

Yell Limited

Annual Report for the year ended 31 March 2006

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Yell Limited

Annual Report for the year ended 31 March 2006

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Yell Limited

Company Information

Directors

John Condron
John Davis
Lyndon Lea

Chief Executive Officer
Chief Financial Officer
Non-executive Director

Company Secretary

Howard Rubenstein

Registered Office

Queens Walk
Oxford Road
Reading
Berkshire
RG1 7PT

Registered Number

4205228

Registered Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
LONDON
WC2N 6RH

Yell Limited

Report of the Directors for the year ended 31 March 2006

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2006.

Principal activities

The Company's principal activities during the year were the provision of classified directory advertising and associated products and services in the United Kingdom.

Review of business and future developments

The level of business revenue grew by 5% to £698,873,000. Growth was driven by a 65% increase in revenue from Yell.com whilst our printed directories, Yellow Pages and Business Pages grew by 1%.

Our focus for printed products this year has been on retaining the right advertisers and growing their investment with us. The success of our strategy has resulted in a stable retention rate of 75% and a 4.7% growth in the average revenue per advertiser. We also attracted 104,000 new advertisers into our printed directories.

We continued to develop Yell.com, launching innovative products for our advertisers and enhancing the search experience for our users. Searchable advertisers grew by 23% to 174,000 and the recognised revenue per average searchable advertiser grew 28% to £378, largely driven by new high-yield initiatives. The increase in advertisers helped drive growth in the number searches, and in March 2006 we recorded more than 32 million searches, a 52% increase over March last year.

In April 2005, the OFT concluded its market study and referred what it defined as 'classified directory advertising services' to the Competition Commission (CC) for investigation.

We have co-operated fully with the CC throughout and have played an active role in the investigation. We have provided them with evidence of the increasing and diversifying competition in the market, including the continuing impact that we expect the entry of BT and the growth of internet usage, to have in the future. We have demonstrated the excellent value we give advertisers, including reducing prices since 2001 far beyond levels required by regulation, and improving our customer service from an already high standard.

It is clear that there is real competition for all forms of classified advertising in the UK and that the strength of our performance derives from investment and the excellence of our execution, and not from the weakness of the competition.

We believe that any open-minded examination of the substantial body of evidence we have provided can only conclude that, ten years after its original imposition, regulation has done its job and is no longer required.

The growth and development of our highly successful company will focus on initiatives such as branded advertising and new sector-specific guides in our directories. For Yell.com we plan to improve One Search, a facility which eliminates the need to search for a business by classification, and provides greater choice for users and wider coverage for advertisers. We will continue to demonstrate the value of Yell.com advertising, to use performance-based pricing, and to offer advertisers a wide choice of innovative programmes.

The principal risks and uncertainties that may affect the Company's long term value or prospects, including significant relationships with stakeholders, are given below.

Yell Limited

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash out flows and hence manage interest rate risk, the company has a policy of maintaining a certain level of debt at fixed rate. Further to this the company seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

Increased paper prices could have a material adverse effect on our business. Paper is our single largest raw material expense. In the 2006 financial year, paper costs were equivalent to 4% of company revenue and represented 10% of costs of sales. In the past, paper prices have fluctuated significantly. For example, during the past five years, the prices we have had to pay have fluctuated by an effective 9.7%. We try to limit our exposure to market fluctuations through contracts and pricing arrangements with our suppliers. Our current arrangements expire in March 2009. It is always possible, however, that we will not be able to renew these arrangements on satisfactory terms, if at all. Failure to agree satisfactory terms or failure of any of our major suppliers to deliver, could force us to buy some or all of our paper in the spot market, at potentially higher prices, until new arrangements are put in place.

Credit risk

The company could be adversely affected by the reliance on, and extension of credit to, small and medium-sized businesses. A significant part of our revenue comes from selling advertising to small and medium-sized businesses. These types of businesses tend to have few financial resources and it is normal and necessary business practice for us to offer credit terms to many of them. However, failure rates for small and medium-sized businesses tend to be higher than for large businesses, a factor that could have a significant impact on bad debt levels and on the number of advertisers renewing their advertising each year. Full collection of overdue accounts can take longer than for larger businesses.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at variable rate. The company has a policy of maintaining a percentage of debt at fixed rates to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Yell Limited

Results and dividends

The Company's profit after tax for the financial year is £129,515,000 (2005: £116,806,000).

A dividend of £147,000,000 was proposed and paid during the year (2005: £nil).

Directors and their interests

The directors who held office during the year and up to the date of approval of the financial statements are stated on page 3. They are not remunerated for their services as directors for Yell Limited.

The interests of John Condron and John Gordon Davis who are also directors of the ultimate parent company, Yell Group plc, are shown in the annual report of that company.

Charitable and political donations

During the past financial year the Company has made charitable donations totalling £807,195 (2005: £2,400,000), which support various community related charities and projects. No political donations were made during the year.

Related party transactions

Details are provided in note 22 to the financial statements.

Employees

Yell Group inclusive of Yell Limited has a Recruitment and Selection Policy that states that we are committed to the employment of people with disabilities. Moreover, we guarantee an interview to people with disabilities who meet the minimum selection criteria for any vacancy. Yell UK is registered as a Two Tick employer as it satisfies the UK government's criteria on the employment of people with disabilities.

Our Equal Opportunities Policy contains a code of good practice on disability which states that an individual who becomes disabled whilst in employment will receive support to ensure, wherever possible, they are able to continue in their role. This will involve whatever reasonable adjustments can be made on consultation with the individual.

Alternatively, again in consultation with the individual, other positions will be considered where the individual's skills and abilities match the requirements of the role, again, making reasonable adjustments where appropriate.

We will ensure that training and career development is equally available to people with disabilities, tailored where practicable for their specific needs.

An extensive range of communication and consultative arrangements are instigated by the Company such as the intranet, various printed publications and live briefings. These help to ensure that employees are kept fully informed about developments in the group, including the group's financial performance.

Policy and practice on payment of current liabilities

The Yell Group's policy is to use its purchasing power fairly and to pay promptly and as agreed. The Company has a variety of payment terms with suppliers. The term for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers.

It is the Company's policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the Company in a timely fashion and is complete.

Yell Limited

The Company's payment terms are printed on the Company's standard purchase order forms or, where appropriate, specified in the individual contracts agreed with suppliers.

At 31 March 2006, trade payables represented 27 days (2005: 22 days) of purchases.

Post balance sheet events

Please see note 26 to the financial statements.

Statement as to disclosure of information to auditors

Each director of the Company confirms that: (a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. For purposes, relevant audit information means information needed by the Company's auditors in connection with preparing their report set out on page 8.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors, they having confirmed their willingness to act, will be proposed at the Annual General Meeting.


Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgement and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



John Davis
Chief Financial Officer

Date: 27th November 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YELL LTD LIMITED

We have audited the financial statements of Yell Limited for the year ended 31 March 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income & Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Yell Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2006 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27.11.06

Yell Limited

Income Statement for the year ended 31 March 2006

	Note	2005 £'000	2006 £'000
Revenue		664,424	698,873
Cost of sales	2	(246,285)	(245,763)
Gross profit		418,139	453,110
Distribution costs	2	(15,088)	(16,240)
Administrative expenses	2	(185,523)	(198,568)
Operating profit		217,528	238,302
Finance costs		(74,950)	(73,244)
Finance income		18,931	18,927
Net finance costs	4	(56,019)	(54,317)
Profit before taxation		161,509	183,985
Taxation	5	(44,703)	(54,470)
Profit for the financial year		116,806	129,515
Dividends paid to equity shareholders		-	(147,000)

In accordance with IFRS dividends are not recognised until the period in which they are approved.

