Registered Number: 4205228

Yell Limited

Annual Report for the year ended 31 March 2005

Yell Limited

Annual Report for the year ended 31 March 2005

Yell Limited

Company Information

Directors

John Condron	Chief Executive Officer
John Davis	Chief Financial Officer
Lyndon Lea	Non-executive Director

Company Secretary

Howard Rubenstein

Registered Office

Queens Walk
Oxford Road
Reading
Berkshire
RG1 7PT

Registered Number

4205228

Registered Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
LONDON
WC2N 6NN

Report of the Directors for the year ended 31 March 2005

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2005.

Principal activities

The Company's principal activity during the year was the provision of classified directory advertising and associated products and services in the United Kingdom.

Review of business and future developments

The level of business and results for the year were satisfactory and the directors expect that a comparable level of activity will be sustained for the foreseeable future. This is despite the undertakings given to the UK Secretary of State for Trade and Industry in July 1996 (revised in June 2001) in respect of the UK printed consumer classified advertising directories, whereby the advertising rates in the United Kingdom were limited to the Retail Price Index (RPI) minus 6%.

We shall also actively contribute to the Competition Commission investigation, presenting evidence of the dynamic and increasingly competitive classified advertising market in which we compete and the customer benefits that competition has delivered and continues to deliver.

Results and dividends

The Company's profit after tax for the financial year was £68,748,000 (2004: £4,603,000 loss).

The directors do not propose the payment of a dividend for the period (2004: £nil).

Directors and their interests

The directors who held office during the year are stated on page 3.

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

Employees

Yell has a Recruitment and Selection Policy that states that we are committed to the employment of people with disabilities. Moreover, we guarantee an interview to people with disabilities who meet the minimum selection criteria for any vacancy. Yell is registered as a Two Tick employer as it satisfies the UK government's criteria on the employment of people with disabilities.

Our Equal Opportunities Policy contains a code of good practice on disability which states that an individual who becomes disabled whilst in employment will receive support to ensure, wherever possible, they are able to continue in their role. This will involve whatever reasonable adjustments can be made on consultation with the individual.
Alternatively, again in consultation with the individual, other positions will be considered where the individual's skills and abilities match the requirements of the role, again, making reasonable adjustments where appropriate.

We will ensure that training and career development is equally available to people with disabilities, tailored where practicable for their specific needs.

An extensive range of communication and consultative arrangements are instigated by the Company such as the intranet, various printed publications and live briefings. These help to ensure that employees are kept fully informed about developments in the group, including the group's financial performance.

Policy and practice on payment of creditors

The Yell Group's policy is to use its purchasing power fairly and to pay promptly and as agreed. The Company has a variety of payment terms with suppliers. The term for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers.

It is the Company's policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the Company in a timely fashion and is complete. The Company's payment terms are printed on the Company's standard purchase order forms or, where appropriate, specified in the individual contracts agreed with suppliers.

The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year ended 31 March 2005 and the amounts owed to its trade creditors at the end of the year was 16 days (2004: 22 days).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Yell Limited

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Howard Rubenstein
Company Secretary

Date: 6th June 2005

Independent auditors' report to the members of Yell Limited.

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
Date: 6th June 2005

Yell Limited

Profit and loss account for the year ended 31 March 2005

	Note	Year ended 31 March 2004 £'000's	**Year ended 31 March 2005 £'000's**
Turnover	2	634,016	**664,424**
Cost of sales		(238,892)	**(246,285)**
Gross profit		395,124	**418,139**
Operating expenses:			
Distribution costs		(14,716)	**(15,088)**
Administrative expenses		(241,564)	**(232,646)**
Operating profit	3	138,844	**170,405**
Net interest payable and similar charges	6	(119,148)	**(53,694)**
Profit on ordinary activities before taxation		19,696	**116,711**
Taxation on profit on ordinary activities	7	(24,299)	**(47,963)**
(Loss)/profit for the financial year	19	(4,603)	**68,748**

The Company has no recognised gains or losses other than the (loss)/profit for the financial year as set out above and therefore no separate statement of total recognised gains or losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

All of the activities of the Company are derived from continuing operations.

