table summarizes the status of the RSU and PSU grants during the three-month periods ended March 31:

Number of	2016		2015	
	RSUs	PSUs ¹	RSUs	PSUs ¹
Outstanding, beginning of period	464,924	520,117	399,238	363,290
Granted	197,053	271,220	254,715	347,087
Additional payout related to achievement of performance targets ²	-	26,259	-	-
Settled	(151,516)	(85,947)	(932)	-
Forfeited	(2,705)	(2,844)	(8,128)	(5,165)
Outstanding, end of period	507,756	728,805	644,893	705,212
Weighted average remaining life (years)	1.9	1.9	1.8	2.1

¹ The outstanding number of PSUs represents a payout of 100%. In addition, the potential payout in excess of 100% and limited to a maximum payout of 150%, pursuant to the achievement of certain performance targets, amounted to 364,322 common shares as at March 31, 2016 (2015 – 352,524 common shares).

² The additional payout is related to the achievement of certain performance targets in excess of 100% and amounted to an additional 44% for the three-month period ended March 31, 2016 (2015 – nil).

During the three-month period ended March 31, 2016, an expense of \$1.7 million (2015 - \$2.4 million) was recorded in the interim condensed consolidated income statement in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

The following table summarizes the status of the deferred share unit ("DSU") grants during the three-month periods ended March 31:

	2016		2015	
	Number of DSUs	Liability ¹	Number of DSUs	Liability ¹
Outstanding, beginning of period	192,964	\$ 2,947	151,141	\$ 2,959
Granted ²	53,928	206	41,823	200
Variation due to change in stock price	-	1,120	-	(677)
Outstanding, end of period	246,892	\$ 4,273	192,964	\$ 2,482
Vested, end of period	206,446	\$ 4,273	161,597	\$ 2,482

¹ The liability related to the deferred share unit plan (the "DSU Plan") is recorded in trade and other payables, and the expense related to the units vested and the variation due to changes in stock price is included in operating costs.

² The liability related to the DSUs granted represents the portion that is vested as at March 31.

Stock Options

The following table summarizes the status of the stock option grants under the stock option plan (the "Stock Option Plan") during the three-month periods ended March 31:

	2016		2015	
	Number of options	Weighted average exercise price per option	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	522,950	\$ 16.38	480,200	\$ 15.10
Granted	251,700	\$ 17.83	234,100	\$ 16.44
Exercised	(11,375)	\$ 10.12	(22,750)	\$ 10.12
Outstanding, end of period	763,275	\$ 16.95	691,550	\$ 15.72
Exercisable, end of period	180,250	\$ 15.22	142,500	\$ 10.12

The following table provides additional information about Yellow Pages Limited's Stock Option Plan as at March 31:

Exercise price	2016		2015	
	Number of options outstanding	Weighted average remaining life	Number of options outstanding	Weighted average remaining life
\$10.12	167,375	4.1	288,750	5.1
\$16.44	195,900	5.9	234,100	6.9
\$17.83	251,700	6.9	–	–
\$17.96	9,200	6.2	–	–
\$19.61	7,700	5.2	7,700	6.2
\$20.33	4,900	5.2	4,900	6.2
\$24.65	126,500	4.9	156,100	5.9
Outstanding, end of period	763,275	5.7	691,550	5.9
Exercisable, end of period	180,250	4.4	142,500	5.1

Stock options were valued using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the average expected life of the options granted. The following table shows the key inputs into the valuation model for the three-month periods ended March 31:

	2016		2015	
Weighted average grant share date price	\$	18.28	\$	15.82
Exercise price	\$	17.83	\$	16.44
Expected volatility		35%		38%
Option life		7 years		7 years
Risk-free interest rate		1.02%		1.44%
Weighted average remaining life		6.9 years		6.9 years

An expense of \$0.3 million was recorded during the three-month period ended March 31, 2016 (2015 - \$0.3 million) in relation to the Stock Option Plan.

10. FINANCIAL CHARGES, NET

The significant components of the financial charges are as follows:

	For the three-month periods ended March 31,			
	2016		2015	
Interest on long-term debt and exchangeable debentures	\$	11,548	\$	13,867
Net interest on the defined benefit obligations		1,766		2,143
Other, net		882		(1,286)
	\$	14,196	\$	14,724

11. FAIR VALUE

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The following table summarizes the financial instruments measured at fair value in the interim condensed consolidated statements of financial position:

	Investment – available-for-sale
As at December 31, 2015 and March 31, 2016	\$ 3,520

Yellow Pages Limited's available for sale investment is comprised of a privately held equity security and is carried at fair value based on estimates on market rates prevailing at the statement of financial position date. The available-for-sale investment is presented in financial and other assets in the interim condensed consolidated statements of financial position.

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The fair value of cash, trade and other receivables, and trade and other payables is approximately equal to their carrying values due to their short-term maturity. The fair value of the senior secured notes and the exchangeable debentures is evaluated based on quoted market prices as at the statement of financial position date.

The following schedule represents the carrying values and the fair values of financial instruments not measured at fair value in the interim condensed consolidated statements of financial position as at March 31, 2016:

	Level	Carrying Value	Fair Value
Current portion of long-term debt (Note 4)	1	\$ 98,714	\$ 102,900
Non-current portion of long-term debt (Note 4)	1	\$ 308,559	\$ 321,659
Exchangeable debentures (Note 5)	1	\$ 90,887	\$ 123,152