Yell Limited

Statement of Recognised Income & Expense for the year ended 31 March 2006

	2005 £'000	2006 £'000
Profit for the financial year	116,806	129,515
Actuarial losses on defined benefit pension schemes	(32,366)	(3,445)
Changes in fair value of financial instruments used as hedges	-	952
Tax effect of net expenses not recognised in income statement	9,710	1,033
Deferred tax on share based payments	(659)	1,680
Net expenses/(income) recognised directly in equity	(23,315)	220
Total recognised income for the year	93,491	129,735
Adoption of IAS32/39 – Initial recognition of financial instruments used as hedges	-	(784)
Adoption of IAS32/39 – Tax effect of Initial recognition of financial instruments used as hedges	-	(235)
	-	(1,019)

Yell Limited

Balance Sheet as at 31 March 2006

	Note	2005 £'000	2006 £'000
Non current assets			
Goodwill	7	1,009,191	1,009,191
Other Intangible assets	8	5,210	6,578
Property, Plant & Equipment	9	19,667	22,000
Deferred tax assets	13	39,388	36,705
Investments	10	-	-
Trade & other receivables	12	78,245	55,459
Total non-current assets		1,151,701	1,129,933
Current assets			
Directories in development	11	62,408	67,108
Trade and other receivables	12	282,740	270,307
Cash and cash equivalents		8,376	15,865
Total current assets		353,524	353,280
Current liabilities			
Loans and other borrowings	14	(88,250)	(223,942)
Current tax liabilities		(263)	(20,592)
Trade and other payables	16	(160,339)	(193,905)
Total current liabilities		(248,852)	(438,439)
Net current assets		104,672	(85,159)
Non-current liabilities			
Loans and other borrowings	14	(770,790)	(639,350)
Retirement benefit obligations	21	(100,344)	(39,865)
Deferred tax liabilities	13	(4,200)	(4,489)
Trade and other payables	16	(5,875)	(4,190)
Total non-current liabilities		(881,209)	(687,894)
Net assets		375,164	356,880
Capital and reserves			
Share capital	17,19	-	-
Share premium account	17,19	325,971	325,971
Other reserves	18,19	(77,480)	(78,279)
Retained Earnings	19	126,673	109,188
Equity shareholders' funds		375,164	356,880

The financial statements on pages 10 to 48 were approved by the board of directors on 27th November 2006 and were signed on its behalf by:

John Davis
Director

Yell Limited

Cash Flow Statement for the year ended 31 March 2006

	2005 £'000	2006 £'000
Cashflows from operating activities:		
Cash generated from operations	242,960	177,363
External interest paid	(37,090)	(32,803)
External interest received	1,586	1,230
Interest paid to group undertakings	-	(7,021)
Interest received from group undertakings	-	32,184
Net income tax paid	(25,115)	(20,763)
Net cash inflow from operating activities	182,341	150,190
Cash flows from investing activities		
Purchase of property, plant & equipment	(14,609)	(15,399)
Net cash outflow from investing activities	(14,609)	(15,399)
Cash flows from financing activities		
Acquisition of new loans	-	300,000
Repayment of borrowings	(80,000)	(544,000)
Net movements from other group undertakings	(81,903)	43,990
Net movement on revolving credit facility	(5,000)	225,000
Financing fees paid	-	(5,292)
Dividends paid	-	(147,000)
Net cash outflow from financing activities	(166,903)	(127,302)
Net increase in cash and cash equivalents	829	7,489
Cash and cash equivalents at beginning of year	7,547	8,376
Cash and cash equivalents at end of the year	8,376	15,865

Yell Limited

Cash generated from operations for year ended 31 March 2006

	2005 £'000	2006 £'000
Profit for the year	116,806	129,515
Adjustments for:		
Tax	44,703	54,470
Depreciation of property, plant & equipment	8,905	8,445
Amortisation of software costs	2,778	2,678
External finance cost	41,130	36,583
Finance costs owed to group undertakings	32,079	30,218
Finance income due from group undertakings	(17,758)	(17,697)
Finance fees amortised	1,741	6,443
External finance income	(1,173)	(1,230)
Changes in working capital:		
Directories in development	(3,228)	(4,700)
Trade & other receivables	1,957	(29,267)
Trade & other payables	14,957	26,498
Pension deficit repair	-	(64,800)
Other non cash	63	207
Cash generated from operations	242,960	177,363

Notes to the financial statements for the year ended 31 March 2006

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) under the historical cost convention and in accordance with the Companies Act 1985. Accordingly these financial statements have been prepared in accordance with IFRS as adopted by the European Union and therefore comply with Article 4 of the EU IAS Resolution. A summary of the more important accounting policies is set out below.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of the income statement, balance sheet and disclosure during the reported period. Actual results could differ from those estimates. Estimates are used principally when accounting for provision for doubtful debts, amortisation of software, depreciation, employee pensions and taxes. Those areas are disclosed in the notes.

1. Accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Revenue

Revenue, which excludes value added tax and sales allowance comprises the value of products provided by the Company. Revenue from classified directories, Business Pages and other directories, mainly comprising advertising revenue, is recognised in the income statement upon completion of minimum delivery obligations to the end user. Other revenue, principally from Yell.com and Yellow Pages 118247, is recognised from the point at which services is first provided over the life of the contract.

(b) Cost of Sales

Cost of sales are costs incurred in developing directories and other products. Provisions for impairment of trade receivables are also included within cost of sales.

(c) Advertising

The company expenses the costs of advertising its own products and services as the costs are incurred.

(d) Finance costs and income

Finance costs payable are charged as incurred on an accruals basis. Finance income receivable is recognised on an accruals basis.

(e) Foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling when the transaction was entered into. Exchange differences are included in the income statement in the period in which they arise.

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(f) Goodwill

Goodwill which arose on the acquisition of the companies business and net assets from BT represents the surplus of the purchase consideration over the fair value of the net separable assets acquired. Goodwill is capitalised and is subject to impairment review, both annually from the date of transition onwards and when there is indications that the carrying values may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

(g) Other non-current intangible assets

Other tangible assets comprises solely of software costs. Software costs are held at cost less accumulated amortisation. Software is amortised on a straight line basis over its useful economic life, which does not generally exceed five years. The amortisation period and method are reviewed and adjusted, if appropriate at each balance sheet date.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Cost comprises the purchase price and any other costs of bringing an asset into use. Depreciation is provided on property, plant and equipment on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful economic lives taking into account any expected residual values.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets and adjusted prospectively, if appropriate, taking account of commercial and technological obsolescence as well as normal wear and tear.

The estimated lives assigned to property, plant and equipment are:

	Years
Office Equipment	2 to 6
Leasehold Improvements	5 (or the life of the lease if less than 5 years)

(i) Asset Impairment

Assets with indefinite useful lives are not subject to amortisation and instead are tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets which are subject to amortisation are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units, or CGUs). Where assets do not generate independent cash flows and their carrying value cannot be attributed to a particular CGU, CGUs are grouped together at the level at which these assets reside, and the carrying value of this group of CGUs is compared to the recoverable amount of that particular group. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

(j) Investments

Investments are valued at cost less any amounts written off due to impairment.

Yell Limited

(k) Leased assets

Rentals in respect of operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the income statement as incurred on a straight line basis over the life of the lease.

(l) Directories in development

The cost of directories in development is recognised as a current intangible asset where the costs directly attributable to the development of the directory can be measured reliably. When directories are launched on a non-paid basis the costs are expensed as incurred. The development costs mainly comprise the direct costs of certain personnel dedicated to developing adverts and creating the contents for directories and artwork and other directory production and development costs, including appropriate directly attributable overheads. The asset is amortised to cost of sales on completion of delivery of the relevant directory when the related revenue is recognised.

(m) Trade receivables

Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The provision is calculated by estimating future cashflows from trade receivables on the basis of historical loss experience.

(n) Cash and cash equivalents

Cash and cash equivalents represent cash in hand, bank deposits repayable on demand, and other short-term highly liquid investments with original maturities of three months or less readily convertible into cash.

(o) Borrowings

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

(p) Employee benefits

The company expenses employee benefits as employees render the services that give rise to the benefits in accordance with IAS 19 Employee Benefits.

Pension obligations

The employees are members of the Yell Group plc group pension schemes. The substantial majority of employees employed before 1 October 2001 are members of Yell Group plc defined benefit scheme.

Employees employed subsequent to 1 October 2001 are members of the Yell Group plc defined contribution scheme. Contributions are charged against operating profit as they fall due.

All pension schemes are independent of Yell Limited's finances. Actuarial valuations of the defined benefit scheme are carried out as determined by the trustees at intervals of not more than three years, the rates of contribution payable and the pension cost being determined on the advice of the actuaries, having regard to the results of these valuations. In any intervening years, the actuaries review the continuing appropriateness of the contribution rates.

Yell Limited

The balance sheet includes the surplus or deficit in the defined benefit scheme taking assets at their year-end market values and liabilities at their actuarially calculated values discounted at the year-end AA corporate bond interest rates. The cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time are included in other finance costs or income. Actuarial gains and losses on pension schemes are recognised immediately in the statement of recognised income and expense.

