Registered number: 01403041

Yell Sales Limited

Annual report for the year ended 31 March 2020

Yell Sales Limited

Annual report for the year ended 31 March 2020

Yell Sales Limited

Company information

Directors

Claire Miles (appointed 8 October 2019)
Oliver Wilson (resigned 24 February 2020)
Malcolm Green (resigned 10 October 2019)
David Sharman (resigned 6 December 2019)
Michael Ainslie (appointed 24 February 2020)

Company secretary

Christian Wells

Registered office

3 Forbury Place
Forbury Road
Reading
RG1 3YL

Registered number

01403041

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

All references to Hibu Group in this document are references to the ultimate parent company Hibu Group Limited. All references to the Group are references to Hibu Group and its consolidated subsidiaries.

All references to Owl Group in this document are references to the intermediate parent company Owl Finance Limited and its consolidated subsidiaries.

Yell Sales Limited

Strategic report for the year ended 31 March 2020

The directors present their strategic report on Yell Sales Limited (the "Company") for the financial year ended 31 March 2020.

Principal activities

The principal activity of the Company is the selling of advertising space for the products of Yell Limited, the Company's immediate parent undertaking (the "Parent").

Covid-19 pandemic

The Covid-19 pandemic and related lockdown in the UK has had a material effect on the business of the Owl Group from the last few weeks of the financial year. These effects are reported as follows:

- Actions taken to ensure the health and safety of employees and in response to the immediate economic effects are described in the Strategic report under the headings *S.172 Statement, Our people*;
- Ongoing revenue challenges from the pandemic are discussed in the Strategic report under the headings *Risk management and principal risks, Market uncertainty*;
- Material uncertainties about going concern arising from the pandemic are set out in both the Strategic report and note 1 to the Financial Statements under the heading *Going concern*; and
- The judgments regarding the effects on the Financial Statements are summarised in note 1 to the Financial Statements under the heading *Judgments made in assessing the effect of the Covid-19 pandemic on the financial statements*.

Review of business and future developments

The Company's result for the year ended 31 March 2020 was £1,998,000 profit (2019: £1,000). The net liabilities of the Company at 31 March 2020 were £4,405,000 (2019: £2,106,000). Revenue for the year has declined by £3,953,000 to £43,868,000 (2019: £47,821,000), this decline has been driven by a reduction from Yell Ltd as its revenues have also decreased. The Company was released from its loan obligations with its parent company during the year and has recognised a gain of £2,106,000 (2019: £nil).

The Company is incorporated and domiciled in England & Wales and is an integral part of the Hibu Group. The Company incurs costs in respect of the selling of advertising space for the products of the Parent. These costs are recharged to the Parent. The principal risk to the Company is the loss of income if the Parent ceases to reimburse the Company for the costs incurred. The directors of the Parent have no plans to change the current arrangement. As the Company is fully reliant on the reimbursement of the costs it incurs from its immediate parent, the directors consider the disclosure of the principal risks pertaining to the immediate parent company to be relevant for an understanding of the Company. Nonetheless, the principal risks, and management thereof, are described below. The key performance indicators applicable to the Parent may be found in the strategic report of that company.

No significant changes to the activities of the Company are expected in the immediate future.

Principal risks and uncertainties

The key business risks and uncertainties to which the business is subject, both external and internal, are fully discussed in the context of the Owl Group as a whole in the Strategic Report of the Company's intermediate parent company, Owl Finance Limited. The principal risks and uncertainties that may affect the Company's long-term value or prospects, including significant relationships with stakeholders, are discussed further below.

The risks that could have the most significant effect on the immediate parent undertaking, Yell Limited, with which the Company transacts its business are discussed below. Discussion of these risks is not an indication that the directors believe this list to be exhaustive nor is it indicative of the probability that one or more of these risks may be realised.

Risk from: Strong competition in existing and new markets

The Parent faces strong competition in its digital markets and could be affected by the actions of other competing companies, some of which have significant resources.

Strategic report for the year ended 31 March 2020

Principal risks and uncertainties (continued)

Potential effect - The Parent might be unable to replace quickly enough the cash flow lost from a sudden decline in some of its existing product revenues with cash flow from new products and markets.

Mitigation: The Parent has a strong asset in its sales force, employed by Yell Sales Limited, and ongoing customer relationships. This allows the Parent to profitably sell a wide range of its own and its partners' digital products. The increased fragmentation of the digital market is therefore an opportunity as the Parent increasingly becomes the provider of digital solutions to its large customer base of small and medium sized businesses. This effort is being managed by the sales and marketing teams, who are best placed to determine which products and partners are most appropriate for the UK market.

Risk from: Market uncertainty

Economic uncertainty and tight credit markets can lead to small and medium-sized entities spending less money on advertising. The imposition of restrictions on businesses and the movement of people in response to the Covid-19 pandemic has significantly affected revenue trends and there is a risk that markets may not rebound as quickly as expected or that further restrictions will be imposed in the event of a second wave of infections, especially if infections are worse than the first. In addition, whilst the Parent's customers are generally not reliant on cross border activity they can be affected by UK economic uncertainties related to Brexit. These risks together give rise to a high level of economic uncertainty in the markets in which the Parent operates. Demand for the Parent's products could also be affected by changing market trends or market perception of the Parent's products.

Potential effect - Lost revenue and profits, asset impairments and long-term funding issues could result if the markets in which the Parent operates were to fail to return to growth.

Mitigation: The Parent has implemented cost reduction programs to manage margins and has previously moved to a largely variable cost model that allows it to better manage fluctuations in demand.

Risk from: Dependence on IT and Data

The Parent is dependent on effective IT systems to maintain efficient and effective operations. Cyber security is important because the Parent is dependent upon the uninterrupted and secure operation of its computer systems and databases. Cyber criminals use increasingly sophisticated means of attack, including phishing emails.

Potential effect - Lost revenue and profits or cash, asset impairments, breach of legislation or damage to reputation could result if there were a catastrophic failure of the IT systems or if cyber criminals are successful in an attack.

