Registered Number: 08815102

Hibu Group Limited

Annual Report and financial statements for the year ended 31 March 2021

Hibu Group Limited
Annual Report for the year ended 31 March 2021

Hibu Group Limited

Company information

Directors
Atish Banerjea (resigned 5 May 2021)
Christopher Ripley (resigned 5 May 2021)
Claire Miles (appointed 1 April 2020)
David Anderson
Kevin Jasper (appointed 1 April 2020, resigned 4 May 2021)
Parminder Sandhu
Robert Hall

Company secretary
Christian Wells

Registered office
3 Forbury Place
Forbury Road
Reading
Berkshire
England
RG1 3YL

Registered number
08815102

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

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

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

Hibu Group Limited

Strategic report for the year ended 31 March 2021

The directors present their Strategic Report for Hibu Group Limited ("the Company") and its subsidiaries (together "the Group"), for the year ended 31 March 2021.

Principal activities

The Group's principal activities during the year were the provision of digital marketing services (including website production, search and display solutions), digital directories, and printed directories all of which help small and medium sized businesses ("SME's") get found and chosen by consumers.

COVID-19 pandemic

The COVID-19 pandemic and related lockdown affected the entire Group, but particularly the UK business, which saw a sharp decline in revenue during the first quarter of the financial year.

The UK and US management teams took prompt action to ensure the safety of employees, continuity of the business, and preservation of cash through a rapid transition of the workforce to homeworking and cost reductions to mitigate the effect of the revenue decline on results.

Since the first quarter of the financial year, the revenue performance of the UK business has remained relatively stable, and the directors believe that the pandemic has accelerated demand for digital marketing and that the business is well positioned to return to growth.

The performance of the Group's US business was similarly affected in the first quarter but not to the same extent as the UK and the business returned to year-on-year growth in digital revenue in the final quarter of the year.

Review of the business and future developments

The financial statements reflect the trading results of the Group for the year ended 31 March 2021 with comparative results for the year ended 31 March 2020. Throughout the year ended 31 March 2021 the Company was the owner and indirect parent of a group of companies with operations in the UK trading under the brand name 'Yell' and in the US trading under the brand name 'Hibu'.

The Group entered into an agreement to sell the US business, which was held for sale at 31 March 2021, shortly before the end of the financial year and the sale transaction completed on 4 May 2021. As a consequence, the results of the US business are disclosed in the discontinued operations note to the financial statements (note 17). The following business review refers only to the continuing operations in the UK.

Yell 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 and display advertising campaigns.

With an increasing number of ways to search for, and choose, local businesses, Yell 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, Yell continued to focus its resources on developing and enhancing its core product lines. The Key Performance Indicators (KPI's) of the business are revenue, customers, average revenue per customer, adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA – see page 3), trading operating cash flow, and Yell.com visits.

The KPI's for the year ended 31 March 2021, with prior year comparatives, are summarised in the table below.

Year ended	**31 March 2021**	31 March 2020	**2021 year on year movement**	**2021 year on year movement %**
Revenue (£m)	**121.8**	165.8	**(44.0)**	**(27)**
Customers - monthly average over last twelve months ('000)	**91.6**	111.4	**(19.8)**	**(18)**
Customers at year end ('000)	**86.2**	104.7	**(18.5)**	**(18)**
Average revenue per customer (£)	**1,309**	1,470	**(161)**	**(11)**
Adjusted EBITDA (£m)	**24.0**	44.1	**(20.1)**	**(46)**
Trading operating cashflow (£m)	**25.9**	39.9	**(14.0)**	**(35)**
Yell.com visits – monthly average over last twelve months (m)	**8.0**	9.0	**(1.0)**	**(11)**

Strategic report for the year ended 31 March 2021 (continued)

Review of the business and future developments (continued)

Revenue is generated from the sale of digital directory and other digital marketing services and declined by 27% in the financial year driven by a sharp decline in the first quarter, during the first COVID-19 lockdown. In the subsequent three quarters, despite ongoing restrictions, quarterly revenue was relatively stable declining from £30.8m in the first quarter to £29.8m in the fourth quarter, or 4% on an annualised basis.

Customer numbers (excluding customers of Sitemaker Software Limited) declined by 18% in the year driven disproportionately by a higher level of cancellations during the first half. In the second half of the year, customer numbers declined from 91.0k at 30 September 2020 to 86.2k at 31 March 2021, or 11% on an annualised basis.

Average revenue per customer is revenue for each financial year divided by the average number of customers in the preceding twelve months (excludes revenues and customers of Sitemaker Software Limited). Average revenue per customer had declined by 11%; reflecting in part the fact that customers reduced or paused their advertising during the lockdowns.

Adjusted EBITDA decreased by £20.1m on the prior year predominantly due to the £44.0m decline in revenue that was partially offset by £9.4m of direct variable cost savings and £14.5m of indirect cost savings including those from the UK Government's furlough scheme during the first lockdown and the permanent headcount reductions that were implemented in response to the decline in revenue. The table below reconciles Adjusted EBITDA to operating loss from continuing operations.

Year ended 31 March

£m	2021	2020
Adjusted EBITDA	**24.0**	44.1
Pension settlement costs	–	(8.4)
Restructuring costs and other exceptional costs [(a)]	**(6.8)**	(2.3)
Hibu Group costs [(b)]	**(7.5)**	(9.6)
Depreciation and amortisation [(c)]	**(10.2)**	(10.6)
Operating (loss) / profit from continuing operations	**(0.5)**	13.2

(a) Restructuring costs are the costs associated with programmes that reduced headcount.
(b) Hibu Group costs are the costs of managing the Group's holding companies outside the UK business.
(c) Depreciation and amortisation include adjustments to carrying values for impairments and gains or losses on disposal.

Trading operating cash flow was £14.0m lower than the prior year due to the £20.1m decline in Adjusted EBITDA partially offset by a large working capital inflow. The working capital inflow was due mainly to the deferral of VAT payments under the COVID-19 related HMRC VAT deferral new payment scheme and a decrease in trade receivables in line with the decline in revenue. A total of £7.0m VAT has been deferred and is due to be repaid in monthly instalments during the year ending 31 March 2022. Trading operating cash flow is reconciled to cash generated from operations in the table below:

Year ended 31 March

£m	2021	2020
Trading operating cash flow	**25.9**	39.9
Hibu Group costs [(d)]	**(8.9)**	(9.6)
Add back: Purchase of property, plant, equipment and intangibles	**6.6**	5.8
Cash generated from operating activities	**23.6**	36.1

(d) Hibu Group costs are the costs of managing the Group's holding companies outside the UK business.

Visits to Yell.com include desktop and mobile visits but exclude any third party syndicated usage. Average monthly visits to Yell.com reduced from approximately 10m to 8m during the prior year due to search engine algorithm change but remained broadly at 8m during the 12 months to 31 March 2021.

The Group's management continue to believe there is a strong market for its products and hence the Group will continue to evolve the core product suite to meet future customer requirements. In the coming year, the Group expects to roll out a new range of website and e-commerce solutions in partnership with Wix, to continue to scale its free business to consumer messaging service on the Yell.com platform and to pilot and launch advanced chargeable messaging products.

The Group had net liabilities of £75.8m at 31 March 2021 (2020: £35.2m).

Strategic report for the year ended 31 March 2021 (continued)

Environmental Reporting

The Group's greenhouse gas emissions for the year ended 31 March 2021 are set out in the table below:

Emission source	Year ended 31 March 2021 (kg CO_2e)	Year ended 31 March 2020 (kg CO_2e)
Combustion of fuel and operation of facilities:		
Gas [(a)]	**134,457**	138,401
Business miles	**21,354**	652,024
Scope 1 greenhouse gas emissions	**155,811**	790,425
Energy purchased for own use:		
Electricity	**107,860**	162,733
Scope 2 greenhouse gas emissions	**107,860**	162,733
Total	**263,671**	953,158
Intensity ratio: (kg CO_2e / £100,000 UK Revenue)	**216.5**	574.9
Annual quantity of energy consumed: (kWh)	**1.2m**	3.8m

(a) Comparative information regarding gas combustion has been restated, in the light of improved data relating to gas usage at one property where the cost of gas was included within a landlord's fixed service charge.

The information given above has been prepared internally, using the Government's Environmental Reporting Guidelines and the emission factors taken from the UK Government GHG Conversion Factors 2020 (2020: UK Government GHG Conversion Factors 2019). The information provided is only for the Group's greenhouse gas emissions within the United Kingdom.

The Group, by the nature of its business, is a relatively low consumer of energy and, with the added limitations imposed by landlords' terms and conditions, there are relatively limited opportunities to significantly reduce its carbon footprint. The information presented reflects the significant effect of the pandemic on working practices during the year, particularly with regards to business mileage. Considerable focus has been given during the year to working remotely and maintaining staff and customer safety. At the same time management has been looking at ways of reducing or removing single-use products from the cost base.

Risk management and principal risks

The Group undertakes 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 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 Group carries out regular risk assessments to identify and document key strategic, operational and financial risks. The Group has established a risk committee at the group level and local committees in the US and UK 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 committees comprise 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 the Board 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;

Strategic report for the year ended 31 March 2021 (continued)

Risk management and principal risks (continued)

- Internal audit plans are developed to assess controls and key mitigating actions. Items highlighted as part of this process are regularly discussed with the Audit Committee and senior management;
- The Group has designed and implemented 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 Audit Committee receives quarterly reports on financial control matters. The Board, with advice from the Audit Committee, has completed its annual review of the effectiveness of the system of internal controls. In the Board's view, the information it received was sufficient to enable it to review the effectiveness of the Group's system of internal controls.

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 Group 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 Group 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 Group has a strong asset in its sales force and ongoing customer relationships. This allows the Group 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 Group increasingly becomes the provider of digital solutions to its large customer base of small and medium sized businesses. This effort is being managed locally as the local sales and marketing teams are best placed to determine which products and partners are most appropriate for their 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 affected revenue trends and there is a risk that markets may not continue rebounding as quickly as expected or that further restrictions will be imposed in the event of further waves of infections (from COVID-19 or other similar pandemics), especially if infections are worse than previous waves. In addition, whilst the Group's UK 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 economic uncertainty in the markets in which the Group operates. Demand for the Group's products could also be affected by changing market trends or market perception of the Group's products.

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

Mitigation: The Group 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 Group is dependent on effective IT systems to maintain efficient and effective operations. Cyber security is important because the Group 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 Group 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 Group 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 Group carries out recurring internal ethical phishing attacks to raise employee awareness of the risks posed by external attacks backed up by remedial training. The Group directors regularly discuss 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.

Strategic report for the year ended 31 March 2021 (continued)

Risk management and principal risks (continued)

Risk from: Key people leaving the business

The success of the Group 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 Group's Human Resources (HR) departments. 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 Group, or in the Group 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 Group, whether such failure is the Group'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 Group 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 Group. Furthermore, some penalties could also be material (for example the maximum penalty of £20m that could be imposed on companies that fail to comply with the General Data Protection Regulations that came into effect in May 2018).

Mitigation: The Group devotes significant resources to ensure compliance with applicable current and emerging laws. The Group through its in-house legal team establishes specific policies and guidelines as appropriate. The Group 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 Group ensures that the integrity of its control framework is maintained through both internal and external audit.

Risk from: UK pension fund

The Group's UK 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 Group's financial statements.

Potential effect - The Group 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 Group's management team 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 full actuarial valuation of the scheme at 5 April 2021 is agreed. The trustee directors and management work together to mitigate the risk of having insufficient funds. The strategy currently includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps that perform in line with the liabilities of the plan so as to protect against inflation being higher than expected and the purchase of a bulk annuity policy and liability driven investment funds to significantly reduce the volatility of the pension plan's funding level by mitigating inflation, interest rate and longevity risks.

Strategic report for the year ended 31 March 2021 (continued)

Risk management and principal risks (continued)

Financial risk management

The 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. The 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.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern. The 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 only commodity exposing the Group to market risk is paper in the US. The Group tries to limit its exposure to market fluctuations through contracts and pricing arrangements with its suppliers.

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 significant cash and cash equivalents were held by institutions with credit ratings of 'A' or higher at 31 March 2021. Concentrations of credit risk with respect to trade receivables are limited due to the Group'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 Group does not hold any collateral as security.

Liquidity risk

The 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 the Group has 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 Group's 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 Board. Transactions that would be speculative in nature are expressly forbidden. The Group has not entered into any derivative transactions during the years under discussion and did not have any derivatives at 31 March 2021.

Interest rate cash flow risk

The Group will only be exposed to interest rate driven fluctuations or variability in interest payments if the Group incurs indebtedness under the revolving credit facility, entered into in May 2018. The interest rate on this facility is linked to LIBOR. The Group does not intend to enter into hedging arrangements with respect to the revolving credit facility and has no hedging arrangements currently in place.

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.

Until the disposal of the US operations post-year end, our Group comprised two main businesses, with separate leadership teams (including local boards of directors), defined by the geographical markets within which they operated and holding companies, largely managed by the Group leadership team.

The directors are reminded of their S.172 duties at the start of each Board meeting and whilst the Company falls outside of the requirements to adopt and formally report on its principles of corporate governance, Hibu Group has an established governance framework, which it reviews periodically.

The Board receives regular and ongoing regulatory updates that relate to the Group and the business tabled at its meetings.

Principal decisions

We define principal decisions as both those that are material to the Group, but also those that are significant to our stakeholders.

Strategic report for the year ended 31 March 2021 (continued)

S.172 Statement (continued)

In making the following principal decisions the Board considered the outcome of its stakeholder engagement below as well as the need to maintain a high standard of business conduct and the need to act fairly between members of the Company.

During the year, the principal decisions taken were:

1. Approval of the sale of the US operations
2. Approval of budgets and bonus targets and incentive plans
3. Response to the COVID-19 pandemic

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

Investors

As owners of our Group, we rely on the support of our shareholders and their opinions are important to us. The Company is owned by a set of institutional investors and funds and, after a refinancing exercise in 2018, a bond was issued by a subsidiary company, Yell Bondco plc. Through our engagement activities, we strive to obtain stakeholder buy-in to our strategic objectives and update on progress against them. Shareholders consented to the sale of the US business and the UK incentive arrangements, where we updated on the ongoing Board composition following the sale of the US business in May 2021. We also consulted with both our key shareholders and bondholders on the capital structure of the UK business during the year.

There is regular engagement with shareholders and bondholders throughout the year, to keep them well informed on how the business works, trends in performance and opportunities and risks. These take the form of both quarterly results presentation calls where these stakeholders can ask questions of the directors or follow up with emails, and also meetings between individual major investors and the Chairman, UK and US CEOs and the Group CFO, as well as members of senior management in order to seek views on various topical matters.

How the Group manages its cash is a further area where the views of the shareholders are routinely considered. No dividends were paid during the financial year though a dividend was paid shortly after year end following receipt of funds from the sale of the US business.

Our People

We define our people as employees who are paid through the Yell/Hibu payrolls. 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 consider employee churn rates on a regular basis and the local initiatives to reduce this turnover and retain employees in the Group. The Remuneration Committee and Board ensures that incentive plans are designed to promote the success of the Company and are appropriate to retain employees and are aligned to the interests of the shareholders.

In March 2020 at the start of the COVID-19 pandemic, in line with Government restrictions, our offices closed and Board meetings moved from face-to-face to virtual meetings. There were no opportunities for the directors to make site visits throughout the year although the UK and US CTOs continued to update one Non-executive director regularly outside of Board meetings on technology matters. Claire Miles, the UK CEO, and Kevin Jasper, the US CEO, were appointed to the Hibu Group Board in April 2020, although Mr. Jasper has since resigned following the sale of the US operations in May 2021. These appointments strengthened the Board's connection with the operating companies during the pandemic, which has dominated the year's focus.

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.

At the start of the COVID-19 pandemic in March 2020, we initiated measures, following the Government advice in each country, 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 Group, we took appropriate action including furloughing staff across the Group, reducing hours or reducing salaries, including those of senior management and Board directors. Across the Group, we transitioned the majority of our non-furloughed, office-based employees to work from home. We have continued to follow Government guidance throughout. The Company has benefitted during the year from Government support in respect of furloughed staff under the Coronavirus Job Retention Scheme. A daily team tracker was introduced in the UK to monitor staff attendance at offices for contact tracing purposes.

S.172 Statement (continued)

Our People (continued)

In recognition of the effects on mental health from COVID-19 restrictions, and following employee feedback, all UK managers have been trained in mental health awareness and Mental Health First Aiders have been selected and formally trained. All employees have been supplied with webcams to ensure they are able to have face to face contact with their managers and their colleagues.

An annual UK employee survey was run in November 2020 to provide insight into how employees view working at Yell, the UK strategy, engagement and culture. The results showed improvements in understanding of strategy, communications and culture as a result of action taken based on the results of the survey run in the prior year.

The results of all engagement surveys are reported on Yell's intranet and are reviewed in detail with all managers. As a result of feedback, and also to deliver the overall business objectives, the people plans for FY22 include a focus on personal development and upskilling in digital capability.

Yell also operates a regular employee forum, the People Panel, as well as focus groups, 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.

