Registered number: 04205228

Yell Limited

Annual report for the year ended 31 March 2020

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Yell Limited

Annual report for the year ended 31 March 2020

Yell Limited

Company information

Directors

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

Company secretary

Christian Wells

Registered office

3 Forbury Place
Forbury Road
Reading
RG1 3YL

Registered number

04205228

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 Limited

Strategic report for the year ended 31 March 2020

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

Principal activities

The Company's principal activities during the year were the provision of managed digital marketing services to small and medium sized enterprises ("SMEs") in the UK. The Company is an integral part of a group of companies whose ultimate holding company is Hibu Group. The Company is incorporated and domiciled in England & Wales.

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 the business and future developments

The Company is the leading provider of managed digital marketing services to small and medium sized enterprises in the UK. It helps SMEs build and maintain a successful online presence, providing them with a range of opportunities with new and existing customers in an increasingly complex digital world. This is done by helping local business engage with customers through Yell.com, the UK's leading online business directory, and by offering a comprehensive range of digital marketing solutions. These solutions include website creation and hosting, social media, AdWords, video or display advertising campaigns.

With an increasing number of ways to search for, and choose, local businesses, the Company helps SMEs build an accurate and compelling online presence and helps them market that presence across a range of digital platforms, including Yell.com, third party search engines and social networks. Its mission is to maintain the leading platform connecting consumers to trusted local services and to extend its position as the leading provider of digital marketing services to all types of local businesses.

During the year, the Company continued to focus its resources on developing and enhancing its core product lines. The Key Performance Indicators (KPI's) of the business are digital revenue, digital customers, digital 'average revenue per advertiser' (ARPA) digital 'earnings before interest, taxation, depreciation and amortisation' (EBITDA), trading operating cash flow, and Average monthly visits to Yell.com.

Yell Limited

Strategic report for the year ended 31 March 2020

Review of the business and future developments (continued)

The KPI's for the year ended 31 March 2020, with prior year comparatives, are summarised in the table below.

	Year ended 31 March 2020	Year ended 31 March 2019	**2020 year on year movement %**
Digital revenue (£m)	**163.7**	187.1	**(12.5)**
Digital customers - monthly average over last twelve months ('000)	**111.4**	125.2	**(11.0)**
Digital customers - at year end ('000)	**104.7**	118.3	**(11.5)**
Digital ARPA (£)	**1,470**	1,495	**(1.7)**
Digital EBITDA (£m)	**43.1**	59.1	**(27.1)**
Trading operating cash flow (£m)	**41.1**	39.1	**5.1**
Average monthly visits to Yell.com (last 12 months, m)	**8.8**	10.4	**(15.4)**

Digital revenue is revenue generated from the sale of digital directory and marketing products. The 12.5% decline in digital revenue was predominantly driven by the 11.0% decline in average digital customers.

Digital customers are paying digital advertisers with a live digital product. Customer numbers declined in the year as the benefit of print to digital migration ended and some previously transitioned customers, and certain national customers, cancelled their digital spend when final print directories were published in the quarter ended 31 March 2019.

Digital ARPA is digital revenue for each financial year divided by the average number of digital customers in the last twelve months. Digital ARPA was 1.7% lower due to the effect of cancellations from certain higher-spending national customers.

Digital EBITDA decreased by £16.0m on the prior year predominantly due to the £23.4m decline in digital revenue, of which £18.9m flowed through to digital EBITDA. Digital EBITDA in the year also benefitted from the reclassification of £3.5m of lease payments from operating costs to financing cash flows under IFRS 16. The significant increase in Depreciation and amortisation is due to the impairment of the Company's goodwill of £78.6m. The table below reconciles Digital EBITDA to operating profit for the continuing operations.

Year ended 31 March

£m	**2020**	2019
Digital EBITDA	**43.1**	59.1
Print EBITDA	-	(0.1)
Restructuring costs and other one-off items (a)	**(11.9)**	0.3
Hibu Group management charge (b)	**1.2**	0.4
Sale of Hibu brand to Hibu Group undertaking	-	1.5
Depreciation and amortisation (c)	**(88.9)**	(8.4)
Operating profit	**(56.5)**	52.8

(a) Restructuring costs are the costs associated with programmes that reduced headcount.
(b) Hibu Group management costs are primarily an estimate of management services costs that are charged to the Yell Ltd in accordance with the Consolidated Hibu Group's transfer pricing methodologies.
(c) Depreciation and amortisation include adjustments to carrying values for impairments and gains or losses on disposal.

Trading operating cash flow was £2.0m higher than the prior year due to the decline in Digital EBITDA being more than offset by lower capital expenditure, the discontinuation of pension contributions, and the reversal of a working capital outflow in the prior year.

Strategic report for the year ended 31 March 2020

Review of the business and future developments (continued)

Visits to Yell.com are sourced and audited by Omniture and include desktop and mobile visits but excludes any third party syndicated usage. Average monthly visits to Yell.com decreased to 8.8m due to search engine algorithm changes whilst syndicated partnerships with Apple and Bing delivered a further 27.6m average monthly usage during the year (prior year: 20.9m for last six months of the year).

The Company's management continue to believe there is a strong market for its products and hence the Company will continue to evolve the core product suite to meet future customer requirements.

Environmental Reporting

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

Risk management and principal risks

Hibu Group Limited and its subsidiaries ("Hibu Group") and Owl Finance Limited and its subsidiaries (the Owl Group") undertake various activities within a risk management framework to ensure that risk and uncertainty are properly managed, appropriate internal controls are in place and effective risk mitigation plans are initiated where necessary.

- The directors have overall responsibility for establishing and maintaining the systems of internal control and risk management, and for reviewing their effectiveness. These systems are designed to manage risks within the risk appetite of the Hibu Group and its investors, consider the interactive effects of risk events and increase the likelihood that strategic objectives are realised. The systems also provide reasonable, but not absolute, assurance against material misstatement or loss;
- The Owl Group carries out regular risk assessments to identify and document key strategic, operational and financial risks. The Hibu Group has established a Group risk committee at the group level and established local committees, including in the Owl Group, to encourage the consideration of risk when making commercial or strategic decisions and when allocating resources. The remit includes risk management and compliance with legislation affecting the businesses. The local risk committee comprises heads of departments, whilst the Group risk committee comprises executive management and representatives of the local committees. The risk committees monitor, review and document risks on a quarterly cycle. A systematic approach is adopted that considers a broad spectrum of internal and external risk drivers, assesses the likelihood of risks occurring and the potential effect should they materialise, and where appropriate, risk mitigation plans are developed and monitored. These risks (and corresponding mitigation plans) have been discussed on a quarterly basis with the Audit Committee and Board of the Hibu Group ("Group Audit Committee" and "Group Board", respectively) during the reporting periods covered by this report and up to the date of approval of this Annual Report;
- Local financial control boards have also been established, meeting quarterly to assess financial risks and to determine where financial controls require testing.
- Internal audit plans are developed to assess controls and key mitigating actions. Items highlighted as part of this process are regularly discussed with the Group Audit Committee and senior management;
- appropriate financial reporting controls. The financial framework comprises processes that represent a set of coordinated tasks and activities, conducted by both people and IT systems, where significant classes of transactions are initiated, recorded, processed and reported; and
- The Group Audit Committee receives quarterly reports on financial control matters. The Group Board, with advice from the Group Audit Committee, has completed its annual review of the effectiveness of the system of internal controls. In the Group Board's view, the information it received was sufficient to enable it to review the effectiveness of the Hibu Group's system of internal controls.

Risk management and principal risks (continued)

The risks that could have the most significant effect on the 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 Company faces strong competition in its digital markets and could be affected by the actions of other competing companies, some of which have significant resources.