Balance sheet as at 31 March 2005

	Note	2004 £'000's	**2005 £'000's**
Fixed assets			
Intangible assets	8	1,009,190	**950,607**
Tangible assets	9	21,840	**24,877**
Investments	10	2,495	**4,139**
		1,033,525	**979,623**
Current assets			
Stock	11	59,179	**62,408**
Debtors – amounts falling due within one year	12	232,140	**242,715**
Debtors – amounts falling due after more than one year	12	79,631	**104,109**
Cash at bank and in hand		7,547	**8,376**
		378,497	**417,608**
Creditors – Amounts falling due within one year	13	(546,631)	**(550,210)**
Net current liabilities		(168,134)	**(132,602)**
Total assets less current liabilities		865,391	**847,021**
Creditors – amounts falling due after more than one year	14	(537,167)	**(450,049)**
Net assets		328,224	**396,972**
Capital and reserves			
Called up share capital	17	-	**-**
Share premium account	18	325,971	**325,971**
Profit and loss account	19	2,253	**71,001**
Total equity shareholders' funds	20	328,224	**396,972**

The financial statements on pages 8 to 23 were approved by the board of directors on 6th June 2005 and were signed on its behalf by:

John Davis
Director

Notes to the financial statements for the year ended 31 March 2005

1. Accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Basis of accounting

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

Turnover

Turnover, which excludes value added tax, comprises the value of products provided by the Company. Turnover from classified directories, Business Pages and other directories, mainly comprising advertising revenue, is recognised in the profit and loss account upon completion of minimum delivery obligations to the end user. Other turnover, principally from 118 247 (formerly Talking Pages) and new media products, is recognised from the point at which service is first provided evenly over the life of the contract.

Cost of Sales

Cost of sales are costs incurred in producing directories and other products, including costs of the sales force and certain direct overheads dedicated to the sale of advertising. Charges for doubtful debts are also included within cost of sales. Such doubtful debt costs are charged to the profit and loss account as a percentage of turnover calculated based upon the actual bad debts experienced as a proportion of total billings.

Advertising

Yell expenses the costs of advertising its own products and services as the costs are incurred.

Interest

Interest payable is charged as incurred on an accruals basis.

Intangible assets

Goodwill, which represents the surplus of the purchase consideration over the fair value of the net separable assets acquired, is capitalised and amortised on a straight-line basis over its economic life, which has been estimated at 20 years.

Tangible fixed assets

The cost of tangible fixed assets is the purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual value, on a straight line basis over their useful economic life as follows:

	Years
Office Equipment	2 to 5
Leasehold Improvements	5 (or the life of the lease if less than 5 years)

Asset impairment

Intangible and tangible fixed assets are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets. Goodwill is subject to an impairment review at the end of the first full year following an acquisition and at any other time when the directors believe that an impairment may have occurred.

Investments

The investments are valued at cost less any amounts written off due to impairment.

Leased assets

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred. There are no assets held under finance leases.

Stock

Stock is stated at the lower of cost and net realisable value. Directories in progress mainly comprise sales, artwork and other directory production costs, including appropriate overheads, pending completion of delivery of the relevant directories.

Pension costs

The employees are members of the Yell Group plc group pension schemes. The substantial majority of employees employed before 1 October 2001 are members of Yell Group plc defined benefit scheme. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its employee's share of the underlying assets and liabilities in the scheme.

Employees employed subsequent to 1 October 2001 are members of Yell Group plc defined contribution scheme. Contributions are charged against operating profit at a target funding level of 105%.

Taxation

The charge for taxation is based on the taxable profits for the year and takes into account deferred taxation on a full provision basis.

Deferred tax is recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more, or right to pay less, taxation in the future. An asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax assets and liabilities have not been discounted.

