Registered Number: 4205228

Yell Limited

Annual Report for the year ended 31 March 2007

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Yell Limited

Company Information

Directors

John Condron	Chief Executive Officer
John Davis	Chief Financial Officer
Lyndon Lea	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

Report of the Directors for the year ended 31 March 2007

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2007

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

Overall revenue grew by 3% to £719,889,000 Growth was driven by a 61% increase in revenue from Yell com, whereas our printed directories declined by 3% Revenue from UK Printed Directories followed the 3% decline in the total number of unique print advertiser, which fell to 450,000 due to competition Average revenue per unique advertiser decreased to 0 4% to £1,335 The regulatory price cap of RPI-6% required us to reduce Yellow Pages rate card prices by an average of 2 6% during the year and restricted our ability to compete effectively through innovative marketing initiatives Retention was stable at 75%

Yell com's revenue grew by 61% with growth of 13% in searchable advertisers at 31 March to 196,000 Unique users grew 12% compared with last year and we grew recognised revenue per average searchable advertiser 37% mainly through selling higher value products to existing customers

Yell Ltd's profit before tax decreased by 6 1% (2006 12 2% increase)

The relaxation of regulation in the UK will provide us with greater marketing freedom to expand the benefits of advertising in our products and so increase future sales volumes Even though our marketing and sales under the new regulation will begin in 2008, the effect of these efforts will not be felt until the 2009 financial year

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

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 2007 financial year, paper costs were equivalent to 3 2% of company revenue and represented 9 2% of costs of sales 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

Results and dividends

The Company's profit after tax for the financial year is £119,302,000 (2006 £129,515,000)

A dividend of £150,000,000 was proposed and paid during the year (2006 £147,000,000)

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, John Davis and Lyndon Lea 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 £1,048,901 (2006 £807,195), 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 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 2007, trade payables represented 40 days (2006 27 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 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

By order of the Board

Howard Rubenstein
Company Secretary

Date 5th June 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YELL LIMITED

We have audited the financial statements of Yell Limited for the year ended 31 March 2007 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 2007 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
5th June 2007

Yell Limited

Income Statement for the year ended 31 March 2007

	Note	2006 £'000	2007 £'000
Revenue		698,873	**719,889**
Cost of sales	2	(245,763)	**(258.869)**
Gross profit		453,110	**461,020**
Distribution costs	2	(16,240)	**(16,009)**
Administrative expenses	2	(198,568)	**(205,603)**
Operating profit		238,302	**239,408**
Finance costs		(73,244)	**(110,797)**
Finance income		18,927	**44,040**
Net finance costs	4	(54,317)	**(66,757)**
Profit before taxation		183,985	**172,651**
Taxation	5	(54,470)	**(53,349)**
Profit for the financial year		129,515	**119,302**
Dividends paid to equity shareholders	6	(147,000)	**(150,000)**

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 2007

	2006 £'000	2007 £'000
Profit for the financial year	129,515	**119,302**
Actuarial (losses)/gains on defined benefit pension schemes	(3,445)	**16,098**
Changes in fair value of financial instruments used as hedges	952	**13,572**
Tax effect of net expenses not recognised in income statement	1,033	**(4,829)**
Tax on share based payments	1,680	**2,430**
Net expenses recognised directly in equity	220	**27,271**
Total recognised income for the year	129,735	**146,573**
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)	**-**
	128,716	**146,573**

Yell Limited

Balance Sheet as at 31 March 2007

	Note	2006 £'000	2007 £'000
Non current assets			
Goodwill	7	1,009,191	**1,009,191**
Other Intangible assets	8	6,578	**10,503**
Property, Plant & Equipment	9	22,000	**26,402**
Deferred tax assets	13	36,705	**26,559**
Investments	10	-	-
Trade & other receivables	12	55,459	**60,664**
Total non-current assets		1,129,933	**1,133,319**
Current assets			
Directories in development	11	67,108	**69,431**
Trade and other receivables	12	270,307	**1,073,412**
Cash and cash equivalents		15,865	**22,734**
Total current assets		353,280	**1,165,577**
Current liabilities			
Loans and other borrowings	14	(223,942)	**(84,311)**
Current tax liabilities		(20,592)	**(10,027)**
Trade and other payables	16	(193,905)	**(233,932)**
Total current liabilities		(438,439)	**(328,270)**
Net current assets		(85,159)	**837,307**
Non-current liabilities			
Loans and other borrowings	14	(639,350)	**(1,577,983)**
Retirement benefit obligations	21	(39,865)	**(27,222)**
Deferred tax liabilities	13	(4,489)	**(9,987)**
Trade and other payables	16	(4,190)	**(1,981)**
Total non-current liabilities		(687,894)	**(1,617,173)**
Net assets		356,880	**353,453**
Capital and reserves			
Share capital	17,19	-	-
Share premium account	17,19	325,971	**325,971**
Other reserves	18,19	(78,279)	**(53,480)**
Retained Earnings	19	109,188	**80,962**
Equity shareholders' funds		356 880	**353,453**