Potential effect - The Company 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 Company has a strong asset in its sales force, employed by Yell Sales Limited, and ongoing customer relationships. This allows the Company 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 Company 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 Company'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 Company operates. Demand for the Company's products could also be affected by changing market trends or market perception of the Company's products.

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

Mitigation: The Company has implemented cost reduction programmes to manage margins and 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 Company is dependent on effective IT systems to maintain efficient and effective operations. Cyber security is important because the Company 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 Company 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 Company 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 Company carries out recurring internal ethical phishing attacks to raise employee awareness of the risks posed by external attacks backed up by remedial training. The Hibu 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 management and principal risks (continued)

Risk from: Key people leaving the business

The success of the Company 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.

Mitigation: Succession planning for key roles is continually being addressed by the Company'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 Company, 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 Company, whether such failure is the Company'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 Company 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 Company. 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 Company devotes significant resources to ensure compliance with applicable current and emerging laws. The Company through its in-house legal team establishes specific policies and guidelines as appropriate. The Company 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 Company ensures that the integrity of its control framework is maintained through both internal and external audit.

Risk from: UK pension fund

The Company'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 Company's financial statements.

Potential effect - The Company 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 Company 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

Risk management and principal risks (continued)

Risk from: UK pension fund (continued)

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 pension plan's funding level by mitigating inflation, interest rate and longevity risks.

Financial risk management

Owl Group's overall risk management programme focuses on the strategic and operational risks of its operations and the markets in which it operates and seeks to manage potential adverse effects on financial performance. Owl Group's activities expose it to a variety of financial risks including liquidity, credit risk, the effects of changes in foreign currency exchange and interest rates.

Owl Group's objectives when managing capital are to safeguard its ability to continue as a going concern. Owl Group manages its capital structure and makes adjustments when required by changes in economic conditions or risk characteristics of underlying assets.

Commodity price risk

The Company is no longer exposed to commodity risk since the termination of its print business in the year ended 31 March 2020.

Default and credit risk

The maximum exposure to credit risk at the balance sheet date is the carrying value of receivables and cash and cash equivalents held by financial institutions. All cash and cash equivalents were held by institutions with credit ratings of 'A' or higher at 31 March 2020. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large, geographically diverse and unrelated. Furthermore, all customers are subject to credit assessment at the point of sale. Those customers that do not meet the credit requirements are required to pay in advance for their services. The Company does not hold any collateral as security.

Liquidity risk

The Owl Group actively maintains long-term debt finance and has access, subject to certain covenant requirements, to short-term debt finance, if required, that is designed to ensure that the Company and its fellow subsidiaries have sufficient available funds for operations.

The primary role of the treasury function is to ensure that adequate liquidity is available to meet funding requirements as they arise and that financial risk arising from the business' underlying operations is effectively identified and managed by or on behalf of the directors. The treasury function is not a profit centre, and its objective is to manage risk at optimum cost. The treasury function conducts its operations as directed by the Group Board. Transactions that would be speculative in nature are expressly forbidden. The Company has not entered into any derivative transactions during the years under discussion and did not have any derivatives at 31 March 2020.

Interest rate cash flow risk

The Owl Group is exposed to fluctuations or variability in interest payments due to changes in interest rates only on the £8.75m indebtedness under the Revolving Credit Facility, drawn at 31 March 2020, which bears interest at variable rates. Any increase in LIBOR will increase interest payments due on amounts borrowed under the Revolving Credit Facility. The Owl Group does not intend to enter into hedging arrangements with respect to the Revolving Credit Facility and has no hedging arrangements currently in place.

Yell Limited

Strategic report for the year ended 31 March 2020

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.

Yell Limited is the main UK operating company in the Group and the Group and the Company's subsidiaries delegate the operational decision-making to it. Operational decisions are taken by the CEO and Senior Leadership Team against agreed delegation of authority and reported to the Hibu Group Board, where material decisions are considered for approval.

The Company is a wholly owned subsidiary of Hibu Group and held only a limited number of Board meetings in the year. During the financial year, the principal decisions related to Board composition and management's response to the Coronavirus pandemic.

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, the 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 on 6 December 2019 to the main UK subsidiary boards, including Yell Limited.

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 of the Group.

Our People

The Company is an employing company and operates the payroll for the UK entities.

We define our people as employees who are paid through the Yell payroll. Yell is the main UK operating company and delivers the UK strategy on behalf of the Board.

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.

S.172 Statement (continued)

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.

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 the Company, 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

Our customers and the service we provide to them are the constant focus of our business.

When she joined in October 2019, our new UK CEO immediately developed a new strategy focused on three pillars: stabilise, evolve and transform the business with customer service at its heart. Focus groups and other interactions with our top customers helped to inform the new strategy and a new senior role with responsibility for customer service has been created as a result.

Suppliers

It is important to us that we have a strong relationship with our suppliers. Our suppliers are crucial to the business services we provide and are fundamental to the quality of our products, our brand and reputation.

Yell Limited

Strategic report for the year ended 31 March 2020

S.172 Statement (continued)

We strive to ensure that our suppliers are aligned to our strategic objectives and we maintain and develop these relationships through senior management engagement where appropriate for key suppliers, quarterly business reviews and supplier conferences.

It was important to us to introduce the new UK CEO to key suppliers and that our suppliers were given an overview of our strategic roadmap, areas where support might be required and a chance to feedback on future collaboration opportunities, ensuring greater alignment to our strategy and clarity around our priorities. Each year we publish the supplier payment practices data in the UK, which is also reported to the Group Board, so that our suppliers can be confident of our payment culture.

Each supplier commits to adhere to the Hibu Code of Ethics for Suppliers and the Modern Slavery regulations, which can be found on the Group website – www.hibugroup.com

Pension

The Company has and continues to invest a considerable amount of company resource in both funding and governing our pension schemes for our employees and want all our employees to have appropriate tools to review their personal plans for and throughout their retirement. Yell directors regularly attend the meetings of the Pension Trustee Board (PTB) for our legacy defined benefit (DB) scheme and the governance meetings for the current defined contributions (DC) scheme.

A main focus for the Company is to ensure adequate ongoing funding for the DB scheme and there is regular communication between the PTB and the Yell representatives to review and feedback on investment strategy. The funding position is communicated annually to the DB members in addition to regular newsletters from the PTB.

Community

The Company understands the importance for brand reputation and employee engagement of being a good business within our communities. During the year Yell engaged with social representatives on opportunities to increase inclusiveness alongside an events calendar to promote charities that are important to employees. Yell provides support for charitable events inside working hours and on our premises with an increased use of charitable donations rather than cash prizes for staff.

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.

Government and Regulators

We engage with the government and regulators where appropriate to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety and data protection. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Yell Limited

Strategic report for the year ended 31 March 2020

Going concern

The Owl Group has £214 million of senior secured notes issued by a subsidiary of the Company's intermediate parent, Owl Finance Limited, and a £25 million revolving credit facility, of which £8.8 million was drawn at 31 March 2020 by the Company. 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 was 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 Company's deficit is tied to intercompany financing that is not due for payment until 24 March 2022 unless payment is directed to be paid earlier by the Group Board, which is not expected.

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 acknowledge that the callable nature of intercompany debt 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 also concluded that the Company expects to have sufficient liquidity to meet its liabilities as they fall due for at least twelve months, the going concern basis of accounting remains appropriate and that the financial statements do not require the adjustments that would result if the Company were unable to continue as a going concern.

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.

On behalf of the Board

Claire Miles

Director

Date: 30 June 2020

Yell Limited

Report of the directors for the year ended 31 March 2020

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

Results and dividends

The Company's result for the financial year to 31 March 2020 was a loss of £79.9m (2019: profit of £24.5m). 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. By reference to the strategic report, which can be found on pages 2 to 11, the following information is given:

- Principal activities;
- Review of the business and future developments;
- Risk management and principal risks;
- Going concern considerations; and
- Environmental reporting.

