Registered Number: 04205228

Yell Limited

Annual Report for the year ended 31 March 2011

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Yell Limited

Company Information

Directors

Danny Sheehan	Appointed 30 March 2011
Tony Bates	Appointed 22 November 2010
Christian Wells	Appointed 1 March 2011
John Condron	Resigned 31 December 2010
John Davis	Resigned 22 November 2010

Company secretary

Christian Wells	Appointed 2 August 2010
Howard Rubenstein	Resigned 2 August 2010

Registered office

One Reading Central
Forbury Road
Reading
Berkshire
RG1 3YL

Registered number

04205228

Statutory auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hairfield Road
Uxbridge
UB8 1EX

Yell Limited

Report of the directors for the year ended 31 March 2011

The directors present their Annual Report and the audited financial statements of Yell Ltd (the "Company") for the year ended 31 March 2011

Principal activities

The Company's principal activities during the year were the provision of classified directory advertising in the United Kingdom through printed, online and phone-based media The Company is an indirectly wholly owned subsidiary of Yell Group plc, ("Yell Group", the "Group")

Review of business and future developments

Overall revenue fell by 15% to £516,209,000 UK Printed directories fell by 23 5% to £313,100,000 from £409,400,000 Unique advertiser retention rates rose slightly to 73% from 72% last year

Digital Media revenue grew by 2 1% to £179,900,000 (2010 £176,200,000) Unique visitors in March 2011 fell 9 2% in comparison to last year where they were 9 7% Websites increased to 16,000 on last years figure of 6,000

The Company's profit before tax fell by 14% (2010 40% decrease) due to the continued fall in operating profit partially offset by a decrease in net finance costs

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 2011 financial year, paper costs were equivalent to 3 4% (2010 2 5%) of Company revenue and represented 5 3% (2010 6 7%) 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 2013 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

Review of business and future developments (continued)

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 ignificant 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 result for the financial year to 31 March 2011 was a profit of £41,260,000 (2010 profit £48,018,000)

The directors do not recommend the payment of a dividend (2010 £nil)

Directors and their interests

The directors who held office during the year and up to the date of approval of the financial statements are stated on page 1 None of the directors were remunerated for their services as directors of the Company (2010 £none)

Article 224 1 of the Articles of Association of Yell Group plc, the ultimate holding company, permit Yell Group plc, subject to the Companies Act 2006 and other applicable legislation, to indemnify any of the directors against any loss or liability in connection with any proven or alleged negligence, default, breach of duty or trust by him, in relation to Yell Group plc or any of its subsidiaries In November 2009 Yell Group plc entered deeds of indemnity in favour of its current and former executive and non-executive directors and officers of Yell Group plc, its subsidiaries any other companies to which Yell Group plc or any of its subsidiaries has nominated or appointed any such person as a director or officer The deeds of indemnity, which remain in force, are qualifying third party indemnities for the purposes of section 234 of the Companies Act 2006

Related party transactions

Details are provided in note 22 to the financial statements

Employees

Yell Group inclusive of the Company 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 The Company 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 2011, trade payables represented 29 days (2010 26 days) of purchases

Cash and debt

The Company is within a group of companies (the "security group") that are party to debt arrangements associated with bank facilities These bank facilities contain covenants over net cash interest cover and debt cover These covenants are tested quarterly on a rolling twelve month basis

Post balance sheet events

See note 26 to the financial statements

Charitable and political donations

During the financial year under review the Company made charitable donations amounting to £529,609 (2010 £675,000), which support various community related charities and projects No political donations were made during the year

Yell Limited

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied they 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 these 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 whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain company transactions and 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 2006 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

Statement of disclosure to auditors

As at the date of signing their report, so far as each director was aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Group's auditors are unaware The directors have taken necessary steps to make themselves aware of relevant audit information and to establish that the auditors are aware of that information

By order of the Board

Christian Wells

Company Secretary

Date 30 June 2011

Yell Limited

Independent auditors' report to the members of Yell Limited

We have audited the financial statements of Yell Limited for the year ended 31 March 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

• give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended,

• have been properly prepared in accordance with IFRSs as adopted by the European Union, and

• have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Pauline Campbell

Pauline Campbell (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Uxbridge

30 June 2011

Yell Limited

Income statement for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Revenue	2	**516,209**	607,495
Cost of sales		**(201,585)**	(226,057)
Gross profit		**314,624**	381,438
Distribution costs		**(11,312)**	(12,283)
Administrative expenses		**(164,320)**	(198,034)
Operating profit		**138,992**	171,121
Finance income	4	**18,032**	19,285
Finance costs	4	**(99,036)**	(123,295)
Net finance costs		**(81,004)**	(104,010)
Profit before taxation		**57,988**	67,111
Taxation	5	**(16,728)**	(19,093)
Profit for the financial year		**41,260**	48,018

Yell Limited

Statement of comprehensive income for the year ended 31 March 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit for the financial year	**41,260**	48,018
Gain in fair value of financial instruments used as hedges	**25,506**	37,082
Actuarial gain (loss) on defined benefit pension schemes	**55,311**	(58,938)
Tax effect of net gains (losses) not recognised in income statement	**(22,572)**	6,453
Comprehensive income (loss) not recognised in the income statement	**58,245**	(15,403)
Total comprehensive income for the year	**99,505**	32,615

Yell Limited

Statement of cash flows for the year ended 31 March 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cash flows from operating activities.		
Cash generated from operations	**157,173**	221,966
External interest paid	**(34,826)**	(89,390)
External interest received	**1,108**	-
Interest received from group undertakings	**2,813**	2,027
Interest paid to group undertakings	**(2,829)**	(1,935)
Corporation tax paid	**(4,900)**	(8,727)
Net cash flows from operating activities	**118,539**	123,941
Cash flows from investing activities:		
Payments to acquire property, plant and equipment	**(36,030)**	(19,721)
Loans from group companies	**258,110**	233,157
Acquisition of subsidiary undertaking	**(1,168)**	-
Net cash flows from investing activities	**220,912**	213,436
Cash flows from financing activities:		
Repayment of borrowings	**(4,730)**	(67,790)
Net movement in hedges	**(39,258)**	(96,375)
Net loans to other group undertakings	**(284,925)**	(2,908)
Net repayment on revolving credit facility	**-**	(40,347)
Net cash outflow from financing activities	**(328,913)**	(207,420)
Net cash increase in cash and cash equivalents	**10,538**	129,957
Cash and cash equivalents at beginning of year	**133,135**	3,178
Cash and cash equivalents at end of year	**143,673**	133,135

Yell Limited

Statement of cash flows for the year ended 31 March 2011

Cash generated from operation

Profit for the financial year	**41,260**	48,018
Adjustments for.		
Taxation	**16,728**	19,093
Depreciation of property, plant & equipment	**10,195**	12,411
Loss on disposal	**324**	26
Amortisation of software costs	**10,816**	11,522
Foreigh exchange through income statement	**(16)**	(32)
External finance cost	**37,510**	84,386
Finance costs due to group undertakings	**53,161**	33,367
Finance income due from group undertakings	**(16,924)**	(17,894)
Finance fees amortised	**8,365**	5,542
External finance income	**(1,103)**	(1,391)
Changes in working capital		
Directories in development	**10,333**	11,066
Trade & other receivables	**15,670**	44,976
Trade & other payables	**(7,136)**	(14,295)
Defined benefit pension charge / contributions	**(21,202)**	(15,568)
Other non cash items	**(808)**	739
Cash generated from operations	**157,173**	221,966

Yell Limited

Statement of financial position as at 31 March 2011

	Notes	At 31 March 2011 £'000	At 31 March 2010 £'000
Non-current assets			
Goodwill	7	**1,009,191**	1,009,191
Other intangible assets	8	**26,774**	21,924
Investments in subsidiaries	10	**1,219**	-
Retirement benefit surplus	21	**37,307**	-
Property, plant and equipment	9	**23,122**	18,008
Deferred tax assets	13	**9,361**	35,572
Financial assets - derivative financial instruments	16	**1,037**	6,179
Trade & other receivables	12	**6,630**	2,171
Total non-current assets		**1,114,641**	1,093,045
Current assets			
Directories in development	11	**45,895**	56,227
Trade and other receivables	12	**709,358**	1,226,275
Current tax assets		**477**	-
Financial assets - derivative financial instruments	16	**630**	1,871
Cash and cash equivalents		**143,763**	133,135
Total current assets		**900,123**	1,417,508
Current liabilities			
Financial liabilities - loans and other borrowings	14	**(794,018)**	(195,485)
Financial liabilities - derivative financial liabilities	15	**-**	(68,243)
Current tax liabilities		**-**	(5,024)
Trade and other payables	17	**(691,621)**	(619,097)
Total current liabilities		**(1,485,639)**	(887,849)
Net current assets		**(585,516)**	529,659
Non-current liabilities			
Financial liabilities - loans and other borrowings	14	**-**	(1,146,068)
Deferred tax liabilities	13	**(13,385)**	(3,920)
Retirement benefit obligations	21	**-**	(63,333)
Trade and other payables	17	**(6,864)**	(12)
Total non-current liabilities		**(20,249)**	(1,213,333)
Net assets		**508,876**	409,371