Payments to Yell Limited's defined contribution schemes are recognised as employee benefit expense when they are due. Yell Limited has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee share schemes

The fair value of employee share based payments is calculated using the Black-Scholes model. In accordance with IFRS 2 Share Based payments the resulting cost is charged against income over the vesting period of the awards. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

(q) Taxation

The charge / (credit) for taxation is based on the profit / (loss) for the period and takes into account deferred taxation where transactions or events give rise to temporary differences between the treatment of certain items for taxation and for accounting purposes. Provision is made in full for deferred tax liabilities. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the benefit can be realised.

Current tax is provided at the amounts expected to be paid or recovered under the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured at the rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

(r) Derivative Financial instruments and hedging (effective 1 April 2005)

Derivatives are initially recognised as fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- Hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedges);
- Hedges of highly probable forecast transactions (cash flow hedges); or
- Hedges of net investment in foreign operations (net investment hedges).

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised as equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period when the hedged item will affect profit and loss (for instance, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity and is recognised when the transaction is ultimately recognised in the income statement.

Yell Limited

Issue costs are initially capitalised and are then charged to the income statement over the term of the borrowings or over a shorter period where the lender can require earlier payment.

(s) Dividends

Interim dividends are recognised when they are paid. Final dividends are recognised when they are approved by shareholders.

(t) Contingent liabilities

Through the normal course of business, Yell Limited is involved in legal disputes, the settlement of which may involve cost to the Company. These costs are accrued when payment is probable and associated costs can be reliably estimated.

Critical accounting estimates and judgements

In general, our accounting policies under IFRS as adopted by the European Union are consistent with those generally adopted by others operating within the same industry in the UK.

In preparing the company financial statements, our management has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. We regularly review these estimates and update them when required. Actual results could differ from these estimates. Unless otherwise indicated, we do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. We consider the following to be a description of the most significant estimates, which require our management to make subjective and complex judgements, or matters that are inherently uncertain.

(a) Allowance for doubtful debts

Receivables are reduced by an allowance for amounts that may become uncollectible in the future. We continuously monitor collections and payments from our customers and maintain a provision for estimates from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. We have demonstrated the ability to make reasonable and reliable estimates of allowances for doubtful accounts based on significant historical experience. Whilst such bad debts have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

The bad debt expense was £22,756,000 during the 2006 financial year and at 3.3% of revenue was 0.8% lower in comparison to the previous year.

If our allowance for credit losses as a percentage of revenue had been 1% higher or lower during the year ended 31 March 2006, then profit before tax would have varied by approximately £6,988,000.

(b) Economic lives of other non-current intangible assets and property, plant and equipment

Other non-current intangible assets and property, plant and equipment are long-lived assets that are amortised over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. If the useful economic lives had increased by an average of one year during the year ended 31 March 2006, then our amortisation charge would have varied by approximately £670,000. If the useful economic lives had decreased by an average of one year, our amortisation charge would have varied by approximately £1,340,000. Our depreciation charge would have varied by approximately £2,127,000 if the useful lives had increased by an average of one year, or by approximately £4,255,000 if the useful lives had decreased by an average of one year.

Historically, we have not realised large gains or losses on disposals of property, plant and equipment.

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(c) Estimated pension obligations

The determination of our obligation and expense for pensions is dependent on the selection of assumptions that are used by our actuaries in calculating such amounts. These assumptions are described in note 21 and include, amongst others, the rate at which future pension payments are discounted to the balance sheet date, inflation expectations, the expected long-term rate of return on plan assets and average expected increase in compensation over and above inflation. Whilst we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions can materially affect the amount of our future pension obligations, future valuation adjustments in the statement of total recognised gains and losses and our future employee expenses.

The value of the pension obligations at 31 March 2006 was calculated on the basis that the real interest rate at the balance sheet date was 1.9%, which is the difference between the discount rate and expected inflation. The discount rate and expected inflation are determined by reference to specific types of debt instruments being traded in the open market. Increasing or decreasing the assumed real interest rate to 2.0% or 1.8% per annum, respectively, would decrease or increase the present value of the total pension obligation by approximately £8 million. The effect on the market value of assets cannot be estimated because the value of the scheme's investments do not always change in line with changes in real interest rates.

The assumed life expectancy at the date of retirement (age 60) for men and women is 26.5 and 29.4 years, respectively. We believe these assumptions are realistic, based on the latest studies of longevity. We estimate that a one-year increase in life expectancy would increase our pension deficit by approximately £7.5 million.

The expected average increase in salaries above inflation is 1.5%. Increasing or decreasing the rate of assumed salary increases to 1.6% or 1.4% per annum, respectively, would increase or decrease our pension deficit by approximately £3 million.

(d) Tax benefits and obligations

The determination of our obligation and expense for taxes requires an interpretation of tax law. We seek appropriate competent and professional tax advice before making any judgements on tax matters. Whilst we believe that our judgements are prudent and appropriate, significant differences in our actual experience may materially affect our future tax charges. We recognise deferred tax assets and liabilities arising from timing differences where we have a taxable benefit or obligation in the future as a result of past events.

We record deferred tax assets to the extent that we believe they are more likely than not to be realised. Should we determine in the future that we would be able to realise deferred tax assets in excess of our recorded amount or that our liabilities are different than the amounts we recorded, then we would increase or decrease income as appropriate in the period such determination was made. At 31 March 2006 we believe we have recognised all our potential deferred tax assets.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2006 or later periods but which the Company has chosen not to early adopt. The new standards that could be relevant to the Company's operations are as follows:

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IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 April 2006)

The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the company financial statements, provided that, (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction, and (b) the foreign currency risk will affect consolidated income. We do not believe this amendment will have a significant effect on our report of operations.

IAS 39 (Amendment) The Fair Value Option (Effective from 1 April 2006)

This amendment changes the definition of financial instruments classified at fair value through income and restricts the ability designate financial instruments as part of this category. We believe that this amendment should not have a significant impact on the classification of financial instruments, as we should be able to comply with the amended criteria for the designation of financial instruments at fair value through income. We will apply this amendment from annual periods beginning 1 April 2006.

IFRS 7 Financial Instruments: Disclosures and IAS 1 (Amendment) Presentation of Financial Statements – Capital Disclosures (effective from 1 April 2007)

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32

Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. We will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 April 2007.

IFRIC 4 Determining whether an Arrangement contains a Lease (effective 1 April 2006)

IFRIC 4 requires the determination of whether an arrangement is, or contains a lease, to be based on the substance of the arrangement. It requires an assessment of whether, (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset), and (b) the arrangement conveys a right to use the asset. We do not believe that implantation of IFRIC 4 will have a significant effect on our report of operations.

IFRIC 8 Scope of IFRS 2

IFRIC 8 clarifies that transactions within the scope of IFRS 2 Share-based payments, include those transactions in which the entity cannot specifically identify some or all of the goods or services received. If the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received. We do not believe that implementation of IFRIC 8 will have a significant effect on our report of operations.

IFRIC 9 Reassessment of embedded derivatives

IFRIC 9 Reassessment of embedded derivatives clarifies that an entity should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited, unless there is a change in the contract's terms, in which case it is required. We have assessed the impact of the interpretation and have concluded that it will not have a significant effect on our report of the Group's operations.

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2. Expenses by nature

	Note	2005 £'000	2006 £'000
Distribution costs		15,088	16,240
Staff costs	3	43,488	55,372
Advertising costs		28,709	37,245
Operating lease charges			
Plant & machinery		7,418	7,833
Other		5,349	6,095
Depreciation of property plant & equipment	9	8,905	8,445
Amortisation of intangible assets	8	2,778	2,678
Amortisation of directories in development	11	146,290	143,711
Other expenses		188,871	182,952
Total cost of sales, distribution costs and administrative expenses		446,896	460,571

In the prior year, operating lease charges associated with our car scheme were included in other expenses. These charges have been included within operating lease charges in the number presented above for the current and prior year.

The auditor's remuneration has been disclosed in note 24.