Mitigation: The Parent is focusing resources on key, locally managed IT systems and increasingly using cloud services to mitigate the risk of owning and maintaining its own systems. The Parent has in place disaster recovery plans to replicate the data stored on its business-critical computer systems and maintains firewalls and cyber security controls, which are tested on a regular basis both internally and by third-party experts. The Parent carries out recurring internal ethical phishing attacks to raise employee awareness of the risks posed by external attacks backed up by remedial training. The Group Board regularly discusses the security over IT systems and data thereon, review progress against action plans to remediate any shortcomings in security that have been identified by third-party experts and review the steps taken to comply with the EU's General Data Protection Regulation.

Risk from: Key people leaving the business

The success of the Parent is in part dependent upon the continued service of its key management personnel and its ability to attract, motivate and retain suitably qualified employees. Due to the continuing level of change and market challenges that the business faces, the risk of key people leaving the business is high and recruiting replacements can be challenging.

Potential effect - An internal loss of market, industry or financial expertise could lead to lost revenue and profits or damage to reputation.

Strategic report for the year ended 31 March 2020

Principal risks and uncertainties (continued)

Mitigation: Succession planning for key roles is continually being addressed by the Parent's Human Resources (HR) department. The HR strategy is evolving to increase local focus and develop appropriate compensation schemes to address the particular challenges in each of the local markets.

Risk from: Failure to adhere to applicable laws, rules, regulations, and contract terms

Any failure to comply with applicable laws, rules, regulations, or the terms of legal contracts may result in civil and/or criminal legal proceedings being filed against the Parent, or in the business becoming subject to regulatory sanctions.

Regulatory authorities have wide-ranging administrative powers to deal with any failure to comply with regulatory oversight. Such a failure could materially affect the Parent, whether such failure is the Parent's or, in some cases, that of third-party contractors.

Potential effect - The damage to reputation and the diversion of management time that would result from an authority attempting to sanction the Parent could result in lost revenue and profits. Failure to comply with the terms of commercial contracts can lead to supply chain disruption, penalty payments and/or litigation. There would also be costs associated with any actions brought against the Parent. Furthermore, some penalties could also be material (for example the maximum penalty of £20 million that could be imposed on companies that fail to comply with the General Data Protection Regulations that came into effect on 25 May 2018).

Mitigation: The Parent devotes significant resources to ensure compliance with applicable current and emerging laws. The Parent through its in-house legal team establishes specific policies and guidelines as appropriate. The Parent requires at least two people to be involved in all transactions and, through its authorities' system, ensures that senior managers are involved in all key transactions and decisions. The Parent ensures that the integrity of its control framework is maintained through both internal and external audit.

Risk from: UK pension fund

The Parent's pension obligations are backed by assets invested across the broad investment market.

There is a risk that the value of the fund assets may not be sufficient to meet the liabilities of the fund. This could arise if, for example, the fund investments fell in value due to market conditions, the fund investments did not deliver sufficient returns, or the fund liabilities grew faster than expected due to improved longevity of life. Various different actuarial methods are available for valuing pension scheme liabilities and legislation can require the use of specific methods in some circumstances (for example the insurance buy out basis applies if debts are triggered under s75 Pensions Act 1995). These methods can result in liability figures substantially higher than those reported in the Parent's financial statements.

Potential effect - The Parent could incur higher debt costs if it had to fund a large deficit, thus stressing the business' ability to meet its debt obligations.

Mitigation: The scheme is closed to further accrual. The Management of the Parent and the trustee directors of the UK Pension Fund regularly review the scheme funding on various actuarial bases (including the buy-out basis) and at least triennially on a technical funding basis in accordance with legislation. The trustee directors and management have agreed that no further funding is necessary to satisfy pension obligations before the next full actuarial valuation of the scheme is required at 5 April 2021. The trustee directors and management work together to mitigate the risk of having insufficient funds. The strategy currently includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps that perform in line with the liabilities of the plan so as to protect against inflation being higher than expected and the purchase of a bulk annuity policy and liability driven investment funds to significantly reduce the volatility of the Plan's funding level by mitigating inflation, interest rate and longevity risks.

Environmental Reporting

Full disclosure of the Group's carbon emission information is included in the financial statements of Hibu Group.

Strategic report for the year ended 31 March 2020

Principal risks and uncertainties (continued)

Financial risk management

The Owl Group has £214 million of senior secured notes and a £25 million revolving credit facility, of which £8.8 million was drawn at 31 March 2020, issued and drawn by subsidiaries of the Company's intermediate parent, Owl Finance Limited. The senior secured notes are not subject to any financial ratio maintenance covenants. The revolving credit facility is subject to a financial ratio maintenance covenant with which the Owl Group is in compliance at the date of this report. The senior secured notes and revolving credit facility are secured on the assets of the Owl Group. Owl Finance Limited and all its subsidiaries, including the Company, are guarantors of the senior secured notes and the revolving credit facility.

The Company's operations do not expose it to other financial risks as all its trading is with fellow subsidiaries of Owl Finance Limited.

Going concern

The Company's net current liabilities and related negative net assets are tied to a provision for uncertain tax positions that, if crystallised, will ultimately have to be funded by Yell Limited (the "Parent"). The Covid-19 pandemic and related lockdown in the UK has had a material effect on the business of the Owl Group and the Parent in the first quarter of the year ending 31 March 2021. It is still too early to reliably conclude on the likely longer-term effects. The Owl Group's and Parent's base planning scenario indicates that it is not expected to encounter any liquidity issues in either the current financial year or the year ending 31 March 2022. There are however credible downside scenarios, if the recovery of the business is slower than is expected, in which the Owl Group would be unable to make its interest payments on the Senior Secured Notes as early as September 2021. The board of Owl Finance Limited has been advised by the board of Hibu Group that it does not consider that it would be in the interests of its shareholders to commit to providing financial support to the Owl Group. In this context the Owl Group has commenced discussion with both the board of Hibu Group and the largest bondholders regarding the long-term capital structure of the Owl Group, which may result in it ceasing to be part of the Group.

