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YPG Holdings Limited
Financial statements
for the year ended 30 June 2010

Contents

Directors' report

The Board of Directors have pleasure in presenting the annual report of YPG Holdings Limited (the Company) and its subsidiaries (together the Group), incorporating the financial statements and the auditors' report, for the year ended 30 June 2010.

With the unanimous agreement of all shareholders, the Group has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of YPG Holdings Limited and the Group have authorised these financial statements on pages 5 to 54 for issue on 16 December 2010.

For and on behalf of the Board.

Director
16 December 2010

Director
16 December 2010

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Auditors' Report

To the Shareholders of YPG Holdings Limited

We have audited the financial statements on pages 5 to 54. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 9 to 17.

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 has been undertaken so that we might state to the Company's shareholders those matters 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 opinion we have formed.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and their financial performance and cash flows for the year ended on that date.

Auditors' responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors and in the provision of taxation and other advisory services.

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Auditors' Report
YPG Holdings Limited

Basis of preparation

As disclosed in the Group's statement of accounting policies in note 2(a) to the financial statements, the Directors consider it is likely that YPG Holdings Limited will be placed in receivership once the proposed sale and Group restructure is complete.

Consequently, the financial statements for the year ended 30 June 2010 have been prepared on a realisation basis where assets are carried at the amount expected to be obtained in the proposed sale. Details of adjustments to amounts in the financial statements as a consequence of applying the realisation basis are disclosed in note 2(a).

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 5 to 54:

  (i) comply with generally accepted accounting practice in New Zealand; and

  (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 December 2010 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

Statements of comprehensive income

	Notes	Consolidated 12 months to 30 June 2010 $'000	Consolidated 12 months to 30 June 2009 $'000	Parent 12 months to 30 June 2010 $'000	Parent 12 months to 30 June 2009 $'000
Revenue		**274,356**	296,953	**-**	-
Employee benefits expense	5	**(44,624)**	(45,537)	**-**	-
Depreciation and amortisation expense	5	**(19,655)**	(22,024)	**-**	-
Other expenses	5	**(66,780)**	(88,686)	**10,031**	(5,413)
Total expenses		**(131,059)**	(156,247)	**10,031**	(5,413)
Trading profit/(loss)		**143,297**	140,706	**10,031**	(5,413)
Provision against Group receivables	26	**-**	-	**(609,292)**	-
Impairment of investment in subsidiaries	13	**-**	-	**(6,768)**	-
Impairment of intangibles	5	**(1,609,028)**	(195,500)	**-**	-
Restructuring expense	5	**(6,303)**	(1,751)	**(1,577)**	-
Operating (loss)/profit		**(1,472,034)**	(56,545)	**(607,606)**	(5,413)
Finance costs - net	6	**(189,746)**	(346,292)	**1**	9,284
(Loss)/profit before income tax		**(1,661,780)**	(402,837)	**(607,605)**	3,871
Income tax (expense)/benefit	7	**216,533**	64,512	**(1,550)**	718
(Loss)/profit for the year		**(1,445,247)**	(338,325)	**(609,155)**	4,589
Other comprehensive income/(loss)					
Equity component of PIK share option scheme	21	**-**	(201)	**-**	2,032
Other comprehensive income/(loss) for the year		**-**	(201)	**-**	2,032
Total comprehensive income/(loss) for the year, net of tax		**(1,445,247)**	(338,526)	**(609,155)**	6,621
Loss is attributable to:					
Equity holders of YPG Holdings Limited		**(1,445,239)**	(338,299)		
Loss attributable to non-controlling interest		**(8)**	(26)		
		(1,445,247)	(338,325)		
Total comprehensive income/(loss) for the year is attributable to:					
Equity holders of YPG Holdings Limited		**(1,445,239)**	(338,500)		
Loss attributable to non-controlling interest		**(8)**	(26)		
		(1,445,247)	(338,526)		

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

Statements of financial position

		Consolidated		Parent	
		30 June 2010	30 June 2009	**30 June 2010**	30 June 2009
	Notes	**$'000**	$'000	**$'000**	$'000
Assets					
Current assets					
Cash and cash equivalents	8	**61,000**	3,553	**68**	5
Trade and other receivables	9	**87,744**	100,268	**-**	-
Inventories	10	**72**	192	**-**	-
Current tax receivables		**8**	-	**-**	-
Property, plant and equipment	12	**7,599**	-	**-**	-
Intangibles	14	**691,698**	-	**-**	-
Deferred tax assets	17	**5,099**	-	**30**	-
Total current assets		**853,220**	104,013	**98**	5
Non-current assets					
Property, plant and equipment	12	**-**	10,287	**-**	-
Intangible assets	14	**-**	2,316,706	**-**	-
Investment in subsidiaries	13	**-**	-	**-**	6,768
Loans to related parties	26	**-**	-	**-**	609,428
Deferred tax assets	17	**-**	89,404	**-**	1,580
Total non-current assets		**-**	2,416,397	**-**	617,776
Total assets		**853,220**	2,520,410	**98**	617,781
Liabilities					
Current liabilities					
Trade and other payables	15	**255,778**	64,747	**149**	10,629
Interest bearing liabilities (secured)	16	**1,806,943**	-	**-**	-
Deferred tax liabilities	18	**3,244**	-	**-**	-
Other liabilities	19	**171**	-	**-**	-
Derivative financial instruments	11	**-**	72,059	**-**	-
Loans from related parties	26	**-**	-	**1,952**	-
Total current liabilities		**2,066,136**	136,806	**2,101**	10,629
Non-current liabilities					
Interest bearing liabilities (secured)	16	**-**	1,717,191	**-**	-
Derivative financial instruments	11	**-**	129,463	**-**	-
Deferred tax liabilities	18	**-**	304,084	**-**	-
Other liabilities	19	**-**	535	**-**	-
Total non-current liabilities		**-**	2,151,273	**-**	-
Total liabilities		**2,066,136**	2,288,079	**2,101**	10,629
Net assets/(liabilities)		**(1,212,916)**	232,331	**(2,003)**	607,152
Equity					
Contributed equity	20	**610,290**	610,290	**610,290**	610,290
Reserves	21(a)	**5,393**	5,393	**7,627**	7,627
Accumulated deficit	21(b)	**(1,828,582)**	(383,343)	**(619,920)**	(10,765)
Parent entity (deficit)/interest		**(1,212,899)**	232,340	**(2,003)**	607,152
Non-controlling interest	22	**(17)**	(9)	**-**	-
Total equity/(deficit)		**(1,212,916)**	232,331	**(2,003)**	607,152

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

Statements of changes in equity

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Accum. losses $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to equity holders of YPG Holdings Limited				
Balance at 1 July 2008		567,694	5,594	(45,044)	-	528,244
Loss for the year		-	-	(338,299)	(26)	(338,325)
Non-controlling equity on purchase		-	-	-	17	17
Total comprehensive income/(loss)		-	-	(338,299)	(9)	(338,308)
Value of equity component of PIK loan (tax rate change)		-	(201)	-	-	(201)
Equity issued in the period	20	42,596	-	-	-	42,596
Balance at 30 June 2009		610,290	5,393	(383,343)	(9)	232,331
Balance at 1 July 2009		610,290	5,393	(383,343)	(9)	232,331
Loss for the year		-	-	(1,445,239)	(8)	(1,445,247)
Total comprehensive income/(loss)		-	-	(1,445,239)	(8)	(1,445,247)
Balance at 30 June 2010		610,290	5,393	(1,828,582)	(17)	(1,212,916)

Parent	Notes	Contributed equity $'000	Reserves $'000	Accum. losses $'000	Total equity $'000
		Attributable to equity holders of YPG Holdings Limited			
Balance at 1 July 2008		567,694	5,595	(15,354)	557,935
Profit/(loss) for the year		-	-	4,589	4,589
Total comprehensive income/(loss)		-	-	4,589	4,589
Value of equity component of PIK loan		-	2,032	-	2,032
Equity issued in the period	20	42,596	-	-	42,596
Balance at 30 June 2009		610,290	7,627	(10,765)	607,152
Balance at 1 July 2009		610,290	7,627	(10,765)	607,152
Loss for the year		-	-	(609,155)	(609,155)
Total comprehensive income/(loss)		610,290	7,627	(619,920)	(2,003)
Balance at 30 June 2010		610,290	7,627	(619,920)	(2,003)

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

Cash flow statements

		Consolidated		Parent	
		30 June 2010	30 June 2009	**30 June 2010**	30 June 2009
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers		**328,773**	369,871	**854**	27
Payments to suppliers and employees		**(152,642)**	(172,520)	**(2,880)**	(662)
		176,131	197,351	**(2,026)**	(635)
Interest received		**338**	11,974	**1**	10
Interest paid		**(115,968)**	(156,983)	**-**	-
Income taxes paid		**(8)**	-	**-**	-
Net cash inflow / (outflow) from operating activities	30	**60,493**	52,342	**(2,025)**	(625)
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired		**(3,350)**	(17,067)	**-**	-
Payments for property, plant and equipment		**(2,508)**	(11,557)	**-**	-
Loans to related parties		**-**	-	**2,088**	310
Net cash inflow / (outflow) from investing activities		**(5,858)**	(28,624)	**2,088**	310
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**-**	42,596	**-**	42,596
Proceeds from borrowings		**12,036**	20,060	**-**	-
Repayment of borrowings		**(9,224)**	(84,596)	**-**	(42,596)
Net cash inflow / (outflow) from financing activities		**2,812**	(21,940)	**-**	-
Net increase (decrease) in cash and cash equivalents		**57,447**	1,778	**63**	(315)
Cash, cash equivalents and bank overdrafts at the beginning of the financial year		**3,553**	1,775	**5**	320
Cash and cash equivalents and bank overdrafts at end of year	8	**61,000**	3,553	**68**	5

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

1 General information

YPG Holdings Limited (the Parent) and its subsidiaries as listed in note 13 (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. YPG Holdings Limited was incorporated on 26 March 2007 and the Group (YPG Holdings Limited, YPG Finance Limited and YPG IP Limited) was formed on 26 March 2007.