Directors and their interests

The directors who held office during the year and up to the date of approval of the financial statements are stated on page 1. Details of directors' remuneration can be found in Note 5.

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.

Report of the directors for the year ended 31 March 2020

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 Company, including the Company'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 wide variety of issues.

Forward looking statements

The financial information in the strategic report should be read in conjunction with the audited statements. Readers are cautioned that forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The discussion of estimated amounts generated from the sensitivity analyses is forward looking and also involves risks and uncertainties. Caution should be exercised in relying on these analyses. Actual results may differ materially from those in forward-looking statements.

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.

Statement of directors' responsibilities (continued)

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 Report of the directors 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

Yell Limited

Independent auditors' report to the members of Yell Limited

Report on the audit of the financial statements

Opinion

In our opinion, Yell 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 and cash flows 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 cash flows, 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 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 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 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	**163,677**	198,677
Cost of sales		**(92,128)**	(101,856)
Gross profit		**71,549**	96,821
Distribution costs		**-**	(5,875)
Administrative expenses		**(128,011)**	(38,174)
Operating (loss) / profit	4	**(56,462)**	52,772
Finance income	6	**3,072**	3,848
Finance costs	6	**(27,224)**	(26,721)
Net finance costs	6	**(24,152)**	(22,873)
(Loss) / profit before taxation		**(80,614)**	29,899
Tax on (loss) / profit	7	**762**	(5,442)
(Loss) / profit for the financial year		**(79,852)**	24,457

Statement of comprehensive income for the year ended 31 March 2020

	Note	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
(Loss) / profit for the financial year		**(79,852)**	24,457
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	24	**27,988**	(17,414)
Other comprehensive income / (expense) for the year		**27,988**	(17,414)
Total comprehensive (loss) / income for the year		**(51,864)**	7,043

Yell Limited

Statement of cash flows for the year ended 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash flows from operating activities		
Cash generated from operations	**41,057**	39,080
Corporation tax refunded	**249**	605
Interest paid	**(27,274)**	(17,414)
Net cash generated from operating activities	**14,032**	22,271
Cash flows from investing activities:		
Purchase of property, plant, equipment and intangibles	**(5,694)**	(7,696)
Net cash used in investing activities	**(5,694)**	(7,696)
Cash flows from financing activities		
Repayment of lease liabilities	**(2,533)**	-
Amounts paid to group undertakings	**(1,204)**	(9,264)
Acquisition of new loans	**8,750**	-
Net cash used in financing activities	**5,013**	(9,264)
Net increase in cash and cash equivalents	**13,351**	5,311
Cash and cash equivalents at beginning of year	**19,292**	13,995
Exchange gains / (losses) on cash and cash equivalents	**162**	(14)
Cash and cash equivalents at end of year	**32,805**	19,292

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash generated from operations			
(Loss) / profit for the financial year		**(79,852)**	24,457
Adjustments for:			
Tax (credit) / charge	7	**(762)**	5,442
Depreciation of property, plant and equipment	12,13	**3,406**	1,355
Share-based payments	21	**(564)**	386
Loss on disposal of property, plant and equipment	4	**40**	76
Impairment of goodwill	10	**78,620**	-
Amortisation of intangible assets	9	**6,804**	7,001
Foreign exchange loss on operating activities		**28**	113
Net finance costs	6	**24,152**	22,873
Defined benefit pension contributions	24	**(327)**	(16,091)
Changes in working capital:			
Trade and other payables		**3,281**	(8,081)
Trade and other receivables		**6,231**	1,549
Cash generated from operations		**41,057**	39,080

Yell Limited

Statement of financial position at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Intangible assets	9	**6,395**	8,085
Goodwill	10	**-**	78,620
Investments in subsidiaries	11	**-**	-
Property, plant and equipment	12	**1,912**	2,097
Right-of-use assets	13	**7,894**	-
Trade and other receivables	15	**1,908**	2,801
Retirement benefit surplus	24	**159,153**	126,911
Total non-current assets		**177,262**	218,514
Current assets			
Trade and other receivables	15	**32,202**	42,384
Corporation tax receivable		**-**	324
Cash and cash equivalents		**32,805**	19,292
Total current assets		**65,007**	62,000
Current liabilities			
Trade and other payables	16	**(44,314)**	(53,773)
Lease liabilities	23	**(2,141)**	-
Corporation tax payable		**(2,263)**	-
Borrowings	17	**(8,750)**	-
Provision for liabilities	18	**-**	(901)
Total current liabilities		**(57,468)**	(54,674)
Net current assets		**7,539**	7,326
Non-current liabilities			
Deferred tax liabilities	14	**(26,322)**	(16,798)
Trade and other payables	16	**(285,297)**	(289,276)
Lease liabilities	23	**(7,855)**	-
Provision for liabilities	18	**(1,272)**	(782)
Total non-current liabilities		**(320,746)**	(306,856)
Net liabilities		**(135,945)**	(81,016)
Equity			
Called up share capital	19	**-**	-
Other reserves	20	**(35,142)**	(63,130)
Accumulated losses		**(100,803)**	(17,886)
Total shareholders' deficit		**(135,945)**	(81,016)

The notes on pages 22 to 54 are an integral part of these financial statements.

The financial statements on pages 18 to 54 were approved by the Board of directors and were signed on its behalf on 30 June 2020 by:

Michael Ainslie
Director

Registered number: 04205228

Yell Limited

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

2019	Note	Called-up share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
Balance at 1 April 2018		-	(45,716)	(42,343)	(88,059)
Profit for the financial year		-	-	24,457	24,457
Other comprehensive expense for the year		-	(17,414)	-	(17,414)
Total comprehensive income for the year		-	(17,414)	24,457	7,043
Capital contribution in respect of share-based payments	21	-	-	386	386
Recharge in respect of share-based payments	21	-	-	(386)	(386)
Total transactions with owners recognised directly in equity		-	-	-	-
Balance at 31 March 2019		-	(63,130)	(17,886)	(81,016)

2020	Note	Called-up share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
Balance at 1 April 2019		-	**(63,130)**	**(17,886)**	**(81,016)**
Adjustment for changes in accounting policies*	28	-	-	**(3,065)**	**(3,065)**
Restated balance at 1 April 2019		-	**(63,130)**	**(20,951)**	**(84,081)**
Loss for the financial year		-	-	**(79,852)**	**(79,852)**
Other comprehensive income for the year		-	**27,988**	-	**27,988**
Total comprehensive income for the year		-	**27,988**	**(79,852)**	**(51,864)**
Capital contribution in respect of share-based payments	21	-	-	-	-
Recharge in respect of share-based payments	21	-	-	-	-
Total transactions with owners recognised directly in equity		-	-	-	-
Balance at 31 March 2020		-	**(35,142)**	**(100,803)**	**(135,945)**

* The change in accounting policy is as a result of the adoption of IFRIC 23. For more details refer to Note 28.

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 purchased goodwill of the Company is regarded as having an indefinite useful economic life and, in accordance with FRS101, is not amortised but is subject to annual tests for impairment. This represents a departure, for the purposes of giving a true and fair view, from the requirements of schedule 4:21 of the Companies Act 2006, which requires goodwill to be amortised.

The Company is a private company, limited by shares and registered in England and Wales under registration number 04205228. Its registered office is at 3 Forbury Place, Forbury Road, Reading, Berkshire, RG1 3YL. The Company is a wholly owned subsidiary of YH Limited and is included in the consolidated financial statements of Hibu Group, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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 below).

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 (Share capital)
  - paragraph 73 (e)(iv) of IAS 16 (Property, plant and equipment)
  - paragraph 118 (e) of IAS 38 (Intangible assets)
- 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 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.