The directors of the Company have considered the implications of the above and the risks set out in the Owl Finance Limited strategic report for the year ended 31 March 2020 and in particular whether it is appropriate to prepare the financial statements of the Company on a going concern basis and the adequacy of the disclosures made within the financial statements. In reaching a conclusion the directors reviewed forecasts of future performance that indicate that the Company and related party debtors should continue to generate sufficient cash flows to be able to repay liabilities as they fall due. However, the directors acknowledge that the Company's net current liabilities and the lack of certainty in relation to the longer-term effects of the Covid-19 pandemic on Owl Group's liquidity are material uncertainties.

The directors have concluded that it is appropriate for the financial statements to be prepared on a going concern basis however they are making full disclosure, as required by accounting standards, to indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The directors have concluded that the financial statements do not require the adjustments that would result if the Company were unable to continue as a going concern.

S.172 Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

Due to the nature of the Company's activities, only a limited number of board meetings are held in any year. During the financial year, the principal decisions of the Company related to Board composition. Decision-making on the Company's operations, including those on health and safety and management's response to the Coronavirus, are delegated to and taken by the Parent, Yell Limited, which is the main UK operating company in the Group.

The directors are reminded of their S.172 duties at the start of each board meeting and whilst the Company falls outside of the requirements to adopt and formally report on its principles of corporate governance Hibu Group, the ultimate parent, has a strong governance framework, which it continually reviews, and has strengthened some existing arrangements throughout the year to achieve a high standard of governance.

Strategic report for the year ended 31 March 2020

S.172 Statement (continued)

For more details on how the Group applies its policies and strategy can be found in Hibu Group's strategic report on its website – www.hibugroup.com

Details of the key stakeholders and how we engage with them are set out below.

Shareholder

The Company has no shareholders outside the Group.

Our People

The Company is the main Yell employing company in the UK and we define our people as employees who are paid through the Yell payroll.

An engaged and motivated workforce is critical to the delivery of company objectives. Engagement levels also affect voluntary staff churn.

Our people are a good barometer of employee confidence in the strategy and optimism for the future. The Group directors regularly consider employee churn rates and the initiatives to reduce this turnover and retain employees in the Group. The Remuneration Committee ensures that incentive plans are designed to promote the success of the Company and are appropriate to retain employees and aligned to the interests of the shareholders.

Upon taking up her appointment in October 2019, the UK CEO visited all the UK business operations to meet with the employees and in November 2019, launched an employee survey to gain an initial insight into how employees view working at Yell, on the UK strategy, work-life balance, personal development and communications. As a result of the engagement, employee communications were enhanced to include more information about company strategy and restructuring.

Yell also operates Focus Groups and an Employee Forum, which creates a two-way communications channel between the business and our people on a number of initiatives including, business-wide projects, product updates, wellbeing and charity fundraising, whilst ensuring that everyone has the opportunity to raise concerns and voice their and their team's opinions.

The UK CEO initiated a culture review programme with employee focus groups throughout the business to set a common culture and refresh values to drive the business. The new values were rolled out early in the 2021 financial year.

The results of all engagement surveys are reported on Yell's intranet.

Town hall meetings and regular live business update webinars are held by the UK management and UK CEO at the various sites and employees are encouraged to engage fully with management via the internal website.

Yell operates a whistleblowing service and all incidents are investigated and reported to the directors, the Group Audit Committee and ultimately the main Group Board.

The safety and wellbeing of our people is very important to the Group and we make every effort to ensure that our employees are safe and secure. In October 2019, the UK management took the decision to close the Scarborough office temporarily to protect the health of the staff based there from fumes that entered the Yell workspace during some roof repair works. The offices reopened only when it was safe to do so for our employees with the effect on the business being mitigated by the motivated attitude of the Scarborough workforce.

Strategic report for the year ended 31 March 2020

S.172 Statement (continued)

In March 2020 at the start of the Coronavirus pandemic, we initiated measures, following the Government advice, to provide additional hand hygiene stations, observe social distancing, embargoed all but essential travel and quickly facilitated the majority of our retained staff to work remotely wherever possible. Due to the circumstances, and after balancing the safety of our people against the long-term sustainability of Yell, we took appropriate action including furloughing staff across the Company, reducing hours or reducing salaries, including those of senior management and Board directors. We also transitioned our non-furloughed, office-based employees to work from home.

Customers and suppliers

The Company has no customers or suppliers outside the Group.

Environment

The Company recognises its responsibility to act in the interests of the environment and to reduce its carbon footprint wherever possible. One small example during the year was upgrading lighting to LED lighting in its offices. Full disclosure of the Group's carbon emission information is included in the Strategic Report of Hibu Group for the year ended 31 March 2020.

Post balance sheet events

There are no material post balance sheet events to report, other than the effect of the Covid-19 pandemic as discussed above, at the time of signing these financial statements.

On behalf of the Board

Claire Miles

Director

Date: 30 June 2020

Report of the directors for the year ended 31 March 2020

The directors present their annual report and the audited financial statements of Yell Sales Limited for the year ended 31 March 2020.

Results and dividends

The Company's result for the financial year to 31 March 2020 was £1,998,000 profit (2019: £1,000). The directors do not recommend the payment of a dividend (2019: £nil).

Strategic report

The Company is required by the Companies Act 2006 to set out the development and performance of the business of the Company during the financial year ended 31 March 2020, the position of the Company at the end of the year and a description of the principal risks and uncertainties facing the Company. The strategic report can be found on pages 2 to 7.

Future developments of the business

The directors' assessment and evaluation of future developments for the business is discussed in the strategic report on pages 2 to 7.

Directors and their interests

The directors who held office during the year to 31 March 2020 and up to the date of approval of the financial statements are stated on page 1. None of the directors were remunerated for their services as directors of the Company (2019: none).

Article 88 of the Articles of Association of Hibu Group, the Company's ultimate holding company, permit Hibu Group, subject to the Companies Act 2006 and other applicable legislation, to indemnify any of the directors against any loss or liability in connection with any proven or alleged negligence, default, breach of duty or trust by him, in relation to Hibu Group or any of its subsidiaries. In December 2013, Hibu Group entered into deeds of indemnity in favour of current and former executive and non-executive directors and officers of Hibu Group, its subsidiaries, or any other companies to which Hibu Group or any of its subsidiaries has nominated or appointed any such person as a director or officer. The deeds of indemnity are qualifying third party indemnities for the purposes of section 234 of the Companies Act 2006 and were in force during the financial year and at the date of approval of these financial statements.