The Group acquired the operations of Yellow Pages Group Limited (and associated intellectual property). Activities commenced from 30 April 2007.

These financial statements were authorised for issue by the Board of Directors on 16 December 2010.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for YPG Holdings Limited as an individual entity and the consolidated entity consisting of YPG 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 going concern assumption has not been applied in the preparation of the parent entity and Group financial statements. During March and April 2010 the Group breached financial undertakings set out in its lending documents which gave the lenders the right to enforce their security. As set out in notes 28 and 29 a restructured debt package is expected to be effected by a sale of Yellow Pages Group Limited and its subsidiaries (the "Trading Group"), to a new holding company and the sale of the brand assets held in YPG IP Limited to a new IP company within the new Group structure. Under the draft terms of the proposed restructuring the Trading Group will continue operations as the same legal entities. The results included in the Group financial statements in respect of these companies have therefore been measured as if they are a going concern. It is the Directors' expectation that after the proposed restructuring is complete YPG Holdings Limited's subsidiaries YPG Finance Limited, YPG Capital Limited and YPG IP Limited (being the members of the group that are guarantors under the lending documents but are not members of the Trading Group) will be placed in receivership. The Directors consider that it is likely that YPG Holdings Limited and its subsidiaries YPG Share Scheme Trustee Limited and YPG Bond Finance Limited will be wound up at sometime after the sale and restructure is complete.

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 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 value in use (note 14).

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

- Reclassification of non-current assets and liabilities within all companies as current.

- All receivables from Group companies have been provided for in full (note 26). In the Parent entity this totals a charge of $609 million.

- 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 (note 13). In the Parent this charge totals $6.8 million.

- The goodwill and brand assets have been written down to their recoverable amounts resulting in a total impairment charge of $1,609 million (note 14).

- Deferred tax liabilities totalling $297 million ($277 million after taking into account the tax rate change) relating to intangible assets whose value will be realised through sale have been derecognised (note 18).

- Deferred tax assets totalling $64.7 million related to the carry-forward of tax losses have been fully written down to the extent the tax losses can no longer be utilised (note 7). In the Parent tax losses written down amounted to $0.6 million.

- Capitalised facility fees of $4.8 million relating to the Subordinated and PIK debt have been fully amortised (note 16).

2 Summary of significant accounting policies (continued)

- Accrued management fees of $10.4 million which cannot be paid under the senior finance documents have been released to the statement of comprehensive income (note 5).

The financial statements for the year ended 30 June 2009 were prepared on a going concern basis.

Compliance with IFRS

The separate and consolidated financial statements of YPG Holdings Limited also comply with International Financial Reporting Standards (IFRS).

Entities reporting

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

The consolidated financial statements of the 'Consolidated' or 'Group' entity are for the economic entity comprising YPG 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 and for measurement adjustments required to prepare the financial statements on a realisation basis as disclosed in note 2(a).

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.

Changes in accounting policies

Except as described below, the accounting policies and methods of computation are consistent with those used in the prior year.

(a) Standards, amendments and interpretations effective in 2010

The Group has adopted the following new and revised standards for which application was mandatory for the first time in the financial year beginning 1 July 2009:

(i) NZ IAS 1 (Revised), Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

(ii) NZ IFRS 2 Share-Based Payments

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Application of this revised standard has not had a material impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

(iii) NZ IFRS 3, Business Combinations (Revised) and NZ IAS27, Consolidated and Separate Financial Statements (Revised)

The revised standards continue to apply the acquisition method to business combinations but with some significant changes to the treatment of transaction costs and contingent consideration. Application of these revised standards has not had a material impact on the Group's financial statements.

(iv) NZ IAS 23 Borrowing Costs (Revised)

The revised standard requires the capitalisation of borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, which are assets which take a substantial time to be readied for their intended use or sale. The application of the new standard has had no impact on the Group's financial statements.

(b) 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 2010 or later periods.

The group has not early adopted the following standard:

(i) NZ IFRS9 Financial Instruments – new standard (effective for reporting periods beginning after 1 January 2013)

The standard introduces new classifications and removal of some existing classifications and measurement regime for financial assets.

When this standard is applied there will be various changes to disclosures of financial instruments within the financial statements.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of YPG Holdings Limited as at 30 June 2010 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase 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 acquisition. Acquisition costs are expensed as 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, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit component of the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. 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.

Minority interests in the results and equity of subsidiaries where 100% ownership is not virtually certain are shown separately in the consolidated Statement of comprehensive income and Statement of financial position respectively.

Within the Parent investments 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, 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 statement of comprehensive income.

(d) Goods and Services Tax (GST)

The Statement 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.

(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 Groups 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 groups 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 statement of comprehensive income in the month of distribution.

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

(ii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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

(f) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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.

2 Summary of significant accounting policies (continued)

(ii) Share-based payments
The Group operates an equity-settled, share-based compensation plan which is open to selected senior executives of the Group. Three separate classes of shares in YPG Holdings Limited (the ultimate holding company) have been issued by the Company to a trust which holds the shares for the benefit of the senior executives. The fair value of the employee services received in exchange for the grant of the share entitlements is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share entitlements granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of shares that are expected to be reclassified and vested.

(iii) 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.

(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 statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Income tax

The income tax expense or revenue 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. As the Income Tax Act 2004 does not allow transfers of income tax paid between less than wholly owned group members, the current and 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, deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, 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.

2 Summary of significant accounting policies (continued)

(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, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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 statement 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 swaps is the estimated amount that the Group would receive or pay to terminate the swaps at the reporting date, taking into account current interest rates and the current credit worthiness of the swaps counterparties.

The fair value of intangible assets acquired as part of a business combination are established by using valuation techniques. These include the use of recent arm's length transactions, reference to other assets that are substantially the same and discounted cash flows.

(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 statement of comprehensive income within finance costs.

(m) Trade and other receivables

Trade receivables are recognised initially at fair value 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 statement of comprehensive income.

2 Summary of significant accounting policies (continued)

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 statement 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 statement of comprehensive income.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct purchase cost and where appropriate a proportion of pre-press setup expenditure. Cost is determined on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit component of the statement 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	2 - 12 years
- Motor vehicles	4 years
- Leasehold improvements	4 - 10 years
- 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(q)).

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

(p) Intangible assets

(i) Goodwill and other non-current 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 and customer relationships, which are recorded as intangible assets and held at cost less accumulated amortisation and impairment.

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 these assets is seven years.

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

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.

2 Summary of significant accounting policies (continued)

(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 five 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 over their estimated useful lives not exceeding seven years.

(q) 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 identifying 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.

(r) 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.

(s) 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.

(t) 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Borrowing costs

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

(v) 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.

2 Summary of significant accounting policies (continued)

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(x) Comparative figures

Where necessary, comparative figures for the minority interest and within certain expense categories have been reclassified and repositioned for consistency with current year disclosures.

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. As set out in notes 28 and 29 the Group breached certain financial undertakings and payment obligations set out in its lending documents in March and April 2010 and has been operating under a succession of standstill agreements since this point. The financial risk management policies disclosed in note 3 are those which have operated throughout 2009 and 2010. Where it has not been possible to continue these or where they are no longer relevant as a consequence of the revised banking relationship associated with the standstill agreement this is noted.

The Group and Parent's overall risk management program 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 risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging 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, 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 and Parent's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group and Parent to cash flow interest rate risk. During the 2010 year the Group and Parent's borrowings at variable rates were denominated in New Zealand dollars. At 30 June 2010 all borrowings are short term.

The Group and Parent manage their cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates although these swaps are not treated as hedges for accounting purposes. Generally, the Group and Parent raise long-term borrowings at floating rates and swap them, in an economic sense, into fixed rates that are lower than those available if the Group and Parent borrowed at fixed rates directly. Under the interest rate swaps, the Borrowing Group agree with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating interest rate amounts calculated by reference to the agreed notional amounts.

As noted in note 28, in March and April 2010 the interest rate swap providers exercised their rights to 'close out' the interest rate swaps effectively bringing forward the amount due over the life of the swap such that the amounts are immediately due. At 30 June 2010 all debt was current and uncovered for interest rate exposure.

At 30 June 2010, if interest rates had changed by -/+1% from the year end rates with all other variables held constant, the Group's post tax loss for the period (annualised) would have been $13.7/$18.3 million higher/lower (2009: $35/$43.9 million lower/higher). Post tax loss for the period (annualised) would have been $31.0/$26.3 million higher/lower (2009: $50.1/$59.0 million lower/higher) as a result of funds received/paid on the interest rate swaps. This includes interest accrued over the period (annualised).

(iv) Summarised sensitivity analysis
The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

Consolidated		**Interest rate risk**			
		-1%		**+1%**	
30 June 2010	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	61,000	(121)	(121)	121	121
Trade receivables	85,553	-	-	-	-
Financial liabilities					
Derivatives	-	(26,303)	(26,303)	30,975	30,975
Trade payables	248,786	-	-	-	-
Borrowings	1,806,943	12,764	12,764	(12,764)	(12,764)
Total increase / (decrease)		(13,660)	(13,660)	18,332	18,332

3 Financial risk management (continued)

Consolidated		Interest rate risk			
		-1%		+1%	
30 June 2009	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	3,553	(48)	(48)	48	48
Trade receivable	97,400	-	-	-	-
Financial liabilities					
Derivatives	201,522	(50,055)	(50,055)	59,017	59,017
Trade payables	59,734	-	-	-	-
Borrowings	1,717,191	15,135	15,135	(15,135)	(15,135)
Total increase/ (decrease)		(34,968)	(34,968)	43,930	43,930

The Parent's financial assets and financial liabilities sensitive to interest rate risk, which differ from those of the Group disclosed above is cash and cash equivalents and trade payables. These had a carrying amount of $68,000 and $39,000 at 30 June 2010. (2009: $5,000 and $24,000). If interest rates had changed by -/+1% from the year end rates, with all other variables held constant, profit and equity would have been $680 lower/higher (2009 : $50 lower/higher).