The financial statements on pages 10 to 41 were approved by the board of directors on 5th June 2007 and were signed on its behalf by

John Davis
Director

Yell Limited

Cash Flow Statement for the year ended 31 March 2007

	2006 £'000	2007 £'000
Cashflows from operating activities:		
Cash generated from operations	177,363	**281,369**
External interest paid	(32,803)	**(76,825)**
External interest received	1,230	**4,320**
Interest paid to group undertakings	(7,021)	**-**
Interest received from group undertakings	32,184	**409**
Net income tax paid	(20,763)	**(32,790)**
Net cash inflow from operating activities	150,190	**176,483**
Cash flows from investing activities		
Purchase of property, plant & equipment	(15,399)	**(17,361)**
Loans to other group companies	-	**(34,470)**
Principle received from other group companies	-	**144,820**
Net cash outflow from investing activities	(15,399)	**92,989**
Cash flows from financing activities		
Acquisition of new loans	300,000	**1,324,264**
Repayment of borrowings	(544,000)	**(333,106)**
Net movements from other group undertakings	43,990	**(879,211)**
Net movement on revolving credit facility	225,000	**(203,000)**
Financing fees paid	(5,292)	**(21,207)**
Dividends paid	(147,000)	**(150,000)**
Net cash outflow from financing activities	(127,302)	**(262,260)**
Net increase in cash and cash equivalents	7,489	**6,869**
Cash and cash equivalents at beginning of year	8,376	**15,865**
Cash and cash equivalents at end of the year	15,865	**22,734**

Yell Limited

Cash generated from operations for year ended 31 March 2007

	2006	2007
	£'000	£'000
Profit for the year	129,515	**119,302**
Adjustments for.		
Tax	54,470	**53,349**
Depreciation of property, plant & equipment	8,445	**10,000**
Profit on disposal	-	**49**
Amortisation of software costs	2,678	**3,484**
External finance cost	36,583	**78,763**
Finance costs owed to group undertakings	30,218	**23,945**
Finance income due from group undertakings	(17,697)	**(37,230)**
Finance fees amortised	6,443	**8,089**
External finance income	(1,230)	**(6,810)**
Changes in working capital:		
Directories in development	(4,700)	**(2,323)**
Trade & other receivables	(29,267)	**4,043**
Trade & other payables	26,498	**26,749**
Pension deficit repair	(64,800)	**-**
Other non cash	207	**(41)**
Cash generated from operations	177,363	**281,369**

Notes to the financial statements for the year ended 31 March 2007

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 as modified by the reduction of land and buildings, and financial assets and liabilities (including derivative instruments) at fair value through the income statement 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 are 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

(f) Goodwill

Goodwill which arose on the acquisition of the companies business and net assets from BT Group plc 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

(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

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 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 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

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 £21,833,000 during the 2007 financial year and at 3 0% of revenue was 0 2% 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 2007, then profit before tax would have varied by approximately £7,199,000

(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 2007, then our amortisation charge would have varied by approximately £7,745,512 If the useful economic lives had decreased by an average of one year, our amortisation charge would have varied by approximately £14,674,482 Our depreciation charge would have varied by approximately £2,253,673 if the useful lives had increased by an average of one year, or by approximately £4,675,297 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

(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 out future employee expenses

The value of the pension obligations at 31 March 2007 was calculated on the basis that the real interest rate at the balance sheet date was 2 1%, 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 2% or 2 0% per annum, respectively, would decrease or increase the present value of the total pension obligation by approximately £8 5million 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 2007 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 2007 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