Employees

The Group, inclusive of the Company, has a Recruitment and Selection Policy that states that we are committed to the employment of people with disabilities. Moreover, we guarantee an interview to people with disabilities who meet the minimum selection criteria for any vacancy.

Our Equal Opportunities Policy contains a code of good practice on disability that 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, in consultation with the individual, other positions will be considered where the individual's skills and abilities match the requirements of the role, making reasonable adjustments where appropriate.

Employees (continued)

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.

Management encourage employee participation in the Company's performance via the Company's bonus and commission schemes. In addition, each department elects a representative to the Company's employee forum, which meets regularly with senior management to discuss a variety of issues

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board

Claire Miles

Director

Date: 30 June 2020

Independent auditors' report to the members of Yell Sales Limited

Report on the audit of the financial statements

Opinion

In our opinion, Yell Sales Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2020; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company's forecasts indicate that it is not expected to encounter any liquidity issues at least for 12 months from the date of approval of these financial statements. The directors believe that they are able to carry out the necessary measures and the company expects to have sufficient liquidity to meet its liabilities as they fall due for at least twelve months. Accordingly, the directors continue to adopt the going concern basis for accounting in preparing these financial statements. However, there are credible downside scenarios where, if the recovery of the business is slower than is expected due to the COVID-19 pandemic and related lockdown in the United Kingdom, then the Owl Group, of which the company is a subsidiary, would not be able to make its interest payments on the senior secured notes as early as September 2021. There are risks associated with the matters as outlined above and these conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditors' report to the members of Yell Sales Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Yell Sales Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
30 June 2020

Yell Sales Limited

Income statement for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue	3	**43,868**	47,821
Cost of sales		**(38,413)**	(42,428)
Gross profit		**5,455**	5,393
Administrative expenses		**(5,455)**	(5,393)
Operating result	4	**-**	-
Other gains	6	**2,106**	-
Profit before interest and taxation		**2,106**	-
Finance costs	7	**(109)**	-
Profit before taxation		**1,997**	-
Tax credit	8	**1**	1
Profit for the financial year		**1,998**	1

Statement of comprehensive income for the year ended 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for the financial year	**1,998**	1
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**1,998**	1

Yell Sales Limited

Statement of financial position at 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
Non-current assets			
Investments in subsidiaries	9	**-**	-
Total non-current assets		**-**	-
Current assets			
Trade and other receivables	10	**1**	-
Total current assets		**1**	-
Current liabilities			
Trade and other payables	11	**(1,044)**	(2,106)
Corporate income tax liabilities		**(3,362)**	-
Total current liabilities		**(4,406)**	(2,106)
Net liabilities		**(4,405)**	(2,106)
Equity			
Called up share capital	12	**-**	-
Accumulated losses		**(4,405)**	(2,106)
Total shareholder's deficit		**(4,405)**	(2,106)

The financial statements on pages 14 to 31 were approved by the Board of directors and were signed on its behalf on 30 June 2020 by:

M Ainslie

Michael Ainslie
Director

Registered no. 01403041

Yell Sales Limited

Statement of changes in equity for the year ended 31 March 2020

2019	Called up share capital £'000	Accumulated losses £'000	Total shareholder's deficit £'000
Balance at 1 April 2018	-	(2,107)	(2,107)
Profit for the financial year	-	1	1
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1	1
Balance at 31 March 2019	-	(2,106)	(2,106)

2020	**Called up share capital £'000**	**Accumulated losses £'000**	**Total shareholder's deficit £'000**
Balance at 1 April 2019	-	**(2,106)**	**(2,106)**
Change in accounting policy – adoption of IFRIC 23*	-	**(4,297)**	**(4,297)**
Restated balance at 1 April 2019	-	**(6,403)**	**(6,403)**
Profit for the financial year	-	**1,998**	**1,998**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**1,998**	**1,998**
Balance at 31 March 2020	-	**(4,405)**	**(4,405)**

* The change in accounting policy is a result of adoption of IFRIC 23. For more details refer to Note 17.

Notes to the financial statements for the year ended 31 March 2020

1. Basis of preparation and accounting policies

Entity information

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company is a private company, limited by shares and registered in England and Wales under registration number 01403041. Its registered office is at 3 Forbury Place, Forbury Road, Reading, Berkshire, RG1 3YL.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see Note 2).

The Company is exempt from the requirement to prepare and deliver consolidated financial statements under the provisions of Section 400 of the Companies Act 2006 as the Company and its subsidiary, Yell Studio Limited, are included within the consolidated financial statements of its ultimate parent company, Hibu Group Limited.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements in accordance with FRS 101:

- the requirements of IFRS 7 "Financial Instruments: Disclosures"
- the requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement"
- the requirements of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of paragraph 79 (a)(iv) of IAS 1
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements"
- the requirements of IAS 7 "Statement of Cash Flows"
- the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"
- the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary that is a party to the transaction is wholly owned by such a member.

Going concern

The financial statements have been prepared on a going concern basis. The Owl Group has £214 million of senior secured notes and a £25 million revolving credit facility, of which £8.8 million was drawn at 31 March 2020, issued and drawn by subsidiaries of the Company's intermediate parent, Owl Finance Limited. The senior secured notes are not subject to any financial ratio maintenance covenants. The revolving credit facility is subject to a financial ratio maintenance covenant with which the Owl Group is in compliance at the date of this report. The senior secured notes and revolving credit facility are secured on the assets of the Owl Group. Owl Finance Limited and all its subsidiaries, including the Company, are guarantors of the senior secured notes and the revolving credit facility.