Yell Limited

Statement of financial position as at 31 March 2011

	Notes	2011 £'000	2010 £'000
Equity			
Share premium account	18	**325,971**	325,971
Other reserves	19	**(66,781)**	(125,026)
Retained earnings		**249,686**	208,426
Total equity		**508,876**	409,371

The financial statements on pages 8 to 56 were approved by the Board of directors on 30 June 2011 and were signed on its behalf by

Danny Sheehan
Director

Registration no 04205228

Yell Limited

Statement of changes in equity for the year ended 31 March 2011

	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2009	325,971	(109,623)	160,408	376,756
Comprehensive loss not recognised in the income statement	-	(15,403)	-	(15,403)
Profit for the financial year	-	-	48,018	48,018
Total comprehensive (loss) income for 2010	-	(15,403)	48,018	32,615
Balance at 31 March 2010	325,971	(125,026)	208,426	409,371
Balance at 1 April 2010	325,971	(125,026)	208,426	409,371
Comprehensive income not recognised in the income statement	-	58,245	-	58,245
Profit for the financial year	-	-	41,260	41,260
Total comprehensive income for 2011	-	58,245	41,260	99,505
Balance at 31 March 2011	325,971	(66,781)	249,686	508,876

The accompanying notes form part of the financial statements

Notes to the financial statements year ended 31 March 2011

1. Basis of preparation, accounting policies and critical accounting estimates and judgements

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union, and the Companies Act 2006 Accordingly these financial statements 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 s400 of the Companies Act 2006 from the requirement to prepare and deliver consolidated group accounts

In concluding on the going concern status of the Company, the directors have received confirmation from the parent company, Yell Group plc, that it will provide the necessary support as required to enable the Company to meet its debts as and when they fall due for a period of at least twelve months from the date of approval of these financial statements The Yell Group is currently in full compliance with the financial covenants contained in all its borrowing agreements Details of its covenants and management of the risks associated with meeting those covenants are set out in the risk management disclosures in the 2011 Yell Group plc Annual Report

A summary of the principal accounting policies, which have been applied consistently, is set out below

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

Accounting policies

a Revenue

Revenue, after deduction of sales allowances and value added tax comprises the value of products provided by the Company Revenue from classified directories, and other directories, mainly comprising advertising revenue, is recognised in the income statement upon completetion of delivery to the users of the directories Other revenue, principally from internet and voice production, is recognised from the point at which service is first provided over the life of the contract

b. Cost of sales

Cost of sales comprises the 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 incurred

d. Finance costs and income

Finance costs payable are charged as incurred using the effective interest rate basis Finance income is recognised on an accruals basis

Notes to the financial statements year ended 31 March 2011

1. Basis of preparation, accounting policies and critical accounting estimates and judgements (continued)

e Foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the date of the financial position Trading transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling when the transactions were entered into Exchanger differences are included in the income statement in the period they arise or directly to equity depending upon the nature of the transaction

f. Goodwill

Goodwill on the acquisition of the Company's business and net assets represents the surplus of the purchase consideration over the fair value of the net separable assets acquired Goodwill arising on acquisition is capitalised and is subject to impairment review, both annually and when there is an indication that the carrying values may not be recoverable Goodwill is carried at cost less accumulated impairment losses

i. Other non-current intangible assets

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired These net assets may include software development costs, brand names, non-compete agreements, contracts, customer commitments and customer relationships, all of which are recorded as intangible assets and held at cost less accumulated amortisation

Software, including internally developed software, is amortised on a straight-line basis over its useful economic life, which does not generally exceed four years Brand names are amortised on a straight line basis over theeir useful economic lives which do not exceed 40 years Non-compete agreements are amortised on a straight line basis over the term of the agreement Contracts are amortised on a straight-line basis over the term of the contract Customer commitments are amortised as the directories to which the commitments relate are published Customer relationships are amortised on a basis that takes into account the estimated customer retention rate at the date of acquisition The useful economic lives of customer relationships do not generally exceed eight years The amortisation period and method are reviewed and adjusted, if appropriate, at each balance sheet date

Internally developed software, that is capitalised, includes the software development employee costs and an appropriate portion of overheads

g. 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

Yell Limited

Notes to the financial statements year ended 31 March 2011

1. Basis of preparation, accounting policies and critical accounting estimates and judgements

(continued)

g. Property, plant and equipment (continued)

The estimated lives assigned to property, plant and equipment are

	Years
Leasehold improvements	5 years or life of lease if less than 5 years
Office equipment	2 to 6

h Asset impairment

Assets with indefinite usefull 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 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 independant cash flows and there 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 with 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

If an impairment loss is recognised for a CGU, it is allocated to reduce the carrying amounts of the assets of the assets of the unit in the following order

i) First, to reduce the carrying amount of any goodwill allocated to the CGU, and

ii) Then, to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU

If an asset's fair value less costs to sell exceeds its carrying amount before the impairment test of a CGU, then none of the impairment loss arising on the impairment test is allocated to that asset

i. Investments

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

Any impairment would be charged to the income statement account to the extent that it is not covered by amounts previously credited to shareholders' equity through the revaluation surplus

Yell Limited

Notes to the financial statements year ended 31 March 2011

1. Basis of preparation, accounting policies and critical accounting estimates and judgements

(continued)

j Leased assets

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

k. 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 content of 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 advertising when the related revenue is recognised

l. Trade and other receivables

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

m. Cash and cash equivalents

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

n. Borrowings

All borrowings are initially stated at 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 a 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 repayment

o Deferred finance costs/unamortised debt issue costs

Debt 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

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

The Company operated a defined benefit pension scheme for its employees employed before 1 October 2001 (sections 1, 2 and 3 of the 'UKPP'), and operates defined benefit schemes for its employees employed subsequent to 1 October 2001 Yell closed its defined benefit scheme to future accrual on 31 March 2011, thus

1 Basis of preparation, accounting policies and critical accounting estimates and judgements

(continued)

p. Employee benefits (continued)

reducing Yell's exposure to future changes in salaries and employee service years Employees employed before 1 October 2001 became members of a defined contribution scheme from 1 April 2011

All pension schemes are independent of the Company'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 next full actuarial valuation will be carried out as at the 1 April 2011

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 the Company's defined contribution schemes are charged against profit as incurred

q. 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

r 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 statement of financial position 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 statement of financial position date Deferred tax assets and liabilities are not discounted No provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future

s. Derivative financial instruments and hedging

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

Notes to the financial statements year ended 31 March 2011

1 Basis of preparation, accounting policies and critical accounting estimates and judgements

(continued)

s Derivative financial instruments and hedging (continued)

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- Hedges of highly probable forecast transactions (cash flow hedges)

The Company has not designated any derivatives as fair value hedges Changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in 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 affects income (for instance, when the forecast transaction that is hedged takes place)

The Company does not hold or issue derivative financial instruments for speculative purposes Changes in the fair value of derivative instruments or elements of derivative instruments that do not qualify for hedge accounting would be recognised immediately in the income statement

t. Dividends

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

u Contingent Liabilities

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

Critical accounting estimates and judgements

In general, our accounting policies under IFRSs 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) Acquisitions

When acquiring a business, we have to make judgements and best estimates about the fair value allocation of the purchase price We seek appropropriate competent and professional advice before making any such allocations we test the valuation of goodwill on an annual basis and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable These tests require the use of estimates

1. **Basis of preparation, accounting policies and critical accounting estimates and judgements (continued)**

Critical accounting estimates and judgements (continued)

(b) 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 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 Our bad debt charge would have varied by approximately £4,544 if the useful lives had increased by an average of one year or by approximately £5,783 if the useful lives had decreased by an average of one year

(c) 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 2011, then our amortisation charge would have varied by approximately £3,642,907 If the useful economic lives had decreased by an average of one year, our amortisation charge would have varied by approximately £10,928,720 Our depreciation charge would have varied by approximately £2,167,613 if the useful lives had increased by an average of one year or by approximately £4,986,511 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

(d) Impairment of goodwill

Goodwill is reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable and at the end of the first full year following acquisition the carrying value of our operations is compared with estimated recoverable values to determine whether goodwill is impaired The recoverable value is estimated from a discounted cash flow model that relies on significant key assumptions, including after-tax cash flows forecasted over an extended period of years, terminal growth rates and discount rates We use published statistics or seek advice where possible when determining the assumptions we use