(b) Credit risk

In the normal course of business, the Group and Parent incur 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 wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used.

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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

Financial instruments which potentially subject the Group and Parent 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 credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution. 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.

(c) Liquidity risk

The Group and Parent monitors and manages their 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 by securing revolving credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

In November 2009 the Group identified that there was a high likelihood that financial covenants may be breached in 2010 based on the revised forecasts at that point. The Group identified this risk to its lenders and as noted in notes 28 and 29 the Group has operated under a standstill agreement with its lenders since April 2010.

In addition, in a 'relevant liabilities letter' dated 18 May 2010 the security trustee (on behalf of the secured lenders) provided comfort to the Directors of Yellow Pages Group Limited as to the continued incurrence of trading liabilities in the ordinary course of business.

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

3 Financial risk management (continued)

Liquidity reserve

	2009 $'000
Opening balance for the year	1,131,776
Operating proceeds	381,845
Operating outflows	(329,502)
Cash outflows for investments	(28,624)
Financing proceeds	(21,940)
Commitment of new credit lines	(30,000)
Closing balance for the period	1,103,555

An analysis of liquidity reserves has not been provided for 2010. Following the breach of financial obligations it is no longer *the means by which the Group manages its liquidity.*

A maturity analysis of the Group's borrowings is set out in note 16 and of the Group's derivatives is set out in note 11. The relevant maturity groupings are based on the remaining period at the reporting date to the contractual maturity date.

(d) Capital risk management

The Group and the Parent entity's objectives when managing capital were to safeguard their ability to continue as a going concern, so that they could continue to provide returns for shareholders and benefits for other stakeholders.

As noted in note 2(a) the current Group structure is no longer considered a going concern.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

External capital requirements include the debt covenants detailed in note 16.

The gearing ratios at 30 June 2010 were as follows:

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Total borrowings	**1,806,943**	1,717,191	**-**	-
Less: cash and cash equivalents	**61,000**	3,553	**68**	5
Net debt	**1,745,943**	1,713,638	**(68)**	(5)
Total equity	**(1,212,916)**	232,331	**(2,003)**	607,152
Total capital	**533,027**	1,945,969	**(2,071)**	607,147
Gearing ratio	**327.6%**	88.1%	**3.3%**	(0.0)%

3 Financial risk management (continued)

(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 swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

No outstanding forward exchange contracts or interest rate swaps were held at 30 June 2010.

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. 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.

Effective 1 July 2009, the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This 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 are interest rate swaps. These are deemed by the Group to be level 2 as their value is determined by valuation techniques based on observable market data.

In 2010 the fair value of the financial liabilities held at fair value through the profit component of the statement of comprehensive income was nil (2009: $201.5 million).

In 2009 and 2010 the Parent had no financial assets or liabilities held at fair value.

3 Financial risk management (continued)

(f) Financial instruments by category

Assets as per balance sheet	Held for trading $'000	Loans and receivables $'000	Total $'000
Consolidated			
At 30 June 2010			
Cash and cash equivalents	-	61,000	61,000
Trade and other receivables	-	85,553	85,553
Total	-	146,553	146,553
At 30 June 2009			
Cash and cash equivalents	-	3,553	3,553
Trade and other receivables	-	97,400	97,400
Total	-	100,953	100,953
Parent			
At 30 June 2010			
Cash and cash equivalents	-	68	68
Total	-	68	68
At 30 June 2009			
Cash and cash equivalents	-	5	5
Loans to related parties	-	609,428	609,428
Total	-	609,433	609,433

3 Financial risk management (continued)

(f) Financial instruments by category(continued)

Liabilities as per balance sheet

	Held for trading $'000	Other liabilities $'000	Total $'000
Consolidated			
At 30 June 2010			
Trade and other payables	-	248,786	248,786
Interest bearing liabilities	-	1,806,943	1,806,943
Total	-	2,055,729	2,055,729
At 30 June 2009			
Trade and other payables	-	59,734	59,734
Derivative financial instruments	201,522	-	201,522
Interest bearing liabilities	-	1,717,191	1,717,191
Total	201,522	1,776,925	1,978,447
Parent			
At 30 June 2010			
Trade and other payables	-	149	149
Loans from related parties	-	1,952	1,952
Total	-	2,101	2,101
At 30 June 2009			
Trade and other payables	-	10,629	10,629
Total	-	10,629	10,629

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) Consolidation of Subsidiaries

All the subsidiary companies in the Group are consolidated into the Group financial statements on the basis that the activities of each subsidiary are conducted according to the specific needs of the Parent, and that the Parent has control at balance date.

(ii) Estimates to restate financial position at realisable value

In addition to the estimates noted below and as set out in note 2(a) the Group has made additional estimates in adjustments required to restate balances to realisable value. Had the financial statements been prepared on a going concern basis the loss for the year would have been $1,411.9 million.

(iii) Estimated Impairment of goodwill and intangible assets

The Group tests annually whether goodwill and indefinite life intangible assets has suffered any impairment, in accordance with the accounting policy stated in note 2(q). In 2010 goodwill and indefinite life intangible assets have been impaired to their realisable value under the proposed restructure (note 2(a)). An impairment charge of $1,604 million has been recorded to write down intangibles to their recoverable amount (note 14).

The recoverable amounts of CGUs have been determined based on value-in use calculations for the Trading Group in 2010 and the entire Group in 2009. In 2010 recoverable amounts for intangibles within the Trading Group have been assessed based on their value in use as explained in note 2(a) resulting in an impairment of $4.7 million. These calculations require the use of estimates (note 14).

In 2009 the impairment charge was $195.5 million. If the forecast revenue used in the value-in use calculation had been 5% lower than management estimates the Group would have recognised a further impairment of goodwill of $155.7 million. In 2009 if the estimated pre-tax discount rate applied to the discounted cash flows for the Directories CGU had been 1% higher than management's estimates, the Group would have recognised a further impairment against goodwill of $212.1 million.

(iv) 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 up to the point of expected restructure (note 2). All deferred tax related to losses outside the Trading Group has been fully written down.

(v) Allowances for doubtful debts

Receivables are reduced by an allowance for amounts that may become uncollectible in the future. Management continuously monitors collections and payments from customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues 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 3.6% (2009: 1%) reflect the mature market conditions in New Zealand. The bad debt and doubtful expense during the period ended 30 June 2010 was $9.9 million (2009: $4.7 million).

If the Group allowance for credit losses as a percentage of revenue had been 1% higher or lower during the period ended 30 June 2010, then profit/loss before tax would have varied by approximately $2.7 million (2009: $2.9 million).

4 Critical accounting estimates and judgements (continued)

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

Other 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. The brands are considered to have an indefinite useful life because the brands exhibit: significant earnings and strong performance; and strong appeal to users and advertisers. The values of property, plant, equipment and assets with indefinite lives are reviewed annually for impairment. Other non current intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at the end of the first full year following acquisition. As detailed in note 29 the Group's lenders have approved a major systems upgrade to the core directory and online platforms. The amortisation of software and hardware assets which will be rendered redundant as a result of this upgrade has been accelerated over the next 12 months.

If the useful economic lives had been longer or shorter by an average of one year during the period ended 30 June 2010, then the Group's amortisation charge would have been approximately $1.0 million or $2.1 million lower or higher respectively (2009: $2.0/$2.4 million lower/higher). The Group's depreciation charge would have been approximately $0.6 million lower (2009: $0.5 million lower) if the useful lives had been longer by an average of one year, or approximately $0.3 million higher (2009: $0.2 million higher) if the useful lives had been an average of one year shorter.

5 Expenses

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Fixtures and fittings	**215**	987	-	-
Motor vehicles	**343**	461	-	-
Leasehold improvements	**448**	1,369	-	-
Computer equipment	**786**	817	-	-
Total depreciation	**1,793**	3,634	-	-
Amortisation				
Computer software	**12,368**	12,897	-	-
Customer relationships	**5,494**	5,493	-	-
Total amortisation	**17,862**	18,390	-	-
Total depreciation and amortisation	**19,655**	22,024	-	-
Impairment of intangibles				
Impairment of goodwill (note 14)	**970,341**	195,500	-	-
Impairment of brand (note 14)	**638,687**	-	-	-
	1,609,028	195,500	-	-
Employee benefit expense				
Wages and salaries and other employee related expenditure	**44,624**	45,537	-	-
Other expenses				
Direct costs	**28,641**	33,378	-	-
Advertising and communication	**11,395**	11,743	-	-
IT and outsourcing	**17,766**	23,156	-	-
Operating Leases	**4,225**	4,046	-	-
Net loss on disposal of property, plant and equipment	**-**	198	-	-
Bad and doubtful debts	**9,887**	4,731	-	-
Management fees (release of provision) - realisation adjustment	**(10,439)**	4,700	**(10,463)**	4,676
Receivership expenses - realisation adjustment	**60**	-	**10**	-
Other	**5,245**	6,734	**422**	737
	66,780	88,686	**(10,031)**	5,413
Restructuring expense				
Business rightsizing (severances)	**-**	1,751	**-**	-
Group sale process and restructuring	**6,303**	-	**1,577**	-
	6,303	1,751	**1,577**	-

The impairment of goodwill includes $4.7 million held within the Trading Group and assessed based on a value in use (note 4(iii)) rather than a realisation basis.