The Company's net current liabilities and related negative net assets are tied to a provision for uncertain tax positions that, if crystallised, will ultimately have to be funded by Yell Limited (the "Parent"). The Covid-19 pandemic and related lockdown in the UK has had a material effect on the business of the Owl Group and the Parent in the first quarter of the year ending 31 March 2021. It is still too early to reliably conclude on the likely longer-term effects. The Owl Group's and Parent's base planning scenario indicates that it is not expected to encounter any liquidity issues in either the current financial year or the year ending 31 March 2022. There are however credible downside scenarios, if the recovery of the business is slower than is expected, in which the Owl Group would be unable to make its interest payments on the Senior Secured Notes as early as September 2021. The board of Owl Finance Limited has been advised by the board of Hibu Group that it does not consider that it would be in the interests of its shareholders to commit to providing financial support to the Owl Group. In this context the Owl Group has commenced discussion with both the board of Hibu Group and the largest bondholders regarding the long-term capital structure of the Owl Group, which may result in it ceasing to be part of the Group.

Notes to the financial statements for the year ended 31 March 2020

1. Basis of preparation and accounting policies (continued)

Going concern (continued)

The directors of the Company have considered the implications of the above and the risks set out in the strategic report on pages 2 to 5 and Owl Finance Limited strategic report for the year ended 31 March 2020 and in particular whether it is appropriate to prepare the financial statements of the Company on a going concern basis and the adequacy of the disclosures made within the financial statements. In reaching a conclusion the directors reviewed forecasts of future performance that indicate that the Company and related party debtors should continue to generate sufficient cash flows to be able to repay liabilities as they fall due. However, the directors acknowledge that the Company's net current liabilities and the lack of certainty in relation to the longer-term effects of the Covid-19 pandemic on Owl Group's liquidity are material uncertainties.

The directors have concluded that it is appropriate for the financial statements to be prepared on a going concern basis however they are making full disclosure, as required by accounting standards, to indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The directors have concluded that the financial statements do not require the adjustments that would result if the Company were unable to continue as a going concern.

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

a. Revenue

Revenue, which excludes value added tax, is a service recharge to Yell Limited, the Company's immediate parent undertaking, for costs associated with selling advertising space and is recognised as the service is provided.

b. Cost of sales

Cost of sales is the result of staff costs that are incurred in respect of providing sales services for Yell Limited.

c. Employee benefits

The Company expenses employee benefits as employees render the services that give rise to the benefits in accordance with IAS 19, "Employee Benefits".

Pension obligations

The employees are members of the Yell pension schemes. The sponsoring employer for the schemes is Yell Limited. The substantial majority of employees employed before 1 October 2001 were members of the defined benefit scheme ("UKDBP"). Yell closed its defined benefit scheme in the UK to future accrual on 31 March 2011, thus reducing Yell's exposure to future changes in salaries and employee service years. All employees are now offered membership in defined contribution schemes ("UKDCP").

The Company has been unable to identify its share of the underlying assets and liabilities in the UKPP defined benefit pension scheme, on a consistent and reasonable basis. As there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to the participating entities, the Company has recognised a cost equal to its contribution payable for the year.

Disclosures relevant to the plan as a whole are given in note 13.

Notes to the financial statements for the year ended 31 March 2020

1. Basis of preparation and accounting policies (continued)

c. Employee benefits (contined)

Pension obligations (continued)

Employees employed subsequent to 1 October 2001 became members of the Yell defined contribution scheme. Payments to defined contribution schemes are recognised as employee benefit expense when they are due. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

d. Investments in subsidiaries

Investments are valued at cost less any amounts written off due to impairment. Any impairment would be charged to the income statement to the extent that it is not covered by amounts previously credited to shareholder's equity through the revaluation surplus.

e. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. An allowance for doubtful debts is recognised on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. Historical loss experience and informed credit assessment alongside other factors such as the current state of the economy and specific market issues are considered in estimating a loss allowance. Reasonable and supportable information that is relevant and available without undue cost or effort is considered in estimating a loss allowance. The loss is recognised in cost of sales.

f. Trade and other payables

Trade and other payables are initially recognised at fair value, which generally approximates cost due to the short-term nature of these liabilities and subsequently measured at amortised cost using the effective interest rate method.

g. Financial assets and liabilities

Financial assets and liabilities are shown as loans or receivables when they are non-derivative financial assets or liabilities with fixed or determinable payments that are not quoted on an active market. Loans and receivables are classified as trade and other receivables or trade and other payables in the Statement of financial position.

h. Current and deferred tax

The charge or credit for tax is based on the profit or loss for the period and takes into account deferred tax where transactions or events give rise to temporary differences between the treatment of certain items for tax and for accounting purposes. Provision is made in full for deferred tax liabilities. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the benefit can be realised. It is probable that future taxable profits will be available to the extent that reversing taxable temporary differences exist.

Current tax is provided at the amounts expected to be paid or recovered under the tax rates that have been enacted or substantively enacted by the statement of financial position date

Notes to the financial statements for the year ended 31 March 2020

1. Basis of preparation and accounting policies (continued)

h. Current and deferred tax (continued)

Deferred tax is measured at the rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax assets and liabilities are not discounted.

i. Share capital

Ordinary shares are classified as equity.

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

j. Standards that have become effective during the year

The following standards, interpretations and amendments became effective during the year. Only the adoption of IFRIC 23 was material to the Company:

- IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting for leases, particularly for lessees. Under IAS17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2019.

- IFRIC 23, 'Uncertainty over Income Tax treatments. This IFRIC clarifies how the recognition and measurement requirements of IAS12, 'Income Taxes', are applied where there is uncertainty over income tax treatments. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2019.

- 'Annual Improvements 2015-17'. These amendments include minor changes and affect four standards being IFRS 3, 'Business Combinations', IFRS 11, 'Joint Arrangements', IAS 12, 'Income taxes' and IAS 23 'Borrowing costs. These amendments have has received EU endorsement and are effective for annual periods beginning on or after 1 January 2019.

- Amendment to IFRS 9, 'Financial Instruments'. This amendment confirms two points relating to negative compensation and the modification of financial liabilities. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2019.

- Amendments to IAS 19, 'Employee Benefits'. These amendments require an entity to use updated assumptions to determine the current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss the part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the effect of the asset ceiling. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2019.

- Amendments to IAS 28, 'Investments in Associates'. These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied, using IFRS9. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2019.

Notes to the financial statements for the year ended 31 March 2020

2. Critical accounting estimates and judgments

In general, the Company's accounting policies under FRS 101 are consistent with those generally adopted by others operating within the same industry in the UK.

