

**NZ Directories Holdings Limited**  
**Financial statements**  
**for the year ended 30 June 2014**

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## Directors' report

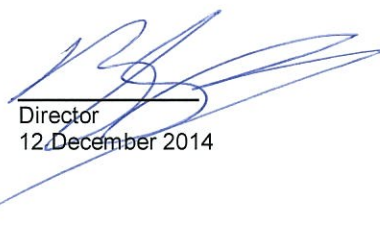
The Board of Directors have pleasure in presenting the annual report of NZ Directories Holdings Limited (the Company) and its subsidiaries (together the Group), incorporating the financial statements and the auditors' report, for the year ended 30 June 2014.

The Board of Directors of NZ Directories Holdings Limited and the Group have authorised these financial statements on pages 5 to 36 for issue on 12 December 2014.

For and on behalf of the Board.



Director  
12 December 2014

  
Director  
12 December 2014



## ***Independent Auditors' Report*** to the shareholders of NZ Directories Holdings Limited

### ***Report on the Financial Statements***

We have audited the financial statements of NZ Directories Holdings Limited ("the Company") on pages 5 to 36, which comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carries out other services for the Group in the areas of tax compliance, tax consulting and other assurance services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Group.



## ***Independent Auditors' Report*** NZ Directories Holdings Limited

### ***Opinion***

In our opinion, the financial statements on pages 5 to 36:

- (i) comply with generally accepted accounting practice in New Zealand; and
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

### ***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 2(a) *Basis of preparation* of the financial statements, which describes the basis of accounting. The financial statements for the year ended 30 June 2014 have been prepared on a realisation basis. As disclosed in note 2(a) to the financial statements, it is the Directors' expectation that after the proposed restructure has been completed, the Company will be placed into receivership.

### ***Report on Other Legal and Regulatory Requirements***

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

### ***Restriction on Use of our Report***

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Prudential', is written over a faint, illegible printed name.

Chartered Accountants  
12 December 2014

Auckland

**NZ Directories Holdings Limited**  
**Statements of comprehensive income**  
**For the year ended 30 June 2014**

	Notes	Consolidated		Parent	
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Revenue</b>		<b>158,373</b>	180,648	-	-
Employee benefits expense	5	(41,071)	(45,586)	-	-
Depreciation and amortisation expense	5	(15,294)	(24,381)	-	-
Other expenses	5	(53,455)	(54,546)	-	-
Total expenses		<u>(109,820)</u>	<u>(124,513)</u>	-	-
<b>Trading profit</b>		<b>48,553</b>	56,135	-	-
Impairment of intangibles	5	(82,083)	(41,425)	-	-
<b>Operating profit/(loss)</b>		<b>(33,530)</b>	14,710	-	-
Finance costs - net	6	(30,044)	(32,044)	-	-
<b>Loss before income tax</b>		<b>(63,574)</b>	(17,334)	-	-
Income tax benefit	7	17,745	4,839	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>(45,829)</b>	(12,495)	-	-

*The above Statements of comprehensive income should be read in conjunction with the accompanying notes.*

NZ Directories Holdings Limited  
Statements of financial position  
As at 30 June 2014

	Notes	Consolidated		Parent	
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	18,556	31,417	-	-
Trade and other receivables	9	36,139	41,805	-	-
Property, plant and equipment	10	7,799	-	-	-
Intangible assets	11	134,989	-	-	-
Loans to related parties	21	8,908	7,192	-	-
<b>Total current assets</b>		<b>206,391</b>	<b>80,414</b>	<b>-</b>	<b>-</b>
<b>Non-current assets</b>					
Property, plant and equipment	10	-	6,767	-	-
Intangible assets	11	-	223,869	-	-
Derivative financial instruments	15	-	9	-	-
<b>Total non-current assets</b>		<b>-</b>	<b>230,645</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>206,391</b>	<b>311,059</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	13	20,538	27,059	-	-
Interest bearing liabilities (secured)	14	389,070	-	-	-
Current tax liabilities		5,675	7,883	-	-
Deferred tax liabilities	16	30,363	-	-	-
<b>Total current liabilities</b>		<b>445,646</b>	<b>34,942</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities (secured)	14	-	413,535	-	-
Deferred tax liabilities	16	-	55,450	-	-
Other liabilities	21(c)	-	558	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>469,543</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>445,646</b>	<b>504,485</b>	<b>-</b>	<b>-</b>
<b>Net liabilities</b>		<b>(239,255)</b>	<b>(193,426)</b>	<b>-</b>	<b>-</b>
<b>Equity / (deficit)</b>					
Contributed equity	17	250,000	250,000	250,000	250,000
Accumulated losses	18	(489,255)	(443,426)	(250,000)	(250,000)
<b>Total equity / (deficit)</b>		<b>(239,255)</b>	<b>(193,426)</b>	<b>-</b>	<b>-</b>

The above Statements of financial position should be read in conjunction with the accompanying notes.

NZ Directories Holdings Limited  
Statements of changes in equity  
For the year ended 30 June 2014

Consolidated	Attributable to equity holders of NZ Directories Holdings Limited		
	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2012	250,000	(430,931)	(180,931)
Loss for the year	-	(12,495)	(12,495)
<b>Total comprehensive income</b>	-	(12,495)	(12,495)
<b>Balance at 30 June 2013</b>	250,000	(443,426)	(193,426)
Balance at 1 July 2013	250,000	(443,426)	(193,426)
Loss for the year	-	(45,829)	(45,829)
<b>Total comprehensive income</b>	-	(45,829)	(45,829)
<b>Balance at 30 June 2014</b>	250,000	(489,255)	(239,255)

Parent	Attributable to equity holder of NZ Directories Holdings Limited		
	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2012	250,000	(250,000)	-
Loss for the year	-	-	-
<b>Total comprehensive income</b>	-	-	-
<b>Balance at 30 June 2013</b>	250,000	(250,000)	-
Balance at 1 July 2013	250,000	(250,000)	-
Loss for the year	-	-	-
<b>Total comprehensive income</b>	-	-	-
<b>Balance at 30 June 2014</b>	250,000	(250,000)	-

*The above Statements of changes in equity should be read in conjunction with the accompanying notes.*



NZ Directories Holdings Limited  
Cash flow statements  
For the year ended 30 June 2014

	Notes	Consolidated		Parent	
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		185,042	216,975	-	-
Payments to suppliers and employees		(116,644)	(128,181)	-	-
		<u>68,398</u>	<u>88,794</u>	-	-
Interest received		545	586	-	-
Interest paid		(35,555)	(32,887)	-	-
Income taxes paid		(9,550)	(5,586)	-	-
<b>Net cash inflow / (outflow) from operating activities</b>	22	<u>23,838</u>	<u>50,907</u>	-	-
<b>Cash flows from investing activities</b>					
Net proceeds from the sale of subsidiaries		-	304	-	-
Payments for property, plant and equipment and intangible assets		(10,518)	(9,388)	-	-
<b>Net cash inflow / (outflow) from investing activities</b>		<u>(10,518)</u>	<u>(9,084)</u>	-	-
<b>Cash flows from financing activities</b>					
Repayments of Senior Notes	14	(24,465)	(48,316)	-	-
Loans to related parties		(1,716)	(438)	-	-
<b>Net cash outflow from financing activities</b>		<u>(26,181)</u>	<u>(48,754)</u>	-	-
<b>Net decrease in cash and cash equivalents</b>		<u>(12,861)</u>	<u>(6,931)</u>	-	-
Cash and cash equivalents at the beginning of the financial period		31,417	38,348	-	-
<b>Cash and cash equivalents at end of year</b>	8	<u>18,556</u>	<u>31,417</u>	-	-

The above Cash flow statements should be read in conjunction with the accompanying notes.

## 1 General information

NZ Directories Holdings Limited (the Parent) and its subsidiaries (together the Group) provide publishing and advertising services from the publication and distribution of telephone directories together with voice and online search services on directory information and digital marketing services.

The Company is owned by the ultimate parent entity Yellow Pages Equity Trust. The beneficiaries of the Yellow Pages Equity Trust are the holders of the Senior Notes and Optional Convertible Notes issued by NZ Directories Finance Limited and Yellow Pages Equity Trust.

These financial statements were authorised for issue by the Board of Directors on 12 December 2014.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements include separate financial statements for NZ Directories Holdings Limited as an individual entity and the consolidated entity consisting of NZ Directories Holdings Limited and its subsidiaries.

### (a) Basis of preparation - realisation basis

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

The separate and consolidated financial statements comply with International Financial Reporting Standards (IFRS).

#### *Going concern assumption*

The going concern assumption has not been applied in the preparation of the Parent and Group financial statements.

On 27 January 2011 NZ Directories Finance Limited issued \$500 million of Senior Notes, the term of which will expire on 31 August 2015.

Based on the current enterprise valuation and expected future earnings of the Group there is no realistic ability for the Group to refinance the Senior Notes at the current carrying value on expiry.

The Board expect to agree to an orderly restructure due to the Group's lenders being (almost 100%) the ultimate equity shareholders (the beneficiaries of the Yellow Pages Equity Trust). A draft Restructure Implementation Deed between, amongst others, each holder of the Senior Notes, NZGT (YPG) Equity Nominee Limited in its capacity as trustee of the Yellow Pages Equity Trust, NZ Directories Finance Limited, NZ Directories IP Limited, Yellow Pages Group Limited and its subsidiaries and a company yet to be incorporated ("Newco") has been prepared and is in the process of being finalised. Following finalisation the Restructure Implementation Deed will be voted on for approval.

The terms of the draft Restructure Implementation Deed propose a restructure of the Group to a sustainable structure in which Newco will purchase the shares in NZ Directories IP Limited and Yellow Pages Group Limited (together with their subsidiaries the "Trading Group") on 30 June 2015. Newco will be owned by the holders of Senior Notes at the time of the restructure (in proportion to their holding of Senior Notes). The value of shares will be determined by a valuation prepared by the Board of Newco and reviewed by an independent valuer in May 2015.

It is expected that the Trading Group will continue operations as the same legal entities.

It is the director's expectation that after the restructure has been completed NZ Directories Holdings will be placed in receivership or liquidation.

The Group and Parent financial statements have been prepared on a realisation (settlement value) basis where assets are carried at the amount of cash or cash equivalents that are expected to be attained under the terms of the restructure. The only exceptions are in respect of certain assets held within the Trading Group and customer relationship intangibles where the carrying amounts are supported by their fair value.

The change in measurement basis and presentation had the following effect on the financial statements:

- Reclassification of non-current assets and liabilities as current.
- All receivables from Group companies have been provided for in full if there is no expectation of repayment.

## 2 Summary of significant accounting policies (continued)

- All individual company investment values have been written down to the value expected to be realised for the respective businesses through the sale of the Trading Group and Brand assets.

There may be further changes in measurement required due to the inherent uncertainty in relation to the future of the Group and Parent. Such adjustments may include assets being realised at amounts other than which they are recorded in the statement of financial position. In addition, the Group and Parent may have to provide for further liabilities that might arise.

The financial statements for the year ended 30 June 2013 were prepared on a going concern basis.

The Parent company and the consolidated entity are designated as profit oriented entities for financial reporting purposes.

### *Entities reporting*

The financial statements of the 'Parent' or 'Company' are for NZ Directories Holdings Limited as a separate legal entity.

The consolidated financial statements of the 'Consolidated' or 'Group' entity are for the economic entity comprising NZ Directories Holdings Limited and its subsidiaries.

The Parent company and the consolidated entity are designated as profit oriented entities for financial reporting purposes.

### *Statutory base*

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is: Level 2, 604 Great South Road, Ellerslie, Auckland.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items as identified in specific accounting policies below.

### *Critical accounting estimates and key management judgements*

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### *Accounting policies*

#### *Standards, amendments and interpretations to existing standards which are not yet effective:*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2013 or later periods.

The Group has adopted the following standards and amendments that had a material impact:

#### (i) NZ IFRS 10 Consolidated financial statements

NZ IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard had no impact on the control assessment and the consolidated financial statements.

#### (ii) NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRS. The requirements, which are largely aligned between NZ IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRSs. Adoption of this standard has resulted in additional disclosures in the financial statements but has not resulted in any measurement changes.

The Group has not early adopted the following standards, which are likely to have an impact on the financial statements:

## 2 Summary of significant accounting policies (continued)

(i) NZ IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

(ii) NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Group is yet to assess NZ IFRS 15's full impact.

The Group does not expect to adopt the new standards before their effective date.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

### (b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NZ Directories Holdings Limited as at 30 June 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statements of comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Within the Parent investments in subsidiaries are valued at cost less impairment.

## 2 Summary of significant accounting policies (continued)

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars rounded to the nearest thousand, which is the Parent's functional currency and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit component of the Statements of comprehensive income.

### (d) Goods and Services Tax (GST)

The Statements of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the Statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced. All items in the Statements of cash flow include GST where applicable.

### (e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of GST and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

#### (i) Advertising services

Sales of advertising services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue from the sale of advertising space in printed directories is recognised in the month of distribution to users as there are no further customer obligations to be fulfilled by the Group after distribution. All direct and incremental costs, including printing and publishing costs incurred in the production of printed directories are deferred and recognised as expenses in the profit component of the Statements of comprehensive income in the month of distribution.

Revenue and costs from the sale of advertising space in online directories and voice service directories are recognised over the contracted period.

In multi-component contracts, revenue is determined and reported separately for each identifiable component. Total consideration for a multi-component contract is distributed over the various components at fair value.

#### (ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### (iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (f) Employee benefits

#### (i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2 Summary of significant accounting policies (continued)

### (g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit component of the Statements of comprehensive income on a straight-line basis over the period of the lease.

### (h) Income tax

The income tax expense or benefit for the period is the total of the current period's taxable income based on the current income tax rate plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that there are sufficient taxable temporary differences or it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts as usual.

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously. The deferred tax assets and liabilities of these entities have not been offset against other members of the financial reporting group.

### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities on the Statements of financial position.

### (j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates at each balance date.

#### (i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

#### (ii) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets.

## 2 Summary of significant accounting policies (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit component of the Statements of comprehensive income in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired.

### (k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of interest rate caps is the estimated amount that the Group would receive or pay to terminate the caps at the reporting date, taking into account current interest rates and the current credit worthiness of the cap's counterparties.

### (l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value.

The Group has not designated any derivatives as hedges and all derivatives are accounted for as trading instruments at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the profit component of the Statements of comprehensive income within finance costs.

### (m) Trade and other receivables

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is recognised in the profit component of the Statements of comprehensive income.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit component of the Statements of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in the profit component of the Statements of comprehensive income.

### (n) Property, plant and equipment

Property, plant and equipment are stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs directly attributable to qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit component of the Statements of comprehensive income during the financial period in which they are incurred.

Capital work in progress is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Fixtures and fittings	3 - 20 years
- Motor vehicles	4 years
- Leasehold improvements	4 - 10 years

## 2 Summary of significant accounting policies (continued)

- Computer equipment 2 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(p)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit component of the Statements of comprehensive income.

### (o) Intangible assets

#### (i) Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These net assets may include brand names, customer relationships, open orders and software which are recorded as intangible assets and held at cost less accumulated amortisation and impairment.

Customer relationships are amortised on a straight line basis that takes into account the estimated customer retention rate at the date of acquisition. The useful economic lives of these assets is six years from acquisition.

The amortisation period and method are reviewed and adjusted, if appropriate, at each balance sheet date.

Open orders are fully amortised in the period that the revenue from the related orders are recognised.

Separately recognised goodwill and brands with indefinite useful lives are tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill and brands are allocated to cash-generating-units for the purpose of impairment testing. The allocation is made to those cash generating units (CGUs) or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

#### (ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and initiate the use of specific software. These costs are amortised over their estimated useful lives (three to seven years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software.

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives not exceeding seven years.

### (p) Impairment of non-financial assets

Assets that are depreciated or amortised are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances indicating a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.



## 2 Summary of significant accounting policies (continued)

### (r) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. A pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation is used. The increase in the provision due to passage of time is recognised as an interest expense.

### (s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit component of the Statements of comprehensive income over the period of the borrowings using the effective interest method.

Senior Notes, which are interest-bearing with a mandatory redemption date of 31 August 2015, are classified as liabilities.

Borrowings are classified as current liabilities as the financial statements have been prepared on a realisation basis.

### (t) Borrowing costs

Borrowing costs arising on financing directly attributable to the construction of qualifying assets are capitalised. Other borrowing costs are expensed.

### (u) Share Capital

All shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## 3 Financial risk management

The Group and Parent's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Board reviews and agrees policies for managing financial risks. The Group and Parent's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and Parent. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and age analysis for credit risk.

### (a) Market risk

#### (i) Foreign exchange risk

The Group and Parent are domestic operations and have no significant exposure to foreign exchange risk.

#### (ii) Other price risk

The Group and Parent have no significant exposure to other price risk.

#### (iii) Cash flow and fair value interest rate risk

As the Group and Parent have no significant interest bearing assets apart from cash, the Group and Parent's income and operating cash flows are substantially independent of changes in market interest rates on interest bearing assets.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the 2014 year the Group's borrowings at variable rates were denominated in New Zealand dollars. At 30 June 2014 all borrowings are classified as current liabilities as the financial statements have been prepared on a realisation basis. The Parent has no interest rate risk.

### 3 Financial risk management (continued)

At 30 June 2014, if interest rates had changed by +/-1% from the period end rates with all other variables held constant, the Group's post tax result for the period would have been \$3.8 million higher/lower (2013: \$3.9/\$3.2 million) higher/lower.

(iv) *Summarised sensitivity analysis*

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

Consolidated	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
30 June 2014		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	18,556	(212)	(212)	212	212
Trade and other receivables	33,596	-	-	-	-
Derivatives	-	-	-	-	-
<b>Financial liabilities</b>					
Trade payables	20,538	-	-	-	-
Borrowings	389,070	4,032	4,032	(4,032)	(4,032)
<b>Total increase / (decrease)</b>		<b>3,820</b>	<b>3,820</b>	<b>(3,820)</b>	<b>(3,820)</b>
<b>Consolidated</b>					
30 June 2013	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	31,417	(269)	(269)	269	269
Trade and other receivables	39,381	-	-	-	-
Derivatives	9	(149)	(149)	877	877
<b>Financial liabilities</b>					
Trade payables	27,059	-	-	-	-
Borrowings	413,535	4,361	4,361	(4,361)	(4,361)
<b>Total increase/ (decrease)</b>		<b>3,943</b>	<b>3,943</b>	<b>(3,215)</b>	<b>(3,215)</b>

#### (b) Credit risk

In the normal course of business, the Group incurs credit risk from trade receivables and transactions with financial institutions. Credit risk is managed on a group basis.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instruments which potentially subject the Group to credit risk consist principally of cash, short-term investments, trade receivables and derivative financial instruments. The Group places its cash, short term investments and derivative financial instruments with high quality financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers included in the Group and Parent's customer base. Trade receivable balances are monitored on an ongoing basis with appropriate provisions made for doubtful debts, note 9.

### 3 Financial risk management (continued)

#### (c) Liquidity risk

The Group monitors and manages its debt maturity profile, operating cash flows and the availability of funding. The Group maintains a level of cash and cash equivalents deemed adequate by management and ensures flexibility in meeting funding requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

A maturity analysis of the Group's borrowings is set out in note 14 and of the Group's derivatives is set out in note 15. The relevant maturity groupings are based on the remaining period at the reporting date to the contractual maturity date.

As set out in note 2(a) these financial statements have been prepared on a realisation basis due to the Group's expected inability to refinance its borrowings on maturity.

### 3 Financial risk management (continued)

#### (d) Capital risk management

The Group and the Parent entity's objective when managing capital is to safeguard the ability to continue as a going concern, to be able to continue to provide returns for shareholders and benefits for other stakeholders.

As set out in note 2(a) the Group and Parent are no longer considered a going concern.

#### (e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate caps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NZ IFRS 7 for financial instruments requires disclosure of the fair value measurements by level from the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: Inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

The only financial instruments held by the Group at fair value were interest rate caps. These are deemed by the Group to be level 2 as their value is determined by valuation techniques based on observable market data.

In 2014 the Group had no derivative financial assets or liabilities held at fair value (2013: \$0).

In 2014 the Parent had no financial assets or liabilities held at fair value (2013: nil).

### 3 Financial risk management (continued)

#### (f) Financial instruments by category

Financial Assets as per Group balance sheet	Held for trading \$'000	Loans and receivables \$'000	Total \$'000
<b>Consolidated</b>			
<b>At 30 June 2014</b>			
Cash and cash equivalents	-	18,556	18,556
Trade receivables	-	33,596	33,596
Loans to related parties	-	8,908	8,908
Total	<u>-</u>	<u>61,060</u>	<u>61,060</u>
<b>At 30 June 2013</b>			
Cash and cash equivalents	-	31,417	31,417
Derivative financial instruments	9	-	9
Trade receivables	-	39,381	39,381
Loans to related parties	-	7,192	7,192
Total	<u>9</u>	<u>77,990</u>	<u>77,999</u>
<b>Financial Liabilities as per Group balance sheet</b>			
		<b>Other financial liabilities at amortised cost \$'000</b>	<b>Total \$'000</b>
<b>Consolidated</b>			
<b>At 30 June 2014</b>			
Trade and other payables		20,538	20,538
Interest bearing liabilities		<u>389,070</u>	<u>389,070</u>
Total		<u>409,608</u>	<u>409,608</u>
<b>At 30 June 2013</b>			
Trade and other payables		27,059	27,059
Interest bearing liabilities		413,535	413,535
Other Liabilities		558	558
Total		<u>441,152</u>	<u>441,152</u>

#### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(i) Impairment of goodwill and intangible assets*

The Group tests annually whether goodwill and indefinite life intangible assets are impaired, in accordance with the accounting policy stated in note 2(p).

The recoverable amounts of CGUs have been determined based on fair value less costs to sell calculations for the Group in 2013 and 2014. These calculations require the use of estimates (note 11).

In 2014 the impairment charge was \$82.1 million (2013: \$41.4 million). For the purposes of impairment testing the business has been valued on a fair value less costs to sell basis. If the forecast revenue used to calculate future earnings in the calculation had been 5% higher/lower than management estimates the Group would have recognised an impairment of intangible assets of \$14.3 million higher/lower (2013: \$18.5 million higher/lower). If the valuation multiple applied had been 5% higher/lower the Group would have recognised an impairment of intangible assets of \$6.3 million higher/lower (2013: \$13.2 million higher/lower).

In accordance with NZ IAS 36 the impairment charge has been allocated firstly to goodwill and any balance has been allocated to the intangible brand and customer relationships assets pro rata based on their carrying values.

*(ii) Income taxes*

Deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances of the Group that will result in the reported tax losses not being available to the Group in the future and that sufficient taxable income will be available to utilise the tax losses.

*(iii) Allowances for doubtful debts*

Receivables are reduced by an allowance for amounts that may become uncollectible in the future. The Group continuously monitor collections and payments from customers and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. The estimates of allowances for doubtful accounts are based on historical experience and involve significant accounting estimates.

Bad debts as a percentage of revenue at 1.4% (2013: 0.5%) reflect the mature market conditions in New Zealand. The bad debt and doubtful debt expense during the year ended 30 June 2014 was \$2.2 million (2013: \$0.9 million). The increase in the current year expense is largely due to the receivership of one large customer.

If the Group allowance for credit losses as a percentage of trade receivables had been 1% higher or lower during the year ended 30 June 2014, then profit before tax would have varied by approximately \$0.4 million (2013: \$0.5 million).

## 5 Other revenue and expenses

### Other revenue

Revenue in the Statements of comprehensive income includes \$4.0 million received from an insurance claim relating to the Christchurch earthquake.

### Expenses

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Depreciation</i>				
Fixtures and fittings	68	83	-	-
Motor vehicles	786	751	-	-
Leasehold improvements	321	368	-	-
Computer equipment	1,195	1,303	-	-
Total depreciation	<u>2,370</u>	<u>2,505</u>	-	-
<i>Amortisation</i>				
Computer software (note 11)	2,745	9,728	-	-
Customer relationships (note 11)	10,179	12,147	-	-
Total amortisation	<u>12,924</u>	<u>21,876</u>	-	-
Total depreciation and amortisation	<u>15,294</u>	<u>24,381</u>	-	-
<i>Impairment of intangibles</i>				
Impairment of brand (note 11)	71,519	34,378	-	-
Impairment of customer relationships (note 11)	10,564	7,047	-	-
Total impairment of intangibles	<u>82,083</u>	<u>41,425</u>	-	-
<i>Employee benefit expense</i>				
Wages and salaries and other employee related expenditure	41,071	45,586	-	-
<i>Other expenses</i>				
Direct costs	24,658	24,098	-	-
Advertising and communication	5,412	7,221	-	-
IT and outsourcing	10,376	12,227	-	-
Operating leases	2,909	3,202	-	-
Net loss on disposal of property, plant and equipment	(36)	78	-	-
Bad and doubtful debts	2,200	914	-	-
Other	7,936	6,806	-	-
Total other expenses	<u>53,455</u>	<u>54,546</u>	-	-

## 5 Other revenue and expenses (continued)

### Auditors' fees

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>(a) Assurance services</b>				
PricewaterhouseCoopers				
Statutory audit work	246	184	-	-
Other audit related work	10	8	-	-
Total remuneration for audit services	<u>255</u>	<u>192</u>	<u>-</u>	<u>-</u>
<b>(b) Taxation services</b>				
PricewaterhouseCoopers				
Tax compliance services, including review of company income tax returns	98	197	-	-
Tax consulting services	89	-	-	-
Total remuneration for taxation services	<u>187</u>	<u>197</u>	<u>-</u>	<u>-</u>
<b>(c) Other services</b>				
PricewaterhouseCoopers				
IT services	15	238	-	-
Total remuneration for other services	<u>15</u>	<u>238</u>	<u>-</u>	<u>-</u>

The auditors' fees are borne by a subsidiary of the Company, Yellow Pages Group Limited.

## 6 Finance income and expenses

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Finance costs</b>				
Interest expense	29,623	31,322	-	-
Derivative change in fair value	9	366	-	-
Facility and brokerage fees	366	380	-	-
Other finance costs	591	561	-	-
Total finance costs	<u>30,589</u>	<u>32,630</u>	<u>-</u>	<u>-</u>
<b>Finance income</b>				
Interest income	(545)	(586)	-	-
Total finance income	<u>(545)</u>	<u>(586)</u>	<u>-</u>	<u>-</u>
Net finance costs	<u>30,044</u>	<u>32,044</u>	<u>-</u>	<u>-</u>



## 7 Income tax

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>(a) Income tax benefit</b>				
Current tax	7,342	10,608	-	-
Deferred tax	<u>(25,087)</u>	<u>(15,447)</u>	-	-
	<u>(17,745)</u>	<u>(4,839)</u>	-	-
<b>(b) Reconciliation of income tax benefit to prima facie tax payable</b>				
Profit / (loss) before income tax expense / (benefit)	<u>(63,574)</u>	<u>(17,334)</u>	-	-
Tax at the New Zealand tax rate of 28%	<u>(17,801)</u>	<u>(4,853)</u>	-	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Other non-deductible items	56	18	-	-
Under / (over) provision in prior years	-	(4)	-	-
Income tax expense	<u>(17,745)</u>	<u>(4,839)</u>	-	-

There were credits to the Group's imputation credit account during the period of \$1.6 million (2013 credit \$9.0 million), the balance which is available to be used in future reporting periods is \$3.3 million (2013: \$1.7 million).

## 8 Cash and cash equivalents

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Cash at bank and in hand	<u>18,556</u>	<u>31,417</u>	-	-
	<u>18,556</u>	<u>31,417</u>	-	-

### (a) Cash at bank and on hand and bank balances and deposits at call

The deposits are bearing a floating interest rate of approximately 2.75% (2013: 2.25%). These deposits have an average maturity of less than 10 days.

### (b) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

## 9 Trade and other receivables

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Trade receivables</b>				
Trade receivables	40,594	46,255	-	-
Provision for credit notes	(1,387)	(1,334)	-	-
Provision for doubtful receivables	(5,611)	(5,540)	-	-
	<u>33,596</u>	<u>39,381</u>	<u>-</u>	<u>-</u>
Prepayments	2,543	2,424	-	-
<b>Total receivables and prepayments</b>	<u>36,139</u>	<u>41,805</u>	<u>-</u>	<u>-</u>

### (a) Impaired receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of \$11.1 million (2013: \$12.6 million) were past due. It was assessed a portion of the receivables is expected to be recovered. Of these overdue receivables \$5.0 million (2013 \$5.5 million) were impaired. The amount of the provision was \$5.6 million (2013: \$5.5 million). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations.

	Impaired		Not impaired	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Less than 3 months	1,601	1,839	4,317	5,070
3 to 6 months	569	496	523	729
Over 6 months	2,798	3,137	1,917	2,459
	<u>4,968</u>	<u>5,472</u>	<u>6,757</u>	<u>8,258</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Opening provision	5,540	7,489	-	-
Provision for impairment recognised during the period	2,200	912	-	-
Receivables written off during the period as uncollectible	(2,129)	(2,861)	-	-
	<u>5,611</u>	<u>5,540</u>	<u>-</u>	<u>-</u>

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the profit component of the Statements of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

### (b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

## 9 Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 3 for more information on the risk management policy of the Group.

## 10 Property, plant and equipment

Consolidated	Fixtures and fittings \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Total \$'000
<b>Year ended 30 June 2013</b>					
Opening net book amount	259	2,759	2,036	1,350	6,404
Additions	54	588	78	2,499	3,219
Disposals / transfers	-	(205)	(146)	-	(351)
Depreciation charge	(83)	(751)	(368)	(1,303)	(2,505)
Closing net book amount	<u>230</u>	<u>2,391</u>	<u>1,600</u>	<u>2,546</u>	<u>6,767</u>
<b>At 30 June 2013</b>					
Cost	3,283	4,368	4,631	7,560	19,842
Accumulated depreciation	(3,053)	(1,977)	(3,031)	(5,014)	(13,075)
Net book amount	<u>230</u>	<u>2,391</u>	<u>1,600</u>	<u>2,546</u>	<u>6,767</u>
<b>Year ended 30 June 2014</b>					
Opening net book amount	230	2,391	1,600	2,546	6,767
Additions	22	255	504	2,769	3,550
Disposals / transfers	-	(147)	-	(1)	(148)
Depreciation charge	(68)	(786)	(321)	(1,195)	(2,370)
Closing net book amount	<u>184</u>	<u>1,713</u>	<u>1,783</u>	<u>4,119</u>	<u>7,799</u>
<b>At 30 June 2014</b>					
Cost	3,287	4,034	5,135	10,324	22,780
Accumulated depreciation	(3,103)	(2,321)	(3,352)	(6,205)	(14,981)
Net book amount	<u>184</u>	<u>1,713</u>	<u>1,783</u>	<u>4,119</u>	<u>7,799</u>

### (a) Assets pledged as security

Refer to note 14 for information on assets pledged as security by the Borrowing Group.

## 11 Intangible assets

Consolidated	Computer software \$'000	Brand \$'000	Customer relationship \$'000	Total \$'000
<b>Year ended 30 June 2013</b>				
Opening net book amount	13,371	212,179	55,635	281,185
Additions and disposals	5,985	-	-	5,985
Impairment charge	-	(34,378)	(7,047)	(41,425)
Amortisation charge	(9,729)	-	(12,147)	(21,876)
Closing net book amount	<u>9,627</u>	<u>177,801</u>	<u>36,441</u>	<u>223,869</u>
<b>At 30 June 2013</b>				
Cost	77,814	258,000	88,560	424,374
Accumulated amortisation and impairment	(68,187)	(80,199)	(52,119)	(200,505)
Net book amount	<u>9,627</u>	<u>177,801</u>	<u>36,441</u>	<u>223,869</u>
<b>Year ended 30 June 2014</b>				
Opening net book amount	9,627	177,801	36,441	223,869
Additions and disposals	6,127	-	-	6,127
Impairment charge	-	(71,520)	(10,564)	(82,083)
Amortisation charge	(2,745)	-	(10,179)	(12,924)
Closing net book amount	<u>13,010</u>	<u>106,281</u>	<u>15,698</u>	<u>134,989</u>
<b>At 30 June 2014</b>				
Cost	83,941	258,000	88,560	430,501
Accumulated amortisation and impairment	(70,931)	(151,719)	(72,862)	(295,512)
Net book amount	<u>13,010</u>	<u>106,281</u>	<u>15,698</u>	<u>134,989</u>

### (a) Impairment tests for goodwill and intangible assets

Goodwill and other intangible assets within the Group have been tested for impairment based on a fair value less costs to sell valuation of the business. This resulted in an impairment loss in the Group of \$82.1 million (2013: \$41.4 million).

Fair value less costs to sell has been determined on a capitalised earnings basis, cross-checked against other valuation indicators. The key assumptions determining the fair value less costs to sell are forecast EBITDA and the applicable valuation multiple. Forecast EBITDA is based on the approved 2015 budget for EBITDA which reflects margins based upon past performance and expectations of market development. The valuation multiple of 2.5 (2013: 2.7) was based on pricing metrics observed for broadly comparable listed companies around the world. Sensitivity analysis for these key assumptions is presented in note 4(i)

In accordance with NZ IAS 36 the impairment charge has been allocated firstly to goodwill and any balance has been allocated to the intangible brand and customer relationships assets pro rata based on their carrying values.

## 12 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

Name of entity	Country of incorporation	Classes of shares	Equity holding	
			2014 %	2013 %
NZ Directories Finance Limited	New Zealand	Ordinary	100	100
NZ Directories IP Limited	New Zealand	Ordinary	100	100
Yellow Pages Group Limited	New Zealand	Ordinary	100	100
Finda Limited	New Zealand	Ordinary	100	100

All subsidiaries have the same financial year end as the Parent and all the above companies have been included in the Group consolidation for the period that they were controlled entities of the Group.

## 13 Trade and other payables

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Trade payables	3,730	3,802	-	-
Accrued finance expenses	188	5,164	-	-
Accrued expenses	6,751	7,938	-	-
GST and PAYE	1,317	1,489	-	-
Employee benefits	6,771	6,594	-	-
Revenue billed in advance	1,781	2,061	-	-
Other payables	-	11	-	-
	<b>20,538</b>	<b>27,059</b>	<b>-</b>	<b>-</b>

## 14 Interest bearing liabilities

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Current</b>				
<b>Secured</b>				
Senior Notes	389,070	-	-	-
Total secured current interest bearing borrowings	<b>389,070</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
<b>Secured</b>				
Senior Notes	-	413,535	-	-
Total non-current interest bearing liabilities	<b>-</b>	<b>413,535</b>	<b>-</b>	<b>-</b>

## 14 Interest bearing liabilities (continued)

Senior Notes of \$500 million were issued by a subsidiary company, NZ Directories Finance Limited, on the debt and equity restructure date. The Senior Notes are interest-bearing at a floating rate and mature on 31 August 2015. Refer to note 2(a) for information on the ability for the Group to refinance these liabilities at the current carrying value on expiry.

The interest rate as at 30 June 2014 on the Senior Notes was 7.98 % (2013: 7.21%).

The Group held a number of interest rate caps which were used to manage its interest rate exposure on the Senior Notes until their expiry on 30 April 2014 (note 15).

### (a) Assets pledged as security and covenants

The Senior Notes are secured on a first ranking basis by security over all of the assets of the Group, except those subject to a permitted security interest.

A single covenant exists for the Group to achieve minimum EBITDA targets.

Covenant EBITDA is as defined in the Senior Note terms and is not a direct calculation from the financial statements. The financial covenants are tested on each 31 March, 30 June, 30 September and 31 December.

On 20 September 2013 the lenders of the Senior Notes and Optional Convertible Notes provided the Group a waiver of the minimum EBITDA target covenant for the quarters ended 30 June 2014, 30 September 2014 and 31 December 2014. On 11 June 2014 the lenders of the Senior Notes and Optional Convertible Notes provided the Group a waiver of the minimum EBITDA target covenant for the quarters ended 31 March 2015 and 30 June 2015

During 2014 and 2013 the Group complied with all its financial covenants up to the quarter when the covenant waiver commenced.

### (b) Interest rate risk exposures

The Group employed the use of four interest rate caps to reduce its exposure to fluctuations in interest rates on the Senior Notes. The interest rate caps expired on 30 April 2014.

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Group	Current rate %	Floating interest rate \$'000	Fixed interest rate		
			1 year or less \$'000	Over 1 to 2 years \$'000	Over 5 years \$'000
<b>2014</b>					
Senior Notes	7.98	389,070	-	-	-
<b>2013</b>					
Senior Notes	7.21	413,535	-	-	-

## 14 Interest bearing liabilities (continued)

### (c) Liquidity analysis

The table below analyses the Group's interest bearing liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. For variable rate instruments, the amounts disclosed are determined by reference to the interest rate at the last re-pricing date.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Over 4 years
<b>2014</b>					
Interest bearing liabilities (secured)	-	389,070	-	-	-
Interest payments	33,510	6,135	-	-	-
<b>2013</b>					
Interest bearing liabilities (secured)	-	-	413,535	-	-
Interest payments	31,606	35,741	6,542	-	-

### (d) Fair value

The estimated fair value of borrowings at balance date are:

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Senior Notes	<u>125,000</u>	<u>190,000</u>	<u>-</u>	<u>-</u>
	<u>125,000</u>	<u>190,000</u>	<u>-</u>	<u>-</u>

For an analysis of the sensitivity of borrowings to interest rate risk refer to note 3 - Financial risk management. Fair value has been assessed based on the enterprise valuation refer 4(i) and allocated based on the security ranking.

## 15 Derivative financial instruments

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>Non-current assets</b>				
Interest rate caps ((a)(i))	-	9	-	-
Total non-current derivative financial instrument assets	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>

### (a) Notional principal amounts outstanding

#### (i) Interest rate cap contracts

The Group does not currently hold or issue derivative financial instruments for trading purposes, although under the classifications of NZ IAS 39 Financial Instruments: Recognition and measurement; derivative financial instruments are classified as 'held for trading' unless they are designated hedges. Interest rate caps held by the Group are therefore classified as held for trading and are recognised at fair value through the profit component of the Statements of comprehensive income (note 3).

## 15 Derivative financial instruments (continued)

The Group had four interest rate cap arrangements in connection with its Senior Notes financing arrangements. The interest charge is made up of a floating base rate (BKBM) plus 4.5% margin. The interest rate caps are used to cap the floating base rate exposure to 4.03% and therefore the total interest rate exposure to 8.53%. The Group has paid an option premium of \$7.5 million for the interest rate caps in March 2011. If the floating base rate exceeds 4.03%, the contracts require settlement of interest receivable every three months. On 30 April 2014 the interest rate caps expired.

The interest rate caps in place at 30 June 2013 covered 96.73% of the floating interest rate loan principal outstanding on the Senior Notes.

The gain or loss from remeasuring the derivative instruments at fair value is recognised in the profit component of the Statements of comprehensive income immediately because the Group does not apply hedge accounting. In the period ended 30 June 2013 a loss of \$0.4 million was recognised in the profit component of the Statements of comprehensive income.

### (b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date nil is receivable (New Zealand dollar equivalents) for the Group from interest rate cap contracts.

### (c) Interest rate risk exposures

The table below analyses the Group's derivative financial instruments (interest rate caps) that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and impact on the profit component of the Statement of comprehensive income at various dates over the term of the interest rate caps.

For an analysis of the sensitivity of derivatives to interest rate and foreign exchange risk refer to note 3.

<b>Consolidated</b>	<b>Floating interest rate \$'000</b>	<b>Less than 1 year \$000</b>	<b>Over 1 year \$000</b>
<b>2014</b>			
Contractual undiscounted cash flows based on current market interest rates (\$'000)	-	-	-
Average expected floating rate (based on 90 day forward rates as at 30 June 2014) (%)	<b>7.98</b>	-	-
<b>2013</b>			
Contractual undiscounted cash flows based on current market interest rates (\$'000)	-	-	-
Average expected floating rate (based on 90 day forward rates as at 30 June 2013) (%)	7.21	-	-



## 16 Deferred tax liabilities

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Employee benefits	(829)	(635)	-	-
Property, plant and equipment	77	77	-	-
Intangible assets	33,647	58,550	-	-
Provisions and accruals	(2,282)	(2,255)	-	-
Other temporary differences	(250)	(287)	-	-
	<u>30,363</u>	<u>55,450</u>	<u>-</u>	<u>-</u>
Within 12 months	30,363	474	-	-
In excess of 12 months	-	54,976	-	-
	<u>30,363</u>	<u>55,450</u>	<u>-</u>	<u>-</u>

Consolidated	Employee benefits \$'000	Property, plant and equipment \$'000	Intangible assets \$'000	Provisions and accruals \$'000	Other temporary differences \$'000	Total \$'000
<b>Year ended 30 June 2013</b>						
Opening balance	(643)	34	74,520	(2,653)	(361)	70,897
Charged/(credited) to the profit component of the Statements of comprehensive income	8	43	(15,970)	398	74	(15,447)
<b>At 30 June 2013</b>	<u>(635)</u>	<u>77</u>	<u>58,550</u>	<u>(2,255)</u>	<u>(287)</u>	<u>55,450</u>
<b>Year ended 30 June 2014</b>						
Opening balance	(635)	77	58,550	(2,255)	(287)	55,450
Charged/(credited) to the profit component of the Statements of comprehensive income	(194)	-	(24,903)	(27)	37	(25,087)
<b>At 30 June 2014</b>	<u>(829)</u>	<u>77</u>	<u>33,647</u>	<u>(2,282)</u>	<u>(250)</u>	<u>30,363</u>

All deferred tax assets and liabilities resulting from temporary differences have been shown as current liabilities.

Based on the proposed restructuring of the Group detailed in note 2(a) deferred tax liabilities are expected to be derecognised within 12 months.

## 17 Contributed equity

Consolidated and Parent	30 June 2014 Shares	30 June 2013 Shares	30 June 2014 \$'000	30 June 2013 \$'000
<b>Ordinary shares</b>				
Opening balance	250,000	250,000	250,000	250,000
Issue of shares during the period	-	-	-	-
<b>Closing balance</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>

On 27 January 2011, the Company issued 250 million fully paid shares to Yellow Pages Equity Trust with an issue price of \$1 per share.

The ordinary shares entitle the holder to receive dividends, vote at shareholder meetings and participate in the proceeds on winding up of the company in proportion to the number of the shares held.

## 18 Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Opening balance	(443,426)	(430,931)	(250,000)	(250,000)
Net loss for the period	(45,829)	(12,495)	-	-
<b>Closing balance</b>	<b>(489,255)</b>	<b>(443,426)</b>	<b>(250,000)</b>	<b>(250,000)</b>

## 19 Commitments

### (i) Operating leases

The Group leases various property, plant and equipment under non-cancellable operating leases expiring within one to twelve years. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	2,778	2,504	-	-
Later than one year but not later than five years	9,466	8,631	-	-
Later than five years	3,597	5,458	-	-
	<b>15,841</b>	<b>16,593</b>	<b>-</b>	<b>-</b>

### (ii) Finance leases

As at 30 June 2014 the Group and Parent had no commitments in respect of capitalised finance leases (2013: nil).

## 19 Commitments (continued)

## 20 Contingencies

As at 30 June 2014 the Group had no contingencies (2013: nil).

## 21 Related party transactions

### (a) Parent entity

As at 30 June 2014 and 30 June 2013, the ultimate and immediate parent entity of NZ Directories Holdings Limited is Yellow Pages Equity Trust.

### (b) Key management and personnel compensation

Key management personnel compensation is set out below. This includes remuneration of the Chief Executive, Board and members of the executive team.

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Salaries and short-term benefits	5,493	4,939	-	-
Long term incentive scheme	641	558	-	-
	<b>6,134</b>	<b>5,497</b>	-	-

### (c) Long term incentive scheme

A Long Term Incentive ("LTI") scheme for key management personnel was implemented in April 2013. This scheme includes payments to participants based on cash distributions to lenders covering the six year period from 1 July 2012 to 30 June 2018. The participants of the scheme are senior executives of Yellow Pages Group Limited and Board members of NZ Directories Holdings Limited. The participants are eligible to receive a bonus payment annually effective 30 June 2014, the quantum of which is determined by the total cash distributions to lenders, being the total cash interest and principal repayments on the Senior Notes and Optional Convertible Notes and any disposal proceeds from a sale of the Company over the six year period from 1 July 2012 to 30 June 2018. The LTI bonus is only payable to participants that are in service at the time of the distribution. The LTI scheme includes a discretionary pool only available for employees and allocated on approval by the lender group and the remuneration committee of the Board.

The fair value of the LTI liability as at 30 June 2014 has been determined by taking into consideration the Group's forecasts and the LTI entitlements per year and per participant using a discount rate of 11.9%.

For the year ended 30 June 2014 a total amount of \$0.6 million (2013: \$0.6 million) has been recognised in employee benefits expense in the income statement. A current liability of \$1.2 million has been recognised (2013: nil) and a non-current liability of \$0.6 million was recognised in 2013.

The proceeds from the proposed restructure sale of the shares in the Trading Group to Newco, refer to note 2(a), will be excluded from the LTI scheme, post restructure the scheme will be rendered ineffectual.

### (d) Transactions with related parties

The following transactions occurred with related parties:

## 21 Related party transactions (continued)

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<i>Loan repayments from:</i>				
Subvention payment to ultimate parent entity Yellow Pages Equity Trust	7,346	5,867	-	-
Repayment by ultimate parent entity Yellow Pages Equity Trust	(5,630)	(5,429)	-	-

NZ Directories Finance Limited has advanced funds to Yellow Pages Equity Trust to fund its interest payments, approved issuer levies and facility fees. NZ Directories Finance Limited has made a subvention payment to Yellow Pages Equity Trust, the proceeds of which have been used to repay these advances.

### (e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
<i>Non-current receivables (loans)</i>				
Loan to ultimate parent entity Yellow Pages Equity Trust	8,908	7,192	-	-
	<u>8,908</u>	<u>7,192</u>	<u>-</u>	<u>-</u>

### (f) Terms and conditions

The loan to the ultimate parent entity is for no fixed term and is non interest-bearing.

As a result of the intended restructure a full provision has been made against the intercompany receivable to Yellow Pages Equity Trust.

The creation of this provision has been recognised as a charge in the Statement of comprehensive income in the current year.

## 22 Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Loss after tax for the period	(45,829)	(12,495)	-	-
Depreciation and amortisation	15,294	24,381	-	-
Impairment of brand	71,519	34,378	-	-
Impairment of customer relationship	10,564	7,047	-	-
Loss/(profit) on disposal of property, plant and equipment	(36)	78	-	-
Change in operating assets and liabilities and net of effects from purchase or disposal of controlled entities				
Decrease in trade and other receivables	5,666	17,052	-	-
Decrease in fair value interest rate caps	9	367	-	-
Decrease in trade payables	(72)	(1,941)	-	-
Decrease in net accruals	(1,006)	(6,608)	-	-
Decrease in interest payable	(4,976)	(623)	-	-
(Decrease)/increase in provision for income taxes payable	(2,208)	5,022	-	-
Decrease in provision for deferred income tax	(25,087)	(15,447)	-	-
Working capital acquired/disposed	-	(304)	-	-
Net cash inflow from operating activities	<u>23,838</u>	<u>50,907</u>	<u>-</u>	<u>-</u>

## 23 Events occurring after the balance sheet date

There were no significant events after balance date that have not been disclosed elsewhere in the financial statements.