Bank loans and interest

Issue costs incurred in establishing bank loans are capitalised and amortised as a charge to interest expense in the profit and loss account over the life of the relevant loans on a constant yield basis. The unamortised balance of the issue costs is shown as a reduction to the outstanding loan principal.

Cash flow statement

The Company is a wholly owned subsidiary of Yell Group plc and the cash flows of the Company are included in the consolidated cash flow statement of Yell Group Plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from publishing a cash flow statement.

Foreign currency

Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated using the rate prevailing at the transaction date. Exchange differences are recognised in the profit and loss account in the period.

Yell Limited

2. Segmental Analysis

Turnover	Year ended 31 March 2004 £'000's	**Year ended 31 March 2005 £'000's**
Printed directories	593,930	**612,082**
Other (principally Yell.com, 118 247)	40,086	**52,342**
	634,016	**664,424**

3. Operating profit

	Year ended 31 March 2004 £'000's	**Year ended 31 March 2005 £'000's**
Operating profit is stated after charging/(crediting):		
Wages and salaries	30,944	**35,167**
Social security costs	2,501	**3,046**
Other pension costs	2,598	**3,289**
Staff costs	36,043	**41,502**
Auditors' remuneration:		
Audit services	301	**366**
Audit services – other	23	**217**
Non audit services	218	**318**
Operating lease charges:		
Land & Buildings	6,692	**7,418**
Loss on disposal of tangible fixed assets	60	**35**
Equipment hire	264	**176**
Depreciation on tangible fixed assets: owned	10,983	**11,683**
Goodwill amortisation	58,583	**58,584**

Non audit services provided by PricewaterhouseCoopers LLP include amounts in respect of subsidiaries for taxation advice, borne by Yell Limited on their behalf.

4. Directors' emoluments

John Condron and John Davis are directors of the ultimate holding company, Yell Group plc, and of a number of fellow subsidiaries. They are paid by Yell Limited; however, it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly no emoluments have been disclosed in respect of John Condron and John Davis and their total emoluments and interests are included in the aggregate of director's emoluments disclosed in the financial statements of Yell Group plc.

The non-executive director does not receive remuneration for services as director of Yell Limited.

5. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2004	**2005**
By activity		
Marketing and sales	38	**142**
Other	701	**694**
Total	739	**836**

6. Net interest payable and similar charges

	Year ended 31 March 2004 £'000's	**Year ended 31 March 2005 £'000's**
Interest payable on overdrafts and bank loans	66,768	**38,805**
Interest payable on group loans	48,766	**32,079**
Accrued discount on group loans	1,190	**-**
Amortisation of issue costs on bank loans	4,636	**1,741**
Total interest payable	121,360	**72,625**
Interest receivable on bank deposits	(2,212)	**(1,173)**
Interest receivable on group loans	-	**(17,758)**
Total interest receivable	(2,212)	**(18,931)**
Net interest payable	119,148	**53,694**

Included within the 2004 amortisation of issue costs on bank loans there is an amount of £2,342,000 in respect of the write off of issue costs following the restructuring of the secured bank loans on the IPO of Yell Group plc.

7. Taxation on profit on ordinary activities

	Year ended 31 March 2004 £'000's	**Year ended 31 March 2005 £'000's**
Current tax:		
UK corporation tax on profit for the period	25,739	**46,579**
Adjustment in respect of previous periods	2,515	**(4,061)**
Total current tax	28,254	**42,518**
Deferred tax:		
Capital allowances	(1,466)	**206**
Short term timing differences	43	**2,336**
Adjustment in respect of prior periods	(2,532)	**2,903**
Total deferred tax (credit)/charge	(3,955)	**5,445**
Tax on profit on ordinary activities	24,299	**47,963**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Year ended 31 March 2004 £'000's	**Year ended 31 March 2005 £'000's**
Profit on ordinary activities before tax	19,696	**116,711**
Profit on ordinary activities multiplied by standard rate in UK 30% (2004: 30%)	5,909	**35,013**
Effects of:		
Non-deductible goodwill amortisation	17,576	**17,575**
Other expenses not deductible for tax purposes	2,667	**(3,467)**
Depreciation in excess of capital allowances	(370)	**(206)**
Adjustments to tax charge in respect of previous period	2,515	**(4,061)**
Other timing differences	(43)	**(2,336)**
Current tax charge for the period	28,254	**42,518**

