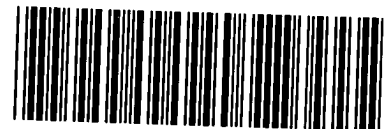


Company Registration No. 04193755 (England and Wales)

YH LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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YH LIMITED

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YH LIMITED

COMPANY INFORMATION

Directors	Claire Miles David Anderson Michael Ainslie
Secretary	Christian Wells
Company number	04193755
Registered office	3 Forbury Place Forbury Road Reading Berkshire United Kingdom RG1 3YL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire 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 the Owl Group in this document are references to the immediate parent company, Owl Finance Limited, and its consolidated subsidiaries.

YH LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their strategic report for YH Limited (the "Company") for the year ended 31 March 2020.

Principal activities

The Company, which is an indirectly wholly owned subsidiary of Hibu Group, acts as an intermediate holding and Group financing company.

The Company is incorporated and domiciled in England and Wales.

The Company is an integral part of the Group, and does not:

- have multiple shareholders;
- compete for business;
- separately employ individuals;
- have customers outside the Group;
- have a strategy other than to meet its purpose;
- have key performance indicators other than its profit or loss.

Review of the business and future developments

The Company's results for the year are set out on page 9.

The Company had net assets at 31 March 2020 of £84,762,000 (2019: £289,633,000). The directors consider the result for the year and the financial position at 31 March 2020 to be satisfactory.

The Company will continue its principal activities for the foreseeable future.

The Covid-19 pandemic and related lockdown in the UK has had a material effect on the business of the Owl Group in the first quarter of the year ending 31 March 2021. Whilst it is still too early to reliably conclude on the likely longer-term effects, the Company has however considered several potential outcomes and has consequently taken a total impairment charge of £191,340,000 (2019: £35,252,000) against the Company's investments in subsidiaries and amounts due from group undertakings resulting in a loss before tax of £165,423,000 (2019: £4,669,000).

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. 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 Owl Finance Limited. The key financial risk management objectives and policies are discussed below to the extent they are specific to the Company.

Financial risk management

The Company's operations expose it to a variety of risks including credit risk. As the Company's operations are principally funded through intra-group loan arrangements it is not exposed directly to external risk factors such as liquidity risk. As these intra-group loan arrangements may carry interest on a floating rate basis there is an element of interest rate risk. These risks are managed on a group-wide basis by the Company's ultimate parent undertaking Hibu Group. Full disclosure on how these risks are managed is provided in the financial statements of that company.

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 immediate 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.

YH LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Going Concern

The Covid-19 pandemic and related lockdown in the UK has had a material effect on the business of the Owl Group 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 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. The directors have concluded that there is material uncertainty regarding the potential longer-term effects of the Covid-19 pandemic on Owl Group's liquidity and hence the Company's ability to continue as a going concern.

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 non-trading nature of the Company's activities, only a limited number of board meetings were held in the year. Principal decisions during the year were primarily to approve the payment of dividends to the Company's immediate parent company.

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, its ultimate parent, Hibu Group 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. As part of this process, a Group Non-executive director was appointed to the Company's Board on 6 December 2019.

YH Limited is a wholly owned subsidiary of Hibu Group and more details on how the Group applies its policies and strategy (including S.172 obligations) can be found in Hibu Group's strategic report on its website – www.hibugroup.com

On behalf of the Board



Claire Miles

Director

30 June 2020

YH LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors submit their Annual Report and the audited financial statements for YH Limited (the "Company") for the year ended 31 March 2020.

Dividends

Ordinary dividends totalling of £27,953,774 (2019: £38,666,000) were paid during the year. The directors do not recommend payment of a final dividend (2019: £nil). A dividend in specie of £nil was paid during the year (2019: £234,193,000 was paid on 27 April 2018, as part of a Group restructuring).

The directors consider the result for the year and the financial position at 31 March 2020 to be satisfactory.