3. Employees

	2005	2006
Average monthly number of employees (including executive directors):		
Marketing and sales	142	157
Other	694	840
Total employees	836	997

	2005 £'000	2006 £'000
Wages and salaries	30,869	36,922
Social security costs	3,046	4,899
Other pension costs (Note 21)	9,511	13,388
Severance costs	1,079	2,948
Share based payments	907	1,346
Total staff costs payable for the year	45,412	59,503
Movement of staff costs deferred in directories in development	(1,924)	(4,131)
Total staff costs expensed to the income statement	43,488	55,372

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Directors Remuneration

The directors did not receive remuneration for their services to Yell Limited.

4. Net Finance Costs

	2005 £'000	2006 £'000
Interest payable on bank loans	38,805	32,523
Interest payable on loans from group undertakings	32,079	30,218
Amortisation of finance costs	1,741	6,443
Interest on retirement benefit obligation	2,325	3,773
Interest rate swaps: fair value hedges	-	287
Total finance costs	74,950	73,244
Interest receivable on bank deposits	(1,173)	(1,230)
Interest receivable on loans to group undertakings	(17,758)	(17,697)
Total interest receivable	(18,931)	(18,927)
Net finance costs	56,019	54,317

Included within the amortisation of finance costs is an amount of £5,688,000 in respect of the write off of issue costs following the restructuring of the secured bank loans on the purchase of Transwestern in the United States by Yell plc.

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5. Taxation

	2005 £'000	2006 £'000
Current tax:		
UK corporation tax on profit for the period at 30%	45,537	49,601
Adjustment in respect of previous periods	(3,906)	(455)
Total current tax	41,631	49,146
Deferred tax:		
Capital allowances	240	288
Short term timing differences	(39)	3,213
Adjustment in respect of prior periods	2,871	1,823
Total deferred tax credit	3,072	5,324
Total Taxation	44,703	54,470

The tax assessed for the period is lower (2005: higher) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £'000	2006 £'000
Profit before tax	161,509	183,985
Profit before tax multiplied by standard rate in UK 30% (2004: 30%)	48,453	55,196
Effects of:		
Other expenses not deductible for tax purposes	(155)	(721)
Depreciation in excess of capital allowances	(240)	(288)
Adjustments to tax charge in respect of previous period	(3,906)	(451)
Other timing differences	(2,521)	(4,590)
Current tax charge for the period	41,631	49,146

Taxation charged directly to equity is as follows:

	2005 £'000	2006 £'000
Deferred tax on actuarial gains and losses	9,710	1,033
Deferred tax on share based payments	(659)	1,680
Deferred tax arising since adoption of IAS 32/39 on 1 April 2005	-	219
Total taxation recorded in equity	9,051	2,932

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6. Dividends

	2005	2006
	£'000	£'000
Dividends paid to equity share holders	-	147,000

7. Goodwill

Year ended 31 March 2005	2005	2006
	£'000	£'000
Balance at 1 April and 31 March	1,009,191	1,009,191

Goodwill is not amortised but is tested for impairment at least annually. There has been no impairment of goodwill in 2005 or 2006.

The directors consider the company to be one cash generating unit (CGU) to which the goodwill has been allocated. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate for the geographical location in which the CGU operates. The carrying value of goodwill and the key assumptions used for value in use calculations were as follows:

	£'000
Net book value	
Carrying value of goodwill	1,009,191
Growth rate	2.2%
Discount rate	8.5%

The discount rate used is after tax and reflects the specific risks relevant to the Company.

8. Other Non-current Intangibles

	2005	2006
	£'000	£'000
Cost		
Balance at beginning of year	12,081	14,662
Additions	2,581	4,092
Disposals	-	(867)
Total cost at end of the year	14,662	17,887
Amortisation		
Balance at beginning of year	(6,674)	(9,452)
Charge for the year	(2,778)	(2,678)
Disposals	-	821
Total amortisation at the end of year	(9,452)	(11,309)
Net book value at end of the year	5,210	6,578

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9. Property, Plant & Equipment

Year ended 31 March 2005	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
Cost			
Balance at beginning of year	1,152	37,554	38,706
Additions	1,403	10,776	12,179
Disposals	-	(2,712)	(2,712)
Total cost at end of year	2,555	45,618	48,173
Depreciation			
Balance at beginning of year	-	(22,274)	(22,274)
Charge for the year	(394)	(8,511)	(8,905)
Disposals	-	2,673	2,673
Total depreciation at end of the year	(394)	(28,112)	(28,506)
Net book value at end of the year	2,161	17,506	19,667
Year ended 31 March 2006	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
Cost			
Balance at beginning of year	2,555	45,615	48,170
Additions	638	10,234	10,872
Disposals	-	(5,438)	(5,438)
Total cost at end of year	3,193	50,411	53,604
Depreciation			
Balance at beginning of year	(394)	(28,111)	(28,505)
Charge for the year	(519)	(7,926)	(8,445)
Disposals	-	5,346	5,346
Total depreciation at end of the year	(913)	(30,691)	(31,604)
Net book value at end of the year	2,280	19,720	22,000

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10. Investments

The Company holds a 100% interest in Yellow Pages Sales Limited, a subsidiary undertaking, held at £2 cost. Yellow Pages Sales Limited continues to employ a number of sales and administration staff the costs of whom are recharged to Yell Limited. The company is registered and incorporated in England and Wales. The investment is unlisted. In the opinion of the directors, the value of the investment is not less than the carrying value.

The subsidiary undertaking has the same year end as the Company.

11. Directories in development

	2005 £'000	2006 £'000
Opening cost	59,180	62,408
Additions	149,518	148,411
Amortisation into cost of sales	(146,290)	(143,711)
Closing cost	62,408	67,108

12. Trade and other receivables

	2005 £'000	2006 £'000
Amounts falling due within one year:		
Trade receivables	203,977	231,078
Corporation tax	3,364	-
Prepayments	4,642	6,673
Other debtors	7,946	17,627
Accrued income	4,768	1,366
Amounts owed by group undertakings	58,043	13,563
	282,740	270,307
Amounts falling due after more than one year:		
Amounts owed by group undertakings	78,245	55,459
Total receivables	360,985	325,766

Amounts owed by group companies are unsecured and interest bearing at a rate of 8%.

The company's trade receivables and accrued income are stated after deducting a provision for doubtful debts and sales allowances. The movement in the provision for doubtful debts were as follows:

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	2005	2006
	£'000	£'000
Balance at beginning of the year	(50,186)	(42,681)
Charged to income statement	(44,667)	(38,573)
Written-off	52,172	36,426
Balance at end of the year	(42,681)	(44,828)

13. Deferred taxation

Deferred tax asset

	2005	2006
	£'000	£'000
Balance at beginning of the year	39,496	39,388
Charged to income statement	(9,159)	(5,615)
Credited directly to equity	9,051	2,932
Balance at end of the year	39,388	36,705

The elements of net deferred tax assets recognised in the accounts at 31 March, were as follows:

	2005	2006
	£'000	£'000
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	5,897	5,607
Short term timing differences	33,491	31,098
Recognised deferred tax assets	39,388	36,705

Deferred tax liabilities

	2005	2006
	£'000	£'000
Balance at beginning of the year	-	4,200
Credited to income statement	4,200	-
Credited directly to equity	-	289
Balance at end of the year	4,200	4,489

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The elements of net deferred tax liabilities recognised in the accounts were as follows:

	2005	2006
	£'000	£'000
Tax effect of timing differences because of:		
Short term timing differences	4,200	4,489
Balance at end of the year	4,200	4,489

14. Loans and other borrowings

	Interest Rate %	2005 £000's	2006 £000's
Amounts falling due within one year			
Term loans under senior credit facilities	5.60	90,000	-
Revolving loan under senior credit facilities	5.58	-	225,000
Unamortised issue costs		(1,750)	(1,058)
Total amounts falling due within one year		88,250	223,942
	Interest Rate %	2005 £000's	2006 £000's
Amounts falling due after more than one year			
Senior credit facilities	5.60	454,000	300,000
Amounts owed to Group undertakings	8.00	320,728	342,830
Unamortised issue costs		(3,938)	(3,480)
Total amounts falling due after more than one year		770,790	639,350
Net loans and other borrowings		859,040	863,292

The Senior Credit Facility consists of a £300 million term loan. The senior credit facilities include a revolving credit facility of £600 million. At 31 March 2006, £225,000,000 was outstanding under the revolving credit facility (2005 - £nil). The senior credit facilities, including the Revolving Credit facility, have security over shares in Yell Group plc's principal operating companies.