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 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 IFRC 8 will have a significant effect on our report of operations

IFRIC 11, IFRS 2 – Group and treasury share transactions

IFRIC 11 addresses how a subsidiary should account for rights over parent company shares issued to its employees When a parent entity grants rights over the parents equity instruments to the employees of its subsidiary, as long as the share-based payment arrangement is accounted for as equity-settled in the consolidated financial statements, the subsidiary should treat the arrangement as an equity-settled arrangement

2. Expenses by nature

	Note	2006 £'000	2007 £'000
Distribution costs		16,240	**16,009**
Paper costs		24,909	**23,704**
Printing and binding costs		28,510	**28,321**
Bad debt expense		22,756	**21,833**
Pre-press costs		16,544	**17,235**
Staff costs (note 3)	3	55,372	**58,148**
Other directory development costs		185,603	**202,995**
Advertising costs		37,245	**33,715**
Operating lease charges			
Plant & machinery		7,833	**8,217**
Other		6,095	**6,615**
Depreciation of property plant & equipment	9	8,445	**10,000**
Amortisation of software costs	8	2,678	**3,484**
Other administrative expenses		48,341	**50,205**
Total cost of sales, distribution costs and administrative expenses		460,571	**480,481**

The auditor's remuneration has been disclosed in note 24

3. Employees

	2006	2007
Average monthly number of employees (including executive directors)		
Marketing and sales	157	**434**
Other	840	**623**
Total employees	997	**1,057**

	2006 £'000	2007 £'000
Wages and salaries	36,922	**37,971**
Social security costs	4,899	**4,018**
Other pension costs (Note 21)	13,388	**14,288**
Severance costs	2,948	**1,271**
Share based payments	1,346	**1,752**
Total staff costs payable for the year	59,503	**59,300**
Movement of staff costs deferred in directories in development	(4,131)	**(1,152)**
Total staff costs expensed to the income statement	55,372	**58,148**

Directors Remuneration

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

4. Net Finance Costs

	2006 £'000	2007 £'000
Interest payable on bank loans	32,523	**77,274**
Interest payable on loans from group undertakings	30,218	**23,945**
Amortisation of finance costs	6,443	**8,089**
Interest on retirement benefit obligation	3,773	**-**
Interest rate swaps fair value hedges	287	**1,417**
Other interest payable	-	**72**
Total finance costs	73,244	**110,797**
Interest receivable on bank deposits	(1,230)	**(4,490)**
Interest receivable on loans to group undertakings	(17,697)	**(37,230)**
Interest on retirement benefit obligation	-	**(798)**
Interest rate swaps fair value hedges	-	**(1,423)**
Other interest receivable	-	**(99)**
Total interest receivable	(18,927)	**(44,040)**
Net finance costs	54,317	**66,757**

Included within the amortisation of finance costs is an amount of £4,537,892 in respect of the write off of issue costs following the restructuring of the secured bank loans on the purchase of Yell Publicidad S A in Spain by Yell Group plc

5. Taxation

	2006 £'000	2007 £'000
Current tax:		
UK corporation tax on profit for the period at 30%	49,597	**46,916**
Adjustment in respect of previous periods	(451)	**1,309**
Total current tax	49,146	**48,225**
Deferred tax:		
Capital allowances	288	**647**
Short term timing differences	3,213	**4,558**
Adjustment in respect of prior periods	1,823	**(81)**
Total deferred tax charge	5,324	**5,124**
Total Taxation	54,470	**53,349**

The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK of 30% The differences are explained below

	2006 £'000	2007 £'000
Profit before tax	183,985	**172,651**
Profit before tax multiplied by standard rate in UK 30% (2006 30%)	55,196	**51,795**
Effects of		
Permanent items	(721)	**245**
Capital allowances in excess of depreciation	(288)	**(514)**
Adjustments to tax charge in respect of previous period	(451)	**1,309**
Other timing differences	(4,590)	**(4,610)**
Current tax charge for the period	49,146	**48,225**

Taxation charged directly to equity is as follows:

	2006 £'000	2007 £'000
Deferred tax on actuarial gains and losses	1,033	**(4,829)**
Tax on share based payments	1,680	**2,430**
Deferred tax on financial instruments	219	**(5,813)**
Total taxation recorded in equity	2,932	**(8,212)**