The corporation tax payable for the year has been reduced by £12,924 (2004: £22,723) because of group relief received from another group company for which a payment of £12,924 (2004: £22,723) will be made.

8. Intangible fixed assets

	Goodwill £'000's
Cost:	
At 1 April 2004	1,171,677
At 31 March 2005	**1,171,677**
Amortisation:	
At 1 April 2004	162,487
Charge for year	58,583
At 31 March 2005	**221,070**
NBV at 31 March 2005	**950,607**
NBV at 31 March 2004	1,009,190

The goodwill which arose on the acquisition of the Company's business and net assets from BT is being amortised on a straight-line basis over 20 years, being the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

9. Tangible fixed assets

	Leasehold Improvements £'000's	Office Equipment £'000's	Total £'000's
Cost			
At 1 April 2004	1,152	49,636	50,788
Additions	1,403	13,356	14,759
Disposals	-	(2,712)	(2,712)
At 31 March 2005	**2,555**	**60,280**	**62,835**
Depreciation			
At 1 April 2004	-	28,948	28,948
Charge for the year	394	11,289	11,683
Disposals	-	(2,673)	(2,673)
At 31 March 2004	**394**	**37,564**	**37,958**
Net book amount			
At 31 March 2005	**2,161**	**22,716**	**24,877**
At 31 March 2004	1,152	20,688	21,840

None of the above assets were held under finance leases or hire purchase arrangements.

10. Investment

	£'000's
At 1 April 2004	2,495
Additions	2,813
Amortisation of own shares	(1,169)
At 31 March 2005	4,139

The investment represents the cost of the Ordinary shares in the Company's ultimate parent undertaking, Yell Group plc, purchased in connection with the Group's Capital Accumulation Plan ("CAP"). The CAP was established in February 2004. It allows the Company to make awards of Ordinary shares to employees which vest three years from the date of the grant. There are no performance criteria attached to the vesting of these shares, which are awarded to employees whom the Company wishes to retain as key talent within the organisation.

Yell Limited also holds a 100% interest in Yellow Pages Sales Limited, a subsidiary undertaking, held at £2 cost. Yellow Pages Sales Limited continues to employ a number of sales and administration staff the costs of whom are recharged to Yell Limited. The company is registered and incorporated in England and Wales. The investment is unlisted. In the opinion of the directors, the value of the investment is not less than the carrying value.

11. Stocks

	2004 £'000's	2005 £'000's
Directories in progress	55,904	57,533
Other	3,275	4,875
Total	59,179	62,408

12. Debtors

	2004 £'000's	2005 £'000's
Amounts falling due within one year:		
Trade debtors	206,726	203,977
Corporation tax receivable	-	3,364
Amounts owed by group undertakings	1,394	498
Other debtors	8,008	7,946
Prepayments and accrued income	16,012	26,930
	232,140	242,715
Amounts falling due after more than one year:		
Amounts owed by fellow group undertakings	71,918	101,841
Deferred tax asset	7,713	2,268
	79,631	104,109
Total debtors	311,771	346,824

13. Creditors: amounts falling due within one year

	2004 £'000's	2005 £'000's
Bank loans and overdrafts (see note 15)	85,000	90,000
Loan due to group undertakings (see note 15)	29,716	320,728
Discounted loan note owed to group undertaking (see note 15)	301,190	-
Trade creditors	17,794	11,475
Corporation tax payable	6,631	-
Other taxes and social security payable	16,923	17,366
Other creditors	6,079	5,734
Accruals and deferred income	83,298	104,907
	546,631	550,210