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Debt maturities, net of issue costs, are as follows:

	Principal Amount £000's	Deferred Finance Costs £000's	Net Balance £000's
At 31 st March 2005			
Within one year, or on demand	90,000	(1,750)	88,250
Between one and two years	100,000	(1,750)	98,250
Between two and three years	50,000	(1,750)	48,250
Between three and four years	304,000	(438)	303,562
Between four and five years	-	-	-
After five years	320,728	-	320,728
Total due after more than one year	774,728	(3,938)	770,790
Total loans and borrowings	864,728	(5,688)	859,040

	Principal Amount £000's	Deferred Finance Costs £000's	Net Balance £000's
At 31 st March 2006			
Within one year, or on demand	225,000	(1,058)	223,942
Between one and two years	-	(1,058)	(1,058)
Between two and three years	-	(1,058)	(1,058)
Between three and four years	-	(1,058)	(1,058)
Between four and five years	300,000	(306)	299,694
After five years	342,830	-	342,830
Total due after more than one year	642,830	(3,480)	639,350
Total loans and borrowings	867,830	(4,538)	863,292

The senior credit facilities were redeemed on 2 June 2006 at a premium. See note 26 Post Balance Sheet Event.

15. Financial instruments and risk management

The treasury function's primary role is to fund investments and to manage liquidity and financial risk, including risk from volatility in currency and interest rates and counterparty credit risk. The treasury function is not a profit centre and its objective is to manage risk at optimum cost.

The treasury functions policy and its activities are subject to a set of controls commensurate with the magnitude of the investments and borrowings under its management. Counterparty credit risk is closely monitored and managed within the controls set. Derivative financial instruments, including foreign exchange contracts, are normally used only for hedging purposes.

The principle financial exposures faced by the company arise from working capital management, tangible fixed assets, and the management of interest rate positions and investing of surplus cash. The treasury function manages those exposures with the objective of remaining within ratios covenanted with the senior lenders. No derivative contracts for trading or hedging purposes have been purchased or issued.

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The Company has largely been funded from cash flows generated from operations. All significant cash inflows and outflows associated with the Company are denominated in pounds sterling.

The Company borrows at both fixed and floating rates of interest and, in order to achieve the objective of managing interest rate risk, partially hedges its risks through the use of interest-rate derivative instruments. Interest is payable under the senior credit facilities at a variable interest rate. We have fixed interest on at least 50% of the indebtedness under the senior credit facilities using interest rate swaps over the period to March 2007, with a review of this strategy on a quarterly basis.

Other financial instruments include short term receivables and payables that arise in the normal course of business and, therefore, have been excluded from the disclosures that follow. There has been no change in the role that financial instruments have in creating or changing the Yell Groups risk between 31 March 2005 and the date of these financial statements.

Details of the interest rate profile of Yell Limited's financial assets and liabilities are as follows:

	Financial assets	Financial liabilities		Total	Net financial liabilities
	Floating rate	Fixed rate	Floating rate		
	£'000	£'000	£'000	£'000	£'000
At 31 March 2005	8,377	(296,000)	(248,000)	(544,000)	(535,623)
At 31 March 2006	15,865	(227,000)	(298,000)	(525,000)	(509,135)

Total financial liabilities are presented gross before unamortized costs which amount to £4,538,000 at 31 March 2006 (2005: £5,687,000). Details of interest and maturity profiles of specific borrowings are given in note 14. There are no material monetary assets or liabilities denominated in currencies other than local reporting currencies.

Interest rate profile

Details of year-end interest rates on borrowings are set out in note 14. Yell Limited has entered into interest rate swaps for the purpose of hedging future floating interest rate movements. Yell Limited has fixed interest rates on at least 50% of the interest exposure on the indebtedness under the senior credit facilities using interest rate swaps over the period to March 2007.

For the fixed rate financial liabilities, the average interest rates and the average periods for which the rates are fixed are:

	Weighted average interest rate	Weighted average period for which the rate is fixed
	%	Years
At 31 March 2005	5.8	12.1
At 31 March 2006	5.7	19.3

The floating rate financial liabilities bear interest at rates fixed in advance for periods ranging, at Yell Limited's option, from one month to six months by reference to LIBOR. Yell Limited expects to continue to fix its floating rate financial liabilities at the end of each month by reference to one month LIBOR at that time.

Borrowing facilities and liquidity risk

Yell Limited has maintained committed banking facilities to mitigate any liquidity risk it may face. There were committed senior debt facilities at 31 March 2006 of £300,000,000. (2005: £544,000,000) of which

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£300,000,000 had been drawn down at 31 March 2006 (2005: £nil). These facilities expire on 7 July 2008.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on the interest rate derivative instruments are as follows:

	Gains £'000	Losses £'000	Net gains £'000
Unrecognised gains & losses on hedges at 31 March 2006	910	(834)	76
of which:			
Expected to be recognised in the year 31 March 2007	-	(825)	(825)
Expected to be recognised after 31 March 2007	910	(9)	901

Fair values of financial assets and liabilities

The Directors consider that the fair value of the Company's financial assets and liabilities are equivalent to the book value.

16. Trade and Other Payables

	2005 £'000	2006 £'000
Amounts falling due within one year		
Trade payables	11,474	18,347
Other taxation and social security	15,050	17,399
Accruals and other payables	62,373	67,634
Deferred income	48,265	77,914
Amounts owed to group undertakings	23,178	12,611
	160,339	193,905
Amounts falling due after more than one year		
Deferred income	1,737	1,313
Amounts owed to group undertakings	4,138	2,877
	5,875	4,190
Total trade and other payables	166,214	198,095

Amounts owed to group companies are unsecured and interest bearing at a rate of 8%.

17. Share capital

Called up share capital:

	2005 £	2006 £
Authorised		
100 ordinary shares of £1	100	100

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Allotted, called up and fully paid		
73 Ordinary shares of £1 each (2004: 73)	73	73

Share Premium		
	2005	2006
	£'000	£'000
At 1 April and 31 March	325,971	325,971

18. Other reserves

	Share based payments £'000	Pensions reserve £'000	Hedging reserve £'000	Total other reserves £'000
Balance at 1 April 2004	(7,094)	(47,071)	-	(54,165)
Net actuarial losses on defined benefit pension schemes	-	(32,366)	-	(32,366)
Taxation	(659)	9,710	-	9,051
Net expense recognised directly in equity	(659)	(22,656)	-	(23,315)
Balance at 31 March 2005	(7,753)	(69,727)	-	(77,480)
Implementation of IAS 32/39				
- Initial recognition of hedges	-	-	(784)	(784)
- Tax effect of initial recognition of hedges	-	-	(235)	(235)
Balance at 1 April 2005	(7,753)	(69,727)	(1,019)	(78,499)
Net actuarial losses on defined benefit pension schemes	-	(3,445)	-	(3,445)
Change in fair value of hedges	-	-	733	733
Taxation	1,680	1,033	219	2,932
Net income / (expense) recognised directly in equity	1,680	(2,412)	952	220
Balance at 31 March 2006	(6,073)	(72,139)	(67)	(78,279)

19. Statement of changes in equity

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2004	325,971	(54,165)	9,867	281,673
Net expense recognised directly in equity	-	(23,315)	-	(23,315)
Profit for the year	-	-	116,806	116,806
Total recognised income / (expense)	-	(23,315)	116,806	93,491
Balance at 31 March 2005	325,971	(77,480)	126,673	375,164
Implementation of IAS 32/39	-	(1,019)	-	(1,019)
Balance at 1 April 2005	325,971	(78,499)	126,673	375,145
Net income recognised directly in equity	-	220	-	220
Profit for the year	-	-	129,515	129,515
Total recognised income for 2006	-	220	129,515	129,735
Dividends	-	-	(147,000)	(147,000)
	-	220	(17,485)	(17,265)
Balance at 31 March 2006	325,971	(78,279)	109,188	356,880

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20. Financial commitments, contingent liabilities and litigation

Future aggregate minimum operating lease payments for the Company at 31 March 2005 and 2006 are as follows:

	2005 £'000	2006 £'000
Payable:		
Not later than 1 year	12,767	13,928
Later than 1 year and not later than 5 years	31,732	30,266
Later than five years	28,571	15,007
Total future aggregate minimum operating lease payments	73,070	59,201

Operating lease commitments are principally in respect of leases of land and buildings.