Strategic report

The Company is required by the Companies Act 2006 to set out the development and performance of the business during the financial year ended 31 March 2020 and the position of the Company at the end of the year and of the principal risks and uncertainties facing the Company. By reference to the Strategic report, which can be found on pages 2 - 3, the following information is given:

- principal activities;
- review of the business and future developments;
- principal risks and uncertainties;
- financial risk management; and
- going concern.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Claire Miles	(Appointed 8 October 2019)
David Anderson	(Appointed 6 December 2019)
David Sharman	(Resigned 6 December 2019)
Michael Ainslie	(Appointed 24 February 2020)
Oliver Wilson	(Resigned 24 February 2020)

Qualifying third party indemnity provisions

Article 88 of the Articles of Association of Hibu Group, the 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 its current and former executive and non executive directors and officers of Hibu Group, its subsidiaries and 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, which are in force for the directors of the Company, are qualifying third party indemnities for the purposes of section 234 of the Companies Act 2006.

YH LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of directors' responsibilities

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 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

30 June 2020

YH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YH LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, YH 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 loss 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 and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; 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 Group 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 were unable to continue as a going concern.

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.

YH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YH LIMITED (CONTINUED)

Reporting on other information (continued)

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 Directors' report, 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report 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 Directors' report.

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.

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.

YH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YH LIMITED (CONTINUED)

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

YH LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Impairment of amounts owed by group undertakings	5	(191,340)	(22,252)
Impairment of investments	5	-	(13,000)
Administrative expenses	5	(79)	(4)
Operating loss	5	(191,419)	(35,256)
Income from shares in group undertakings	6	-	14,534
Loss before interest and taxation		(191,419)	(20,722)
Finance income	7	25,996	25,564
Finance costs	7	-	(9,511)
Net finance income	7	25,996	16,053
Loss before taxation		(165,423)	(4,669)
Tax charge	8	(11,495)	(15,287)
Loss and total comprehensive expense for the financial year		(176,918)	(19,956)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

YH LIMITED

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	10	-	-
Trade and other receivables	12	74,241	261,790
Deferred tax assets	13	-	7,759
Total non-current assets		74,241	269,549
Current assets			
Trade and other receivables	12	13,990	20,788
Total current assets		13,990	20,788
Total assets		88,231	290,337
Current liabilities			
Trade and other payables	14	(3,469)	(704)
Net current assets		10,521	20,084
Total assets less current liabilities		84,762	289,633
Total liabilities		(3,469)	(704)
Net assets		84,762	289,633
Equity			
Share capital	15	5	5
Foreign exchange reserve	16	(2)	(2)
Retained earnings		84,759	289,630
Total equity		84,762	289,633

The notes on pages 12 to 24 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:



Michael Ainslie

Director

Company Registration No. 04193755

YH LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Note	Share capital £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018		5	(2)	215,181	215,184
Loss and total comprehensive expense for the financial year		-	-	(19,956)	(19,956)
Dividends	9	-	-	(272,859)	(272,859)
Conversion of preference shares		-	-	367,264	367,264
Transactions directly with owners		-	-	94,405	94,405
Balance at 31 March 2019		5	(2)	289,630	289,633
Balance at 1 April 2019		5	(2)	289,630	289,633
Loss and total comprehensive expense for the financial year		-	-	(176,918)	(176,918)
Dividends	9	-	-	(27,953)	(27,953)
Transactions directly with owners		-	-	(27,953)	(27,953)
Balance at 31 March 2020		5	(2)	84,759	84,762

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

The Company is a private company limited by shares incorporated in England and Wales under registration number 04193755. The registered office is 3 Forbury Place, Forbury Road, Reading, Berkshire, United Kingdom, RG1 3YL.

Basis of preparation

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' ("FRS 101").

The financial statements present information about the Company as an individual undertaking, and not as a group. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver consolidated group financial statements.

The principal accounting policies adopted, which have been applied consistently, are set out below.

Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- the requirement in 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 to 38D, 40, 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'; and
- 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.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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 immediate 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 Covid-19 pandemic and related lockdown in the UK has had a material effect on the business of the Owl Group 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 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. The directors have concluded that there is a material uncertainty regarding the potential longer-term effects of the Covid-19 pandemic on Owl Group's liquidity and hence the Company's ability to continue as a going concern.

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.

Foreign currencies

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

Finance costs and income

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

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Investments in subsidiaries

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

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

An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the investment or by the discounted future earnings of the investment.