(e) 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 date of the statement of financial position, 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 comprehensive income and our future employee expenses

We value the portfolio of assets held by the defined benefit pension scheme in the UK at market value when

Yell Limited

Notes to the financial statements year ended 31 March 2011

1. Basis of preparation, accounting policies and critical accounting estimates and judgements

(continued)

Critical accounting estimates and judgements (continued)
calculating our net pension deficit Values will increase and decrease as markets rise and fall The trustees and management have an agreed strategy to mitigate the risk of having insufficient funds, if markets fall See note 21

(f) 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 2011 we believe we have recognised all our potential deferred tax assets

Standards that have been adopted during the current period

IFRS 3, Business Combinations (revised)

The standard continues to apply the acquisition method to business combinations, with some significant changes For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest The Company's accounting policy on acquisitions has been changed to reflect the adoption of the standard

The following standards, interpretations and amendments became effective and were not material to the Company Amendment to IFRIC 14, Amendments to IFRS 2 and 9, Amendments to IASs 24,27,32 and 39,m IFRICS 15,16,17,18 and 19 and Annual improvements to IFRICs (2009 and 2010)

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 2011 or later periods but which the Company has chosen not to early adopt The new standard that could be relevant to the Company's operations is IFRS 9, financial instruments This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39

Yell Limited

Notes to the financial statements year ended 31 March 2011

2 Revenue

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Printed directories	**313,005**	409,420
Digital media products and services	**188,516**	197,339
Other products and services	**14,688**	736
Total revenue	**516,209**	607,495

3. Employees

	Year ended 31 March 2011	Year ended 31 March 2010
Average monthly number of employees (including executive directors):		
Marketing and sales	**284**	321
Other	**225**	227
Total	**509**	548

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Staff costs during the year.		
Wages and salaries	**13,550**	23,962
Social security costs	**3,500**	3,198
Other pension costs	**11,134**	6,556
Curtailment of defined benefit scheme	**(35,600)**	-
Severence	**3,239**	2,578
Share-based payments	**1,226**	1,302
Total staff costs payable for the year	**(2,951)**	37,596
Net change in staff costs deferred in directories in development	**6,414**	8,328
Total staff costs expensed to the income statement	**3,463**	45,924

Details of the Company's various stock option plans are given in note 23

Directors' remuneration

Notes to the financial statements year ended 31 March 2011

3. Employees (continued)

The directors did not receive remuneration for their services to the Company (2010 £nil)

4 Net finance costs

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest payable on bank loans	**2,086**	23,930
Interest payable on loans from group undertakings (note 22)	**53,161**	33,367
Underlying fair value losses on cash flow hedges transferred from equity	**30,979**	49,563
Amortisation of deferred finance fees	**8,365**	5,542
Net finance cost on retirement benefit obligation (note 21)	**2,668**	4,543
Fair value charge for the time value of interest rate caps	**1,774**	1,462
Other interest payable	**3**	4,888
Total finance costs	**99,036**	123,295
Interest receivable on bank deposits	**(1,103)**	(351)
Interest receivable on loans to group undertakings (note 22)	**(16,924)**	(17,894)
Other interest receivable	**(5)**	(1,040)
Total finance income	**(18,032)**	(19,285)
Net finance costs	**81,004**	104,010

5. Taxation

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Current tax.		
Current year corporation tax	**6,953**	20,504
Adjustments in respect of prior years	**(188)**	(424)
Total current tax charges	**6,765**	20,080
Deferred tax:		
Current year charge (credit)	**9,993**	(1,746)
Adjustments in respect of prior years	**(30)**	759
Total deferred tax charge (credit)	**9,963**	(987)
Tax charge on profit before tax	**16,728**	19,093

5 Taxation (continued)

The tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit before tax multiplied by standard rate of corporation tax in the UK	**16,122**	18,792
Effects of·		
Non-deductible items	**612**	225
Adjustments in respect of prior years	**(218)**	335
Effect of changes in tax rate	**212**	-
Other items	**-**	(259)
Tax charge on profit before tax	**16,728**	19,093

Tax (charged) credited directly to equity is as follows

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Current tax on actuarial losses	**3,141**	4,812
Deferred tax on actuarial losses	**(17,510)**	11,690
Deferred tax on fair valuations of financial instruments used as hedges	**(8,203)**	(10,049)
Total taxation recorded in equity	**(22,572)**	6,453

During the year, legislation to reduce the UK corporation tax rate from 28% to 26% with effect from 1 April 2011 was substantively enacted at the date of the statement of financial position The effect of this charge has been reflected in these financial statements

In addition, a number of further reductions in the UK corporation tax rate were announced in the March 2011 Budget Statement legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011 Further legislation would reduce the rate by 1% per annum to 23% by 1 April 2014 These further changes had not been substantively enacted at the statement of financial position date and, therefore, are not included in these financial statements

6. Dividends

In accordance with IFRSs, dividends are not recognised until the period in which they are approved No dividend was proposed or paid during the year (2010 £nil)

7 Goodwill

	At 31 March 2011 £'000	At 31 March 2010 £'000
Goodwill	**1,009,191**	1,009,191
Total	**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 2011 or 2010

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 using a discounted cashflow model Cashflows beyond the ten year period are calculated using the terminal growth rate stated below In previous years value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period Cash flows beyond the five-year period were extrapolated using the estimated growth rate stated below The growth rate did 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 estimating the value of the CGU were as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Net book value		
Carrying value of goodwill	**1,009,191**	1,009,191
Terminal growth rate	**1 8%**	1 8%
Discount rate	**9 0%**	11 8%

The discounted cashflow calculations are sensitive to changes in the long-term growth rates and discount rates The long-term growth rates used are consistent with the forecasts of long-term national rates included in industry reports The discount rate used is based on the weighted average cost of capital before tax and reflect specific risks relating to the relevant segment

At 31 March 2011 the calculated recoverable value of the operations in the Company would have to decrease by 29% (2010 56%) before the associated goodwill would be impaired Results in the Company would have to be in significant permanent decline before the associated goodwill would be impaired and any change in the estimated Company weighted average costs of capital of the magnitude needed to cause impairment would be offset by other factors

Notes to the financial statements year ended 31 March 2011

8. Other non-current intangible assets

	At 31 March 2011 £'000	At 31 March 2010 £'000
Cost		
Balance at beginning of year	**60,041**	44,235
Additions	**15,636**	15,913
Disposals	**(97)**	-
Reclassification	**30**	(107)
Total cost at end of year	**75,610**	60,041
Amortisation		
Balance at beginning of year	**(38,117)**	(26,595)
Charge for the year	**(10,816)**	(11,522)
Disposals	**97**	-
Total amortisation at end of year	**(48,836)**	(38,117)
Net book value at end of year	**26,774**	21,924

Other non-current intangible assets comprise software development costs

9 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
Opening balance	13,120	76,665	89,785
Additions	9,824	5,810	15,634
Disposals	(1,615)	(16,284)	(17,899)
Total cost at 31 March 2011	21,329	66,191	87,520
Depreciation			
Opening balance	(8,163)	(63,614)	(71,777)
Disposals	1,520	16,054	17,574
Depreciation	(2,716)	(7,479)	(10,195)
Total depreciation at 31 March 2011	(9,359)	(55,039)	(64,398)
Net book value at 31 March 2011	11,970	11,152	23,122

Notes to the financial statements year ended 31 March 2011

9 Property, plant and equipment (continued)

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
Opening balance	10,958	71,413	82,371
Additions	2,162	5,447	7,609
Disposals	-	(302)	(302)
Reclassification	-	107	107
Balance at 31 March 2010	13,120	76,665	89,785
Depreciation			
Opening balance	(5,432)	(54,210)	(59,642)
Disposals	-	276	276
Depreciation	(2,731)	(9,680)	(12,411)
Total depreciation at 31 March 2010	(8,163)	(63,614)	(71,777)
Net book value at 31 March 2010	4,957	13,051	18,008

10. Investments

	At 31 March 2011 £'000	At 31 March 2010 £'000
Cost		
At 1 April	-	-
Additions	**1,219**	-
At 31 March	**1,219**	-
Impairment		
Impairments charged	-	-
Carrying value	**1,219**	-

On 29 April 2010, the Company acquired 112,466 ordinary shares of £0 01p each and 63,107 preferred ordinary shares of £0 01p each in Trusted Places Limited, a company operating social networking websites with user input for a total consideration of £1,219,399

10. Investments (continued)

The interests of the Company in its subsidiaries at 31 March 2011 were as follows