There are no contingent liabilities or guarantees other than those mentioned below or arising in the ordinary course of the Company's business and on these no material losses are anticipated.

The Company participates in a group banking arrangement whereby the Company's assets are provided as security against group loans.

No material losses are anticipated on liabilities in the ordinary course of business.

21. Pensions

The company operates a defined benefit pension scheme for its employees who were employed before 1 October 2001. The scheme benefits provide a pension in retirement based on years of qualifying service and final pensionable salary. The company adopted IAS 19 Employee benefits to account for this scheme from 1 April 2004. The Company's Income Statement and Statement of Recognised Income & Expense for the years ended 31 March 2005 and 2006 included the following pension-related charges:

Amounts charged to operating profit (administrative expenses)

	2005 £'000	2006 £'000
Current service cost	13,752	17,667
Termination benefits	680	859
Amounts expensed for defined benefit schemes	14,432	18,526
Contributions payable by other group companies	(4,685)	(5,589)
Net expense for defined benefit schemes	9,747	12,937
Amounts expensed for defined contribution schemes	236	451
Total operating charge	9,511	13,388

Net amount expensed as finance cost for defined benefit scheme

	2005 £'000	2006 £'000
Expected return on pension scheme assets	(8,300)	(10,156)
Finance cost on pension scheme liabilities	10,625	13,929
Net finance cost of defined benefit scheme	2,325	3,773

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Amount recognised in statement of recognised income and expense

	2005	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	2,312	26,836
Experience (losses) / gains arising on the scheme liabilities	(5,800)	14,227
Changes in assumptions underlying the present value of the scheme liabilities	(28,878)	(44,518)
Actuarial losses	(32,366)	(3,455)
Deferred taxation arising on actuarial loss recognised in equity	9,710	1,033
Actuarial loss, net of tax	(22,656)	(2,422)

The cumulative actuarial loss net of tax recognised at 31 March 2006 amounts to £35.8 million.

Yell Pension Plan (YPP) – Defined benefit section

There are three defined benefit sections of the YPP, which have been closed to new entrants since 1 October 2001. There is also an unfunded, unapproved scheme for certain employees.

The benefit obligation at 31 March 2006 was based on the valuation at 5 April 2005 updated to 31 March 2006. The valuations, carried out by professionally qualified independent actuaries, used the following key assumptions

	2005	2006
	% per annum	% per annum
Discount rate	5.4	4.9
Expected return on assets	5.9	6.4
Discount rate on unfunded, unapproved scheme	5.8	4.9
Salary increases	4.4	4.5
Pension increases	2.9	3.0
Inflation rate	2.9	3.0

Assumptions regarding future mortality experience are set based on advice from published statistics. The average life expectancy in years of a pensioner retiring at age 60 is as follows:

	2005	2006
	Years	Years
Male	26.5	26.5
Female	29.4	29.4

The assets in the YPP and the annual expected return were:

	2005		2006	
	%	£'000	%	£'000
Equities	7.7	82,300	7.2	154,800
Corporate bonds	5.4	6,800	4.9	4,900
Gilts	4.7	61,100	4.2	111,500
Total assets		150,200		271,200

The expected rates of return were set by reference to yields available on government bonds at the measurement date and appropriate risk margins and are stated gross of the expected levy to the UK Pension Protection Fund.

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The YPP assets are invested in the UK and overseas equities, fixed interest and index linked securities, deposits and short-term investments. The assets are held in separate trustee administered funds. The trustees set asset allocation targets at 31 March 2005 and 2006 in which approximately 55% of the assets held should be equity investments and 45% should be debt securities.

	2005 £'000	2006 £'000
Total market value of assets	150,200	271,200
Present value of scheme liabilities	(250,544)	(311,065)
Net balance sheet liability	(100,344)	39,865

The following amounts explain the movement in the pension provision for the years ended 31 March 2005 and 2006:

	2005 £'000	2006 £'000
Balance at beginning of year	(66,769)	(100,344)
Reallocation from restructuring accruals	(656)	-
Movement in year:		
Current service cost	(13,752)	(17,667)
Contributions	16,204	86,233
Past service costs	(680)	(859)
Other finance costs	(2,325)	(3,773)
Actuarial loss	(32,366)	(3,455)
Balance at end of the year	(100,344)	(39,865)

The amounts recognised in the balance sheet for defined benefit obligations are as follows:

	2005 £'000	2006 £'000
Present value of funded obligations	(249,856)	(309,559)
Fair value of plan assets	150,200	271,200
Present value of unfunded obligations	(688)	(1,506)
Net balance sheet liability	100,344	39,865

Changes in the present value of the defined benefit obligation were as follows:

	2005 £'000	2006 £'000
Opening defined benefit obligation	188,769	250,544
Current service cost	13,752	17,667
Past service cost	680	859
Finance cost	10,625	13,929
Accrual reallocation	656	-
Actuarial losses	34,678	30,291
Contributions by participants	3,268	193
Benefits paid	(1,884)	(2,418)
Closing defined benefit obligation	250,544	311,065

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Changes in the fair value of plan assets were as follows:

	2005	2006
	£'000	£'000
Opening fair value of plan assets	122,000	150,200
Expected return	8,300	10,156
Actuarial gains	2,312	26,836
Contributions by employer	16,204	86,233
Contributions by participants	3,268	193
Benefits paid	(1,884)	(2,418)
Closing fair value of plan assets	150,200	271,200

The full actuarial valuation at 5 April updated to 31 March 2006 showed a deficit of £39,865,000. Contributions of £9,552,000, plus £656,000 in respect of benefit augmentation and £8,800k additional annual pension contributions and a deficit repair payment of £64,800,000 were made in the year.

In the year ended 31 March 2005 and until 31 December 2005, the company made contributions at an average rate of 13.05% of pensionable earnings inclusive of expenses and life assurance premiums, but exclusive of the Pension Protection Fund Levy. From 1 January 2006, the company made contributions at an average of 23.6%. The company's trustees have agreed that contributions for the next year will continue at the 23.6% rate, with an evaluation of future contributions rates after the next full valuation. Contributions for the next financial year are expected to be around £17 million.

Additionally, "SMART Pensions" were introduced with effect from 1 March 2005, under which Plan participants may accept a reduction in their salary in return for non-contributory membership of the Plan, the reduction being equal to the contributions otherwise payable. The Company makes additional contributions of a corresponding amount. In the year ended 31 March 2006 these amounted to £3,219,000 (5.25% of pensionable earnings).

The £3,445,000 actuarial loss reflects a £30,291,000 increase in liabilities, net of £26,836,000 actuarial gains in asset values. The increase in liabilities in the year ended 31 March 2006 was primarily a result of declining real interest rates (the reference market rate to which the discount rate is tied, net of inflation) during the year. The actuarial loss in the year ended 31 March 2005 was primarily the result of changing our assumptions regarding how long scheme members will live after retirement.

As the scheme is closed to new members, the current service cost will increase as the members of the scheme approach retirement.

The history of experience gains and losses is as follows:

	2005	2006
Difference between the expected and actual return on scheme assets		
- Gain (£'000)	2,312	26,836
- Gain (proportion of scheme assets)	2%	10%
Experience losses on scheme liabilities and changes in assumptions:		
- (Loss) (£'000)	(34,678)	(30,291)
- (Loss) (proportion of present value of scheme assets)	-14%	-10%

Pension Sensitivity

The determination of our obligation and expense for pensions is dependant on the selection of assumptions that are used by our actuaries in calculating such amounts. Those assumptions are described above and include, amongst others, the rate at which future pension payments are discounted to the balance sheet date, inflation expectations, the expected long-term rate of return on plan assets and

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average expected increase in compensation over and above inflation. Whilst we believe that our assumptions are appropriate, significant changes in our assumptions can materially affect the amount of our future pension obligations, future valuation adjustments in the statement of total recognised gains and losses and our future employee expense.

The value of the pension obligations at 31 March 2006 was calculated on the basis that the real interest rate at the balance sheet date was 1.9%, which is the difference between the discount rate and expected inflation. The discount rate and expected inflation are determined by reference to specific types of debt instruments being traded in the open market. Increasing or decreasing the assumed real interest rate to 2.0% or 1.8% per annum, respectively, would decrease or increase the present value of the total pension obligation by approximately £8 million. The effect on the market value of assets cannot be estimated because the values of the scheme's investments do not always change in line with real interest rates.