14. Creditors: amounts falling due after more than one year

	2004 £'000's	**2005 £'000's**
Bank loans and other borrowings (see note 15)	536,571	**448,312**
Accruals and deferred income	596	**1,737**
	537,167	**450,049**

Amounts due to group companies are unsecured and interest bearing at a rate of 6.3% (2004: 8%)

15. Bank and other borrowings

	2004 £000's	**2005 £000's**
Secured bank loans:		
Senior A1 bank loan (LIBOR plus 1.5%)	624,000	**544,000**
Revolver Loan Facility	5,000	-
Gross bank loans	629,000	**544,000**
Unamortised issue costs	(7,429)	**(5,688)**
Bank loans net of unamortised issue costs	621,571	**538,312**
Discounted loan note owed to group undertaking	301,190	-
Loan due to group undertakings	29,716	**320,728**
	952,477	**859,040**

	2004	2005
Maturity of debt:		
In one year or less, or on demand	415,908	**410,728**
In more than one year, but not more than two years	90,000	**100,000**
In more than two years, but not more than five years	454,000	**354,000**
	959,908	**864,728**
Unamortised issue costs:		
In one year or less, or on demand	(1,743)	**(1,750)**
In more than one year, but not more than two years	(1,750)	**(1,750)**
In more than two years, but not more than five years	(3,938)	**(2,188)**
	(7,431)	**(5,688)**
	952,477	**859,040**

The Senior A1 bank loan is due to be fully repaid by 2008. The facility is repayable by instalments and carries interest at LIBOR plus a margin as stated above. There is a margin adjustment mechanism in relation to the Senior A1 bank loan, commencing with the accounting quarter ended 30 June 2004, under which the applicable margin may be reduced following reductions in Yell Group plc's leverage ratio. Full details of this can be found in the financial statements of Yell Group plc. At 31 March 2005 the 3 month LIBOR rate was 4.983% (2004: 4.375%). See note 27 post balance sheet events.

The discounted loan note redeemed on 31 March 2005 was issued at 0% coupon and the amortisation of the discount is recognised at 6.5% per annum (2004 - £6.5%).

By means of security Yell Limited has granted an interest over substantially of all of its assets, including a fixed charge over certain of its debts, bank accounts, insurances, intellectual property and specified agreements, and a floating charge over all of its other undertakings and assets.

16. Deferred taxation

Deferred taxation is recognised in the financial statements, and an analysis of the deferred tax asset is given below:

	Amount provided	
	2004	**2005**
	£'000's	**£'000's**
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	6,136	**5,899**
Short term timing differences	1,577	**(3,631)**
	7,713	**2,268**

There are no amounts in deferred tax unrecognised as at 31 March 2005 (2004: nil). The deferred tax asset has been recognised in the financial statements as the directors forecast that the Company will continue to make future profits against which these deferred tax assets can be recovered.

17. Called up share capital

	2004	**2005**
	£	**£**
Authorised		
100 ordinary shares of £1	100	**100**
Allotted, called up and fully paid		
73 Ordinary shares of £1 each (2004: 73)	73	**73**

18. Share premium account

	2004	2005
	£'000's	**£'000's**
At 1 April	971	**325,971**
Premium on shares issued	325,000	**-**
At 31 March	325,971	**325,971**

19. Reserves

	2004	2005
	£'000's	**£'000's**
At 1 April	6,856	**2,253**
(Loss)/profit for the financial year	(4,603)	**68,748**
At 31 March	2,253	**71,001**

20. Reconciliation of movement in equity shareholders' fund

	2004	2005
	£'000's	**£'000's**
(Loss)/profit for the financial year	(4,603)	**68,748**
Proceeds of issue of ordinary share capital	325,000	**-**
Net movement to shareholders' funds	320,397	**68,748**
Opening shareholders' funds	7,827	**328,224**
Closing shareholders' funds	328,224	**396,972**

21. Pensions

Certain of the Company's employees are members of the parent company's defined benefit pension scheme, the Yell Pension Plan (YPP). Details in respect of the scheme are disclosed in the consolidated financial statements of Yell Group plc.