Cash and cash equivalents

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

Borrowings

All borrowings are initially stated at fair value of consideration received after deduction of issue costs. Borrowings are subsequently stated at amortised cost. Issue costs are charged to the statement of comprehensive income together with a coupon, as finance costs, on an effective interest rate basis over the term of the borrowings, or over a shorter period where the lender can require earlier repayment.

Financial assets and liabilities

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

Preference shares issued by the Company to Owl Finance Limited were treated as financial liabilities and were initially recognised at fair value, being equivalent to their par value and subsequently measured at amortised cost using the effective interest rate method. These shares were converted to ordinary shares on 2 May 2018.

Trade and other receivables

Trade receivables are recognised initially 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.

Trade and other payables

Trade and other payables are initially recognised at fair value. This approximates to costs for amounts falling due within one year, due to the short-term nature of these liabilities. Liabilities initially recognised at value other than cost, are subsequently measured at amortised cost using the effective interest rate method.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Dividends

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

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 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. 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.

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 the proceeds.

2 Standards that have become effective during the current year

The following standards, interpretations and amendments became effective during the year but were not 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 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.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

2 Standards that have become effective during the current year

(Continued)

- 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.

3 Critical accounting estimates and judgments

In general, the Group's accounting policies under IFRSs, as adopted by the European Union, which are materially consistent with those applied 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, our management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We regularly review these estimates and update them when required. Actual results could differ from these estimates. Unless otherwise indicated, we do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. We consider the following to be a description of the most significant estimates, which require our management to make subjective and complex judgments, or matters that are inherently uncertain.

Tax

The determination of the Company's 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 (see note 18).

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 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 there is 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 it recorded, then it would increase or decrease income as appropriate in the period such determination was made.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

3 Critical accounting estimates and judgments

(Continued)

Expected credit losses

The Company reduces receivables by an allowance for amounts that may not be collectible in the future based on historical loss experiences for the relevant aged category as well as forward-looking information and general market conditions. Once recognised, trade receivables are continuously monitored and updated, taking into account new market information such as the effects of the Covid-19 pandemic. A receivable is written off against the provision when it is believed to be entirely uncollectible. Any monies recovered subsequent to write off are recorded as adjustments to the bad debt provision and considered in the historical loss experience.

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 areas:

- Estimates of future cashflows used in the going concern and impairment assessments and assessments of recovering deferred tax assets
- Assumptions within our expected credit losses on trade and other receivables.

4 Directors' emoluments

The directors are remunerated for their services to other companies in the Hibu Group, with no cost borne by or recharged to the company. No amounts were received by them as directors of the Company (2019: £nil).

5 Operating loss

	2020 £'000	2019 £'000
Operating loss for the year is stated after charging:		
Impairment of amounts due from group undertakings (see note 12)	191,340	22,252
Impairment of investments (see note 10)	-	13,000
Other administrative expenses	79	-
Foreign exchange losses	-	4
	<u>191,419</u>	<u>35,256</u>

There are no employees of the Company (2019: none).

The auditors' remuneration has been accounted for by the Company. In the prior year it was accounted for and paid for by Yell Limited, the Company's direct subsidiary, with no cost borne by or recharged to the Company. The fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements totalled £5,725 (2019: £5,350). No other fees were paid to PricewaterhouseCoopers LLP for non-audit services to the Company (2019: £nil).

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

6 Income from shares in group undertakings

	2020 £'000	2019 £'000
Ordinary dividends received from subsidiary undertakings	-	14,534

On 25 April 2018, the Company received a dividend of \$20,000,000 (£14,534,000) from its subsidiary undertaking, hibu Group (USA) Inc, that was subject to 5% withholding tax (see note 8).