6. Dividends

	2006 £'000	2007 £'000
Dividends paid to equity share holders	147,000	150.000

7. Goodwill

Year ended 31 March 2006	2006 £'000	2007 £'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 2006 or 2007

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 8%
Discount rate	8 0%

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

8. Other Non-current Intangibles

	2006 £'000	2007 £'000
Cost		
Balance at beginning of year	14,662	17,887
Additions	4,092	7,409
Disposals	(867)	-
Total cost at end of the year	**17,887**	**25.296**
Amortisation		
Balance at beginning of year	(9,452)	(11,309)
Charge for the year	(2,678)	(3,484)
Disposals	821	-
Total amortisation at the end of year	**(11.309)**	**(14.793)**
Net book value at end of the year	**6,578**	**10.503**

Yell Limited

9. **Property, Plant & Equipment**

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**

Year ended 31 March 2007	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
Cost			
Balance at beginning of year	3,193	50,411	53,604
Additions	3,883	10,568	14,451
Disposals	-	(3,898)	(3,898)
Total cost at end of year	**7,076**	**57,081**	**64,157**
Depreciation			
Balance at beginning of year	(913)	(30,691)	(31,604)
Charge for the year	(1,018)	(8,982)	(10,000)
Disposals	-	3,849	3,849
Total depreciation at end of the year	**(1,931)**	**(35,824)**	**(37,755)**
Net book value at end of the year	**5,145**	**21,257**	**26,402**

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

The Company is exempt from the requirement to prepare and deliver consolidated financial statements under the provisions of Section 228 of the Companies Act 1985 (as amended by Section 5 of the Companies Act 1989) as the Company and its subsidiary Yellow Pages Sales Limited are included within the consolidated financial statements of its ultimate parent company Yell Group plc

11. Directories in development

	2006	2007
	£'000	£'000
Opening cost	62,408	**67,108**
Additions	148,411	**157,829**
Amortisation into cost of sales	(143,711)	**(155,506)**
Closing cost	67,108	**69,431**

12. Trade and other receivables

	2006	2007
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	231,078	**256,603**
Prepayments	6,673	**6,856**
Other debtors	17,627	**41,128**
Accrued income	1,366	**1,363**
Amounts owed by group undertakings	13,563	**767,462**
	270,307	**1,073,412**
Amounts falling due after more than one year:		
Amounts owed by group undertakings	55,459	**58,945**
Bank fees	-	**1,719**
Total receivables	325,766	**1,134,076**

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

	2006 £'000	2007 £'000
Balance at beginning of the year	(42,681)	**(44,828)**
Charged to income statement	(38,573)	**(31,671)**
Written-off	36,426	**36,723**
Balance at end of the year	(44,828)	**(39,776)**

13. Deferred taxation

Deferred tax asset

	2006 £'000	2007 £'000
Balance at beginning of the year	39,388	**36,705**
Charged to income statement	(5,615)	**(5,124)**
Credited directly to equity	2,932	**(5,184)**
Balance at end of the year	36,705	**26,559**

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

	2006 £'000	2007 £'000
Tax effect of timing differences because of		
Excess capital allowances over depreciation	5,607	**5,215**
Short term timing differences	31,098	**21,344**
Recognised deferred tax assets	36,705	**26,559**

Deferred tax liabilities

	2006 £'000	2007 £'000
Balance at beginning of the year	4,200	**4,489**
Credited to income statement	-	**-**
Credited directly to equity	289	**5,498**
Balance at end of the year	4,489	**9.987**

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

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

	2006 £'000	2007 £'000
Tax effect of timing differences because of		
Short term timing differences	4,489	9,987
Balance at end of the year	4,489	9,987

14. Loans and other borrowings

	Interest Rate %	2006 £000's	Interest Rate %	2007 £000's
Amounts falling due within one year				
Term loans under senior credit facilities	5 60	-	7 23	66,213
Revolving loan under senior credit facilities	5 58	225,000	7 16	22,000
Unamortised issue costs		(1,058)		(3,902)
Total amounts falling due within one year		223,942		84,311

	Interest Rate %	2006 £000's	Interest Rate %	2007 £000's
Amounts falling due after more than one year				
Senior credit facilities	5 60	300,000	7.23	1,224,945
Amounts owed to Group undertakings	8 00	342,830	8.00	365,069
Unamortised issue costs		(3,480)		(12,031)
Total amounts falling due after more than one year		639,350		1,577,983
Net loans and other borrowings		863,292		1.662,294