Direct subsidiaries	Company activity	Country of incorporation	2011 % owned	2010 % owned	2011 Carrying value £'000	2010 Carrying value £'000
Yellow Pages Sales Limited	Advertising space sales	United Kingdom	**100 00**	100 00	-	-
Trusted Places Limited	Social networking website operation	United Kingdom	**100 00**	-	**1,219**	-
					1,219	-

The subsidiary undertakings have 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 400 of the Companies Act 2006 as the Company and its subsidiaries are included within the consolidated financial statements of its ultimate parent company Yell Group plc

11 Directories in development

	At 31 March 2011 £'000	At 31 March 2010 £'000
Cost at beginning of the year	**56,227**	67,294
Additions	**107,299**	123,900
Amortisation in cost of sales	**(117,631)**	(134,967)
Cost at the end of the year	**45,895**	56,227

12. Trade and other receivables

	At 31 March 2011 £'000	At 31 March 2010 £'000
Amounts falling due within one year		
Net trade receivables	**189,099**	203,308
Prepayments and accrued income	**6,553**	8,109
Other receivables	**3,434**	8,034
Accrued income	**1,643**	1,555
Amounts owed by group undertakings (note 22)	**508,626**	1,005,269
Total amounts falling due within one year	**709,355**	1,226,275
Amounts falling due after more than one year		
Amounts owed by group undertakings (note 22)	**2,485**	1,360
Deferred financing fees	**54**	-
Other	**4,091**	811
Total amounts falling due after more than one year	**6,630**	2,171
Total trade and other receivables	**715,985**	1,228,446

Trade receivables are non-interest bearing and generally have terms between 30 days and 10 months Due to their short maturities and the non-interest bearing nature of these financial assets, the fair value of trade and other receivables approximates book value The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large, geographically diverse and unrelated The Company does not hold any collateral as security

The carrying amounts of trade and other receivables are denominated in sterling 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 was as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Balance at beginning of the year	**(42,008)**	(42,184)
Charged to income statement	**(20,913)**	(39,894)
Written off	**28,764**	40,070
Balance at end of the year	**(34,157)**	(42,008)

Trade receivables can become impaired, generally when customers are in financial distress, before being considered uncollectible Trade receivables are considered impaired only after completion of collection processes designed locally to collect monies from slow-players or, if earlier, when amounts are more than one year past due At 31 March 2011 the carrying value and estimated recoverable amount of trade receivables past due and impaired was £nil (2010 £nil), after deducting the related provision of £19,584,000 (2010 £21,232,000) for doubtful debts The ageing analysis of the gross trade receivables past due and impaired is as follows

Notes to the financial statements year ended 31 March 2011

12. Trade and other receivables (continued)

	At 31 March 2011 £'000	At 31 March 2010 £'000
Up to one month past due	**1,217**	736
1 to 3 months past due	**1,578**	1,728
3 to 9 months past due	**8,473**	10,405
Over 9 months	**8,316**	8,363
Gross trade receivables past due	**19,584**	21,232

The other classes of receivables do not contain impaired assets

At 31 March 2011, gross trade receivables of £16,913,000 (2010 £21,539,000) were past due but not impaired The ageing analysis of these gross trade receivables is as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Up to 1 month past due	**3,548**	6,217
1 to 3 months past due	**270**	3,048
3 to 9 months past due	**5,369**	4,827
Over 9 months	**7,726**	7,447
Gross trade receivables past due but not impaired	**16,913**	21,539

The credit quality of trade receivables past due but not impaired is assessed using a statistical approach to determine the historical allowance rate for each ageing tranche This allowance rate is the applied to the debt tranches at the end of the reporting period and a provision for doubtful debts recognised As at 31 March 2011, £12,211,000 (2010 £16,938,000) of the total provision for doubtful debts related to trade receivables that are past due but not impaired

13 Deferred tax assets

	At 31 March 2011 £'000	At 31 March 2010 £'000
Balance at beginning of year	**35,572**	32,944
(Charged) credited to income statement	**(275)**	987
(Charged) credited directly to equity	**(25,936)**	1,641
Balance at end of year	**9,361**	35,572

13. Deferred tax assets (continued)

The elements of net deferred tax assets recognised in the financial statements at the year end, were as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Tax effect of timing differences due to		
Defined benefit pension scheme	-	17,778
Depreciation	7,542	7,362
Financial instruments	1,296	9,251
Share-based payments	39	149
Other	484	1,032
Recognised deferred tax assets	9,361	35,572

There are no amounts of deferred tax assets unrecognised as at 31 March 2011 (2010 £nil)

Deferred tax liabilities

	At 31 March 2011 £'000	At 31 March 2010 £'000
Balance at beginning of year	3,920	3,920
Credited directly to equity	(223)	-
Charged to income statement	9,688	-
Balance at end of year	13,385	3,920

The elements of net deferred tax liabilities recognised in the financial statements at the year end were as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Tax effect of timing differences due to·		
Intangible assets	3,640	3,920
Defined benefit pension scheme	9,745	-
Recognised deferred tax liabilities	13,385	3,920

14 Loans and other borrowings

The Company is within a group of companies (the "security group") that are party to debt arrangements associated with bank facilities We manage the capital requirements of the Company by maintaining leverage of the Company within the terms of the debt facility agreement The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern

The Company sets the amount of capital in proportion to risk The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets

Consistently with others in the industry, the Company monitors capital on the basis of the debt to profit ratio This ratio is calculated as net debt / adjusted profit Net debt is calculated as total debt (as shown on the statement of financial position) less cash and cash equivalents Adjusted profit is defined by lending institutions in our facilities agreement

The terms of the facilities agreement require the security group to maintain better than specified consolidated financial ratios for net debt to earnings, before interest, tax, depreciation and amortisation (EBITDA as defined in the facilities agreement, including a pro-forma adjustment to the EBITDA of any acquisitions of less than one year) and EBITDA to net cash interest payable These financial ratios have to be prepared for the twelve-month period preceding the test date and reported to the lenders under the facilities agreement on a quarterly basis The Yell Group was in compliance with these terms at 31 March 2010 and 31 March 2011

14 Loans and other borrowings (continued)

The following table sets out the borrowing and net debt total of the Company

	Interest rate	At 31 March 2011	Interest rate	At 31 March 2010
	%	£'000s	%	£'000s
Amounts falling due within one year				
Senior credit facilities - external	4 11-4 36	18,921	2 80	4,730
Unamortised issue costs		(540)		(3,154)
Total external borrowings		18,381		1,576
Senior credit facilities - internal (note 22)		775,637	2 80	193,909
Total amounts falling due within one year		794,018		195,485

	Interest rate	At 31 March 2011	Interest rate	At 31 March 2010
	%	£'000s	%	£'000s
Amounts falling due after more than one year				
Senior credit facilities - external	-	-	2 80	18,921
Unamortised issue costs	-	-	-	(4,994)
Total external borrowings		-		13,927
Senior credit facilities - internal (note 22)		-	2 80	775,638
Amounts owed to group undertakings (note 22)		-	6 50	356,503
Total amounts falling after more than one year		-		1,146,068
Total loans and other borrowings		794,018		1,341,553
Cash and cash equivalents		(143,763)		(133,135)
Net debt		650,255		1,208,418

The senior credit facility consists of a term loan that was arranged under a facilities agreement dated 27 April 2006 The senior credit facilities also include a revolving credit facility of £196 8 million (2010 £196 8 million), including £193 2m under a new Facility Agreement dated 30 November 2009 (2010 £196 8 million) At 31 March 2011, £nil was outstanding under the revolving credit facility (2010 - £nil) The senior credit facilities, including the revolving credit facility, have security over shares in Yell Group principal operating companies

On 30 November 2009 debt due to consenting lenders under the credit facility agreement dated 26 April 2006 was acquired by a fellow group undertaking, Yell Finance (UK) Ltd The terms and conditions of the debt remain unchanged and are, therefore, the same as that under the remaining external senior credit facility

15 Financial instruments and risk management

The Company's approach to management of financial risks is set out on pages 2 - 5 The accounting classification of each class of the Company's financial assets and financial liabilities, together with their fair values is set out below

At 31 March 2011	Fair value derivatives used as hedges £'000	Receivables £'000	Amortised cost loans and other liabilities £'000	Total book value £'000	Total fair value £'000
Assets					
Derivative financial instruments	630	-	-	630	630
Trade and other receivables	-	715,985	-	715,985	715,985
Cash at bank and in hand	-	143,763	-	143,763	143,763
Total financial assets	630	859,748	-	860,378	860,378
Liabilities					
Trade and other payables	-	-	(691,621)	(691,621)	(691,621)
Short-term borrowings	-	-	(794,018)	(794,018)	(18,381)
Total financial liabilities	-	-	(1,485,639)	(1,485,639)	(710,002)