Notes to the financial statements for the year ended 31 March 2020 (continued)

1. Basis of preparation and 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 issued by a subsidiary of the Company's intermediate parent, Owl Finance Limited, and a £25 million revolving credit facility, of which £8.8 million was drawn at 31 March 2020 by the Company. 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 was 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 Company's deficit is tied to intercompany financing that is not due for payment until 24 March 2022 unless payment is directed to be paid earlier by the Group Board, which is not expected.

The directors of the Company have considered the implications of the above and the risks, as set out in the strategic report on pages 4 to 7, 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 acknowledge that the callable nature of intercompany debt 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 also concluded that the Company expects to have sufficient liquidity to meet its liabilities as they fall due for at least twelve months, the going concern basis of accounting remains appropriate and that the financial statements do not require the adjustments that would result if the Company were unable to continue as a going concern.

Principal accounting policies

A summary of the principal accounting policies, which have been applied consistently, is set out below.

a. Revenue

Company revenue, after deduction of sales allowances, value added tax and other sales taxes, comprises the value of products provided by the Company expected to be recovered from the customer.

Digital directory and other digital services revenue, where sold on a pay-for-inclusion basis, is recognised on an accruals basis over the length of the contract from the date the service is first provided. Digital directory and other digital services revenue that is sold on a pay-on-performance basis is recognised only once the minimum threshold is reached, and ratably on the contractual performance thereafter. Revenue

1. Basis of preparation and accounting policies (continued)

a. Revenue (continued)

in respect of website design and creation is recognised upon customer acceptance of delivery of the website. Website revenue relating to the ongoing provision of the service is recognised evenly on an accrual basis over the length of the contract commencing from the date the website goes live. Revenue from classified directories and other directories, mainly comprising advertising revenue, is recognised in the income statement upon 95% completion of delivery to the users of the directories. Unbilled revenue resulting from services already provided is accrued at the end of each period and unearned revenue from services to be provided in future periods is deferred in the statement of financial position.

b. Cost of sales

Cost of sales comprises the costs incurred in developing the products for sale.

c. Finance costs and income

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

d. 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 into sterling at the rate of exchange ruling when the transactions were entered into. Exchange differences are included in the income statement, in administration expenses or net finance costs in the period they arise or directly in equity depending upon the nature of the transaction.

e. Goodwill

Goodwill from a business combination is included in intangible assets and is tested annually for impairment. Goodwill is not amortised but carried at cost less accumulated impairment.

In the opinion of the directors, it is not possible to determine a finite useful economic life for goodwill, due to the inherent durability of the brand. Since it is not possible to identify any finite useful economic life, it is not possible to quantify any amortisation that would be charged. In reviewing the carrying value of goodwill of the business, the directors have considered the fair market value of the business minus cost of disposal and the value-in-use, as indicated by the plans and cash flows of the business, consistent with the requirements of FRS101. The directors are satisfied that these demonstrate that a full impairment has occurred. Accordingly a £78.6m impairment is required.

Goodwill on the acquisition of the Company's business and net assets represents the surplus of the purchase consideration over the fair value of the net separable assets acquired. Goodwill arising on acquisition is capitalised and is subject to impairment review, both annually and when there is an indication that the carrying values may not be recoverable.

f. Other intangible assets

Software, including internally developed software, is amortised on a straight-line basis over its useful economic life, which does not generally exceed two years. The amortisation period and method are reviewed and adjusted, if appropriate, at each balance sheet date.

Internally developed software, that is capitalised, includes the software development employee costs and an appropriate portion of overheads, where the following criteria are met:

Notes to the financial statements for the year ended 31 March 2020 (continued)

1. Basis of preparation and accounting policies (continued)

f. Other intangible assets (continued)

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Amortisation is charged to administrative expenses in the income statement.

g. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Cost comprises the purchase price and any other costs of bringing an asset into use. Depreciation is provided on property, plant and equipment on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful economic lives taking into account any expected residual values.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets and adjusted prospectively, if appropriate, taking account of commercial and technological obsolescence as well as normal wear and tear.

The estimated lives assigned to property, plant and equipment are:

	Years
Leasehold improvements	5 years or life of lease if less than 5 years
Office equipment	2 to 6 years

For right-of-use assets, cost comprises an amount equal to the initial lease liability recognised, adjusted to include any payments for the right to use the asset, initial direct costs incurred and estimated costs for dismantling, removing and restoring the asset at the end of the lease term. Lease incentives receivable from the lessor are recognised as a reduction in costs.

Depreciation on right-of-use assets is charged on a straight-line basis over the shorter of the useful economic life of the asset and the lease term.

Depreciation is charged to administrative expenses in the income statement.

h. Impairment of non-financial assets

Assets with indefinite useful lives are not subject to amortisation and instead are tested for impairment on an annual basis and whenever changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to amortisation are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the net discounted cash flows from operating the assets.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units, or CGUs). Where assets do not generate independent cash flows and their carrying value cannot be attributed to a particular CGU, CGUs are grouped together at the level at which these assets reside, and the carrying value of this group of CGUs is compared with the recoverable amount of that particular group. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

1. Basis of preparation and accounting policies (continued)

h. Impairment of non-financial assets (continued)

If an impairment loss is recognised for a CGU, it is allocated to reduce the carrying amounts of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the CGU; and
- then, to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

If an asset's fair value less costs to sell exceeds its carrying amount before the impairment test of a CGU, then none of the impairment loss arising on the impairment test is allocated to that asset.

i. 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 account.

j. Leases

On 1 April 2019, the Company adopted IFRS 16 "Leases". The policies adopted and the details of the effect of adopting the standard, are set out in note 27 to these financial statements.

k. 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. Variable costs incurred in acquiring and retaining a customer contract (primarily sales commissions and associated employer taxes) are included in prepayments and spread over the life of that contract.

l. 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.

m. 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.

n. Trade and other payables

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

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

1. Basis of preparation and accounting policies (continued)

o. 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".

The Company operated a defined benefit pension scheme for its employees employed before 1 October 2001 ('UKDBP'), but that was closed to future accrual from 31 March 2011. The Company also offers membership to defined contribution schemes ('UKDCP') to its employees.

All pension schemes are independent of the Company's finances. Actuarial valuations of the defined benefit scheme are carried out as determined by the trustees at intervals of not more than three years, the rates of contribution payable and the pension cost being determined on the advice of the actuaries, having regard to the results of these valuations. In any intervening years, the actuaries review the continuing appropriateness of the contribution rates. See Note 24 for a description of the associated risks.

The statement of financial position includes the surplus or deficit in the defined benefit scheme taking assets at their year-end market values and liabilities at their actuarially calculated values discounted at the year-end AA corporate bond interest rates. The Company reports a surplus as an asset if the requirement of IFRIC 14 and any statutory requirements are satisfied. The terms of the trust specify that if any assets remain after all benefits have been provided in full, then benefits could be increased with consent of the principal employer, but that any assets then remaining will be paid to the employers.

The cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time are included in other finance costs or income. Actuarial gains and losses on pension schemes are recognised immediately in the statement of comprehensive income.

Payments to the Company's defined contribution schemes are charged against profit or loss as incurred.

p. Share-based payments

The costs of share-based payments to individuals providing services to the Company are charged against the income of the Company to the extent services are received. The costs represent the relevant portion of the fair value of the equity rights transferring to the individuals. The Company recognises an increase in shareholders' equity to the extent the equity instruments are issued by a parent company, but reverses this entry in the event the Company has to recognise a liability to pay the parent for the value of the equity instruments.

q. 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.