The Senior Credit Facility consists of a £1,324 million term loan The senior credit facilities include a revolving credit facility of £400m (2006 £600m) At 31 March 2007, £22,000,000 was outstanding under the revolving credit facility (2006 - £225,000,000) The senior credit facilities, including the Revolving Credit facility, have security over shares in Yell Group plc's principal operating companies

Debt maturities, net of issue costs, are as follows

	Principal Amount £000's	Deferred Finance Costs £000's	Net Balance £000's
At 31st 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**

	Principal Amount £000's	Defered Finance Costs £000's	Net Balance £000's
At 31st March 2007			
Within one year, or on demand	88,213	(3,902)	**84,311**
Between one and two years	99,320	(3,902)	**95,418**
Between two and three years	132,426	(3,902)	**128,524**
Between three and four years	198,640	(3,902)	**194,738**
Between four and five years	794,559	(325)	**794,234**
After five years	365,069		**365,069**
Total due after more than one year	1,590,014	(12,031)	**1,577,983**
Total loans and borrowings	1,678,227	(15,933)	**1,662,294**

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

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

Yell Lımited

The Company borrows at both fixed and floatıng rates of ınterest and, ın order to achıeve the objectıve of managıng ınterest rate rısk, partıally hedges ıts rısks through the use of ınterest-rate derıvatıve ınstruments Interest ıs payable under the senıor credıt facılıtıes at a varıable ınterest rate We have fixed ınterest on at least 90% of the ındebtedness under the senıor credıt facılıtıes usıng ınterest rate swaps over the perıod to March 2007, wıth a revıew of thıs strategy on a quarterly basıs

Other financıal ınstruments ınclude short term receıvables and payables that arıse ın the normal course of busıness and, therefore, have been excluded from the dısclosures that follow There has been no change ın the role that financıal ınstruments have ın creatıng or changıng the Yell Groups rısk between 31 March 2007 and the date of these financıal statements

Detaıls of the ınterest rate profile of Yell Lımıted's financıal assets and lıabılıtıes are as follows

	Financıal assets	Financıal lıabılıtıes			
	Floatıng rate	Fıxed rate	Floatıng rate	Total	Net financıal lıabılıtıes
	£'000	£'000	£'000	£'000	£'000
At 31 March 2006	15,865	(227,000)	(298,000)	(525,000)	(509,135)
At 31 March 2007	22,734	(1,208,000)	(105,200)	(1,313,150	(1,290,416)

Total financıal lıabılıtıes are presented gross before unamortızed costs whıch amount to £17,657,000 at 31 March 2007 (2006 £4,538,000) Detaıls of ınterest and maturıty profiles of specıfic borrowıngs are gıven ın note 14 There are no materıal monetary assets or lıabılıtıes denomınated ın currencıes other than local reportıng currencıes

Interest rate profile

Detaıls of year-end ınterest rates on borrowıngs are set out ın note 14 Yell Lımıted has entered ınto ınterest rate swaps for the purpose of hedgıng future floatıng ınterest rate movements Yell Lımıted has fixed ınterest rates on at least 90% of the ınterest exposure on the ındebtedness under the senıor credıt facılıtıes usıng ınterest rate swaps over the perıod to March 2007

For the fixed rate financıal lıabılıtıes, the average ınterest rates and the average perıods for whıch the rates are fixed are

	Weıghted average ınterest rate	Weıghted average perıod for whıch the rate ıs fixed
	%	Years
At 31 March 2006	5 7	1 2
At 31 March 2007	6 8	3 2

The floatıng rate financıal lıabılıtıes bear ınterest at rates fixed ın advance for perıods rangıng, at Yell Lımıted s optıon, from one month to sıx months by reference to LIBOR Yell Lımıted expects to contınue to fix ıts floatıng rate financıal lıabılıtıes at the end of each month by reference to one month LIBOR at that tıme

Borrowıng facılıtıes and lıquıdıty rısk

Yell Lımıted has maıntaıned commıtted bankıng facılıtıes to mıtıgate any lıquıdıty rısk ıt may face There were commıtted revolvıng credıt facılıtıes at 31 March 2007 of £600,000,000 (2006 £300,000,000) of whıch £22,000,000 had been drawn down at 31 March 2007 (2006 £300,000,000) These facılıtıes expıre May 2011