At 31 March 2010	Fair value derivatives used as hedges £'000	Receivables £'000	Amortised cost loans and other liabilities £'000	Total book value £'000	Total fair value £'000
Assets					
Derivative financial instruments	1,871	-	-	1,871	1,871
Trade and other receivables	-	1,228,446	-	1,228,446	1,228,446
Cash at bank and in hand	-	133,135	-	133,135	133,135
Total financial assets	1,871	1,361,581	-	1,363,452	1,363,452
Liabilities					
Derivative financial instruments	(68,243)	-	-	(68,243)	(68,243)
Trade and other payables	-	-	(619,109)	(619,109)	(619,109)
Short-term borrowings	-	-	(195,485)	(195,485)	(185,235)
Long-term borrowings	-	-	(1,146,068)	(1,146,068)	(1,105,069)
Total financial liabilities	(68,243)	-	(1,960,662)	(2,028,905)	(1,977,656)

The fair value of trade and other receivables, cash at bank and in hand, and trade and other payables approximated to carrying value due to the short maturity of the instruments

There are no material monetary assets or liabilities denominated in currencies other than pounds sterling, US dollars and Euros

The Company contracts external hedges on behalf of certain fellow group undertakings and has put in place internal contracts with those entities that precisely replicate its external arrangement entered into on their behalf thus leaving its economic effect as neutral in respect of these transactions

Yell Limited

Notes to the financial statements year ended 31 March 2011

15. Financial instruments and risk management (continued)

At 31 March 2011

	Due within one year	Due between one and two	Due between two and three years	Due three years and later	Total amounts owed	Deferred finance fees	Carrying value	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Due within one year								
Term loans - external	18,921	-	-	-	18,921	(540)	18,381	18,559
Term loans - intercompany	775,637	-	-	-	775,637	-	775,637	760,771
Total due within one year, or on demand	794,558	-	-	-	794,558	(540)	794,018	779,330
Total loans and other borrowings	794,558	-	-	-	794,558	(540)	794,018	-
Floating rate interest	35,184	44,872	50,782	13,559	144,343			
Fixed interest rate swap outflows	6,577	1,609	-	-	8,186			
Floating interest rate swap inflows	(2,609)	(956)	-	-	(3,565)			
Total payments	833,710	45,525	50,782	13,559	943,522			
Contractual payments analysed between								
GBP	833,710	45,525	50,782	13,559	943,522			
Total payments	833,710	45,525	50,782	13,559	943,522			
Contractual payments analysed between								
Fixed	801,135	1,609	-	-	802,690			
Unfixed	32,575	43,916	50,782	13,559	140,832			
Total payments	833,710	45,525	50,782	13,559	943,522			

The Company is party to an Inter-creditor Agreement with other lenders and members of the Yell Group The terms of this agreement are such that loans made to the Company by other members of the Group are subordinated and cannot be repaid before external lenders to the Group Accordingly, all loans made to the Company by other members of the Group will be revised and extended when they mature

At 31 March 2011 and 31 March 2010 the fair value of the total amounts owed has been calculated using a discount rate based on current projections of floating interest rates in the future plus a credit margin determined by reference to margins observed on the debt of comparable businesses This discount rate has been used to derive the present value of contractually scheduled future interest and principle payments

Yell Limited

Notes to the financial statements year ended 31 March 2011

15 Financial instruments and risk management (continued)

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

Borrowing facilities and liquidity risk

The Company has access to contractually committed banking facilities to mitigate any liquidity risk it may face There were committed revolving credit facilities at 31 March 2011 of £196 8 million (2010 £196 8 million) of which £nil had been drawn down at 31 March 2011 (20010 nil) £3 6m of these facilities expire April 2011 and the balance in April 2014

The following table analyses the contractual undiscounted cash flows payable (calculated using forward/spot interest rates), the carrying values and the fair values of the Company's borrowings at the date of the statement of financial position The Company also has short-term receivables and payables that arise in the normal course of business and these are not included in the following table Any cash flows based on the floating rate interest are based on interest rates prevailing at 31 March in the relevant year All derivative amounts are shown gross, although amounts are settled net wherever possible Amounts drawn under the revolving credit facility are treated as due within one year with interest calculated as payable at the end or, where these are not available, on quoted prices of comparable debt issued by other companies

Yell Limited

Notes to the financial statements year ended 31 March 2011

15. Financial instruments and risk management (continued)

At 31 March 2011

	Due within one year £'000	Due between one and two £'000	Due between two and three years £'000	Due three years and later £'000	Total amounts owed £'000	Deferred finance fees £'000	Carrying value £'000	Fair value £'000
Due within one year								
Term loans - external	18,921	-	-	-	18,921	(540)	18,381	18,559
Term loans - intercompany	775,637	-	-	-	775,637	-	775,637	760,771
Total due within one year, or on demand	794,558	-	-	-	794,558	(540)	794,018	779,330
Total loans and other borrowings	794,558	-	-	-	794,558	(540)	794,018	-
Floating rate interest	35,184	44,872	50,782	13,559	144,343			
Fixed interest rate swap outflows	6,577	1,609	-	-	8,186			
Floating interest rate swap inflows	(2,609)	(956)	-	-	(3,565)			
Total payments	833,710	45,525	50,782	13,559	943,522			
Contractual payments analysed between								
GBP	833,710	45,525	50,782	13,559	943,522			
Total payments	833,710	45,525	50,782	13,559	943,522			
Contractual payments analysed between								
Fixed	801,135	1,609	-	-	802,690			
Unfixed	32,575	43,916	50,782	13,559	140,832			
Total payments	833,710	45,525	50,782	13,559	943,522			

The Company is party to an Inter-creditor Agreement with other lenders and members of the Yell Group The terms of this agreement are such that loans made to the Company by other members of the Group are subordinated and cannot be repaid before external lenders to the Group Accordingly, all loans made to the Company by other members of the Group will be revised and extended when they mature

At 31 March 2011 and 31 March 2010 the fair value of the total amounts owed has been calculated using a discount rate based on current projections of floating interest rates in the future plus a credit margin determined by reference to margins observed on the debt of comparable businesses This discount rate has been used to derive the present value of contractually scheduled future interest and principle payments

Yell Limited

Notes to the financial statements year ended 31 March 2011

15. Financial instruments and risk management (continued)

At 31 March 2010

	Due within one year £'000	Due between one and two £'000	Due between two and three years £'000	Due three years and later £'000	Total amounts owed £'000	Deferred finance fees £'000	Carrying value £'000	Fair value £'000
Due within one year								
Term loans	4,730	-	-	-	4,730	(3,154)	1,576	4,486
Revolving loan	193,909	-	-	-	193,909	-	193,909	183,903
Total due within one year, or on demand	198,639	-	-	-	198,639	(3,154)	195,485	188,389
Due after one year								
Term loans - external	-	18,921	-	-	18,921	(4,994)	13,927	17,945
Term loans - intercompany	-	775,638	-	-	775,638	-	775,638	735,615
Other loans - intercompany	-	356,503	-	-	356,503	-	356,503	356,503
Total due after one year	-	1,151,062	-	-	1,151,062	(4,994)	1,146,068	1,110,063
Total loans and other borrowings	198,639	1,151,062	-	-	1,349,700	(8,148)	1,341,553	1,298,452
Floating rate interest	43,629	72,288	85,355	118,459	319,731			
Fixed interest rate swap outflows	56,484	8,288	1,609	-	66,381			
Floating interest rate swap inflows	(13,898)	(8,566)	(2,079)	-	(24,542)			
Total payments	284,854	1,223,072	84,885	118,459	1,711,270			
Contractual payments analysed between								
GBP	284,854	1,223,072	84,885	118,459	1,711,270			
Total payments	284,854	1,223,072	84,885	118,459	1,711,270			
Contractual payments analysed between								
Fixed	255,123	1,159,349	1,609	-	1,416,081			
Unfixed	29,731	63,723	83,276	118,459	295,189			
Total payments	284,854	1,223,072	84,885	118,459	1,711,270			

16. Derivative financial instruments and hedging actvities

Interest at around 80% of the Company's debt is hedged at fixed rates until December 2011 Thereafter approximately 55% of the Company's floating rate debt, resulting from refinanced intercompany loans, is hedged at fixed rates until December 2012 The Company has also entered into foreign exchange contracts to hedge known cross order cash flows early in the financial year

The hedges give rise to the following balances reported in the statement of financial position