7 Net finance income

	2020 £'000	2019 £'000
Finance income		
Interest receivable on loans due from group companies	25,996	25,564
Finance costs		
Foreign exchange losses	-	(6,620)
Preference dividends payable	-	(2,823)
Interest payable on loans due to group companies	-	(68)
	-	(9,511)
Net finance income	25,996	16,053

8 Tax charge

	2020 £'000	2019 £'000
Current tax		
Current year tax charge	3,662	3,120
Adjustments in respect of prior periods	74	(103)
Foreign withholding tax deducted (see note 6)	-	727
Total current tax charge	3,736	3,744
Deferred tax		
Origination and reversal of temporary differences	7,759	11,543
Total tax charge for the year	11,495	15,287

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

8 Tax charge

(Continued)

The tax charge (2019: charge) 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:

	2020 £'000	2019 £'000
Loss before taxation	<u>(165,423)</u>	<u>(4,669)</u>
Loss before taxation multiplied by standard UK corporation tax rate of 19% (2019: 19%)	(31,430)	(887)
Non-deductible provision against intercompany loans	36,355	4,228
Deferred tax assets written off	6,497	9,819
Non-taxable preference dividends receivable	-	(2,761)
Non-deductible impairments of investments	-	2,470
Non-deductible foreign exchange losses	-	1,254
Irrecoverable withholding tax suffered	-	727
Non-deductible preference dividends payable	-	536
Adjustments in respect of prior periods	74	(103)
Other	(1)	4
Tax charge for the year	<u>11,495</u>	<u>15,287</u>

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.

9 Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders:		
Ordinary dividends paid	27,953	38,666
Dividend in specie	-	234,193
	<u>27,953</u>	<u>272,859</u>

Ordinary dividends totalling £27,953,774 (2019: £38,666,000) were paid to the Company's parent company, Owl Finance Limited, during the year.

On 27 April 2018, as part of a Group restructuring, the Company paid a dividend in specie to Owl Finance Limited through the distribution of its net receivables of £234,193,000 due from Hibu Bidco Limited, an indirect parent company.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

10 Investments in subsidiaries

	2020 £'000	2019 £'000
Cost		
At 1 April	-	1,285,366
Disposals	-	(1,285,366)
At 31 March	-	-
Impairment		
At 1 April	-	(951,456)
Impairment losses	-	(13,000)
Disposals	-	964,456
At 31 March	-	-
Carrying amount		
At 31 March	-	-

The carrying value of investments at 31 March 2020 was £1 (2019: £1).

An impairment charge of £13,000,000 was booked in the prior year against the Company's investment in hibu Group (USA), Inc, following receipt of a dividend on 25 April 2018 (see note 6).

On 26 April 2018, the Company transferred its investments in hibu Group (USA), Inc, Hibu Asia Pacific Holdings Limited, Hibu Global Limited, hibu pay LLC and Hibu Finance (FX) Limited to Hibu Bidco Limited, an indirect parent company for a total consideration of £320,909,700, which was equal to the book value of the assets.

11 Subsidiaries

Details of the Company's direct and indirect subsidiaries at 31 March 2020 and 31 March 2019 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Ownership interest (%)	
			2020	2019
Yell Limited	United Kingdom	Digital marketing services	100	100
Yell Mediaworks Limited	United Kingdom	Graphics services	100	100
Moonfruit Limited	United Kingdom	Holding company	100	100
Sitemaker Software Limited	United Kingdom	Website services	100	100
Yell Sales Limited	United Kingdom	Sales services	100	100
Yell Studio Limited	United Kingdom	Graphics services	100	100

At 31 March 2020, the Company directly held 100% of the ownership interest in Yell Limited. All other companies listed were indirectly held by the Company.

The proportion of voting rights held corresponds to the aggregate ownership interest percentage held by the Company and subsidiary undertakings.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

11 Subsidiaries

(Continued)

The registered office of all subsidiaries incorporated in the United Kingdom is 3 Forbury Place, Forbury Road, Reading RG1 3YL.

12 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts due from group undertakings	13,868	20,788
Corporation tax recoverable	122	-
	<u>13,990</u>	<u>20,788</u>
Amounts falling due after more than one year		
Amounts due from group undertakings	<u>74,241</u>	<u>261,790</u>

Amounts falling due from group undertakings falling due within one year include an amount of £6,373,425 (2019: £6,303,387) in respect of the loan detailed below. Other amounts due from group undertakings within one year are repayable at the discretion of the ultimate parent company, Hibu Group. Interest is charged based on the three-month LIBOR rate in the denominated currency and interest rates are reset at the beginning of each quarter. During the year, the Company recognised an impairment provision of £25,000 (2019: £nil) against these amounts.

The long-term intercompany receivables include an amount of £284,041,535 (2019: £284,041,535) with a repayment date of 24 March 2022. Interest is charged at 8%+ LIBOR (subject to a 1% minimum) with a three-month interest period. During the year, the Company recognised an impairment provision of £188,980,000 (2019: £22,252,000) against this receivable giving a total provision against the loan at 31 March 2020 of £211,232,000 (2019: £22,252,000). Long-term intercompany receivables also include an amount of £3,765,904 (2019: £nil) with a repayment date of 31 March 2023. Interest is charged at 9%. During the year, the Company recognised an impairment provision of £2,335,000 (2019: £nil) against this receivable.

13 Deferred tax asset

	Tax losses £'000	Total £'000
Deferred tax asset at 1 April 2018	19,302	19,302
Deferred tax movements in prior year:		
Charged to statement of comprehensive income	(11,543)	(11,543)
Deferred tax asset at 31 March 2019	<u>7,759</u>	<u>7,759</u>
Deferred tax asset at 1 April 2019	7,759	7,759
Deferred tax movements in current year:		
Charged to statement of comprehensive income	(7,759)	(7,759)
Deferred tax asset at 31 March 2020	<u>-</u>	<u>-</u>

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

13 Deferred tax asset

(Continued)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The same profit projections are used for these purposes as are used by the Group, for example in assessing asset impairments. From 1 April 2018, the amount of taxable profits that can be offset with carried forward tax losses was restricted to 50% of those profits. At 31 March 2020, the Company did not recognise deferred tax assets of £60.9m (2019: £48.1m) in respect of carried forward tax losses of £320.6m (2019: £283.2m) as a result of future financial forecasting. The benefits in respect of these tax losses do not time expire.

14 Trade and other payables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts due to other group undertakings	3,401	386
Accruals	68	-
Corporation tax payable	-	318
	3,469	704

Amounts due to group undertakings falling due within one year are repayable at the discretion of the ultimate parent company, Hibu Group. Interest is charged based upon the three-month LIBOR rate in the denominated currency with interest rates reset at the beginning of each quarter.

15 Share capital

	No. of shares of £0.00000001	No. of shares of US\$0.00000001	No. of shares of € 0.00000001	£'000
Ordinary share:				
Allotted and fully paid				
At 1 April 2019	511,972,264,992	27,032,949,519	9,617,375,162	5
At 31 March 2020	511,972,264,992	27,032,949,519	9,617,375,162	5

All shares rank pari passu in all respects.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

16 Other reserves

	Foreign exchange reserve £'000	Total £'000
At 1 April 2018	(2)	(2)
At 31 March 2019	(2)	(2)
At 1 April 2019 and 31 March 2020	(2)	(2)

17 Liquidity

Cash is held in current accounts with 'A' rated banks. The balance of cash and cash equivalents at 31 March 2020 is £nil (2019: £nil).

18 Financial commitments, contingent liabilities and litigation

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

There are no contingent liabilities or guarantees other than those referred to in note 1, those arising in the ordinary course of the Company's business and those mentioned below, and on these no material losses are anticipated.

In March 2020, the Company received a notice of tax assessment from HM Revenue and Customs asserting that a tax liability of £122m arose on the Group's debt restructuring transactions undertaken during the year ended 31 March 2014. The Company has submitted a robust appeal against the tax assessment on both technical and procedural grounds and HMRC have agreed to postpone the tax assessed, together with any associated interest, pending resolution of the matter. Based on subsequent discussions with HMRC as well as legal advice, the Company considers that it is not probable that any tax liability will arise and therefore has not recognised a provision in respect of the tax assessment. HMRC also has open enquiries into the Company covering the years ended 31 March 2015, 2016 and 2017 and the Company considers that it is possible that this could result in a reduction in the quantum of carried forward tax losses for which deferred tax assets have not been recognised at 31 March 2020 (see note 13).

19 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 in the Strategic Report, at the time of signing these financial statements.

YH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

20 Controlling party

At 31 March 2020 the Company was a wholly owned subsidiary of Owl Finance Limited. The ultimate holding company and controlling party is Hibu Group.

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