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.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

1. Basis of preparation and accounting policies (continued)

r. 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.

s. Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

t. Standards that have become effective during the year

The following standards, interpretations and amendments became effective during the year. Only the adoption of IFRS 16 and IFRIC 23 were material to the Company, for which the effect on financial statements is further discussed in Notes 27 and 28 respectively:

- 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.

- 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.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

1. Basis of preparation and accounting policies (continued)

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 has made its 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 below. 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.

Bad debts

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.

Carrying value of goodwill

The Company reviews goodwill annually for impairment or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable and at the end of the first full year following acquisition. The Company compares the carrying value of its operations with estimated recoverable values to determine whether goodwill is impaired. The recoverable value is estimated from the higher of the fair market value minus cost of disposal and value-in-use using a discounted cash flow model that relies on significant key assumptions including post-tax cash flows forecasted over an extended period of years, terminal growth rates and discount rates. Sensitivity analysis may be found in Note 10. During the year the Company recognised impairment losses of £78.6m (2019: £nil). At 31 March 2020, the fair value of the operations was below their carrying value.

Carrying value of long-lived tangible and intangible assets

Other non-current intangible assets and plant and equipment are long-lived assets that the Company amortises or depreciates over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate benefits. The Company reviews the values of property, plant, equipment and assets with indefinite lives annually for impairment. The Company reviews other non-current intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, and at the end of the first full year following acquisition.

Historically, the Company has not realised large gains or losses on disposals of property, plant and equipment.

Pension liabilities

The UKDBP was closed to future accrual from 31 March 2011, thus reducing the Company's exposure to future changes in salaries and employee service years. The determination of our obligation and expense for pensions is dependent on the selection of assumptions that are used by our actuaries in calculating

2. Critical accounting estimates and judgments (continued)

Pension liabilities (continued)

such amounts. These assumptions include, amongst others, expected mortality rates of scheme members, the rate at which future pension payments are discounted to the Statement of Financial Position date, and inflation. Differences in Yell's actual experience or changes in its assumptions can materially affect the amount of our future pension obligations and future valuation adjustments in the statement of comprehensive income. The Company seeks expert actuarial advice in setting its assumptions. Sensitivity analysis may be found in Note 24.

The UKDCP is managed by a mastertrust separately from assets and liabilities of the Company.

Pension assets

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 Plan's trust documentation, as modified by UK statute. An independent professional trustee and three other trustees are appointed by the Company. Three further trustees are elected by the active members.

Asset values will increase and decrease as markets rise and fall. The assets are predominantly traded on quoted markets and accordingly, there is limited judgment required in determining their valuation. The exception to this is the value of insurance contracts, which will be determined with reference to the value of the underlying liabilities, which are subject to significant estimates as detailed above. 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 plan'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 plan's funding level by mitigating inflation, interest rate and longevity risks. These asset classes match the movements in interest rates and inflation. The trustees also work with management to ensure sufficient assets will be available to settle obligations in the long term. Sensitivity analysis may be found in Note 24.

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.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

2. Critical accounting estimates and judgments (continued)

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

3. Revenue

Analysis of revenue by category	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Digital products	**163,677**	187,142
Non-digital products	**-**	11,535
Total revenue	**163,677**	198,677

All revenue is generated from sales to customers based in the United Kingdom.

The Company's contracts with customers are materially of one year or less and accordingly performance obligations are expected to be materially satisfied within twelve months.

4. Operating (loss) / profit

Operating (loss) / profit is stated after charging / (crediting):

	Note	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Staff costs	5	**25,106**	21,927
Amortisation of other intangible assets	9	**6,804**	7,001
Depreciation of property, plant and equipment	12	**725**	1,355
Depreciation of right-to-use assets	13	**2,681**	-
Loss on disposal of plant, property and equipment		**40**	76
Operating lease charges	22	**876**	5,024
Bad debt provision charge	15	**8,650**	7,826
Impairment of goodwill	10	**78,620**	-
R&D tax credit		**(415)**	(1,144)
Movement on deferred commissions		**1,421**	1,262
Auditors' remuneration:			
Fees payable for the audit of the Company's financial statements in respect of the current year		**169**	165
Non-audit services:			
Fees payable for the audit of the Company's financial statements of any subsidiary of the Company in respect of the current year		**18**	17
For other assurance services		**-**	17

Notes to the financial statements for the year ended 31 March 2020 (continued)

5. Employees

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

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
By activity:		
Marketing and sales	**34**	40
Administrative	**185**	227
Total	**219**	267

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries		**16,023**	20,284
Social security costs		**1,765**	2,388
Other pension costs	24	**1,011**	1,153
Past service cost	24	**140**	1,122
Redundancy costs		**2,256**	740
Settlement costs	24	**8,400**	-
Share-based payments	21	**(564)**	386
		29,031	26,073
Amounts capitalised		**(3,925)**	(4,146)
Total staff costs		**25,106**	21,927

Directors' remuneration

Directors' remuneration includes net amounts charged to the Company by related employing companies. The aggregate remuneration paid to the directors in respect of their services to the Company was as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Salaries and other short-term benefits	**1,097**	1,962
Contractual and in lieu of contractual loss of office payments	**193**	312
Employer's pension contributions	**27**	15
Total directors' emoluments payable for the year	**1,317**	2,289

The highest paid director received £512,187 (2019: £1,251,950) in the year, excluding employer's pension contributions £21,655 (2019: £nil), in respect of services to the Company.

5. Employees (continued)

Directors' remuneration (continued)

A parent company issued restricted equity instruments, each with a nominal value of £0.00000001, to four Board members during the year ended 31 March 2017. The ultimate parent company purchased 130 of these shares either at initial fair value or at current fair market value during the year ended 31 March 2019. A parent company issued restricted equity instruments, each with a nominal value of £0.000001, to one Board member during the year ended 31 March 2020. No director was a member of the Group's UK defined benefit pension scheme during the periods presented. For further details of share-based payment expense for the year refer to Note 21.

6. Net finance costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest expense on amounts owed to group undertakings	**(25,674)**	(25,744)
Fees incurred relating to the issuance of the Bond by an affiliated entity	**(29)**	(543)
Revolving Credit Facility fee	**(325)**	(232)
Net foreign exchange losses on financing activities	**-**	(81)
Interest on provisions for uncertain tax positions	**(77)**	-
Interest on lease liabilities	**(1,007)**	-
Interest expense on bank deposits	**(112)**	(121)
Total finance cost	**(27,224)**	(26,721)
Interest income on bank deposits	**197**	159
Interest income on amounts owed by group undertakings	**1**	118
Net finance income on retirement benefit obligations (Note 24)	**2,772**	3,571
Net foreign exchange gains on financing activities	**102**	-
Total finance income	**3,072**	3,848
Net finance costs	**(24,152)**	(22,873)

7. Tax on (loss) / profit

Tax (credit) / expense included in the income statement	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Current tax:		
Current tax (credit) / charge for the year	**(152)**	1,756
Adjustments in respect of prior years	**(88)**	587
Total current tax (credit) / charge	**(240)**	2,343
Deferred tax:		
Current year (credit) / charge	**(261)**	3,770
Adjustments in respect of prior years	**153**	(346)
Effect of changes in tax rate	**(414)**	(325)
Total deferred tax (credit) / charge	**(522)**	3,099
Tax (credit) / charge	**(762)**	5,442

7. Tax on (loss) / profit (continued)

The tax credit (2019: charge) for the year is lower (2019: lower) 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
(Loss) / profit before taxation	**(80,614)**	29,899
(Loss) / profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**(15,317)**	5,681
Effects of:		
Non-deductible impairment of goodwill	**14,938**	-
Re-measurement of deferred tax – change in UK tax rate	**(414)**	(325)
Adjustments in respect of prior years	**65**	241
Other	**(34)**	(155)
Tax (credit) / charge	**(762)**	5,442

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 £2,344,000 (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.