		At 31 March 2011		At 31 March 2010
	Book value	**Fair value**	Book value	Fair value
	£'000	**£'000**	£'000	£'000
Derivatives				
Interest rate caps - non-current asset	**1,037**	**1,037**	6,179	6,179
Foreign exchange contracts - current asset	**630**	**630**	1,871	1,871
Foreign exchange contracts - current liability	-	-	(684)	(684)
Interest swaps - current liabilities	-	-	(67,559)	(67,559)

The fair values of the derivative financial instruments are the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in forced liquidation or sale

The gross notional amount of interest rate swaps and caps was £1 0 billion fixing rates on average for 100 days (2010 3 2 billion fixing rates on average for 106 days) and the gross notional amount of foreign exchange contracts was £38 6 million (2010 £22 4 million)

The carrying-value of the above derivative financial instruments equal their fair value Fair values are determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models

The maximum exposure to credit risk relating to derivative financial instruments at the reporting date is the fair value of the derivative assets in the balance sheet

The Company has reviewed all its material contracts for embedded derivatives, for which separate accounting would be required, and has concluded that there are no material embedded derivatives

17 Trade and other payables

	At 31 March 2011 £'000	At 31 March 2010 £'000
Amounts falling due within one year		
Trade payables	**16,872**	10,625
Other taxation and social security	**9,306**	10,269
Accruals and other payables	**68,090**	78,045
Deferred income	**104,473**	92,632
Amounts owed to group undertakings (note 22)	**492,880**	427,526
Total amounts falling due in one year	**691,621**	619,097
Amounts falling due after more than one year		
Deferred income	**149**	12
Other payables	**6,715**	-
Total amounts falling due after more than one year	**6,864**	12
Total trade and other payables	**698,485**	619,109

Current amounts owed to group undertakings are repayable at the discretion of the ultimate parent company, Yell Group plc Interest is charged based upon the three month LIBOR rate in the denominated currency and interest rates are reset at the beginning of each quarter

18 Share capital

Called up share capital:

	At 31 March 2011 £	At 31 March 2010 £
Authorised		
100 ordinary shares of £1	**100**	100
Allotted, called up and fully paid		
73 Ordinary shares of £1 each	**73**	73

Share premium·	At 31 March 2011 £'000	At 31 March 2010 £'000
Share premium	**325,971**	325,971
Total share capital	**325,971**	325,971

19. Other reserves

	Share-based payments £'000	Pensions reserve £'000	Hedging reserve £'000	Total other reserves £'000
Balance at 01 April 2010	(7,648)	(94,883)	(22,495)	(125,026)
Net actuarial gains on defined benefit pension schemes	-	55,311	-	55,311
Changes in fair value of hedges	-	-	25,506	25,506
Taxation	-	(14,369)	(8,203)	(22,572)
Net income recognised directly in equity	-	40,942	17,303	58,245
Balance at 31 March 2011	(7,648)	(53,941)	(5,192)	(66,781)

	Share-based payments £'000	Pensions reserve £'000	Hedging reserve £'000	Total other reserves £'000
Balance at 01 April 2009	(7,648)	(52,447)	(49,528)	(109,623)
Net actuarial losses on defined benefit pension schemes	-	(58,938)	-	(58,938)
Changes in fair value of hedges	-	-	37,082	37,082
Taxation	-	16,502	(10,049)	6,453
Net (expense) income recognised directly in equity	-	(42,436)	27,033	(15,403)
Balance at 31 March 2010	(7,648)	(94,883)	(22,495)	(125,026)

20 Financial commitments, contingent liabilities and litigation

Future aggregate minimum operating lease payments for the Company at 31 March 2011 and 2010 are as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Payable:		
Not later than 1 year	**15,749**	13,799
Later than 1 year and not later than 5 years	**35,316**	36,612
Later than 5 years	**71,573**	75,332
Total future aggregate minimum operating lease payments	**122,638**	125,743

Operating lease payments expensed during the year amounted to £15,691,000 (2010 £18,097,000)

There are no contingent liabilities or guarantees other than those mentioned below or arising in the ordinary

Notes to the financial statements year ended 31 March 2011

20 Financial commitments, contingent liabilities and litigation (continued)
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 and defined contribution schemes for the remaining employees The Company's income statement and statement of comprehensive income for the years ended 31 March 2011 and 2010 included the following pension-related charges

Amounts charged to operating profit	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Current service cost	**10,036**	9,730
Termination benefits	**5,960**	1,224
Amounts expensed for defined benefit schemes	**15,996**	10,954
Contributions payable by other group undertakings	**(7,393)**	(5,964)
Net expense for defined benefit schemes	**8,603**	4,990
Amounts expensed for defined contribution schemes	**2,531**	1,566
Total operating charge	**11,134**	6,556

Net finance cost from defined benefit scheme	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Expected return on pension scheme assets	**21,418**	15,220
Finance cost on pension scheme liabilities	**(24,086)**	(19,763)
Net finance cost from defined benefit scheme	**(2,668)**	(4,543)

21. Pensions (continued)

Amount recognised in statement of recognised income and expense	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Actual return less expected return on pension scheme assets	**371**	63,629
Experience gains arising on the scheme	**22,488**	7,779
Changes in assumptions underlying the present value of the scheme liabilities	**32,452**	(130,346)
Actuarial gain (loss)	**55,311**	(58,938)
Deferred taxation on actuarial (loss) gain recognised in equity	**(14,381)**	16,503
Actuarial gain (loss), net of tax	**40,930**	(42,435)

The cumulative actuarial loss net of tax recognised at 31 March 2011 amounts to £17 0 million (2010 £58 0 million loss)

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 The scheme offers both pensions in retirement and death benefits to members The full actuarial valuation at 5 April 2008 updated to 31 March 2011 showed a surplus of £37,307,000 (2010 £63,333,000 obligation) Pension benefits are based on years of qualifying service and final pensionable salary With effect from 31 March 2011, the defined beneift section of the Plan were closed to future accrual Active members at 31 March 2011 were granted leaving service benefits and offered membership of a new Section 6 of the Plan on a defined contribution basis

Net surplus (obligation)

The YPP net surplus (obligation) at the date of the statement of financial position represents the fair value of assets held to fund future benefit payments net of the present value of scheme liabilities, as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Fair value of plan assets	**408,024**	375,235
Present value of scheme liabilities	**(370,717)**	(438,568)
Net surplus (obligation)	**37,307**	(63,333)

21 Pensions (continued)

The following amounts explain the movement in the pension provision for the years ended 31 March 2011 and 2010

	At 31 March 2011 £'000	At 31 March 2010 £'000
Net obligation at beginning of year	**(63,333)**	(21,890)
Movement in year		
Current service cost	**(10,092)**	(9,730)
Contributions	**28,449**	32,992
Past service costs	**(5,960)**	(1,224)
Curtailment gain	**35,600**	-
Other finance cost	**(2,668)**	(4,543)
Actuarial gain (loss)	**55,311**	(58,938)
Net surplus (obligation) at end of the year	**37,307**	(63,333)

The level of contributions is based on the current service costs and the expected cashflows of the scheme The Company is required to agree its contributions to the plan with the trustees based on actuarial advice Such agreement must be reached in a way which complies with the UK Pension Regulator's "Scheme Specific Funding" guidance

Any failure to agree would result in the intervention of the Pension Regulator and possibly, an imposed settlement From 1 January 2009, the Company has paid a contribution rate of 29 8% of pensionable earnings (inclusive of expenses and life assurance premiums, but inclusive of the Pension Protection Fund Levy) Additionally, with effect from 1 January 2009, the Company agreed to pay contributions totalling £58 million spread equally over 51 monthly payments, to repair the deficit of £47 6 million (plus interest) reported in the full actuarial funding valuation at 5 April 2008 Following closure of the defined benefit sections of the Plan, employer contributions in respect of the deficit remain payable and the Company's regular contribution rate has decreased to 2% of pensionable earnings to cover expenses and life assurance premiums only The next evaluation of future contribution rates will be after the next full funding valuation, which will have an effective date of 5 April 2011

Contributions of £23 7 million (2010 £26 4 million), plus £4 7 million (2010 £6 5 million) in respect of benefit augmentations were made in the year 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 contributions of a corresponding amount In the year ended 31 March 2011 and 2010 these are included in contributions above and amounted to £1 6 million (5 5% of pensionable earnings) and £2 0 million (5 5% of pensionable earnings) respectively Total contributions in financial year 2012 are expected to be around £14 million

Valuation assumptions

The YPP net surplus at 31 March 2011 and net obligation at 31 March 2010 were based on the valuation at 5 April 2008 updated to 31 March 2011 and 31 March 2010 respectively The updated valuations carried out by professionally qualified independent actuaries using the following key assumptions