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 2007 of which	19,289	-	19,289
Expected to be recognised in the year 31 March 2008	2,928	-	2,928
Expected to be recognised after 31 March 2008	16,361	-	16,361

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

	2006 £'000	2007 £'000
Amounts falling due within one year		
Trade payables	18,347	**29,391**
Other taxation and social security	17,399	**18,199**
Accruals and other payables	67,634	**81,898**
Deferred income	77,914	**93,974**
Amounts owed to group undertakings	12,611	**10,470**
	193,905	**233,932**
Amounts falling due after more than one year		
Deferred income	1,313	**843**
Amounts owed to group undertakings	2,877	**1,138**
	4,190	**1,981**
Total trade and other payables	198,095	**235,913**

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

17. Share capital

Called up share capital

	2006 £	2007 £
Authorised		
100 ordinary shares of £1	100	**100**
Allotted, called up and fully paid		
73 Ordinary shares of £1 each	73	73

Share Premium

	2006	2007
	£'000	£'000
At 1 April and 31 March	325,971	325,971

18. Other reserves

	Share based payments	Pensions reserve	Hedging reserve	Total other reserves
	£'000	£'000	£'000	£'000
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 expense recognised directly in equity	1,680	(2,412)	952	220
Balance at 31 March 2006	(6,073)	(72,139)	(67)	(78,279)
Balance at 1 April 2006	(6,073)	(72,139)	(67)	(78,279)
Gross actuarial losses on defined benefit pension schemes	-	16,098	-	16,098
Change in fair value of hedges	-	-	19,385	19,385
Taxation	(42)	(4,829)	(5,813)	(10,684)
Net income / (expense) recognised directly in equity	(42)	11,269	13,572	24,799
Balance at 31 March 2007	(6,115)	(60,870)	13,505	(53,480)

19. Statement of changes in equity

	Share capital	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000
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	374,145
Net expense recognised directly in equity	-	220	-	220
Profit for the year	-	-	129,515	129,515
Total recognised income / (expense)	-	220	129,515	129,735
Dividends	-	-	(147,000)	(147,000)
Balance at 31 March 2006	325,971	(78,279)	109,188	356,880
Balance at 1 April 2006	325,971	(78,279)	109,188	356,880
Net income recognised directly in equity	-	24,799	2,472	27,271
Profit for the year	-	-	119,302	119,302
Total recognised income for 2007	-	24,799	121,774	146,573
Dividends	-	-	(150,000)	(150,000)
Balance at 31 March 2007	325,971	(53,480)	80,962	353,453

20 Financial commitments, contingent liabilities and litigation

Future aggregate minimum operating lease payments for the Company at 31 March 2006 and 2007 are as follows

	2006	2007
	£'000	£'000
Payable:		
Not later than 1 year	13,928	**14,832**
Later than 1 year and not later than 5 years	30,266	**30,124**
Later than five years	15,007	**15,442**
Total future aggregate minimum operating lease payments	59,201	**60,398**

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 2006 and 2007 included the following pension-related charges

Amounts charged to operating profit (administrative expenses)

	2006	2007
	£'000	£'000
Current service cost	17,667	**21,499**
Termination benefits	859	**895**
Amounts expensed for defined benefit schemes	18,526	**22,394**
Contributions payable by other group companies	(5,589)	**(8,542)**
Net expense for defined benefit schemes	12,937	**13,852**
Amounts expensed for defined contribution schemes	451	**436**
Total operating charge	13,388	**14,288**

Net amount expensed as finance cost for defined benefit scheme

	2006	2007
	£'000	£'000
Expected return on pension scheme assets	(10,156)	**(16,513)**
Finance cost on pension scheme liabilities	13,929	**15,715**
Net finance cost of defined benefit scheme	3,773	**(798)**

Amount recognised in statement of recognised income and expense

	2006 £'000	2007 £'000
Actual return less expected return on pension scheme assets	26,836	199
Experience (losses) / gains arising on the scheme liabilities	14,227	(1,307)
Changes in assumptions underlying the present value of the scheme liabilities	(44.518)	17,200
Actuarial losses	(3,455)	16,092
Deferred taxation arising on actuarial loss recognised in equity	1,033	(4,829)
Actuarial loss, net of tax	(2,422)	11,263