In preparing the Company financial statements, the Company's management have made their best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality.

The Company regularly reviews these estimates and updates them when required. Actual results could differ from these estimates. Unless otherwise indicated, the Company does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described in Note 1. The Company considers the following to be a description of the most significant estimates, which require the Company's management to make subjective and complex judgments, or matters that are inherently uncertain.

Tax

The determination of our obligation and expense for taxes requires an interpretation of tax law. Judgments and estimates are required to determine the appropriate amount of tax to provide for and any required disclosure around contingent tax liabilities at each period end.

The Company seeks appropriate, competent and professional tax advice before making any judgments on tax matters. Provisions for tax liabilities are estimated for existing matters under dispute with tax authorities, as well as for matters that it is considered may be disputed by them, where it is probable that a future liability will arise. The tax liability provided is management's best estimate, taking into account external advice, the anticipated position of the relevant tax authorities, and other factors. Whilst the Company believes that its judgments are prudent and appropriate, significant differences in actual experience may materially affect future tax charges.

The Company recognises deferred tax assets and liabilities arising from timing differences where it has a taxable benefit or obligation in the future as a result of past events. The Company records deferred tax assets to the extent that it believes they are more likely than not to be realised. Should the Company determine in the future that it would be able to realise deferred tax assets in excess of the recorded amount or that the liabilities are different than the amounts recorded, then the Company would increase or decrease income as appropriate in the period such determination was made.

Judgments made in assessing the effect of the Covid-19 pandemic on the financial statements

Judgment was exercised in evaluating the effect of the Covid-19 pandemic on the financial statements in the following area:

- Estimates of Owl Group's future liquidity used in the going concern assessment, and
- Assumptions within our expected credit losses on trade and other receivables.

3. Revenue

Analysis by category	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Service charges	**43,868**	47,821
Total revenue	**43,868**	47,821

All revenue is generated solely in the United Kingdom.

Notes to the financial statements for the year ended 31 March 2020

4. Operating result

The operating result before taxation is stated after charging:

	Note	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Staff costs	5	**43,868**	47,821

Auditors' remuneration of £5,939 (2019: £5,550) was borne by Yell Limited, the Company's immediate parent company, and has not been recharged to the Company. Fees for non-audit services were £nil (2019: £nil).

5. Employees

	Year ended 31 March 2020	Year ended 31 March 2019
Average monthly number of employees (including executive directors):		
By activity:		
Marketing and sales	**964**	997
Other	**154**	159
Total	**1,118**	1,156

	Note	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Staff costs during the year:			
Wages and salaries		**38,456**	41,622
Social security costs		**3,988**	4,721
Other pension costs	13	**1,424**	1,478
Staff costs		**43,868**	47,821

Directors' remuneration

The directors did not receive remuneration for their services to the Company (2019: £nil).

6. Other gains

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Gain on release of loan due to parent company	**2,106**	-

The Company was released from its loan obligations with its parent company during the year and has recognised a gain of £2,106,000 (2019: £nil).

Notes to the financial statements for the year ended 31 March 2020

7. Finance costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest on provision for uncertain tax positions	109	-
Total finance costs	**109**	-

8. Tax credit

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax:		
Corporate income tax credit for the year	(1)	(1)
Total current tax credit	**(1)**	(1)
Deferred tax:		
Deferred tax charge for the year	-	-
Total deferred tax charge	-	-
Total tax credit	**(1)**	(1)

The tax credit for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before taxation	**1,997**	-
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**379**	-
Effects of:		
Non-taxable release of inter-company loans	**(400)**	-
Deferred tax not recognised on restricted interest expenses	**21**	-
Other tax deductible items	**(1)**	(1)
Tax credit	**(1)**	(1)

The calculation of the Company's total tax charge involves consideration of certain items whose tax treatment cannot be ultimately determined until final resolution has been reached through negotiation with the relevant tax authorities. The company has provided corporate income tax liabilities of £3,362,000 (2019: £nil) in respect of open tax periods that have not yet been agreed by UK tax authorities. The final agreed liabilities may vary from the amounts provided as these are dependent upon the outcomes for each open period. The Company has limited control over the timing of the resolution of uncertain tax positions with tax authorities. Acknowledging this inherent unpredictability, and on the basis of currently available information, the Company does not expect material changes to occur to the level of provisions against uncertain tax positions during the next twelve months.

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 March 2020, the Company did not recognise deferred tax assets of £198,000 (2019: £nil) in respect of £1,044,000 (2019: £nil) of restricted interest expenses. The benefits in respect of restricted interest expenses do not time expire.

In the Spring Budget 2020, the UK government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 and therefore 19% has been used for the measurement of closing deferred tax balances.

Notes to the financial statements for the year ended 31 March 2020

9. Investments in subsidiaries

The Company holds a 100% interest in Yell Studio Limited, a subsidiary undertaking, held at £2 cost (2019: £2). The subsidiary undertaking is engaged in advertisement design and the provision of artwork services and is registered and incorporated in England and Wales. The investment is unlisted. In the opinion of the directors, the value of the investment is not less than the carrying value. The subsidiary undertaking has the same registered address and year end as the Company as set out on page 1.

10. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**1**	-
Total	**1**	-

11. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year		
Amounts owed to group undertakings	**-**	2,106
Accruals	**1,044**	-
Total	**1,044**	2,106

12. Called up share capital

Authorised	**No. of shares of £1 each**	**£'000**
At 1 April 2019	10,000	10
At 31 March 2020	**10,000**	**10**

Allotted, called up and fully paid	**No. of shares of £1 each**	**£'000**
At 1 April 2019	2	-
At 31 March 2020	**2**	**-**

All shares rank pari passu in all respects.

Notes to the financial statements for the year ended 31 March 2020

13. Pensions

Yell Limited, the Company's intermediate parent, maintains a defined benefit pension scheme (the "UKDBP") for UK employees employed before 1 October 2001. Yell Limited also operated a defined contribution scheme for the remaining UK employees and certain subsidiaries. With effect from 31 March 2011, the UKDBP was closed to future accrual. Active members at 31 March 2011 were granted leaving service benefits and offered membership in a new section of the defined contribution scheme. Subsequently all defined contribution sections were closed and a Mastertrust with L&G (the "UKDCP") was put in place instead. The UKDBP and UKDCP are the only material schemes offered to employees of the Company. The Company's income statement and statement of comprehensive income for the years ended 31 March 2020 and 2019 included the following charges below.