Yell Pension Plan (YPP) – Defined benefit section

In the year ended 31 March 2005 the Company made regular contributions totalling £2,472,000 to the defined benefit section (2004: £2,713,000). In addition, a contribution of £8,656,000 (2004: £806,000) in respect of benefit improvements was made. There are no provisions held on the balance sheet in respect of this plan at 31 March 2005. The Company has a prepayment of £8,641,000 in respect of this plan at 31 March 2005 (2004: £333,000). The funding policy differs from the accounting charge primarily in that for funding purposes the company contributes at a target funding level of 105%.

The YPP assets are invested in the UK and overseas equities, fixed interest and index linked securities, deposits and short term investments. The assets are held in separate trustee administered funds.

Defined contribution schemes

With effect from 1 October 2001, a defined contribution section was established in the YPP and the defined benefit sections were closed to new entrants. The amount of contributions to Section Four of the YPP totalled £624,000 (2004: £362,000).

22. Employee stock options

In March 2002, the Yell Group introduced two stock option plans in the UK, the Yell Group Limited Employee Plan and the Yell Group Limited Senior Manager Incentive Plan. The plans have been set up to provide employees with option rewards over shares that would be exercisable on an exit event (e.g. sale or quotation). The option life under these plans is ten years from date of grant. A social security tax liability arises in respect of any options exercised.

In July 2003, the Yell Group introduced the Yell Group plc Sharesave Plan. Eligible employees who wish to participate must enter into a savings contract for a period of three or five years under which they will contribute payments of between £5 and £250 per month, and a bonus is added at the end of three, five or seven years. In conjunction with the savings contract, an eligible employee is granted an option to subscribe for Ordinary shares of Yell Group plc out of the repayment made under that contract at the end of three, five or seven years. The exercise price of any option will not be manifestly less than 80% of the market value of the Ordinary shares at the date of the grant. The Sharesave plan is Inland Revenue approved and therefore no charge has been recorded to the profit and loss account in accordance with the exemption available under UITF17.

23. Financial commitments

As at 31 March 2005 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2004	**2005**
	£'000's	**£'000's**
Land and buildings:		
Within one year	161	**497**
Within two to five years	2,188	**2,159**
After five years	4,343	**4,762**
	6,692	**7,418**

24. Contingent liabilities

At 31 March 2005 there were no contingent liabilities or guarantees other than those mentioned below or arising in the ordinary course of the Company's business and on these no material losses are anticipated.

The Company participates in a group banking arrangement whereby the Company's assets are provided as security against group loans.

25. Related party transactions

The results of the Company are included in the consolidated financial statements of Yell Group plc. Consequently the Company is exempt from disclosing details of transactions and balances with the parent and fellow group subsidiaries.

26. Controlling entity

At 31 March 2005 the immediate and ultimate holding companies were Yell Holdings 2 Limited and Yell Group plc, respectively.

Copies of Yell Group plc consolidated financial statements can be obtained from the Company Secretary, Queens Walk, Oxford Road, Reading, Berkshire, RG1 7PT.

27. Post balance sheet events

On 17 May 2005, our parent company, Yell Group plc, announced that its US business had entered into a definitive agreement for the purchase of Transwestern Holdings.

At this date Yell Group plc had agreed in principle a new £2 billion credit facility, fully underwritten by ABN AMRO, BNP Paribas, Citibank, HSBC and JP Morgan Chase, to refinance all of the existing bank debt of £860 million and to fund the Acquisition, if the Acquisition is completed. The senior notes remain unaffected.

The acquisition is subject to shareholder approval and Hart Scott Rodino clearance in the USA. Therefore, completion of the Acquisition can not be assured.