Tax (charged) / credited directly to equity is as follows:

	Notes	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Deferred tax (charge) / credit on actuarial (gain) / loss		**(7,160)**	3,986
Re-measurement of deferred tax – change in UK tax rate		**(2,538)**	(419)
Tax (charged) / credited directly to equity	**20,24**	**(9,698)**	3,567

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.

8. Income from shares in group undertakings

The Company did not receive any dividend income during the year (2019: £nil).

Notes to the financial statements for the year ended 31 March 2020 (continued)

9. Intangible assets

	2020 £'000
Cost:	
Balance at 1 April 2019	**30,322**
Additions	**5,154**
Disposals	**(40)**
Total cost at 31 March 2020	**35,436**
Accumulated amortisation	
Balance at 1 April 2019	**(22,237)**
Charge for the year	**(6,804)**
Disposals	**-**
Total amortisation at 31 March 2020	**(29,041)**
Net book value at 31 March 2020	**6,395**
Net book value at 31 March 2019	8,085

Intangible assets comprise software development costs.

10. Goodwill

	2020 £'000	2019 £'000
Balance at 1 April	**78,620**	78,620
Impairment charge	**(78,620)**	-
Balance at 31 March	**-**	78,620

Goodwill is not amortised but is tested annually for impairment. The impairment analysis is based on certain assumptions, including future revenue and profit growth that can change the conclusion on whether goodwill is impaired. These assumptions are set based upon management's experience. Impairment occurs where the carrying value of a CGU exceeds the higher of its fair value less cost to sell and its value in use.

In 2019 the Company measured the carrying value against the value in use, using a discounted cash flow model. In both years the cash flow projections were based on Board reviewed cash flow projections extrapolated to five years.

During the year ended 31 March 2020, impairment losses of £78.6m (2019: £nil) on goodwill in relation to its operations were recorded. At 31 March 2020 the Company measured the carrying value of goodwill by comparing the Company's enterprise value against its fair value less cost to sell (£86m), which equates to the market value of the senior secured notes issued by a sister subsidiary in the Owl Finance Group. At 31 March 2019, the value in use of operations was £75m higher than the enterprise value of the Company.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

10. Goodwill (continued)

In 2019 the value in use was calculated using a Compound annual growth rate of (1.4)%, a terminal growth rate of 0.0% and a Pre-tax discount rate of 19.2%. In addition, revenue growth over the five-year period ending 31 March 2024 was a key assumption in the 31 March 2019 valuation as discussed above.

A sensitivity analysis is relevant only to the extent that the fair value of the business would have had to have been 34% higher at 31 March 2020 in order to avoid a 100% impairment of goodwill.

11. Investments in subsidiaries

	2020 **£'000**	2019 £'000
Cost		
At 1 April	**18,551**	18,551
Disposals	**-**	-
At 31 March	**18,551**	18,551
Impairment		
At 1 April	**(18,551)**	(18,551)
Disposals	**-**	-
At 31 March	**(18,551)**	(18,551)
Carrying value at 31 March	**-**	-

The interests of the Company in its subsidiaries, which all have the same registered address as the Company, are as follows:

Direct subsidiaries	**Company activity**	**Registered office**	**2020** **% owned**	2019 % owned	**2020** **Carrying value** **£'000**	2019 Carrying value £'000
Yell Sales Limited	Sale of print and digital marketing products	England & Wales	**100**	100	**-**	-
Moonfruit Limited	Holding company	England & Wales	**100**	100	**-**	-
Yell Mediaworks Limited	Fulfillment of print, video and website advertising	England & Wales	**100**	100	**-**	-
Indirect subsidiaries						
Yell Studio Limited	Graphic design	England & Wales	**100**	100	**-**	-
Sitemaker Software Limited	Website services	England & Wales	**100**	100	**-**	-
Total carrying value					**-**	-

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

12. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
Balance at 1 April 2019	4,790	13,683	18,473
Additions	302	238	540
Disposals	(759)	-	(759)
Total cost at 31 March 2020	**4,333**	**13,921**	**18,254**
Accumulated depreciation			
Balance at 1 April 2019	(4,086)	(12,290)	(16,376)
Depreciation charge for the year	(229)	(496)	(725)
Disposals	759	-	759
Total depreciation at 31 March 2020	**(3,556)**	**(12,786)**	**(16,342)**
Net book value at 31 March 2020	**777**	**1,135**	**1,912**
Net book value at 31 March 2019	704	1,393	2,097

13. Right-of-use assets

	Right-of-use assets: property £'000	**Right-of-use assets: motor vehicles £'000**	**Right-of-use assets: other £'000**	**Total £'000**
Cost				
Balance at 1 April 2019	-	-	-	-
Adjustment on adoption of IFRS16	8,068	736	1,588	10,392
Restated balance at 1 April 2019	8,068	736	1,588	10,392
Additions	183	-	-	183
Disposals	(49)	-	-	(49)
Total cost at 31 March 2020	**8,202**	**736**	**1,588**	**10,526**
Accumulated depreciation				
Balance at 1 April 2019	-	-	-	-
Depreciation charge for the year	(1,349)	(582)	(750)	(2,681)
Disposals	49	-	-	49
Total depreciation at 31 March 2020	**(1,300)**	**(582)**	**(750)**	**(2,632)**
Net book value at 31 March 2020	**6,902**	**154**	**838**	**7,894**

Notes to the financial statements for the year ended 31 March 2020 (continued)

14. Deferred tax

The presentation of deferred tax assets and deferred tax liabilities in the statement of financial position sets off deferred tax assets against deferred tax liabilities as they relate to the same taxable entity and they relate to income taxes levied by the same taxation authority for which the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

	At 31 March 2020 £'000	At 31 March 2019 £'000
Deferred tax assets	**4,233**	5,063
Deferred tax liabilities	**(30,555)**	(21,861)
Net deferred tax liabilities	**(26,322)**	(16,798)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit is probable through the reversal of deferred tax liabilities and forecast future taxable profits. The same profit projections are used for these purposes as are used by the business, for example in assessing asset impairments. No deferred tax has been recognised on capital losses of £1,152,000 (2019: £1,218,000) which do not time expire.

	At 1 April 2019 £'000	Adjustment for changes in accounting policies £'000	(Charge)/credit to income statement £'000	Charge to equity £'000	**At 31 March 2020 £'000**
Accelerated tax depreciation	3,582	-	(439)	-	**3,143**
Goodwill	501	-	16	-	**517**
Provisions	974	-	(403)	-	**571**
Deferred sales commissions	(280)	-	280	-	**-**
Right-of-use assets	-	(348)	34	-	**(314)**
Pensions	(21,575)	-	1,034	(9,698)	**(30,239)**
Total	**(16,798)**	**(348)**	**522**	**(9,698)**	**(26,322)**

	At 1 April 2018 £'000	Adjustment for changes in accounting policies £'000	(Charge)/credit to income statement £'000	Credit to equity £'000	At 31 March 2019 £'000
Accelerated tax depreciation	4,320	-	(738)	-	3,582
Goodwill	539	-	(38)	-	501
Provisions	1,572	-	(598)	-	974
Deferred sales commissions	-	(1,706)	1,426	-	(280)
Pensions	(21,991)	-	(3,151)	3,567	(21,575)
Total	(15,560)	(1,706)	(3,099)	3,567	(16,798)

Notes to the financial statements for the year ended 31 March 2020 (continued)

15. Trade and other receivables

	At 31 March 2020 £'000	At 31 March 2019 £'000
Amounts falling due within one year		
Net trade receivables	**7,217**	10,659
Prepayments	**10,288**	10,157
Other receivables	**490**	443
Accrued income	**1,678**	7,002
Amounts owed by group undertakings	**12,529**	14,123
Total	**32,202**	42,384
Amounts falling due after more than one year		
Prepayments	**200**	1,300
Other receivables	**1,708**	1,501
Total	**1,908**	2,801
Total trade and other receivables	**34,110**	45,185

Prepayments falling due after more than one year comprise an amount of £0.2m (2019: £1.3m) in respect of prepaid commissions. Prepayments falling due within one year comprise an amount of £6.1m (2019: £6.4m) in respect of prepaid commissions. The interest rate used to calculate the interest on amounts owed by group undertakings due within one year was 5% plus the 3-month Libor rate (reset quarterly) for the interest-bearing loan with Sitemaker Software Limited of £155,395 (2019: £235,692). All other amounts owed by group undertakings are non-interest bearing and repayable on demand.