Amounts charged to operating profit	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Contributions payable in respect of defined contribution section	**1,424**	1,478
Total contributions	**1,424**	1,478

UKDBP - Defined benefit pension sections

There are three defined benefit sections of the UKDBP, which have been closed to new entrants since 1 October 2001. The UKDBP offers both pensions in retirement and death benefits to members. For the purpose of these financial statements, the full actuarial valuation at 5 April 2018, updated to 31 March 2020, showed a surplus of £159m (2019: £127m). Pension benefits are based on years of qualifying service and final pensionable salary.

The Company is required to agree its contributions to the UKDBP with the trustees based on actuarial advice. Such agreement must be reached in a way that complies with the UK Pensions Regulator's 'Scheme Specific Funding' guidance. Any failure to agree would result in the intervention of the Pensions Regulator and, possibly, an imposed settlement. The full funding valuation that has an effective date of 5 April 2018 was the most recent agreed full funding valuation at 31 March 2020.

Net surplus

The UKDBP net surplus on the statement of financial position represents the fair value of assets held to fund future benefit payments net of the present value of scheme liabilities, as follows:

	At 31 March 2020 £'000	At 31 March 2019 £'000
Fair value of scheme assets	**665,133**	708,863
Present value of scheme liabilities	**(505,980)**	(581,952)
Net surplus	**159,153**	126,911

13. Pensions (continued)

The following amounts explain the movement in the pension provision for the years ended 31 March 2020 and 2019:

	At 31 March 2020 £'000	At 31 March 2019 £'000
Net surplus at 1 April	**126,911**	129,358
Movement in year:		
Contributions	**327**	16,091
Settlement costs	**(8,400)**	-
Past service cost	**(140)**	(1,122)
Administration expenses	**(3)**	(6)
Net finance income	**2,772**	3,571
Actuarial gain / (loss)	**37,686**	(20,981)
Net surplus at 31 March	**159,153**	126,911

The full funding valuation with an effective date of 5 April 2018 concluded in November 2018 and showed no further contributions were required and deficit contributions have ceased since late 2018.

Contributions of £0.3m (2019: £16.1m), of which £0.3m (2019: £0.3m) were in respect of benefit augmentations were made in the year to 31 March 2020.

Valuation assumptions

The UKDBP net surpluses at 31 March 2020 and 31 March 2019 were based on the valuation at 5 April 2018 updated to 31 March 2020 and 31 March 2019 respectively. The updated valuations were carried out by professionally qualified independent actuaries using the following key assumptions:

	At 31 March 2020 %	At 31 March 2019 %
Discount rate	**2.3**	2.5
Expected return on assets	**n/a**	n/a
Pension increases linked to RPI	**2.6**	3.2
Pension increases linked to CPI	**2.0**	2.3

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

	At 31 March 2020	At 31 March 2019
Male	**28.6**	28.4
Female	**30.8**	30.6

Notes to the financial statements for the year ended 31 March 2020

13. Pensions (continued)

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

	At 31 March 2020	At 31 March 2019
Male	**27.3**	27.1
Female	**29.4**	29.2

Assets

The UKDBP plan assets are held in separate trustee administered funds that are invested in debt securities, liability driven investments, cash and a bulk annuity policy.

The trustees of the UKDBP are required to act in the best interest of its beneficiaries. The appointment of trustees to the UKDBP is determined by the Company in accordance with the trust documentation, as modified by UK statute. An independent professional trustee and two other trustees are appointed by the Company. Two further trustees are elected by the active members.

Asset values will increase and decrease as markets rise and fall. The trustees and management have an agreed strategy to mitigate the risk of having insufficient funds, if markets fall. The trustees hold a portfolio of secured finance, corporate bonds, a bulk annuity policy that covers most of the UKDBP's pensioners, liability driven investment funds plus a holding of cash.

The purpose of the bulk annuity policy and liability driven investment funds is to significantly reduce the volatility of the UKDBP's funding level by mitigating inflation, interest rate and longevity risks. These asset classes match the movements in interest rates and inflation closely. The trustees also work with management to ensure sufficient assets will be available to settle obligations in the long term.

The assets were:

	At 31 March 2020 £'000	**Of which not quoted in an active market £'000**	At 31 March 2019 £'000	Of which not quoted in an active market £'000
Secured finance	**67,146**	-	74,382	-
Bonds	**84,286**	-	77,821	-
Liability driven investments	**269,660**	-	155,376	-
Insurance contracts	**169,502**	**169,502**	180,402	180,402
Other	**74,539**	-	220,882	-
Total assets at fair value	**665,133**	**169,502**	708,863	180,402

Changes in the present value of the UKDBP plan assets were as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Opening fair value of plan assets	**708,863**	685,232
Interest on assets	**15,266**	17,618
Actuarial gain	**9,752**	19,134
Contributions by employer	**327**	16,091
Administration expenses	**(3)**	(6)
Benefits paid	**(69,072)**	(29,206)
Closing fair value of plan assets	**665,133**	708,863

Notes to the financial statements for the year ended 31 March 2020

13. Pensions (continued)

The actuarial or gain in the years ended 31 March 2020 and 2019 represents the difference between expected return on plan assets and the actual return on UKDBP plan assets as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest on plan assets	**15,266**	17,618
Actuarial gain	**9,752**	19,134
Actual return on plan assets	**25,018**	36,752

Liabilities

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Opening present value of defined benefit liabilities	**581,952**	555,874
Past service cost	**140**	1,122
Settlement cost	**8,400**	-
Interest cost	**12,494**	14,047
Actuarial (gain) / loss	**(27,934)**	40,115
Benefits paid	**(69,072)**	(29,206)
Closing present value of defined benefit liabilities	**505,980**	581,952

The Group offered an enhanced transfer option to members of the UKDBP during the year ended 31 March 2020, which if accepted resulted in a transfer of the members' liabilities and related assets from the UKDBP to an alternative pension arrangement. For each of the 119 members that transferred out, due to the assumptions underlying the enhanced transfer option, the size of the assets paid out exceeded the present value of the IAS 19 liability, giving rise to the £8,400,000 settlement cost in the year.

The actuarial gain in the year ended 31 March 2020 was primarily the result of a decrease in the assumption for inflation and by inflationary increases applied to benefits during the year being lower than expected. This was partially offset by a change in the mortality assumption and a reduction in the discount rate which places a higher value on the liability value.

The actuarial loss in the year ended 31 March 2019 was primarily the result of allowing for actual membership movements following the full valuation at 5 April 2018. In addition, there was a decrease in the AA-rated corporate bond yields and an increase in the assumption for inflation that led to significant actuarial losses. This was partially offset by the change in the mortality assumption.

13. Pensions (continued)

Profile of the UKDBP

The defined benefit obligation includes benefits for deferred members and current pensioners. Broadly, about 63% of the liabilities are attributable to deferred members and 37% to current pensioners. Note that the term "deferred members" refers to members of the UKDBP who are yet to draw their pension.

The UKDBP plan duration is an indicator of the weighted average time until benefit payments are made. For the UKDBP as a whole, the duration is around 22 years reflecting the approximate split of defined benefit obligation between deferred members (duration around 25 years) and current pensioners (duration of 16 years).

Sensitivity analysis

The present value of the pension obligations at 31 March 2020 was calculated on the basis that the real interest rate at the balance sheet date was -0.4%, which is the difference between the discount rate and RPI inflation. The discount rate and expected inflation are determined by reference to specific types of debt instruments being traded in the open market. Increasing or decreasing the assumed discount rate by 0.1% per annum, respectively, would decrease or increase the present value of the pension liabilities by approximately £11.5m. The effect on the market value of assets cannot be estimated because the values of the UKDBP's investments do not always change in line with variations in the discount rate however we can estimate that the value of the bulk annuity policy would decrease or increase by approximately £2.5m due to the assumed discount rate increasing or decreasing by 0.1% per annum respectively.

Similarly, the effect of increasing or decreasing the assumed inflation rate by 0.1% per annum, respectively, would increase or decrease the present value of the pension liabilities by approximately £11.0m and increase or decrease the value placed on the bulk annuity policy by approximately £2.4m.

The present value of pension liabilities was determined on assumed life expectancies for men and women as set out in the assumptions above. Yell Limited estimates that an increase in life expectancy of one year for all members could have increased the present value of pension liabilities by approximately £18.6m (2019: £22.5m) and would increase the value of the bulk annuity policy by £6.6m (2019: £7.5m).

Risks associated with the UKDBP

Through its UKDBP plan the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The UKDBP holds some assets, such as secured finance that are expected to outperform bond yields in the long term while providing volatility and risk in the short term. The allocation to these assets is monitored such that it is suitable with the UKDBP's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the UKDBP's liabilities, although this will be partially offset by an increase in the value of the UKDBP's bond and LDI holdings.

Notes to the financial statements for the year ended 31 March 2020

13. Pensions (continued)

Risks associated with the UKDBP (continued)

Inflation risk

The majority of the UKDBP's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). However the total asset value is correlated with inflation, meaning that the surplus should be broadly protected against increases in inflation.

Life expectancy

The majority of the UKDBP's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in liabilities.

The Company and the Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps that perform in line with the liabilities of the plan so as to protect against inflation being higher than expected.

In addition, the trustees of the UKDBP purchased a bulk annuity policy (or "buy-in" policy) in respect of part of the liabilities of the UKDBP. The purchase price was £199.4m. A buy-in policy is a single policy with a UK insurance company, which provides payments to the UKDBP that are intended to precisely match the payments made to a specified group of UKDBP plan members. The policy remains an asset of the UKDBP, and the obligation to pay the pensions also remains an obligation of the UKDBP.

At 31 March 2020, the policy covered most of the current pensioners, plus their survivors' pensions payable after death. It did not cover any members who have not yet begun to draw their pension. As a result, this buy-in policy significantly reduces the longevity risk to which the UKDBP is exposed, as well as inflation risks and risks associated with changes in bond yields.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pensions ("GMPs"). In October 2018 the UK High Court ruled that GMPs needed to be equalised.

This increased the defined benefit obligation of the UKDBP by an estimated £500,000. We considered the plan benefits and profile to estimate the effect of allowing for GMP equalisation and recorded this as a past service cost.

UKPP - Defined contribution section

The pension cost in respect of this section represents contributions payable to the funds and amounted to £1.4m for the year ended 31 March 2020 (2019: £1.5m). Outstanding contributions amounted to £nil at 31 March 2020 (2019: £nil).

14. Financial commitments, contingent liabilities and litigation

At 31 March 2020, there were no contingent liabilities or guarantees (2019: nil).

The Company is party to the security arrangements associated with the high-yield bonds issued in the prior year by a subsidiary of Owl Finance Limited. The bonds do not require specific financial ratio covenants but are secured on all the assets of Owl Finance Limited and its subsidiaries.

There are no capital or other commitments (2019: nil).

15. Controlling entity

The Company is a wholly owned subsidiary of Yell Limited. The ultimate holding company and controlling party is Hibu Group Limited.

The smallest group in which the financial statements of the Company are consolidated is Owl Finance Limited and the largest group in which the financial statements of the Company are consolidated is Hibu Group. The financial statements of Hibu Group and Owl Finance Limited are publicly available from 3 Forbury Place, Forbury Road, Reading, Berkshire, RG1 3YL.

16. Events after the end of the reporting year

There are no material post balance sheet events to report, other than the effect of the Covid-19 pandemic as discussed in the Strategic Report, at the time of signing these financial statements.

17. Adoption of IFRIC 23

On 1 April 2019, the Company applied IFRIC 23 using the modified retrospective method so has not restated the prior year comparatives. This IFRIC clarifies how the recognition and measurement requirements of IAS12, 'Income Taxes', are applied where there is uncertainty over income tax treatments. The changes resulted in a recognition of a tax provision and interest accrual of £3,362,000 and £935,000 respectively in respect of previous years.