The assumed life expectancy at the date of retirement (age 60) for men and women is 26.5 and 29.4 years, respectively. We believe these assumptions are realistic, based on the latest studies of longevity. We estimate that a one-year increase in life expectancy would increase our pension deficit by approximately £7.5 million.

The expected average increase in salaries above inflation is 1.5%. Increasing or decreasing the rate of assumed salary increases to 1.6% or 1.4% per annum, respectively, would increase or decrease our pension deficit by approximately £3 million.

YPP - Defined contribution section

The pension cost in respect of these schemes represents contributions payable to the funds and amounted to £940,000 for the year ended 31 March 2006 (2005: £627,000). Outstanding contributions amounted to £nil as at 31 March 2006 (2005: £nil).

22. Related Parties Transactions

The following intercompany transactions that existed with other group companies are as follows:

	2005 £'000	2006 £'000
Finance income from Yell Holdings 2 Ltd	11,664	14,372
Finance costs payable to Yell Holdings 2 Ltd	(9,924)	(8,890)
Net finance income with Yell Holdings 2 Ltd	1,740	5,482

	2005 £'000	2006 £'000
Non current amounts owed from Yell Holdings 2 Ltd	-	55,459
Current amounts owed from Yell Holdings 2 Ltd	58,043	13,563
Current amounts owed to Yell Holdings 2 Ltd	-	(4,622)
Total amounts owed from Yell Holdings 2 Ltd	58,043	64,400

	2005 £'000	2006 £'000
Finance income from Yell Holdings Ltd	6,117	3,329
Finance costs payable to Yell Holdings Ltd	(2,640)	(554)
Net finance income with Yell Holdings Ltd	3,477	2,775

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	2005 £'000	2006 £'000
Non current amounts owed from Yell Holdings Limited	78,245	-
Current amounts owed to Yell Holdings Ltd	(23,178)	-
Total amounts owed from Yell Holdings Ltd	55,067	-

	2005 £'000	2006 £'000
Finance income from Yell Finance Ltd	-	-
Finance costs payable to Yell Finance Ltd	(19,538)	(20,807)
Net finance expense with Yell Finance Ltd	(19,538)	(20,807)

	2005 £'000	2006 £'000
Non current amounts owed to Yell Finance Ltd	(320,728)	(342,830)
Total amounts payable to Yell Finance Ltd	(320,728)	(342,830)

	2005 £'000	2006 £'000
Current amounts owed to Yellow Book USA	-	(7,989)
Total amounts payable to Yellow Book USA	-	(7,989)

	2005 £'000	2006 £'000
Income from Yellow Pages Sales Limited	132,731	141,530
Costs payable to Yellow Pages Sales Limited	(132,731)	(141,530)
Net income with Yellow Pages Sales Limited	-	-

	2005 £'000	2006 £'000
Non current amounts owed to Yellow Pages Sales Limited	(4,030)	(2,797)
Total amounts payable to Yellow Pages Sales Limited	(4,030)	(2,797)

	2005 £'000	2006 £'000
Income from General Art Studios Ltd	3,517	4,080
Costs payable to General Art Studios Ltd	(3,517)	(4,080)
Net finance income with General Art Studios Ltd	-	-

	2005 £'000	2006 £'000
Non Current amounts owed to General Art Studios Ltd	(108)	(80)
Total amounts payable to General Art Studios Ltd	(108)	(80)

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Key management compensation was as follows:

	2005 £'000	2006 £'000
Salaries & other short term employee benefits	4,577	5,175
Termination benefits	-	-
Post employment benefits	844	893
Other long term benefits	-	-
Share based payments	678	1,172
Total key management compensation payments	6,099	7,240

23. Employee share schemes

Yell Group plc has various stock option and other share plans in which the employees of Yell Limited participate. The Group accounts for the plans in accordance with the fair value recognition provisions of IFRS 2 Share Based Payments. IFRS 2 applies to equity settled awards granted after 7 November 2002 not vested by 1 March 2005 and all cash settled awards outstanding at 1 March 2005.

In March 2002, the Yell Group introduced two stock option plans in the UK, the Yell Group Limited Employee Plan and the Yell Group Limited Senior Manager Incentive Plan. The plans have been set up to provide employees with option rewards that may not be exercised until at least six months after an exit event (e.g. sale or quotation). A charge in respect of this scheme will arise only on the occurrence of such an event.

In September 2003, the Yell Group introduced the Yell Group plc Sharesave Plan. Eligible employees who wish to participate must enter into a savings contract for a period of three or five years under which they will contribute payments of between £5 and £250 per month, and a bonus is added at the end of three, five or seven years. In conjunction with the savings contract, an eligible employee is granted an option to subscribe for Ordinary shares of Yell Group plc out of the repayment made under that contract at the end of three, five or seven years. The exercise price of any option will not be manifestly less than 80% of the market value of the Ordinary shares at the date of the grant. The Sharesave plan is Inland Revenue approved.

In July 2003, the Yell Group introduced the Yell Group plc Executive Share Option Scheme which contains an unapproved section and a section approved by the Inland Revenue. The price per ordinary share at which options will be exercised will be not less than the market value of the ordinary shares at the date of grant. Options will normally be granted within a period of 42 days commencing on the day after the date on which the Group releases its quarterly, half yearly or final results for any financial period. In most circumstances an objective performance condition must be satisfied before an option can be exercised. Normally options may only be exercised three years after their initial date of grant. The option life under this plan is ten years from the date of grant.

Also in July 2003, the Yell Group established the Yell Group plc Long-term Incentive Plan (the LTIP). It is not intended that the LTIP be approved by the Inland Revenue. The Board has sole discretion which executives are granted awards under the LTIP. Awards are granted in the form of performance shares and in most circumstances an objective performance condition must be satisfied before an award vests. Normally awards may only vest for three years after their initial date of grant.

In November 2004, the Yell Group plc established the Yell Group plc Deferred Bonus Plan (the DBP). Under the plan, any bonus awarded to executive directors in excess of 100% of salary is subject to compulsory deferral into shares for a period of three years. There is no matching provided by the Company and the shares will be forfeited if the director leaves the Company other than as a predetermined 'good leaver'.

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24. Auditors remuneration

The following fees were paid or are payable to the Company's auditors for the years ended 31 March 2005 and 2006 respectively.

	2005 £'000	2006 £'000
Audit services	583	1,068
Non audit services	313	887
Total auditors remuneration	896	1,955

25. Controlling entity

At 31 March 2006 the Company is a wholly owned subsidiary of Yell Holdings 2 Limited. The ultimate holding company and controlling party is Yell Group plc.

The company is included in the consolidated financial statements of Yell Group plc, whose financial statements are publicly available. Copies of Yell Group plc's consolidated financial statements can be obtained from the Company Secretary, Queens Walk, Oxford Road, Berkshire, RG1 7PT.

26. Post balance sheet events

On 28 April 2006, the Yell Group announced that it had entered into an agreement with Telefonica S.A. (Telefonica) to acquire 59.905% stake in Telefonica Publicidad e Information, S.A. (TPI) by way of an all cash public tender offer of 8.50 Euros per share for the entire issued share capital of TPI.

The acquisition was financed in part by refinancing the Company's existing debt. On 2 May 2006, we refinanced our existing senior debt. A portion of the proceeds of the new debt was used to defease our obligations under the Senior Notes. These were fully repaid on 2 June 2006. In addition the company is provided with a revolving credit facility.

On 31 July 2006, the Yell Group completed the acquisition of 94.25% of the share capital of Telefonica Publicidad e Information, S.A. (TPI) for 2.939.8m Euros.

Changes in Accounting Policies – Adoption of IFRS

As of 1 April 2004, the Companies accounting policies have been changed to comply with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The date of transition is 1 April 2004 and all comparative figures at 1 April 2004 and for the year ended 31 March 2005 have been restated.

The adoption of IFRS results in changes to the accounting policies in the following areas:

(a) Share-based payments

In accordance with IFRS 2 "Share-based payment" the fair value of employee services received in exchange for the grant of share-based compensation plans is recognised as an expense and allocated over the vesting period.

(b) Employee benefits

The option which we have taken under IAS 19 "Employee benefits" allows separate recognition of the operating and financing costs of defined benefit pension schemes in the income statement. The standard permits a number of options for the recognition of actuarial gains and losses; our policy is to recognise any variations in full immediately in equity. We are applying the standard voluntarily from the transition date of 1 April 2004.