21 Pensions (continued)

	At 31 March 2011 % per annum	At 31 March 2010 % per annum
Discount rate	**5.5**	5 5
Expected return on assets	**6 0**	5 6
Salary increases	**4 4**	4 5
Pension increases linked to RPI	**3 6**	3 7
Pension increases linked to CPI	**2 7**	n/a

Assumptions regarding future mortality experience are set based on advice from published statistics The average life expectancy (in years) on retirement at age 60 of a member currently aged 45 is as follows

	At 31 March 2011 Years	At 31 March 2010 Years
Male	**29.4**	29 3
Female	**30.9**	30 8

The average life expectancy (in years) on retirement at age 60 of a member currently aged 60 is as follows

	At 31 March 2011 Years	At 31 March 2010 Years
Male	**27.8**	27 7
Female	**29.4**	29 3

The assumptions used above may need to be adjusted in the future to take into account a full actuarial valuation at 5 April 2011 Any such changes could materially affect the estimated liabilities of the scheme and future contribution rates

Assets

The YPP assets are held in separate trustee-administered funds that are invested in UK and overseas equities, diversified growth funds, property, debt securities and index linked gilts

The trustees of the scheme are required to act in the best interest of the schemes beneficiaries The appointment of trustees to the scheme is determined by the Company in accordance with the scheme's trust documentation, as modified by UK statute An independent professional trustee and three other trustees are appointed by the Company Three further trustees are elected by the active members

Asset values will increase and decrease as markets rise and fall The trustees and management have an agreed strategy to mitigate the risk of having insufficient funds if markets fall The trustees annually match the low-risk asset portfolio against the cash outflows for the following twelve years Against longer term cash pay-outs they match a combination of investments in index linked gilts to mitigate inflation and interest rate risk, and higher risk

21. Pensions (continued)
assets to get higher rates of growth The trustees also work with management to ensure sufficient assets will be available to settle obligations extending beyond the horizon of 12 years

The trustees set their asset allocation approachto split the portfolio into "pre horizon" and "post horizon" categories The "pre horizon" assets are all debt securities and at 31 March 2011 comprised around 28% (2010. 28%) of the total assets The "post horizon" assets have allocation targets of 40% equities, 20% diversified growth, 10% property and 30% index linked gilts

The expected rates of return of each asset type in the YPP are 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 The assets in the YPP and the annual expected return were

	At 31 March 2011	**At 31 March 2011**	At 31 March 2010	At 31 March 2010
	%	**£000**	%	£000
Equities	8 00	124,394	**7 25**	118,574
Diversified growth	7 50	34,652	**7 25**	26,233
Bonds	5 25	114,791	**4 25**	105,182
Property	7 00	28,752	**6 25**	26,605
Index linked gilts (Inflation swaps in 2010)	3 85	102,987	**4 55**	94,964
Other	0 25	2,448	**0 25**	3,677
Total assets at fair value		**408,024**		**375,235**

Changes in the fair value of plan assets were as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Opening fair value of plan assets	**375,235**	274,330
Expected return	**21,481**	15,220
Actuarial gain	**371**	63,629
Contributions by employer	**28,449**	32,820
Contributions by participants	**37**	61
Benefits paid	**(17,549)**	(10,825)
Closing fair value of plan assets	**408,024**	375,235

21 Pensions (continued)

The actuarial gain in the years ended 31 March 2011 and 31 March 2010 represents the difference between the expected return on plan assets and the actual return on plan assets as follows

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Expected return on plan assets	**21,481**	15,220
Actuarial gain	**371**	63,629
Actual return on plan assets	**21,852**	78,849

Liabilities

The present value of scheme liabilities at the date of the statement of financial position are measured by discounting the best estimate of future cashflows to be paid out by the scheme using the projected unit method The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings Changes in the present value of the defined benefit obligation were as follows

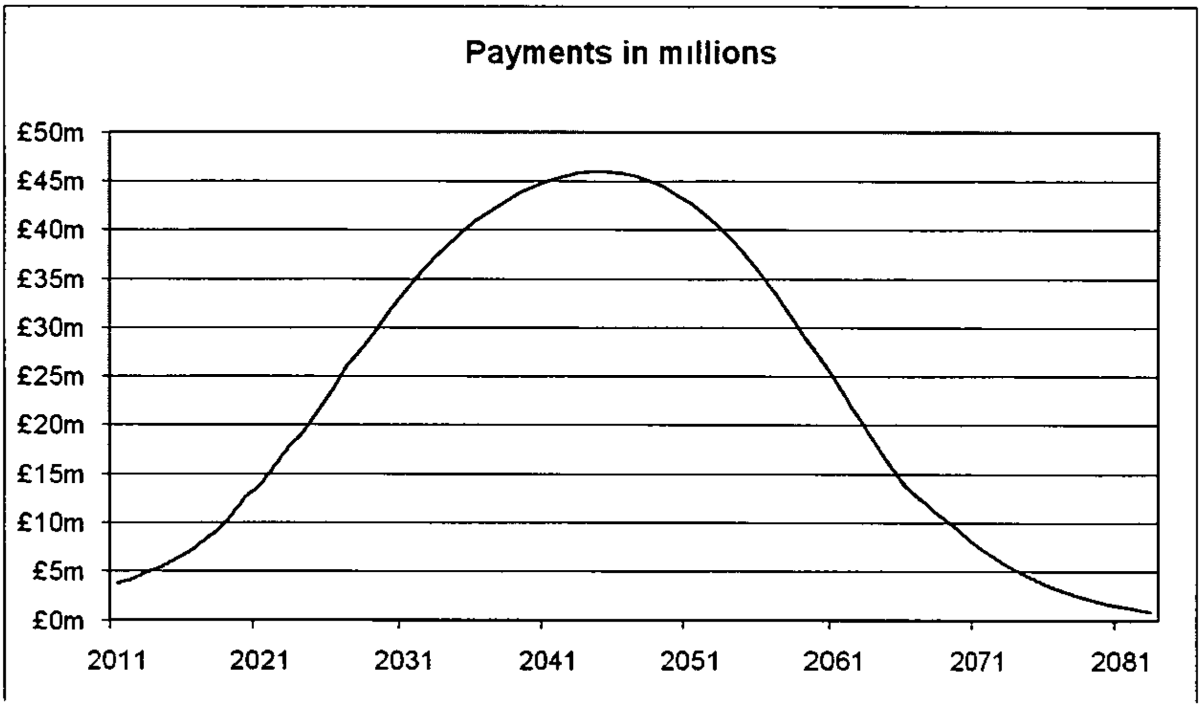
	At 31 March 2011 £'000	At 31 March 2010 £'000
Opening present value of defined benefit liabilities	**438,648**	296,220
Current service cost	**10,092**	9,730
Past service cost	**5,960**	1,224
Finance cost	**24,086**	19,763
Actuarial (gain) loss	**(54,957)**	122,475
Contributions by participants	**37**	61
Benefits paid	**(17,549)**	(10,825)
Curtailments and settlements	**(35,600)**	-
Closing present value of defined benefit liabilities	**370,717**	438,648

The actuarial gain in the year ended 31 March 2011 was primarily the result of a decrease in RPI inflation, a higher number of members leaving service than expected, and a switch from RPI to CPI for some pension increases under the Plan The curtailment gain results from the closure of the defined benefit sections of the Plan to future accrual and the granting of leaving service benfits to all active members as at 31 March 2011 In the year ended 31 March 2010, the actuarial loss was primarily the result of a decrease in the estimated real interest rates (the reference market rate to which the discount rate is tied, net of expected inflation implied in the market price of certain government debt) during the year

Notes to the financial statements year ended 31 March 2011

21 Pensions (continued)

The profile of expected undiscounted payments by the scheme for benefits earned up to 31 March 2011 is as follows



The Company estimates that the average duration of these cashflows, representing the weighted average term to payment of the undiscounted benefit payments, is 33 years

The cost of settling all Plan liabilities at the date of the statement of financial position by buying out benefits with a suitable insurer will generally be higher than the present value of scheme liabilities because an insurer would expect to charge a premium for the risks that would be passed to them The Company estimates that the amount required to settle the Plan's liabilities with an insurance company at 31 March 2011 would be around £684 million, which is around £276 million more than the value of the plan assets

Notes to the financial statements year ended 31 March 2011

21. Pensions (continued)

The history of experience gains and losses is as follows

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008	Year ended 31 March 2007
	£'000	£'000	£'000	£'000	**£'000**
Present value of defined benefit obligation	(370,717)	(438,568)	(296,220)	(294,842)	(329,577)
Fair value of plan assets	408,024	375,235	274,330	308,870	302,355
Surplus (deficit) on the plans	37,307	(63,333)	(21,890)	14,028	(27,222)
Difference between the expected and actual return on scheme assets					
- Gain (loss) (£'000)	371	63,629	(64,398)	(24,410)	199
- Gain (loss) as a proportion of scheme assets		17%	23%	8%	-
Experience gains (losses) on scheme liabilities and changes in assumptions					
- Gain (loss) (£'000)	54,957	(122,395)	32,732	68,278	15,893
- Gain (loss) as a proportion of present value of scheme liabilities	15%	28%	11%	23%	5%