5 Expenses (continued)

Auditors' fees

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
(a) Assurance services				
PricewaterhouseCoopers				
Audit and review of financial reports and other audit work	**264**	202	-	20
Total remuneration for audit services	**264**	202	-	20
(b) Taxation services				
PricewaterhouseCoopers				
Tax compliance services, including review of company income tax returns	**144**	115	-	-
Total remuneration for taxation services	**144**	115	-	-
(c) Advisory services				
PricewaterhouseCoopers				
Other advisory services	**448**	77	-	-
Total remuneration for advisory services	**448**	77	-	-

Other advisory services include vendor due diligence and financial and taxation advisory services.

6 Finance income and expenses

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Finance costs				
Interest paid	**114,432**	154,282	-	-
Interest accrued	**69,519**	32,088	-	(8,749)
Unpaid swap termination fees (note 15)	**163,555**	-	-	-
Derivative revaluation (note 11 (a)(i))	**(201,673)**	155,415	-	-
Facility and brokerage fees	**42,706**	10,070	-	-
Other finance costs	**1,545**	1,592	-	(525)
Total finance costs	**190,084**	353,447	-	(9,274)
Finance income				
Interest income	**(338)**	(7,155)	**(1)**	(10)
Total finance income	**(338)**	(7,155)	**(1)**	(10)
Net finance costs	**189,746**	346,292	**(1)**	(9,284)

Net finance costs before derivative revaluations and termination fees were $227.9 million (2009: $190.9 million).

7 Income tax

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
(a) Income tax expense/(benefit)				
Current tax	**-**	-	**-**	-
Deferred tax	**(216,437)**	(66,956)	**1,570**	(408)
Under (over) provided in prior years - current	**2**	1,071	**-**	-
Under (over) provided in prior years - deferred	**(98)**	1,373	**(20)**	(310)
	(216,533)	(64,512)	**1,550**	(718)
Deferred income tax (revenue) expense comprises:				
Decrease (increase) in deferred tax assets (note 17)	**84,305**	(67,354)	**1,550**	(718)
(Decrease) increase in deferred tax liabilities (note 18)	**(300,840)**	4,992	**-**	-
Deferred tax liability recognised on brand acquisitions	**-**	(2,948)	**-**	-
Deferred Tax on PIK Option lapsed (note 17)	**-**	(273)	**-**	-
	(216,535)	(65,583)	**1,550**	(718)
(b) Reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	**(1,661,780)**	(402,837)	**(607,605)**	3,871
Tax at the New Zealand tax rate of 30% (2009 - 30%)	**(498,534)**	(120,851)	**(182,282)**	1,161
Tax effect of a change in tax rates	**(178)**	-	**-**	-
Prior year tax losses recognised	**-**	(5,157)	**-**	(1,661)
Carried forward and current year tax losses derecognised	**64,667**	-	**596**	-
Deferred tax derecognised on brand assets	**(269,006)**	-	**-**	-
Deferred tax derecognised on customer relationship	**(27,744)**	-	**-**	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Impairment of investments in subsidiaries	**-**	-	**2,030**	-
Impairment of brand assets	**191,606**	-	**-**	-
Impairment of goodwill	**291,102**	58,650	**-**	-
Reserve against Group receivables	**-**	-	**182,788**	-
Thin capitalisation adjustment	**32,564**	-	**-**	-
Management fees	**(1,566)**	705	**(1,566)**	705
Other non-deductible items	**652**	(303)	**3**	(613)
	(216,437)	(66,956)	**1,570**	(408)
Under (over) provision in prior years	**(96)**	2,444	**(20)**	(310)
Income tax expense	**(216,533)**	(64,512)	**1,550**	(718)

The underlying deferred tax liability relates to the value of intangibles for which a tax deduction will not be allowed.

The New Zealand corporate tax rate will change from 30% to 28%, effective from the 2011-12 tax year.

There were credits to the Group's imputation credit account during the year of $8,000 (2009: nil), the balance at 30 June 2010 was $8,000 (2009: nil). There were no credits to the Parent's imputation credit account during the year (2009: nil), the balance at 30 June 2010 was nil (2009: nil).

8 Cash and cash equivalents

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Cash at bank and in hand	**60,989**	3,542	**68**	5
Deposits at call	**11**	11	**-**	-
	61,000	3,553	**68**	5

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Balances as above	**61,000**	3,553	**68**	5
Bank overdrafts (note 16)	**-**	-	**-**	-
Balances per statement of cash flows	**61,000**	3,553	**68**	5

From 19 May 2010 surplus cash generated in the Group has been transferred to a separate treasury account in Yellow Pages Group Limited for the purpose of settling the senior ranking interest obligations of YPG Finance Limited (note 28). At 30 June 2010 the balance held in the treasury account was $32,117,020.

(b) Cash at bank and on hand and bank balances and deposits at call

The deposits are bearing a floating interest rate of 2.75% (2009: 2.50%). These deposits have an average maturity of less than 10 days.

(c) Fair value

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

9 Trade and other receivables

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Net trade receivables				
Trade receivables	**94,389**	101,452	**-**	-
Provision for credit notes	**(2,094)**	(1,975)	**-**	-
Provision for doubtful receivables	**(6,742)**	(2,077)	**-**	-
	85,553	97,400	**-**	-
Prepayments	**2,191**	2,868	**-**	-
Total receivables and prepayments	**87,744**	100,268	**-**	-

9 Trade and other receivables (continued)

(a) Impaired receivables

As at 30 June 2010 current trade receivables of the Group with a nominal value of $24.4 million (2009: $14.2 million) were past due. Of these overdue receivables $12.2 million (2009: $3.8 million) were impaired. The amount of the provision was $6.7 million (2009: $2.1 million). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. There were no impaired trade receivables for the parent in 2010 (2009: nil).

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

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Opening balance	**2,077**	1,336	-	-
Provision for impairment recognised during the year	**6,239**	4,725	-	-
Receivables written off during the year as uncollectible	**(1,574)**	(3,984)	-	-
	6,742	2,077	-	-

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the profit component of the statement 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.

The ageing analysis of gross trade receivables past due which are impaired and not impaired is as follows.

	Consolidated			
	Impaired		Not Impaired	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Less than 3 months	**1,575**	-	**12,204**	10,332
3 to 6 months	**3,973**	969	-	-
Over 6 months	**6,625**	2,861	-	-
	12,173	3,830	**12,204**	10,332

(b) Foreign exchange and interest rate risk

The Group is not exposed to foreign currency risk or interest rate risk in relation to trade and other receivables.

A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 3.

(c) Fair value and credit risk

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

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 Inventories

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Work in progress				
Work in progress at cost	**42**	-	-	-
	42	-	-	-
Finished goods				
Finished goods at cost	**184**	224	-	-
Provision against finished goods	**(154)**	(32)	-	-
	30	192	-	-
	72	192	-	-

11 Derivative financial instruments

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Current liabilities				
Interest rate swaps ((a)(i))	**-**	72,059	-	-
Non-current liabilities				
Interest rate swaps ((a)(i))	**-**	129,463	-	-
Total derivative financial instrument liabilities	**-**	201,522	-	-

(a) Notional principal amounts outstanding

(i) Interest rate swap 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 swaps held by the Group are therefore classified as held for trading and are recognised at fair value through the profit component of the statement of comprehensive income (note 6).

The Group had put in place interest rate swap arrangements in connection with its senior and subordinated financing arrangements. The interest rate swaps were used to convert economically floating rate exposure into fixed rate exposure where it is considered appropriate. As a result of these derivatives the Senior term and Subordinated debt facility, which are the majority of the Group's long term debt, were economically subject to fixed interest rates, which stepped up over time. The contracts required settlement of net interest receivable or payable every 3 months. The contracts were settled on a net basis. Following the breaches of financial undertakings and payment defaults by YPG Finance Limited during March and April 2010, the interest rate swap providers exercised their rights to 'close out' the interest rate swaps and effectively bring forward the amount to be paid by YPG Finance Limited over the life of the interest rate swap such that it is immediately due. This amount due ranks in priority alongside YPG Finance Limited's senior debt.

Swaps in place at 30 June 2009 covered 97.5% approximately of the floating interest rate loan principal outstanding and are timed to expire as each loan repayment falls due.

The gain or loss from remeasuring the derivative instruments at fair value is recognised in the profit component of the statement of comprehensive income immediately because the Group does not apply hedge accounting. In the year ended 30 June 2010 a gain of $201.7 million was recognised in the profit component of the statement of comprehensive income and included in finance costs related to the reversal of the fair value of the swap recorded on termination date (note 6) (2009: a loss of $155.4 million was recognised related to the revaluation of the swap to fair value).

11 Derivative financial instruments (continued)

(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 for the Group from interest rate swap contracts and forward foreign exchange contracts (2009 - nil receivable).

(c) Interest rate risk exposures

The table below analyses the Group's derivative financial instruments (interest rate swaps) that will be settled on a gross/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 swaps.

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

Consolidated	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
2010				
Contractual undiscounted cash flows based on current market interest rates ($'000)	-	-	-	-
Average fixed rate (%)	-	-	-	-
Average expected floating rate (based on 90 day forward rates as at 30 June 2010) (%)	-	-	-	-
2009				
Contractual undiscounted cash flows based on current market interest rates	(72,898)	(58,773)	(83,586)	-
Average fixed rate (%)	7.88	8.32	8.57	-
Average expected floating rate (based on 90 day forward rates as at 30 June 2009) (%)	2.99	4.22	6.95	-

12 Property, plant and equipment

Consolidated	Fixtures and fittings $'000	Motor vehicles $'000	Leasehold improvements $'000	Computer equipment $'000	Capital WIP $'000	Total $'000
Year ended 30 June 2009						
Opening net book amount	1,514	2,168	2,283	653	15,844	22,462
Acquisition of subsidiary	74	-	-	248	-	322
Additions / (disposals)	(90)	394	5	897	(10,069)	(8,863)
Depreciation charge	(987)	(461)	(1,369)	(817)	-	(3,634)
Closing net book amount	511	2,101	919	981	5,775	10,287
At 30 June 2009						
Cost	3,123	3,389	2,933	2,193	5,775	17,413
Accumulated depreciation	(2,612)	(1,288)	(2,014)	(1,212)	-	(7,126)
Net book amount	511	2,101	919	981	5,775	10,287

Consolidated	Fixtures and fittings $'000	Motor vehicles $'000	Leasehold improvements $'000	Computer equipment $'000	Capital WIP $'000	Total $'000
Year ended 30 June 2010						
Opening net book amount	511	2,101	919	981	5,775	10,287
Additions / (disposals)	123	(54)	2,291	1,724	(4,980)	(896)
Depreciation charge	(215)	(343)	(448)	(786)	-	(1,792)
Closing net book amount	419	1,704	2,762	1,919	795	7,599
At 30 June 2010						
Cost	3,211	3,312	5,225	3,772	795	16,315
Accumulated depreciation	(2,792)	(1,608)	(2,463)	(1,853)	-	(8,716)
Net book amount	419	1,704	2,762	1,919	795	7,599

(a) Non-current assets pledged as security

YPG Capital Limited and YPG Finance Limited and its subsidiaries are defined as the 'Borrowing Group'.

The bank loans and overdraft of the Parent are unsecured. The bank loans and overdraft of the Borrowing Group are secured by first ranking security over all of the Borrowing Group's present and future assets.

13 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 2010 %	Equity holding 2009 %
YPG Capital Limited	New Zealand	Ordinary & D Shares	**100**	100
YPG IP Limited	New Zealand	Ordinary & D Shares	**100**	100
Yellow Pages Group Limited	New Zealand	Ordinary & D Shares	**100**	100
YPG Bond Finance Limited	New Zealand	Ordinary	**100**	100
YPG Finance Limited	New Zealand	Ordinary & D Shares	**100**	100
YPG Share Scheme Trustee Limited	New Zealand	Ordinary	**100**	100
Grown Ups Limited	New Zealand	Ordinary	**60**	60
Finda Limited	New Zealand	Ordinary	**100**	100

All of the issued shares of YPG Capital Limited and YPG Share Scheme Trustee Limited are held by the Parent and other subsidiaries are indirectly held by the Parent.

All subsidiaries have the same year end as the Group and all the above companies have been included in the Group consolidation.

During the year the shareholder agreement was amended to remove the call and put option over the 40% minority shareholding in Grown Ups Limited. As a result the non-controlling interest in Grown Ups Limited has been recognised. In last years financial statements Grown Ups Limited was consolidated as if a 100% owned subsidiary. 2009 comparatives have been restated to show the non-controlling interest.

Interests in subsidiaries

	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
YPG Capital Limited	**-**	6,768

Investments in subsidiaries have been written down to nil as set out in note 2(a).

14 Intangible assets

Consolidated	Goodwill $'000	Computer software $'000	Brands $'000	Customer relationship $'000	Total $'000
Year ended 30 June 2009					
Opening net book amount	1,472,879	20,725	887,500	103,467	2,484,571
Additions	-	21,145	9,823	-	30,968
Acquisition of subsidiary	14,833	224	-	-	15,057
Impairment charge	(195,500)	-	-	-	(195,500)
Amortisation charge	-	(12,897)	-	(5,493)	(18,390)
Closing net book amount	1,292,212	29,197	897,323	97,974	2,316,706
Cost	1,487,712	55,410	897,323	109,877	2,550,322
Accumulated amortisation and impairment	(195,500)	(26,213)	-	(11,903)	(233,616)
Net book amount	1,292,212	29,197	897,323	97,974	2,316,706

Consolidated	Goodwill $'000	Computer software $'000	Brand $'000	Customer relationship $'000	Total $'000
Year ended 30 June 2010					
Opening net book amount	1,292,212	29,197	897,323	97,974	2,316,706
Additions and adjustments	(600)	2,482	-	-	1,882
Acquisition of subsidiary	-	-	-	-	-
Impairment charge	(970,341)	-	(638,687)	-	(1,609,028)
Amortisation charge	-	(12,368)	-	(5,494)	(17,862)
Closing net book amount	321,271	19,311	258,636	92,480	691,698
At 30 June 2010					
Cost	1,487,112	58,039	897,323	109,877	2,552,351
Accumulated amortisation and impairment	(1,165,841)	(38,728)	(638,687)	(17,397)	(1,860,653)
Net book amount	321,271	19,311	258,636	92,480	691,698

The book value of assets held within the trading group is $32.1 million made up of $12.2 million goodwill, $19.3 million of computer software and $0.6 million of brand assets.

Brand name and goodwill value relate to the acquisition of Yellow Pages Group Limited. Brands include the value of Yellow, Yellow pages, White pages, Local directories, 018, New Zealand tourism guide, Retirement guide, Finda and Grown Ups. The cost of the brands acquired was based on an independent market valuation prepared 26 March 2007 by Interbrand. At 30 June 2010 the brands were classified as current because of the planned restructure (note 29). The brands are considered to have an indefinite useful life because they exhibit significant earnings, strong performance and strong appeal to users and advertisers.

The goodwill adjustment of $600,000 in the current year represents the non-payment of the deferred earnout for Finda of $200,000 and cancellation of the call and put option over the minority held Grown Ups Limited's shares of $400,000 (notes 13 and 27)

(a) Impairment tests for goodwill and intangible assets

In preparation for the proposed restructuring of the Group (note 29), a total business valuation of $750 million has been prepared. This represents the proposed amount at which the Trading Group and brand assets will be sold into a new group structure. Of this total, $258 million is attributed to the brand assets.

In 2010 the carrying value of the brand and goodwill has been written down to these recoverable amounts which are expected to be realised through sale. An impairment loss of $1,604 million has been recognised in the statement of comprehensive income as brand and goodwill impairment based on an assessment of realisable value.

14 Intangible assets (continued)

Goodwill within the Trading Group and for prior years has been tested for impairment based on the value in use of the business to which it relates to the extent that the cashflows of their business are separately identifiable. In 2010 this resulted in an impairment loss in the Trading Group related to NZ Tourism Guide of $4.7 million.

The key assumptions were those regarding the discount rates and growth rates. A pre tax discount rate of 13.8% was utilised reflecting current market assessments of the time value of money and the risks specific to the business. Management determined budgeted margins based on past performance and its expectations of market development. Terminal growth rates of 3.0% were based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market.

These calculations use cash flow projections based on financial budgets covering a four year period. Cash flows beyond the period were extrapolated using the long term growth rates stated above. If the pre tax discount rate applied to the cash flow projections of 6.8% rather than 13.8%, the recoverable amount of the NZ Tourism Guide would equal its carrying amount.

A business level summary of the goodwill allocation (after deducting the impairment charge) is presented below.

2010	**Goodwill** $'000	**Brand** $'000	**Total** $'000
Yellow Directories	309,118	258,000	567,118
NZ Tourism Guide	2,576	-	2,576
Finda	9,414	-	9,414
Grown Ups	163	636	799
	321,271	258,636	579,907

2009	**Goodwill** $'000	**Brand** $'000	**Total** $'000
Yellow Directories	1,274,759	896,687	2,171,446
NZ Tourism Guide	7,276	-	7,276
Finda	9,614	-	9,614
Grown Ups	563	636	1,199
	1,292,212	897,323	2,189,535

In 2009 the Goodwill was tested based on the Cash Generating Units (CGU's) identified at the YPG Holdings Group level. In 2010 management have determined that the cashflows of the individual businesses within the Trading Group being NZ Tourism Guide, Finda and Grown Ups are sufficiently separable to allow testing for impairment at that more detailed level. A segment level summary of the goodwill allocation based on CGU's as identified in 2009 is presented below:

2009	**Goodwill** $'000	**Brand** $'000	**Total** $'000
Directories	1,292,212	896,923	2,189,135
Directories assistance	-	400	400
	1,292,212	897,323	2,189,535

In 2009 the recoverable amounts of the cash generating units were based on value in use calculations, using discounted cash flow models. The key assumptions were those regarding the discount rates, trading margins and capital expenditure. A pre tax discount rate of 11.7% was utilised reflecting current market assessments of the time value of money and the risks specific to the business. Management determined budgeted margins based on past performance and its expectations of market development. Terminal growth rates of 3.0% were based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market.

These calculations use cash flow projections based on financial budgets covering a five year period. Cash flows beyond the period were extrapolated using the long term growth rates stated above.

The impairment charge arose in each of the Yellow Directories and NZ Tourism Guide businesses following a further deterioration in short term trading conditions arising from the current economic slow down. The carrying amount exceeded the recoverable amount by $195.5 million. In 2009, if the pre tax discount rate applied to the cash flow projections of 10.9% rather than 11.7%, the recoverable amount of the CGUs would equal its carrying amount.

15 Trade and other payables

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Trade payables	**7,426**	4,460	**39**	24
Swap termination fees (note 6)	**163,555**	-	**-**	-
Accrued finance expenses	**55,222**	30,113	**-**	-
Accrued expenses	**8,430**	15,731	**110**	10,604
GST and PAYE	**1,920**	1,987	**-**	(1)
Employee benefits	**6,992**	5,013	**-**	-
Revenue billed in advance	**12,233**	3,891	**-**	-
Other payables	**-**	3,552	**-**	2
	255,778	64,747	**149**	10,629

(a) Foreign currency risk

The carrying amounts of the Group's and parent entity's trade and other payables are denominated in the following currencies:

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
US Dollars	**2**	859	**-**	24
New Zealand Dollars	**255,597**	63,888	**149**	10,605
Other (GBP, AUD)	**179**	-	**-**	-
	255,778	64,747	**149**	10,629

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 3 - Financial risk management.

All trade payables are classified as current and are required to be settled within 12 months after the balance sheet date.

16 Interest bearing liabilities

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Current				
Secured				
Bank overdrafts	**-**	-	-	-
Senior Term Facility	**1,165,776**	-	-	-
Working Capital Facility	**-**	-	-	-
Capex Facility	**47,000**	-	-	-
Subordinated Facility	**326,457**	-	-	-
PIK Loan	**267,710**	-	-	-
Total secured current interest bearing borrowings	**1,806,943**	-	-	-

Please refer below for borrowing terms and repayment dates.

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Non-current				
Secured				
Senior Term Facility	**-**	1,155,170	-	-
Working Capital Facility	**-**	(1,745)	-	-
Capex Facility	**-**	34,128	-	-
Subordinated Facility	**-**	306,920	-	-
PIK Loan	**-**	222,718	-	-
Total secured non-current interest bearing borrowings	**-**	1,717,191	-	-
Total non-current interest bearing liabilities	**-**	1,717,191	-	-

16 Interest bearing liabilities (continued)

The total secured borrowings are net of transaction costs of nil (2009: $41.9 million). During the year $37.1 million of transaction costs were amortised and an additional $4.8 million of accelerated amortisation was charged to present the financial statements on a realisation basis (note 2(a)).

The Group has three financing programmes in place, which are denominated in New Zealand dollars: a $1.213 billion Senior Facility (2009: $1.275 billion); a $326 million Subordinated Facility (2009: $315 million) and a Payment in Kind (PIK) Facility of $268 million (2009: $228 million). The Senior Facility includes a Senior Term Facility of $1.166 billion and Working Capital and Capital Expenditure Facilities of nil and $47 million (2009: $50 million and $50 million respectively).

During March and April 2010 the Group breached both financial undertakings and certain payment obligations set out in the lending documents (note 28). Those breaches gave the lenders certain rights, including the right to instruct the security trustee to enforce its security. As a consequence all financing facilities are payable on demand and have been reclassified as current liabilities.

The senior lenders initially agreed to suspend those rights to 31 May 2010 subject to certain conditions (the "standstill"). The senior standstill has been extended on a month to month basis, most recently to 21 December 2010. The subordinated lenders and unsecured 'payment in kind' lenders agreed to suspend their rights until 31 December 2010.

The interest rates as at 30 June 2010 on the loans are: 4.89% (2009: 5.37%) on the Senior Term Facility; and 5.94% (2009: 5.83%) plus 3.5% (2009: 3.5%) PIK component on the Subordinated debt; n/a (2009: 5.37%) on the Working Capital Facility; 5.37% (2009: 5.32%) on the Capex Facility and 14.83% (2009: 14.49%) on the PIK loan. Interest on borrowings from related parties may be charged at commercial rates.

The Bridge loan was repaid on 31 December 2008 by conversion of the loan balance into ordinary shares in the amount of $42.6 million. An accrued interest liability of $14.5 million was waived and credited to the profit component of the statement of comprehensive income.

The Group held a number of interest rate swaps which were used to manage their interest rate exposure (note 11). Following the breaches of financial undertakings and payment defaults by YPG Finance Limited during March and April 2010, the interest rate swap providers exercised their rights to 'close out' the interest rate swaps and effectively bring forward the amount to be paid by YPG Finance Limited over the life of the interest rate swap such that it is immediately due. The amounts due equal $163.6 million and ranks in priority alongside YPG Finance Limited's senior debt.

As disclosed in note 28, subsequent to year end the Group has resumed payments on its senior ranking debt. Interest payments on the subordinated debt facility have been suspended since March 2010.

(a) Assets pledged as security

The Senior Facilities are secured on a first ranking basis by security over all of the Borrowing Group's present and future assets.

The Subordinated Facility is secured on a second ranking basis by security over all of the Borrowing Group's present and future assets.

The PIK loan is unsecured.

The Group must not provide any other security over its assets. The following table provides the financial ratios and their requirements used to monitor compliance with the Group's debt covenants:

- Senior Interest Cover Ratio: Covenant EBITDA / cash interest paid on senior debt
- Debt Service Cover Ratio: (Covenant EBITDA - unfunded capex - tax) / cash interest expense on all debt
- Net Senior Leverage Ratio: (Senior Debt excluding revolver - cash) / Covenant EBITDA

Covenant EBITDA is as defined in the Senior Debt Facility Agreement and is not a direct calculation from the financial statements.

During 2009 the Group complied with all capital requirements. During 2010 the Group breached its debt covenants and certain payment obligations (note 28).

16 Interest bearing liabilities (continued)

(b) Financing arrangements

All credit facilities were withdrawn following the breach of financial obligations (note 28). In 2009 unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Bank loan facilities				
Total facilities	-	100,000	-	-
Used at balance date	-	35,000	-	-
Unused at balance date	-	65,000	-	-

(c) Interest rate risk exposures

The Group employed the use of five swaps to reduce its exposure to fluctuations in interest rates on the Senior Term Facility and subordinated debt. At 30 June 2010 these five swaps have now closed out (note 11).

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.

In 2010 the Group is exposed to liabilities bearing variable interest rates as no interest rate hedging is in place. In 2009 exposures arose predominantly from liabilities bearing variable interest rates as the Group intended to hold fixed rate liabilities to maturity.

2010	**Rate**	**Floating interest**	**Fixed interest rate**			
			1 year or less	**Over 1 to 2 years**	**Over 2 to 5 years**	**Over 5 years**
	%	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Senior term facility	4.89	1,165,776	-	-	-	-
Subordinated debt	5.94	326,457	-	-	-	-
Capex Facility	5.37	47,000	-	-	-	-
PIK Facility	14.83	-	267,710	-	-	-
	-	-	-	-	-	-
Total		1,539,233	267,710	-	-	-
Weighted average interest rate	6.42%	5.13%	14.00%	- %	- %	- %

2009	**Rate**	**Floating interest rate**	**Fixed interest rate**			
			1 year or less	**Over 1 to 2 years**	**Over 2 to 5 years**	**Over 5 years**
	%	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Senior Term Facility	5.37	1,175,000	-	-	-	-
Subordinated debt	5.83	315,245	-	-	-	-
Capex facility	5.32	35,000	-	-	-	-
Working Capital facility	5.37	-	-	-	-	-
PIK Facility	14.49	-	-	-	233,828	-
Total		1,525,245	-	-	233,828	-
Weighted average interest rate	6.58%	5.46%	- %	- %	14.49%	- %

16 Interest bearing liabilities (continued)

(d) Liquidity analysis

The table below analyses the Group's and the Parent'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 and Parent	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**
2010				
Interest bearing liabilities (secured)	1,806,943	-	-	-
2009				
Interest bearing liabilities (secured)	-	-	1,759,073	-

(e) Fair value

The carrying amounts of borrowings at balance date are:

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
On-balance sheet				
Non-traded financial liabilities				
Senior term facility	**1,165,776**	1,155,170	-	-
Subordinated debt	**326,457**	306,920	-	-
Working Capital	-	(1,745)	-	-
Capex	**47,000**	34,128	-	-
PIK Loan	**267,710**	222,718	-	-
	1,806,943	1,717,191	-	-

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 3 - Financial risk management. Based on the proposed restructuring (note 29) the carrying amounts will be settled at an amount which represents a shortfall to creditors of $1,056.9 million. In 2009 the fair values were considered to be equivalent to the carrying value disclosed above.

17 Deferred tax assets

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
The balance comprises temporary differences attributable to:				
Provisions and accruals	**2,917**	2,280	**30**	1,580
Employee benefits	**1,593**	1,099	**-**	-
Future benefit of tax losses	**20**	25,362	**-**	-
Interest rate swap market adjustment	**-**	60,502	**-**	-
Other temporary differences	**569**	161	**-**	-
	5,099	89,404	**30**	1,580
Total deferred tax assets	**5,099**	89,404	**30**	1,580
Within 12 months	**5,099**	-	**30**	-
In excess of 12 months	**-**	89,404	**-**	1,580
	5,099	89,404	**30**	1,580

Obtaining the benefits of the deferred tax balance is dependent upon deriving sufficient assessable income, meeting conditions for deductibility and complying with relevant tax legislation.

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

The value, and use of income tax offsets and tax losses within the Group, are subject to statutory requirements being met. In 2010 deferred tax assets related to carry forward losses have been written down to the amounts which are expected to be utilised based on the proposed restructuring of the Group detailed in note 29.

Movements - Consolidated	**Provisions and accruals $'000**	**Employee benefits $'000**	**Future benefit of tax losses $'000**	**Interest rate swap market adjustment $'000**	**Other temporary differences $'000**	**Total $'000**
At 1 July 2008	-	2,537	5,637	13,877	-	22,051
(Charged)/credited to the profit component of the statement of comprehensive income	2,280	(1,438)	19,998	46,625	161	67,626
Charged directly to equity	-	-	(273)	-	-	(273)
At 30 June 2009	2,280	1,099	25,362	60,502	161	89,404
At 30 June 2009	2,280	1,099	25,362	60,502	161	89,404
(Charged)/credited to the profit component of the statement of comprehensive income	637	494	(25,342)	(60,502)	408	(84,305)
(Charged)/credited directly to equity	-	-	-	-	-	-
At 30 June 2010	2,917	1,593	20	-	569	5,099

17 Deferred tax assets (continued)

Movements - Parent entity	**Provisions and accruals $'000**	**Future benefit of tax losses $'000**	**Other temporary differences $'000**	**Total $'000**
At 1 July 2008	-	276	586	862
(Charged)/credited to the profit component of the statement of comprehensive income	1,580	(276)	(586)	718
At 30 June 2009	1,580	-	-	1,580
At 30 June 2009	1,580	-	-	1,580
Charged/(credited) to the profit component of the statement of comprehensive income	(1,550)	-	-	(1,550)
At 30 June 2010	30	-	-	30

18 Deferred tax liabilities

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**212**	103	-	-
Intangible assets	**3,032**	302,394	-	-
Other temporary differences	-	8	-	-
PIK share option reserve	-	1,579	-	-
	3,244	304,084	-	-
Total deferred tax liabilities	**3,244**	304,084	-	-
Within 12 months	**3,244**	-	-	-
In excess of 12 months	-	304,084	-	-
	3,244	304,084	-	-

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

Under the proposed restructuring detailed in note 29 the value of the brand assets held in YPG IP Limited and customer relationship intangible assets are expected to be realised through sale. Deferred tax liabilities totalling $297 million ($277 million after taking into account the tax rate change) relating to intangible assets whose value will be realised through sale have been derecognised.

18 Deferred tax liabilities (continued)

Movements - Consolidated	**Property, plant and equipment $'000**	**Intangible assets $'000**	**Other temporary differences $'000**	**PIK share option reserve $'000**	**Total $'000**
At 1 July 2008	-	297,290	-	1,802	299,092
Charged/(credited) to the profit component of the statement of comprehensive income	103	2,156	8	(223)	2,044
Charged directly to equity	-	2,948	-	-	2,948
At 30 June 2009	103	302,394	8	1,579	304,084
At 30 June 2009	103	302,394	8	1,579	304,084
Charged/(credited) to the profit component of the statement of comprehensive income	109	(299,362)	(8)	(1,579)	(300,840)
At 30 June 2010	212	3,032	-	-	3,244

Movements - Parent	**Property, plant and equipment $'000**	**Intangible assets $'000**	**Other temporary differences $'000**	**PIK share option reserve $'000**	**Total $'000**
At 1 July 2008	-	-	-	2,031	2,031
Charged directly to equity	-	-	-	(2,031)	(2,031)
At 30 June 2009	-	-	-	-	-
At 30 June 2009	-	-	-	-	-
Charged/(credited) to the profit component of the statement of comprehensive income	-	-	-	-	-
At 30 June 2010	-	-	-	-	-

19 Other liabilities

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Non-controlling interest - shareholder loan	**171**	135	**-**	-
Deferred consideration	**-**	400	**-**	-
	171	535	**-**	-

20 Contributed equity

Consolidated and Parent

	30 June 2010 Shares	30 June 2009 Shares	30 June 2010 $'000	30 June 2009 $'000
(a) Share capital				
Ordinary shares				
Opening balance	**610,000,099**	567,404,223	**610,290**	567,694
Issue of shares during the period	-	42,595,876	-	42,596
- value of services provided	-	-	-	-
Closing balance	**610,000,099**	610,000,099	**610,290**	610,290
D shares	-	-	-	-
Opening balance	**100**	100	-	-
Issue of shares during the period	-	-	-	-
	100	100	-	-
Preference shares				
Opening balance	**1**	1	-	-
Issue of shares during the period	-	-	-	-
	1	1	-	-
Class A management shares				
Opening balance	**19,886,000**	16,836,000	**168**	168
Issue of shares during the period	-	3,050,000	-	-
	19,886,000	19,886,000	**168**	168
Class B management shares				
Opening balance	**4,971,500**	4,209,000	**42**	42
Issue of shares during the period	-	762,500	-	-
	4,971,500	4,971,500	**42**	42
Tenure shares				
Opening balance	**9,943,000**	8,418,000	**84**	84
Issue of shares during the period	-	1,525,000	-	-
	9,943,000	9,943,000	**84**	84
Total Shares on issue (all classes)	**644,800,700**	644,800,700	**610,584**	610,584
Less shares held as treasury stock:				
Class A Management shares	**19,886,000**	19,886,000	**168**	168
Class B Management shares	**4,971,500**	4,971,500	**42**	42
Tenure shares	**9,943,000**	9,943,000	**84**	84
Total Shares on issue (all classes)	**610,000,200**	610,000,200	**610,290**	610,290

The ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held but do not entitle the holders to participate in voting on the appointment of Directors while the D shares are on issue.

20 Contributed equity (continued)

The D shares are not entitled to participate in dividends or the proceeds on winding up of the Company but are entitled to vote on the appointment of Directors.

Redeemable Class A Management shares, Redeemable Class B Management shares and Redeemable Management Tenure shares are entitled to the proceeds on winding up of the Company but are not entitled to participate in dividends or to vote on the appointment of Directors. These classes of shares have been issued in connection with the Employee Share Scheme (refer to note 23).

The preference share entitles the holder (Ontario Teachers Pension Plan Board) to a payment, equal in value to that of Unitas' management fee.

As at 30 June 2010 1,404,123 (2009: 1,404,123) share options had been exercised by the Group's Directors, consultants and management.

21 Reserves and retained earnings

(a) Reserves

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
PIK Loan reserve	**4,535**	4,535	**6,768**	6,768
General Reserve	**858**	858	**859**	859
	5,393	5,393	**7,627**	7,627

(b) Retained earnings / (accumulated losses)

Movements in retained earnings / (accumulated losses) were as follows:

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Opening balance	**(383,343)**	(45,044)	**(10,765)**	(15,354)
Net profit for the year	**(1,445,239)**	(338,299)	**(609,155)**	4,589
Closing balance	**(1,828,582)**	(383,343)	**(619,920)**	(10,765)

22 Non-controlling interest

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Interest in:				
Share capital	**148**	148	-	-
Retained profits	**(34)**	(26)	-	-
Retained earnings pre-acquisition	**(131)**	(131)	-	-
	(17)	(9)	-	-

23 Share-based payments

(a) Employee Share Scheme

On 17 December 2007 YPG Holdings Limited (parent) established a management share scheme. Three separate classes (A, B & Tenure) of redeemable management shares in YPG Holdings Limited have been issued to a trust which holds those shares for the benefit of senior executives in the Group participating in the Yellow Pages Group Employee Share Scheme. YPG Share Scheme Trustee Limited is currently the sole trustee of that trust. The issue price is $1.00 per redeemable management share with $0.01 called by YPG Holdings Limited (parent) and paid by the trust on issue and the balance of $0.99 remaining uncalled.

Under the scheme the redeemable management shares will be reclassified to ordinary shares and will be distributed to the participating senior executives on the date of an exit event provided the management share's reclassification criteria is met. An exit event occurs when either the Group undertakes an Initial Public Offering; the shares in the Group are sold to a third party; or a trade sale occurs and a resolution is passed to distribute the proceeds of the sale. Any uncalled balance of the issue price of the redeemable management shares will be called on reclassification and must be paid up prior to reclassification.

The employees are required to stay in the employment of the Group until an exit event in order for their shares to be reclassified. In limited circumstances, an employee who ceases employment prior to an exit event may retain pro-rated beneficial interest in the redeemable management shares.

Movement in the number of redeemable management shares outstanding is as follows:

Grant Date	Exercise price	Balance at start of the year Number	Issued during the year Number '000	Reclassified during the year Number '000	Redeemed during the year Number '000	Balance at end of the year Number '000
Class A	$-	19,886	-	-	-	19,886
Class B	$-	4,972	-	-	-	4,972
Tenure	$-	9,943	-	-	-	9,943
Total		34,801	-	-	-	34,801

No redeemable management shares were redeemed during the period covered by the above tables.

The annual expense valued under the scheme is recognised in the entity within the Group for which the employees services are predominately provided . In order to establish the fair value of the options granted under the scheme and independent valuation was obtained. The valuation used a modified version of the Binomial Options Pricing Model. The key assumptions being as follows:

(a) Weighted average share price : $0.24

(b) Issue Price: $1.00.

(c) Estimated timing of exit event : 5 years.

(d) Expected price volatility of the company's shares: 25% and 35%.

(e) Expected dividend yield: 0.

(f) Risk-free interest rate: 7.05%.

The expected volatility was measured by comparing the historical volatility of listed companies with broadly comparable operations to the Group.

24 Commitments

As at 30 June 2010 the Group had capital expenditure amounting to $0 (2009: $0.9 million) committed under contractual arrangements. All payments are due within one year. The capital expenditure commitments in 2009 principally related to Directory Assistance offshoring.

24 Commitments (continued)

Under the agreement for the sale and purchase of the Finda, APNData, Wises and Menu businesses, Finda Limited agreed to procure the commitment by Yellow Pages Group Limited for it and its related companies to spend $6,205,000 on advertising with APN and its related companies. Of the total, $630,000 has been spent between 1 January and 31 December 2009. The remaining spend is committed at $2,230,000 in each of the calendar years beginning 1 January 2010 and 2011 and $1,115,000 in the 6 month period commencing 1 January 2012.

The company has commitments under a deferred payment plan for Transition Project Services delivered by Gen i between June and September 2007. $1,534,000 is payable in the financial year commencing 1 July 2010 and $1,278,000 is payable between 1 July 2011 and 30 April 2012.

All above commitments are contracts within the Trading Group and are expected to be fulfilled through trading and over the normal passage of time.

As at 30 June 2010 the Group is committed to pay management fees and preference dividends based on EBITDA to Unitas and OTTP respectively over a ten year period amounting to $0 (2009: 61.0 million). Under the terms of the agreement payments of these amounts may be precluded under the terms of the Senior Facility Agreement. At June 30 2010 there was no prospect of the fees becoming payable.

(i) Operating leases
The Trading 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.

As at 30 June 2010 the Parent entity had no operating lease commitments (2009: nil).

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**3,462**	3,419	-	-
Later than one year but not later than five years	**8,261**	9,523	-	-
Later than five years	**11,042**	12,444	-	-
	22,765	25,386	-	-

(ii) Finance leases
As at 30 June 2010 the Group and Parent had no commitments in respect of capitalised finance leases (2009: nil).

25 Contingencies

As at 30 June 2010 the Group had contingent consideration of nil (2009: $550,000) in respect of the acquisition of Finda business.

26 Related party transactions

(a) Parent entity

The ultimate shareholders and ultimate controlling parties of YPG Holdings Limited are Jomark International III, B.V. (being a fund managed by Unitas) and Ontario Teachers Pension Plan Board ("OTTP").

(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 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Salaries and short-term benefits	**2,508**	3,204	**102**	279
Value of share options to management	**-**	-	**-**	-
Value of Employee Share Scheme	**-**	-	**-**	-
Other long term benefits	**-**	-	**-**	-

(c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Loan repayments from:				
Intercompany payment	**-**	-	**136**	310
Loan repayments to:				
Loans advanced to subsidiaries	**-**	-	**-**	-
Other transactions				
Fees / preference dividends paid / accrued to Unitas and OTTP	**(10,440)**	4,700	**(10,440)**	4,700
Management fee charged between group companies	**-**	-	**-**	(24)

26 Related party transactions (continued)

(d) Outstanding balances

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

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Current receivables (loans)				
Subsidiaries - loans to related parties	-	-	**609,292**	-
Less Provision against Group receivable	-	-	**(609,292)**	-
Net current receivable	-	-	-	-
Non-current receivables (loans)				
Subsidiaries - loans to related parties	-	-	-	609,428
Non-current payables (loans)				
Fees/preference dividends paid/accrued to Unitas and OTTP (note 24)	-	10,440	-	10,440
Other payables to subsidiary companies	-	-	**1,952**	-

(e) *Terms and conditions*

Amounts to and due from subsidiary companies are for no fixed term. The average interest rate on inter-company loans during the period was 0%.

These advances are subordinated to the Senior Facilities and Subordinated Facility and are unsecured and repayable on demand.

Fee and preference dividends paid to Unitas and OTTP are based on EBITDA.

(f) *Provision against loans to Group Companies*

As a result of the uncertainty surrounding the future financial structuring of the Group (notes 28 and 29), full provisions have been made in each entities financial statements within the Group against all amounts owed from related parties who are unable at their own discretion to settle these amounts in full and on demand.

The creation of these provisions has been recognised as a charge in the Parent statement of comprehensive income in the current year.

27 Business combinations

(a) Acquisition - Grown Ups

On 29 August 2008 the Group acquired 60% of Grown Ups Limited giving it control of the company. Grown Ups Limited provides online advertising through a social community website. The acquired business contributed revenue of $0.3 million and net loss of $0.1 million.

If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been $297.0 million and $338.3 million respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Acquiree's carrying value	Fair value
	$'000	$'000
Net assets acquired		
Cash and cash equivalents	**22**	22
Receivables	**40**	40
Property plant and equipment	**1**	1
Intangible assets	**76**	712
Trade and other payables	**(20)**	(20)
Deferred tax	**-**	(191)
Shareholder Loans	**(75)**	(75)
Consideration paid (including costs and taxes)	**44**	489

Purchase consideration (refer to (i) below):	
Cash paid	**607**
Deferred consideration	**400**
Direct costs relating to the acquisition	**28**
Total purchase consideration	**1,035**
Fair value of net identifiable assets acquired	**489**
Minority share of carrying value on acquisition	**(17)**
Goodwill recorded at 30 June 2009	**563**
Deferred consideration not paid (note 13 and note 14)	**(400)**
Goodwill	**163**

(i) Purchase consideration

Goodwill of $163,000 is attributable to the future synergies expected, the workforce acquired and future growth of the business.

Grown Ups has been allocated to the directories segment.

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Net cash impact of acquisition of subsidiaries				
Purchase consideration settled in cash	-	607	-	-
Cash balance acquired	-	(22)	-	-
Direct costs related to the acquisition	-	28	-	-
Outflow of cash	-	613	-	-

27 Business combinations (continued)

(b) Acquisition - Finda Limited

On 30 January 2009 the Group acquired the operations of the Finda.co.nz business through a wholly owned subsidiary Finda Limited. Finda provides online advertising through an online directory website. The acquired business contributed revenue of $3.1 million and net loss of $0.0 million.

If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been $301.5 million and $338.4 million respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Acquiree's carrying value $'000	Fair value $'000
Net liabilities acquired		
Cash and cash equivalents	**0**	0
Inventory	**381**	276
Receivables	**1,172**	1,143
Property, plant and equipment	**289**	245
Intangible assets	**235**	9,410
Trade and other payables	**(588)**	(563)
Deferred tax	**-**	-
Deferred revenue	**(1,644)**	(2,021)
Consideration paid (including costs and taxes)	**(154)**	8,490

Purchase consideration (refer to (i) below):	
Cash paid	**16,250**
Deferred consideration plus earnout	**3,550**
Direct costs relating to the acquisition	**204**
Total purchase consideration	**20,004**
Fair value of net identifiable assets acquired	**8,490**
Goodwill recorded at 30 June 2009	**11,514**
Earnout not paid (adjustment to Goodwill in 2010) (note 14)	**(200)**
Goodwill	**11,314**

(i) Purchase consideration

Non current intangible assets totalling $9.2 million is attributed to the Brand value of the acquisition, which is recorded in YPG IP Limited.

Goodwill of $11.3 million is attributable to the future synergies expected, the workforce acquired and future growth of the business.

Deferred consideration was payable at 31 July 2009 and included an expected earn out payment of $0.5 million, subject to the achievement of operating targets. $0.2 million of the earnout payment was waived in the year ended 30 June 2010.

27 Business combinations (continued)

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Net cash impact of acquisition of subsidiaries				
Purchase consideration settled in cash	**3,350**	16,250	-	-
Less: Cash balance acquired	-	-	-	-
Direct costs related to the acquisition	-	204	-	-
	-	204	-	-
Outflow of cash	**3,350**	16,454	-	-

28 Group financing arrangements

During March and April 2010 the Group breached both financial undertakings and certain payment obligations set out in its lending documents. Those breaches gave the Group's lenders certain rights, including the right to instruct the security trustee to enforce its security.

The senior lenders initially agreed to suspend those rights to 31 May 2010 subject to certain conditions (the "standstill"). The senior standstill has been extended on a month to month basis, most recently to 21 December 2010. The subordinated lenders and unsecured 'payment in kind' lenders agreed to suspend their rights until 31 December 2010.

The Group had put in place interest rate hedging arrangements in connection with its senior and subordinated financing arrangements. Following the breaches of financial undertakings and payment defaults by the Group during March and April 2010, the interest rate hedge providers exercised their rights to 'close out' the interest rate hedges and effectively bring forward the amount to be paid by YPG Finance Limited over the life of the interest rate hedge such that it is immediately due. This amount due ranks in priority alongside the Group's senior debt (note 11). The hedge providers have agreed to suspend any rights arising from the amount owing as a result of the closed out interest rate hedges in line with the senior standstill (currently to 21 December 2010).

Subsequent to the year end the Group has resumed interest payments on its senior ranking debt. All senior debt interest payments due have been paid. Interest payments on the subordinated debt facility have been suspended since March 2010.

29 Events occurring after the balance sheet date

Subsequent to the year end the senior debt holders and the interest rate hedge providers have extended the standstill on a month to month basis, most recently up to 21 December 2010.

The Group has continued to make interest payments on the senior ranking debt. Interest payments on the subordinated debt facility have continued to be suspended.

The Group undertook a process to consider the sale of its investment in Yellow Pages Group Limited and the brand assets of YPG IP Limited. No indicative bids were received which were acceptable to the lenders who have now commenced negotiation of a restructured debt package across the Group. Under the draft terms of the proposed restructuring provided to the Directors, Yellow Pages Group Limited and its subsidiaries will continue operations as the same legal entities and will be sold to a new holding company (being ultimately owned by the Group's senior lenders). The Brand assets held within YPG IP Limited are expected to be sold to a new IP company set up as a 100% subsidiary of the new holding company. The transactions are expected to be completed following expiry of the standstill arrangements (currently in place until 21 December 2010). It is the Directors' expectation that after the proposed restructuring is complete YPG Holdings Limited's subsidiaries YPG Finance Limited, YPG Capital Limited and YPG IP Limited (being the members of the group that are guarantors under the lending documents but are not members of the Trading Group) will be placed in receivership. The Directors consider that it is likely that YPG Holdings Limited and its subsidiaries YPG Share Scheme Trustee Limited and YPG Bond Finance Limited will be wound up at sometime after the sale and restructure is complete.

In September 2010 the Group's lenders approved investment in a systems upgrade to the core directory and online platforms totalling $30 million of capital expenditure over the next 5 years.

On 28 October 2010 YPG Capital Limited and YPG Finance Limited each breached an undertaking to provide consolidated full year audited accounts to their respective lenders. Those breaches did not give rise to any immediate rights on behalf of the lenders. The Group obtained formal standstills in respect of these breaches.

30 Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	Consolidated		**Parent**	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
(Loss)/profit after tax for the year	**(1,445,239)**	(338,299)	**(609,155)**	4,589
Minority interest	**(8)**	(26)	**-**	-
Depreciation and amortisation	**19,655**	22,024	**-**	-
Amortisation of facility fees	**41,882**	9,275	**-**	-
Impairment of intangibles	**1,609,028**	195,500	**-**	-
Impairment of investments in subsidiaries	**-**	-	**6,768**	-
Provision against Group receivables	**-**	-	**609,292**	-
Loss on disposal of fixed assets	**-**	198	**-**	-
Change in operating assets and liabilities and net of effects from purchase of controlled entities				
Decrease (increase) in trade and other receivables	**12,524**	38,280	**-**	40
Increase (decrease) in trade payables	**2,966**	(5,355)	**15**	(25)
Decrease (increase) in inventory	**120**	(192)	**-**	-
Increase (decrease) in net accruals	**3,872**	9,370	**(10,495)**	4,763
Increase (decrease) in provision for income taxes payable	**(8)**	1,071	**-**	-
Increase (decrease) in provision for deferred income tax	**(216,535)**	(65,583)	**1,550**	(718)
Working capital acquired	**-**	(1,145)	**-**	-
Increase (decrease) in fair value swaps	**(201,522)**	155,450	**-**	-
Increase (decrease) in interest payable	**188,664**	(14,421)	**-**	(9,274)
Increase (decrease) in interest capitalised	**45,094**	46,195	**-**	-
Net cash inflow from operating activities	**60,493**	52,342	**(2,025)**	(625)