The additional charges under IFRS are in comparison to amounts recorded in accordance with Statement of Standard Accounting Practice No. 24 (SSAP 24) "Accounting for Pension Costs" under UK GAAP.

We recognised a pension liability of £66,800,000 in our IFRS opening balance sheet at 1 April 2004, and £100,344,000 at 31 March 2005.

(c) Goodwill

IAS36 "Impairment of Assets" requires goodwill to be subject to an annual impairment review rather than to be amortised through the income statement.

(d) Software

Development costs of software licences in relation to major projects for internal use have been reclassified from property, plant and equipment to intangible assets.

(e) Income taxes

Deferred tax assets and liabilities are now shown gross on the face of the balance sheet and are not netted off in other receivables as was previously the case. Under UK GAAP we recognised the benefit from tax allowable goodwill amortisation as a reduction to the tax charge; under IAS 12 "Income taxes" it is treated as an immediate benefit to current tax payable offset by a deferred tax liability that only crystallises if the goodwill is impaired or the business is sold.

IAS 12 further requires that we adjust goodwill and post a charge against profits when we recognise previously unrecognised deferred tax assets arising from acquired net operating losses.

(f) Events after balance sheet date

Dividends under UK GAAP were recorded in the period in respect of which they were declared. Under IAS 10 "Events after the balance sheet date", dividends are recorded in the period in which they are authorised.

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We have taken an exemption available under IFRS 1 "First time adoption of IFRS", as follows:

- We have not reclassified business combinations that took place before 1 April 2004, the date of transition. Therefore purchase price in excess of assets and liabilities acquired previously recorded as goodwill has not been reclassified into goodwill and other intangible assets.

(g) Financial instruments

IAS32 "Financial instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" were adopted at 1 April 2005 and therefore do not affect our comparative financial statements.

(h) Capital Accumulation Plan (CAP):

Yell Group operates a Capital Accumulation Plan (CAP) under which shares are issued to employees over a vesting period of three years. The funding of the purchase of the shares by the employee benefit trust is funded by Yell Limited. Under UK GAAP, this funding was held as an investment on the Balance Sheet, and amortised over the vesting period. Under IAS 39 "Financial Instruments: Recognition and Measurement", the funding of the CAP is deemed as an intercompany loan.

(i) Cashflow

Yell Limited has prepared a cash flow statement in accordance with IAS 7.

In addition to adjustments above, certain net balances held with other group companies have been restated to show the separate asset and liability components on the face of the balance sheet (reference (j) in reconciliation).

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A reconciliation of the income statement for the year ended 31 March for 2005 under previously adopted UK GAAP compared to IFRS is as follows:

	UK GAAP £'000	IFRS Adjustments £'000	IFRS £'000
Revenue	664,424	-	664,424
Cost of sales	(246,285)	-	(246,285)
Gross profit	418,139	-	418,139
Distribution costs	(15,088)	-	(15,088)
Administrative expenses	(232,646)	47,123	(185,523)
Operating Profit	170,405	47,123	217,528
Finance costs	(54,867)	(20,083)	(74,950)
Finance income	1,173	17,758	18,931
Profit before taxation	116,711	44,798	161,509
Taxation	(47,963)	3,260	(44,703)
Profit for the financial year	68,748	48,058	116,806

Reconciliation of operating profit	£'000
Operating profit – UK GAAP	170,405
(a) Share based payments	(3,936)
(b) Employee benefits	(7,525)
(c) Goodwill	58,584
Operating profit - IFRS	217,528

Reconciliation of profit for the year	£'000
Profit for the year – UK GAAP	68,748
(a) Share based payments	(3,936)
(b) Employee benefits	(9,850)
(c) Goodwill	58,584
(e) Income taxes	3,260
Profit for the year - IFRS	116,806

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A reconciliation of the balance sheet as at 31 March 2005 under previously adopted UK GAAP compared to IFRS is as follows:

	UK GAAP	IFRS Adjustments	IFRS
	£'000	£'000	£'000
Non current assets			
Goodwill	950,607	58,584	1,009,191
Other Intangible assets	-	5,210	5,210
Property, Plant & Equipment	24,877	(5,210)	19,667
Deferred tax assets	2,268	37,120	39,388
Investments	4,139	(4,139)	-
Trade & other receivables	101,841	(23,596)	78,245
Total non-current assets	1,083,732	67,969	1,151,701
Current assets			
Directories in development	62,408	-	62,408
Trade and other receivables	242,715	40,025	282,740
Cash and cash equivalents	8,376	-	8,376
Total current assets	313,499	40,025	353,524
Current liabilities			
Loans and other borrowings	(410,728)	322,478	(88,250)
Current tax liabilities	-	(263)	(263)
Trade and other payables	(139,482)	(20,857)	(160,339)
Total current liabilities	(550,210)	301,258	(248,852)
Net current liabilities	(236,711)	341,383	104,672
Non-current liabilities			
Loans and other borrowings	(448,312)	(322,478)	(770,790)
Retirement benefit obligations	-	(100,344)	(100,344)
Deferred tax liabilities	-	(4,200)	(4,200)
Trade and other payables	(1,737)	(4,138)	(5,875)
Total non-current liabilities	(450,049)	(431,160)	(881,209)
Net assets	396,972	(21,808)	375,164
Capital and reserves			
Share capital	-	-	-
Share premium account	325,971	-	325,971
Other reserves	-	(77,480)	(77,480)
Retained Earnings	71,001	55,672	126,673
Equity shareholders' funds	396,972	(21,808)	375,164

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Reconciliation of Total Assets and Liabilities as at 31 March 2005:

	£'000
Total assets under UK GAAP	1,397,231
(a) Share based payments	4,230
(b) Employee benefits	32,505
(c) Goodwill	58,584
(d) Income tax	(8,892)
(h) CAP	(5,379)
(j) Balances with held other group companies	26,946
Total assets under IFRS	1,505,225
Total liabilities under UK GAAP	(1,000,259)
(b) Employee benefits	(100,344)
(d) Income tax	(7,892)
(j) Balances with held other group companies	(21,566)
Total liabilities under IFRS	(1,130,061)

Yell Limited

A reconciliation of the balance sheet as at 1 April 2004 under previously adopted UK GAAP compared to IFRS is as follows:

Effect of transition to IFRSs

	UK GAAP	IFRS Adjustments	IFRS
	£'000	£'000	£'000
Non current assets			
Goodwill	1,009,190	-	1,009,190
Other Intangible assets	-	5,408	5,408
Property, Plant & Equipment	21,840	(5,408)	16,432
Deferred tax assets	7,713	19,949	27,662
Investments	2,495	(2,495)	-
Trade & other receivables	71,918	601	72,519
Total non-current assets	1,113,156	18,055	1,131,211
Current assets			
Directories in development	59,179	-	59,179
Trade and other receivables	232,140	(3,352)	228,788
Cash and cash equivalents	7,547	-	7,547
Total current assets	298,866	(3,352)	295,514
Current liabilities			
Loans and other borrowings	(415,906)	5,847	(411,059)
Current tax liabilities	(6,631)	-	(6,631)
Trade and other payables	(124,094)	-	(124,094)
Total current liabilities	(546,631)	5,847	(540,784)
Net current liabilities	(247,765)	2,495	(245,250)
Non-current liabilities			
Loans and other borrowings	(536,571)	-	(536,571)
Retirement benefit obligations	-	(67,102)	(67,102)
Trade and other payables	(596)	-	(596)
Total non-current liabilities	(537,167)	(67,102)	(604,269)
Net assets	328,224	(46,552)	281,673
Capital and reserves			
Share Capital	-	-	-
Share premium account	325,971	-	325,971
Other reserves	-	(54,165)	(54,165)
Retained Earnings	2,253	7,613	9,867
Equity shareholders' funds	328,224	(46,552)	281,673

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Reconciliation of Total Assets and Liabilities as at 1 April 2004:

	£'000
Total assets under UK GAAP	1,412,022
(a) Share based payments	600
(b) Employee benefits	19,949
(h) CAP	(5,846)
Total assets under IFRS	1,426,725
Total liabilities under UK GAAP	(1,083,798)
(b) Employee benefits	(67,102)
(h) CAP	5,847
Total liabilities under IFRS	(1,145,053)