Sensitivity analysis

The present value of the pension obligations at 31 March 2011 was calculated on the basis that the real interest rate at the date of the statement of financial position was 1 9%, which is the difference between the discount rate and RPI inflation The discount rate and expected inflation are determined by reference to specific types of debt instruments being traded in the open market Increasing or decreasing the assumed real interest rate to 2 0% or 1 8% per annum, respectively, would decrease or increase the present value of the pension liabilities by approximately £9 million The effect on the market value of assets cannot be estimated because the values of the Plan's investments do not always change in line with real interest rates

The present value of pension liabilities was determined on assumed life expectancies for men and women as set out in the assumptions above We estimate that an increase in life expectancy of one year for all members could have increased the present value of pension liabilities by approximately £8 million

YPP - Defined contribution section

The pension cost in respect of this section represents contributions payable to the funds and amounted to £2,531,000 for the year ended 31 March 2011 (2010 £1,566,000) Outstanding contributions amounted to £nil as at 31 March 2011 (2010 £nil)

Notes to the financial statements year ended 31 March 2011

22 Related party transactions

Details of transactions with other group undertakings during the years ended 31 March 2011 and 2010 and balances outstanding as at those dates are as follows

Finance income	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Income from Yell Holdings 2 Limited	16,921	17,553
Income from Yell Publicidad SAU	3	341
Total finance income	**16,924**	17,894

Service recharge income	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Income from Yellow Pages Sales Limited	140,285	146,654
Income from General Art Services Limited	1,601	2,736
Total service recharge income	**141,886**	149,390

Finance costs	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest payable to Yell Finance Limited	(23,125)	(22,154)
Interest payable to Yell Holdings 2 Limited	(2,584)	(1,792)
Interest payable to Yell Finance (UK) Limited	(27,452)	(9,421)
Total finance costs	**(53,161)**	(33,367)

Service recharge costs	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Costs payable to Yellow Pages Sales Limited	(140,285)	(146,654)
Costs payable to General Art Services Limited	(1,601)	(2,736)
Total service recharge costs	**(141,886)**	(149,390)

Notes to the financial statements year ended 31 March 2011

22 Related party transactions (continued)

Non-current assets	At 31 March 2011 £'000	At 31 March 2010 £'000
Trade and other receivables		
Amounts owed by Yellow Pages Sales Limited	**2,319**	1,350
Amounts owed by General Art Services Limited	**30**	10
Total trade and other receivables	**2,349**	1,360
Total non-current assets	**2,349**	1,360

Current assets	At 31 March 2011 £'000	At 31 March 2010 £'000
Trade and other receivables		
Amounts owed by Yell Holdings 2 Limited	**500,885**	934,454
Amounts owed by Yell Mediaworks Limited	**-**	43
Amounts owed to Yellowbook, Inc	**5,770**	49,629
Amounts owed by Yell Publicidad SAU	**1,899**	21,143
Amounts owed by Yell Argentina SA	**72**	-
Total trade and other receivables	**508,626**	1,005,269
Total current assets	**508,626**	1,005,269

Current liabilities	At 31 March 2011 £'000	At 31 March 2010 £'000
Trade and other payables		
Amounts owed to Yell Holdings 2 Limited	**(477,669)**	(385,030)
Amounts owed to Yell Finance (UK) Limited	**(4,986)**	(32,575)
Amounts owed to Yellowbook, Inc	**(5,877)**	(6,210)
Amounts owed to Yell Publicidad SAU	**(2,284)**	(2,301)
Amounts owed to Yell Mediaworks Limited	**(2,064)**	(1,410)
Total trade and other payables	**(492,880)**	(427,526)
Loans and borrowings.		
Amounts owed to Yell Finance (UK) Limited	**(775,637)**	(193,909)
Total loans and borrowings	**(775,637)**	(193,909)
Total current liabilities	**(1,268,517)**	(621,435)

22 Related party transactions (continued)

Non-current liabilities	At 31 March 2011 £'000	At 31 March 2010 £'000
Loans and borrowings		
Amounts owed to Yell Finance Limited	-	(356,503)
Amounts owed to Yell Finance (UK) Limited	-	(775,638)
Total loans and borrowings	-	(1,132,141)
Total non-current liabilities	-	(1,132,141)

Key management compensation was as follows

	At 31 March 2011 £'000	At 31 March 2010 £'000
Salaries & other short term employee benefits	**4,266**	2,024
Share-based payments	**322**	1,427
Total key management compensation payments	**4,588**	3,451

23. Employee share schemes

Yell Group has various stock option and other share plans in which the Company's employees 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 were set up to provide employees with option rewards that would become exercisable after an exit event (e g sale or quotation) The option life under these plans is 10 years from the date of grant

In July 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 approved by HM Revenue and Customs

23 Employee share schemes (continued)

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

Options under share schemes

Options granted, exercised and lapsed under the savings related schemes and other share option schemes during the years ended 31 March 2011 and 2010 and options exercisable at 31 March 2011 and 2010 were as follows

	Savings related schemes	Other share option schemes	Total	Exercise price range	Weighted average exercise price
Outstanding at 31 March 2009	2,037,337	6,528,212	8,565,550	0 0-589p	71p
Adjustment following open offer	281,517	305,252	586,769	0 0-424p	58p
Granted	6,625,875	4,946,446	11,572,321	0 0-41p	23p
Exercised	-	(85,477)	(85,477)	0 4-67p	42p
Forfeited and expired	(2,363,581)	(371,336)	(2,734,917)	0 0-589p	107p
Outstanding at 31 March 2009	6,581,148	11,323,097	17,904,245	0 0-407p	48p
Granted	**9,126,087**	**5,450,956**	**14,577,043**	**0 0-40p**	**9p**
Exercised	**(835)**	**(589,762)**	**(590,597)**	**0 4-67p**	**0p**
Forfeited and expired	**(7,198,786)**	**(6,134,323)**	**(13,333,108)**	**0 0-407p**	**30p**
Outstanding at 31 March 2011	**8,507,614**	**10,049,968**	**18,557,582**	**0 0-407p**	**30p**
Exercisable at 31 March 2010	41,970	739,162	781,132	0 0-407p	232p
Exercisable at 31 March 2011	**481,882**	**1,272,863**	**1,754,745**	**0 0-407p**	**92p**

The weighted average fair value of the 14,577,043 options granted in the year ended 31 March 2011 (2010 - 11,572,321 options) was 4 pence per option (2010 - 28 pence per option)

23 Employee share schemes (continued)

The following table summarises information about stock options outstanding at 31 March 2011

Exercise price (pence)	Market price on date of grant (pence)	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
0	40-583	674,278	7	100,072
0	7	3,600,367	10	-
0 4	19-285	38,774	2	38,774
7-8 6	7-8 6	264,370	10	-
7 7	7 7	704,986	10	-
12	15	7,767,905	5	401,384
12-12 4	12-12 4	881,233	9	-
32	64	604,924	4	51,046
36	38	71,539	8	15,035
40	40	470,891	9	-
64	67	3,018,538	8	793,989
84	72	106,941	3	6,983
249	303	8,840	-	8,840
261	360	386	1	-
273	285	258,168	3	258,168
284	296	66,824	3	66,824
341	418	12,342	3	10,661
349	483	3,397	2	2,207
407	530	2,879	1	762
		18,557,582		1,754,745

24 Auditors' remuneration

The following fees were paid or are payable to the Company's auditors for the years ended 31 March 2011 and 2010 respectively

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Audit services	**125**	125
Non-audit services:		
- Fees payable for the audit of group undertakings pursuant to legislation	**349**	325
- Services relating to taxation	**297**	92
- All other services	**44**	215
Total auditors' remuneration	**815**	757

Notes to the financial statements year ended 31 March 2011

25. Controlling entity

At 31 March 2011 the Company was 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, One Reading Central, Forbury Road, Reading, Berkshire, RG1 3YL

26. Post balance sheet events

There were no post balance sheet events

27. Liquidity

The Company believes that the financial arrangements with other group undertakings are sufficient to ensure it can meet any obligations to make debt repayments in the coming year These financial arrangements are with other group undertakings all controlled by the same ultimate parent company and as such the Company has no reason to establish any allowance for bad debts for amounts receivable

Cash is held in current and deposit accounts with 'AA' rated banks

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern The Company sets the amount of capital in proportion to risk The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets