

**YH3 Limited  
Report  
for the period from  
28 February 2006 to  
31 October 2006**

**Company registered number: 5724156**



# **YH3 Ltd**

## **Report for the period ended 31 October 2006**

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**Company Information**

**Directors**

J Condrón

J Davis

**Secretary**

H Rubenstein

**Company registered number: 5724156**

**Registered Office**

Queens Walk

Oxford Road

Reading

Berkshire

RG1 7PT

**Registered Auditors**

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

**Directors' report for the period from 28 February 2006 to 31 October 2006**

The directors submit their report and the audited financial statements for the period ended 31 October 2006

**Results and dividends**

The Company made a loss for the financial period to 31 October 2006 of £9,898,000

The directors do not recommend the payment of a dividend

**Review of business and future developments**

The Company, which is an indirectly wholly owned subsidiary of Yell Group plc, was incorporated on 28 February 2006 for the purpose of acting as a holding company for operations in Spain and Latin America and will continue to do so for the foreseeable future. The Company has a foreign branch whose operations are based in Spain.

The Company is an integral part of the Yell Group established for Group financing purposes and does not

- have multiple shareholders
- compete for business
- separately employ individuals
- have suppliers and customers outside the Yell Group
- have a strategy other than to meet its purpose
- have key performance indicators other than its profit or loss

The Company is not faced with substantial risks

The directors consider the result for the year and the financial year end position to be satisfactory

**Directors' remuneration and interests**

The directors of the Company are listed on page 2

None of the directors were remunerated for their services as directors of the Company.

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

**Directors' report (continued)**

**Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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.

**Auditors**

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

**Directors' report (continued)**

By order of the Board

A handwritten signature in black ink, appearing to read 'H Rubenstein', is written over the printed name.

H Rubenstein  
Company Secretary  
5 June 2007

**Independent auditors' report to the members of YH3 Limited**

We have audited the financial statements of YH3 Limited for the period from 28 February 2006 to 31 October 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity 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.

In addition we 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 judgements 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.

**Independent auditors' report to the members of YH3 Ltd (continued)**

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.

**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 October 2006 and of its profit and cash flows for the period from 28 February 2006 to 31 October 2006,
- 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

5 June 2007



**YH3 Limited****Income Statement for the period from 28 February 2006 to 31 October 2006**

		<b>Period ended 31 October 2006</b>
	<b>Notes</b>	<b>£'000</b>
Finance income	4	34
Finance costs	5	(14,133)
<b>Loss before taxation</b>	6	<b>(14,099)</b>
Taxation	7	4,201
<b>Loss for the financial period</b>		<b>(9,898)</b>

**Statement of Changes in Equity**

	<b>Share capital £'000</b>	<b>Foreign exchange reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance at 28 February 2006	-	-	-	-
Shares issued during the period	201,795	-	-	201,795
Loss for the financial period	-	-	(9,898)	(9,898)
Foreign exchange movement	-	35,198	-	35,198
Balance at 31 October 2006	201,795	35,198	(9,898)	227,095

**YH3 Limited**  
**Balance Sheet at 31 October 2006**

		At 31 October
		<u>2006</u>
	Notes	£'000
<b>Non-current assets</b>		
Investments	8	<u>1,321,735</u>
<b>Current assets</b>		
Trade and other receivables	9	23,768
<b>Current liabilities</b>		
Trade and other payables	10	(25,166)
<b>Net current liabilities</b>		<u>(1,398)</u>
<b>Non-current liabilities</b>		
Trade and other payables	10	(1,093,242)
<b>Net assets</b>		<u><u>227,095</u></u>
<b>Capital and reserves</b>		
Share capital	11	201,795
Foreign exchange reserve		35,198
Retained earnings		<u>(9,898)</u>
<b>Equity shareholders' funds</b>		<u><u>227,095</u></u>

The financial statements on pages 8 to 15 were approved by the board of directors on 5 June 2007 and were signed on its behalf by

J Davis  
 Director

**YH3 Limited****Cash Flow Statement for the period from 28 February 2006 to 31 October 2006**

	<b>Period ended 31 October 2006 £'000</b>
<b>Cash flows from operating activities</b>	
Cash generated from operations	35,185
Interest paid	(14,133)
Interest received	34
Corporation tax paid	(21,086)
<b>Net cash inflow from operating activities</b>	<b>-</b>
<b>Cash flows from investing activities</b>	
Purchase of subsidiary undertakings, net of cash acquired	(1,321,735)
Loans to other group undertakings	1,321,716
	(19)
<b>Cash flows from financing activities</b>	
Loans from other group undertakings	(201,154)
Proceeds from issuance of ordinary shares	201,795
Principal repayments paid to other group undertakings	-
Financing fees paid	(622)
	19
<b>Net increase in cash and cash equivalents</b>	<b>-</b>
Cash and cash equivalents at beginning of year	-
<b>Cash and cash equivalents at end of the year</b>	<b>-</b>

**Cash generated from operations**

	<b>Period ended 31 October 2006 £'000</b>
Profit for the year	(9,898)
<b>Adjustments for:</b>	
Tax	(4,201)
Finance income	(34)
Finance costs	14,133
Movement in receivables	(13)
Other non-cash items	35,198
<b>Cash generated from operations</b>	<b>35,185</b>

## **YH3 Limited**

### **Notes to the financial statements for the period from 28 February 2006 to 31 October 2006**

#### **1. Accounting policies**

##### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and 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.

The financial statements present information about the Company as an individual undertaking, and not as a group. The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare and deliver consolidated group accounts.

A summary of the principal accounting policies is set out below.

##### **Foreign Currency**

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the income statement.

##### **Investments**

Investments are stated at the sterling equivalent value of cost on the date of acquisition less amounts written off for any impairment in value.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current assets or liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and liabilities. Loans and receivables are classified as trade and other receivables or trade and other payables in the balance sheet.

##### **Taxation**

The credit for taxation is based on the profit 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 taxation 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.

## **YH3 Limited**

### **Notes to the financial statements (continued)**

#### **1. Accounting policies (continued)**

##### **Taxation (continued)**

Deferred tax is measured at the tax 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.

No provision is made for unremitted earnings of foreign subsidiaries or temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future.

#### **2. Financial risk management**

The Company is not exposed to any significant financial risks factors. YH3 Limited is a wholly owned subsidiary of Yell Group Plc and the group's risk management programme is detailed in the risk section of the business review of the Yell Group plc Annual Report 2007.

#### **3. Directors' emoluments**

The directors did not receive remuneration for their services to YH3 Ltd.

#### **4. Finance income**

**Period ending  
31 October  
2006  
£'000**

Interest receivable from group undertakings (Note 13)

34

#### **5. Finance costs**

**Period ending  
31 October  
2006  
£'000**

Interest payable to group undertakings (Note 13)

14,133

#### **6. Loss before taxation**

There are no employees of the Company other than the directors.

The auditors' remuneration has been accounted and paid for by Yell Limited, a fellow group company. No other fees were paid to PricewaterhouseCoopers LLP for non-audit services to the company.

## **YH3 Limited**

### **Notes to the financial statements (continued)**

#### **7. Taxation**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	<b>Period ending 31 October 2006 £'000</b>
Loss before tax	<u>(14,099)</u>
Corporation Tax at 30%	(4,230)
Finance cost treated as non-deductible	29
Total taxation	<u><u>(4,201)</u></u>

#### **8. Investments**

	<b>At 31 October 2006 £'000</b>
<b>Shares in group undertakings</b>	
Balance at 31 October	<u><u>1,321,735</u></u>

##### **Subsidiaries:**

Midorina SL -Spanish holding company

Midorina SL is incorporated in Spain and its entire ordinary share capital is directly owned by YH3 Ltd

#### **9. Trade and other receivables**

	<b>At 31 October 2006 £'000</b>
<b>Current</b>	
Receivables from related parties (note 13)	18,932
Prepayments	13
Deferred Financing Fees	622
Group relief receivable	4,201
	<u><u>23,768</u></u>

## **YH3 Limited**

### **Notes to the financial statements (continued)**

#### **10. Trade and other payables**

**At 31 October**

**2006**

**£'000**

Current amounts payable to related parties (note 13)	<u>25,166</u>
Non-current amounts payable to related parties (note 13)	<u>1,093,242</u>

Amounts owed by/to related parties are repayable at the discretion of the ultimate parent company, Yell Group plc, and at 31 October 2006 interest is charged at 5 2% per annum

#### **11. Called up share capital**

**At 31 October**

**2006**

**£'000**

Authorised	
201,794,690 ordinary shares of £1 each	<u>201,795</u>
Allotted, called up and fully paid	
201,794,690 shares of £1 each	<u>201,795</u>

#### **12. Contingent Liabilities**

At 31 October 2006 there were no contingent liabilities or guarantees other than that mentioned below and those arising in the ordinary course of the Company's business and on these no material losses are anticipated

#### **13. Related Party Transactions and controlling entity**

The Company is a wholly owned subsidiary of Yell Holdings 2 Limited

The ultimate holding company and controlling party is Yell Group plc

Key management did not receive remuneration for their services to YH3 Ltd.

Details of transactions with other Group undertakings during the period ended 31 October 2006 and balances outstanding as at those dates are as follows

**YH3 Ltd****Notes to the financial statements (continued)****13. Related Party Transactions and controlling entity (continued)**

**Period ending  
31 October  
2006  
£'000**

**Finance costs**

Finance costs payable to Yell Holdings 2 Ltd

(14,037)

Finance costs payable to Midorna SL

(96)

(14,133)**Finance income**

Finance income receivable from Yell Holdings 2 Limited

34

**At 31 October  
2006  
£'000**

**Current assets**

Amounts due from Yell Holdings 2 Limited

18,932

**At 31 October  
2006  
£'000**

**Current liabilities**

Amounts owed to Yell Holdings 2 Limited

663

Amounts owed to Midorna SL

24,50325,166**Non-current liabilities**

Amounts owed to Yell Holdings 2 Limited

1,093,242

The Company acts as a guarantor, along with certain fellow Group undertakings, under a facility agreement dated 27 April 2006. Under the agreement it has guaranteed the obligations of each and all of the Obligers, all of which are fellow Group undertakings.

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