The cumulative actuarial loss net of tax recognised at 31 March 2007 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 2007 was based on the valuation at 5 April 2006 updated to 31 March 2007 The valuations, carried out by professionally qualified independent actuaries, used the following key assumptions

	2006 % per annum	2007 % per annum
Discount rate	4 9	5.2
Expected return on assets	6 4	6.3
Discount rate on unfunded, unapproved scheme	4 9	n/a
Salary increases	4 5	4.6
Pension increases	3 0	3.1
Inflation rate	3 0	3.1

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

	2006 Years	2007 Years
Male	26 5	26.5
Female	29 4	29 4

The assets in the YPP and the annual expected return were

	2006		2007	
	%	£'000	%	£'000
Equities	7 2	154,800	7.5	157,527
Corporate bonds	4 9	4,900	5.2	51,098
Gilts	4 2	111,500	4.5	69.844
Property	-	-	6.5	23.886
Total assets		271,200		302,355

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 trustees set asset allocation targets at 31 March 2006 and 2007 in which approximately 55% of the assets held should be equity investments and 45% should be debt securities The trustees changed their asset allocation approach during the year to 31 March 2007, splitting the portfolio into "pre horizon" and "post horizon" The "pre horizon" assets are all debt securities and at 31 March 2007 comprised around 17% of the total assets The "post horizon" assets have allocation targets of 60% equities, 10% property and 30% index-linked debt securities

	2006 £'000	2007 £'000
Total market value of assets	271,200	**302,355**
Present value of scheme liabilities	(311,065)	**(329,577)**
Net balance sheet liability	(39,865)	**(27,222)**

The following amounts explain the movement in the pension provision for the years ended 31 March 2006 and 2007

	2006 £'000	2007 £'000
Balance at beginning of year	(100,344)	**(39,865)**
Reallocation from restructuring accruals	-	-
Movement in year		
Current service cost	(17,667)	**(21,499)**
Contributions	86,233	**18,147**
Past service costs	(859)	**(895)**
Other finance costs	(3,773)	**798**
Actuarial loss	(3,455)	**16,092**
Balance at end of the year	(39,865)	**(27,222)**

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

	2006 £'000	2007 £'000
Present value of funded obligations	(309,559)	**(329,577)**
Fair value of plan assets	271,200	**302,355**
Present value of unfunded obligations	(1,506)	-
Net balance sheet liability	(39,865)	**(27,222)**

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

	2006 £'000	2007 £'000
Opening defined benefit obligation	250,544	**311,065**
Current service cost	17,667	**21,499**
Past service cost	859	**895**
Finance cost	13,929	**15,715**
Accrual reallocation	-	-
Actuarial losses	30,291	**(15,893)**
Contributions by participants	193	**177**
Benefits paid	(2,418)	**(3.881)**
Closing defined benefit obligation	311,065	**329,577**

Changes in the fair value of plan assets were as follows

Yell Limited

Changes in the fair value of plan assets were as follows

	2006 £'000	2007 £'000
Opening fair value of plan assets	150,200	**271,200**
Expected return	10,156	**16,513**
Actuarial gains	26,836	**199**
Contributions by employer	86,233	**18,147**
Contributions by participants	193	**177**
Benefits paid	(2,418)	**(3,881)**
Closing fair value of plan assets	271,200	**302,355**

The full actuarial valuation at 5 April updated to 31 March 2007 showed a deficit of £27,222,000 Contributions of £16,000,000, plus £2,100,000 in respect of benefit augmentations were made in the year

In the year ended 31 March 2006 and until 31 December 2007, 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 2007, 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 £17,000,000

Additionally, "SMART Pensions" were introduced with effect from 1 March 2006, 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 2007 these amounted to £2,900,0000 (5 25% of pensionable earnings)

The £16,092,000 actuarial loss reflects a £15 increase in liabilities, net of £15,893,000 actuarial gains in asset values The increase in liabilities in the year ended 31 March 2007 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 2006 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

	2006	2007
Difference between the expected and actual return on scheme assets		
- Gain (£'000)	26,836	199
- Gain (proportion of scheme assets)	10%	0%
Experience losses on scheme liabilities and changes in assumptions		
- Profit/(Loss) (£'000)	(30,291)	15,893
- Profit/(Loss) (proportion of present value of scheme assets)	-10%	5%