Trade receivables are non-interest bearing and generally have terms between 30 days and 10 months. Due to their short maturities and the non-interest bearing nature of these financial assets, the fair value of trade receivables approximates book value. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated. Furthermore, all customers are subject to credit assessment at the point of sale. Those customers that do not meet the credit requirements are required to pay in advance for their services. The Company does not hold any collateral as security.

The carrying amounts of trade and other receivables are denominated in sterling. The Company's trade receivables and accrued income are stated after deducting a provision for doubtful debts and sales allowances. The movement in the provision for doubtful debts was as follows:

	2020 £'000	2019 £'000
Balance at 1 April	**(6,128)**	(5,544)
Charged to income statement	**(8,650)**	(7,826)
Utilised	**8,858**	7,242
Balance at 31 March	**(5,920)**	(6,128)

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

16. Trade and other payables

	At 31 March 2020 £'000	At 31 March 2019 £'000
Amounts falling due within one year		
Trade payables	**1,177**	1,914
Other taxation and social security	**6,103**	6,446
Accruals and other payables	**14,688**	14,709
Deferred income	**3,621**	5,946
Amounts owed to group undertakings - operating	**3,532**	2,375
Amounts owed to group undertakings - financing	**15,193**	22,383
Total amounts falling due within one year	**44,314**	53,773
Amounts falling due after more than one year		
Other payables	**812**	3,898
Amounts owed to group undertakings - financing	**284,485**	285,378
Total amounts falling due after more than one year	**285,297**	289,276
Total trade and other payables	**329,611**	343,049

Current amounts owed to group undertakings are repayable at the discretion of Hibu Group and do not have any security restrictions. They include an amount of £6.8m (2019: £13.7m) where 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.

Amounts falling due after more than one year include an amount of £284.0m (2019: £284.0m) with a repayment date of 24 March 2022 and which bears interest at 8% plus LIBOR (subject to a 1% minimum) with a three-month interest period (2019: 8% plus 3-month LIBOR rate (subject to a 1% minimum)). This amount is unsecured but subject to the intercreditor agreements.

Set out below is a reconciliation of liabilities from financing activities:

	At 31 March 2020 £'000	At 31 March 2019 £'000
At 1 April	**307,761**	304,435
Interest charged	**25,643**	25,602
Cash repayment of loan principal	**(5,759)**	-
Cash payment of interest	**(25,945)**	(16,628)
Settlement of operating intercompany balances	**(1,211)**	(5,610)
Payment for tax losses (surrendered to) / claimed from and tax paid on behalf of fellow group undertakings	**(848)**	(173)
Foreign exchange movement	**37**	135
At 31 March	**299,678**	307,761

17. Borrowings

During the year, the Company drew down £8,750,000 (2019: £nil) of its available £25m revolving credit facility. The revolving credit facility is subject to a covenant requiring the Owl Group to maintain a ratio of net debt to EBITDA of less than 6.25 if the facility is greater than, or equal to, 35% drawn. At 31 March 2020, this ratio was approximately 4.7.

Notes to the financial statements for the year ended 31 March 2020 (continued)

17. Borrowings (continued)

The following table sets out the borrowings of the Company:

	At 31 March 2020 £'000	At 31 March 2019 £'000
Amounts falling due within one year		
Revolving credit facility drawdown	**8,750**	-
Total amounts falling due within one year	**8,750**	-

18. Provision for liabilities

The Company had the following provisions during the year:

	Property related provisions £'000	Total £'000
At 1 April 2019	1,683	1,683
Effect of implementing IFRS 16 (see note 27)	(411)	(411)
At 31 March 2020	**1,272**	**1,272**

	2020 £'000	2019 £'000
Non-current	**1,272**	782
Current	-	901
Total provisions for liabilities	**1,272**	1,683

Provision balances represent the differences between the timing of paying contractual amounts and the recognition of the contractual payments as a charge against income. The categories disclosed align with the types of contractual arrangements. Amounts expected to be expensed in the coming year of £nil (2019: £0.9m) have been classified as current liabilities.

Property related

The leasehold dilapidations provision relates to contractual obligations to reinstate leasehold properties to their original state of repair at the end of the lease term. The provision has been calculated by appropriately qualified individuals at the inception of the lease, based upon expected rectification costs adjusted for expected inflation. The transfer of economic benefits is expected to be made at the end of the property leases disclosed in note 22.

19. Called up share capital

Called up share capital:

Allotted, called up and fully paid	**No of shares of £1 each**	**£**
At 31 March 2019 and 2020	**74**	**74**

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Notes to the financial statements for the year ended 31 March 2020 (continued)

20. Other reserves

Year ended 31 March 2020	**Pension reserve**	**Total other reserves**
	£'000	**£'000**
Balance at 1 April 2019	**(63,130)**	**(63,130)**
Actuarial gain on defined benefit pension scheme	**37,686**	**37,686**
Taxation	**(9,698)**	**(9,698)**
Net income recognised directly in equity	**27,988**	**27,988**
Balance at 31 March 2020	**(35,142)**	**(35,142)**

Year ended 31 March 2019	**Pension reserve**	**Total other reserves**
	£'000	**£'000**
Balance at 1 April 2018	(45,716)	(45,716)
Actuarial loss on defined benefit pension scheme	(20,981)	(20,981)
Taxation	3,567	3,567
Net expense recognised directly in equity	(17,414)	(17,414)
Balance at 31 March 2019	(63,130)	(63,130)

21. Share-based payments

Restricted shares in Hibu Midco Limited, a parent company, were issued to directors and selected employees of the Group (the "participants") for £nil consideration in the year ended 31 March 2017. The rights in the shares vest in four equal tranches on four successive annual anniversaries of the award date, unless there is a change in control, in which case a portion will vest immediately.

The award represented an equity-settled share-based payment under IFRS 2, and the relevant costs were charged against income of the Company to the extent it employed participants with a compensating increase to equity representing a direct investment from Hibu Midco Limited. The fair value of the grant was determined to be the present value of the estimated future values of the ownership rights that will be transferred to the recipients on each vesting date. The future values were determined from the Group's enterprise value on the date of grant and the estimated effect of the Group's future investor returns (including dividends) on its enterprise value over the relevant periods. The effect of the restrictions was also considered in determining the fair value of the award. The Company credited £564,000 in the year ended 31 March 2020 to income (2019: charged £386,000 against income) for the share-based payments for the relevant costs of its employees. In the prior year the Company was later recharged the relevant costs of the employees and recorded a £386,000 liability as an intercompany liability with a compensating movement to the previous increase in equity. The Company also exchanged recharges with the ultimate parent company in order to correctly reflect the cost of services received from key management. The Company is expected to pay Hibu Midco Limited for the equity settled share-based payments to its employees.

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Notes to the financial statements for the year ended 31 March 2020 (continued)

22. Financial commitments, contingent liabilities and litigation

Future aggregate minimum operating lease payments for the Company at 31 March 2020 and 2019 were as follows:

	Land and Buildings 2020 £'000	Land and Buildings 2019 £'000	**Other 2020 £'000**	Other 2019 £'000
Payable				
Not later than 1 year	-	2,202	**789**	1,561
Later than 1 year and not later than 5 years	-	8,109	**37**	323
Later than 5 years	-	9,071	**11**	-
Total future aggregate minimum operating lease payments	-	19,382	**837**	1,884

Operating lease payments expensed during the year amounted to £876,000 (2019: £5,024,000).

On 1 April 2019, the Company applied IFRS 16 "Leases". This accounting standard requires the Company to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. For further details refer to Note 27.

There are no contingent liabilities or guarantees other than those mentioned below and on these no material losses are anticipated. There are no capital commitments.

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

No material losses are anticipated on liabilities in the ordinary course of business.

23. Lease liabilities

The Company leases various offices, motor vehicles and office equipment. The following amounts are included in the Company's financial statements in respect of its leases:

	Notes	**Year ended 31 March 2020 £'000**
Depreciation charge for the right-of-use assets		
Property	13	**1,349**
Motor vehicles	13	**582**
Office equipment	13	**750**
		2,681
Additions to the right-of-use assets	13	**183**
Net book amount of right to use assets	13	**7,894**
Interest expense on lease liabilities	6	**1,007**
Total cash outflow for leases comprising interest and capital payments		**3,540**
Expense related to short-term leases and low-value assets		**876**

Notes to the financial statements for the year ended 31 March 2020 (continued)

23. Lease liabilities (continued)

Analysis of lease liabilities:

Present value of minimum lease payments due:	At 31 March 2020 £'000
In one year or less	2,141
In more than one year but less than five years	6,935
In more than five years	920
Present value of lease liabilities	**9,996**
Current portion	**2,141**
Non-current portion	**7,855**

24. Pensions

The Company operates 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. 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 in 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
Administration expenses	3	6
Settlement cost	8,400	-
Past service cost	140	1,122
Amounts charged for defined benefit schemes	**8,543**	1,128
Amounts expensed for defined contribution schemes	**1,011**	1,153
Total operating charge	**9,554**	2,281

Notes to the financial statements for the year ended 31 March 2020 (continued)

24. *Pensions (continued)*

Net finance income from defined benefit scheme	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income on pension scheme assets	**(15,266)**	(17,618)
Interest cost on pension scheme liabilities	**12,494**	14,047
Net finance income from defined benefit schemes	**(2,772)**	(3,571)

Amounts recognised in statement of comprehensive income	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Actual return less interest on plan assets	**9,752**	19,134
Experience gains / (losses) arising on plan liabilities	**3,285**	(21,107)
Changes in financial assumptions underlying the value of plan liabilities	**25,462**	(23,488)
Changes in demographic assumptions underlying the present value of plan liabilities	**(813)**	4,480
Actuarial gain / (loss)	**37,686**	(20,981)
Tax on actuarial gain / (loss) recognised in equity (see Note 7)	**(9,698)**	3,567
Actuarial gain / (loss), net of tax	**27,988**	(17,414)

The cumulative actuarial loss net of tax recognised at 31 March 2020 amounts to £6.8m (2019: £34.7m).

UKPP - Defined benefit 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.

Notes to the financial statements for the year ended 31 March 2020 (continued)

24. Pensions (continued)

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

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.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

24. Pensions (continued)

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

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.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

24. Pensions (continued)

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

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

Notes to the financial statements for the year ended 31 March 2020 (continued)

24. Pensions (continued)

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.

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).

24. Pensions (continued)

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.

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.

Notes to the financial statements for the year ended 31 March 2020 (continued)

24. Pensions (continued)

Risks associated with the UKDBP (continued)

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 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 £1,011,000 for the year ended 31 March 2020 (2019: £1,153,000). Outstanding contributions amounted to £nil at 31 March 2020 (2019: £nil).

25. 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.

26. Controlling entity

At 31 March 2020, the Company's immediate parent undertaking was YH Limited. The ultimate parent undertaking and controlling party is Hibu Group.

At the date of signing these financial statements the smallest group in which the financial statements of the Company are consolidated is Owl Finance Limited. The largest group in which the financial statements of the Company are consolidated is Hibu Group. Financial statements for both companies are publicly available from 3 Forbury Place, Forbury Road, Reading, Berkshire, RG1 3YL.

27. Accounting for leases - adoption of IFRS 16

On 1 April 2019, the Company applied IFRS 16 "Leases". This accounting standard requires the Company 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 Company has adopted IFRS 16 Leases retrospectively from 1 April 2019, but has not restated comparatives for the prior year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019 summarised in the table below.

Effect on the Company statement of financial position of IFRS 16 adjustments:

£'000	31 March 2019	IFRS 16 effect	1 April 2019 (as restated)
Non-current assets			
Right-of-use assets	-	10,392	**10,392**
Current assets			
Trade and other receivables	42,384	(252)	**42,132**
Total assets	280,514	10,140	**290,654**
Current liabilities			
Lease liabilities	-	(2,514)	**(2,514)**
Trade and other payables	(53,773)	1,247	**(52,526)**
Provision for liabilities	(901)	411	**(490)**
Non-current liabilities			
Deferred tax liabilities	(16,798)	(348)	**(17,146)**
Trade and other payables	(289,276)	897	**(288,379)**
Lease liabilities	-	(9,833)	**(9,833)**
Total liabilities	(361,530)	(10,140)	**(371,670)**
Net liabilities	(81,016)	-	**(81,016)**

The effect of implementing the standard in the current year has resulted in an additional debit of £0.2m to the income statement.

On adoption of IFRS 16, the Company's recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the lease payments, £11.7m, discounted using the Owl Group's incremental borrowing rate as of 1 April 2019. The incremental borrowing rate was determined with reference to the implied yield of the high yield bonds issued by the Owl Group in the prior year.

27. Accounting for leases - adoption of IFRS 16 (continued)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation for determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

The majority of the Company's leases relate to property. A lease liability is recognised when the Company obtains control of the right-to use asset, that is the subject of the lease. Interest is charged to finance costs.

At inception, the Company evaluates whether is reasonably certain that any option to extend the lease will be exercised. Normally, where the initial term of a lease at inception is for at least five years, it would be unusual to consider such options at the inception of the lease. The Company will continue to monitor the likelihood of exercising such options throughout the initial lease term. When the Company is committed to extending the lease and where the lessor has consented to such an extension, the Company will consider the option to be reasonably certain to be exercised. In such circumstances, the right-of-use asset and the lease liabilities recognised are adjusted to reflect the extended term.

Leases, which at inception have a term of less than twelve months or relate to low-value assets, are not recognised in the statement of financial position. Payments relating to such leases are expensed against operating profit on a straight-line basis over the period of the lease.

Yell Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

27. Accounting for leases - adoption of IFRS 16 (continued)

The table below sets out a reconciliation between the operating lease commitments disclosed in the prior year financial statements and the lease liability recognised at 1 April 2019:

£'000

Operating lease commitments disclosed at 31 March 2019	**21,266**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(4,297)**
(Less): short-term leases not recognised as a liability	**(593)**
(Less): adjustments as a result of a different treatment of extension and termination options	**(4,029)**
Lease liability recognised at 1 April 2019	**12,347**
Of which are:	
Current portion	**2,514**
Non-current portion	**9,833**

28. Adoption of IFRIC 23 'Uncertainty over Income Tax treatments'

On 1 April 2019, the Company applied IFRIC 23 using the modified retrospective method so has not restated comparatives for the prior year. 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 £2,344,000 and £721,000 respectively in respect of previous years. The amounts were recognised in Corporation tax payable and Trade and other payables balances respectively in the Statement of financial position.