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 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 2007 was calculated on the basis that the real interest rate at the balance sheet date was 2 1%, 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 2% or 2 0% per annum, respectively, would decrease or increase the present value of the total pension obligation by approximately £8 5 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 The assumed life expectancy at age 60 for men and women already retired in 25 5 and 28 3 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 £1,297,000 for the year ended 31 March 2007 (2006 £940,000) Outstanding contributions amounted to £nil as at 31 March 2007 (2006 £nil)

22. Related Parties Transactions

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

	2006 £'000	2007 £'000
Finance income from Yell Holdings 2 Ltd	14,372	37,230
Finance costs payable to Yell Holdings 2 Ltd	(8,890)	(1,706)
Net finance income with Yell Holdings 2 Ltd	5,482	35,524

	2006 £'000	2007 £'000
Non current amounts owed from Yell Holdings 2 Ltd	55,459	58,945
Current amounts owed from Yell Holdings 2 Ltd	13,563	754,425
Current amounts owed to Yell Holdings 2 Ltd	(4,622)	(48)
Total amounts owed from Yell Holdings 2 Ltd	64,400	813,322

	2006 £'000	2007 £'000
Finance income from YH Ltd	3,329	-
Finance costs payable to YH Ltd	(554)	-
Net finance income with Yell Holdings Ltd	2,775	-

Yell Limited

	2006 £'000	2007 £'000
Finance income from Yell Finance Ltd	-	-
Finance costs payable to Yell Finance Ltd	(20,807)	(22,239)
Net finance expense with Yell Finance Ltd	(20,807)	**(22,239)**

	2006 £'000	2007 £'000
Non current amounts owed to Yell Finance Ltd	(342,830)	**(365,069)**
Total amounts payable to Yell Finance Ltd	(342,830)	**(365,069)**

	2006 £'000	2007 £'000
Current amounts owed from Yellow Book USA Inc	-	**13,037**
Current amounts owed to Yellow Book USA Inc	(7,989)	**(2,786)**
Total amounts payable to Yellow Book USA Inc.	(7,989)	**10,251**

	2006 £'000	2007 £'000
Current amounts owed from Midorina SL	-	-
Current amounts owed to Midorina SL	-	**(7,636)**
Total amounts payable to Midorina SL	-	**(7,636)**

	2006 £'000	2007 £'000
Income from Yellow Pages Sales Limited	141,530	**152,700**
Costs payable to Yellow Pages Sales Limited	(141,530)	**(152,700)**
Net income with Yellow Pages Sales Limited	-	-

	2006 £'000	2007 £'000
Non current amounts owed to Yellow Pages Sales Limited	(2,797)	**(1,098)**
Total amounts payable to Yellow Pages Sales Limited	(2,797)	**(1,098)**

	2006 £'000	2007 £'000
Income from General Art Services Ltd	4,080	**4,381**
Costs payable to General Art Services Ltd	(4,080)	**(4,381)**
Net finance income with General Art Services Ltd	-	-

	2006 £'000	2007 £'000
Non Current amounts owed to General Art Services Ltd	(80)	**(40)**
Total amounts payable to General Art Services Ltd	(80)	**(40)**

Key management compensation was as follows

	2006 £'000	2007 £'000
Salaries & other short term employee benefits	5,175	**7,850**
Post employment benefits	893	-
Share based payments	1,172	**1,763**
Total key management compensation payments	7,240	**9,613**

Facility Agreement

The Company acts as 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 Obligors, all of which are fellow group undertakings

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

24. Auditors remuneration

The following fees were paid or are payable to the Company's auditors for the years ended 31 March 2006 and 2007 respectively

	2006 £'000	2007 £'000
Audit services	200	**200**
Non audit services		
- Fees payable for the audit of the company's subsidiaries pursuant to legislation	439	**311**
- Other services supplied pursuant to legislation	373	**62**
- Services relating to taxation	41	**62**
- All other services	201	**123**
Total auditors remuneration	1,254	**758**

25. Controlling entity

At 31 March 2007 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

The company has assessed the impact of the proposed reduction in the UK rate of corporation tax from 30% to 28% and current expectations are that the impact will be immaterial