Live, interactive, all hands, business update webinars are held by the UK management and UK CEO with open question and answer sessions and Yell has introduced a managed mechanism for employee suggestions and assessment of short-listed ideas by senior leadership team representatives is held publicly so that employees can see the results of their submissions.

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

Customers

Our customers and the service we provide to them are the constant focus of our business. Customer Obsession is one of 5 core values introduced to the UK organisation from April 2020.

We run customer satisfaction measures across our operation, with direct customer feedback, and this forms part of the remuneration of all our customer-facing employees. We run a regular Customer Panel to create a two-way communication channel between the business and our customers on our customer-facing initiatives including products and services. Direct customer feedback allows us to further shape our strategic propositions.

As a result of initiatives, brand Net Promoter Score, or NPS, has improved from +23 in March 2020 to +47 in March 2021.

In the US, we previously appointed one of our senior executives as Vice President of Client Success and changes in account management, to enhance our customer relationships and improve customer retention. Our US-based employees also now provide certain fulfilment and quality control services and a significant portion of our customer service functions, previously provided by our offshore partners.

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.

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.

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 Group has invested a considerable amount of company resource in funding and has close engagement with the governing of our pension schemes for our employees and we want all our employees to have appropriate tools to review their personal plans for and throughout their retirement. Yell senior management 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.

Strategic report for the year ended 31 March 2021 (continued)

S.172 Statement (continued)

Pension (continued)

A main focus for the Group 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 Group understands the importance for brand reputation and employee engagement of being a responsible 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.

In the US, we have provided significant support to the United Way in the Cedar Rapids and King of Prussia communities every year through an annual fundraising campaign and volunteer activities. We also sponsored or participated in other local charitable and civic activities that, among other benefits, enhanced our Company culture.

Environment

The Group recognises its responsibility to act in the interests of the environment and to reduce its carbon footprint wherever possible. COVID-19 restrictions and extended remote working has had a positive effect on the environment with reduced spend on consumables and work-related travel. Further details on how the Group has regard for the environment are reported on pages 3 and 4.

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.

Going Concern

The Group has £214m of senior secured notes and a £25m revolving credit facility, of which £nil was drawn at 31 March 2021. 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 when £8.75m or more is drawn. The senior secured notes and revolving credit facility are secured on the assets of the Owl Group. Owl Finance Limited and all its subsidiaries are guarantors of the senior secured notes and the revolving credit facility.

The COVID-19 pandemic and related lockdown in the UK had a material effect on the UK business in the first part of the year ended 31 March 2021 but since then UK results have largely stabilised and management's financial forecasts indicate that the UK business will have sufficient liquidity to meet all its financial obligations in the current financial year and the year ending 31 March 2023.

In accordance with guidance from the Financial Reporting Council, against the backdrop of uncertainty caused by the COVID-19 pandemic and the revenue trajectory of the two most recent financial years, management has modelled an unlikely but possible downside scenario in which, if the recovery of the UK business faltered and went significantly into reverse with no mitigating cost reductions, the Owl Group would be unable to make its interest payments on the Senior Secured Notes against which the assets of the Owl Group are secured as early as September 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Group have considered the implications of this and the risks set out above, in particular whether it is appropriate to prepare the financial statements on a going concern basis and the adequacy of the going concern disclosures made within the financial statements. The directors have concluded that there is a material uncertainty regarding the potential longer-term effects of the COVID-19 pandemic on the Owl Group's liquidity and hence the Group's ability to continue as a going concern.

However, the directors have also concluded that, given the Group 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 Group were unable to continue as a going concern.

By order of the Board

Christian Wells
Company Secretary
28 July 2021

Directors' report for the year ended 31 March 2021

The directors present their report and the audited financial statements for Hibu Group Limited (the "Company") for the year ended 31 March 2021. The financial statements comprise the consolidated financial statements of the Company and its subsidiaries (the "Group") on pages 21 to 64 and the financial statements of the Company on pages 65 to 74.

Dividends

There were no dividends paid during the year ended 31 March 2021 (year ended 31 March 2020: Ordinary dividends paid £16,471,000). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signing the financial statements are stated on page 1. Details of directors' remuneration can be found in note 28 to the consolidated financial statements.

Strategic report

The Company is required by the Companies Act 2006 to set out the development and performance of the business of the Group during the year ended 31 March 2021, the position of the Group at 31 March 2021 and a description of the principal risks and uncertainties facing the Group. Supplementary information about these risks and uncertainties may also be found in notes 1, 14, 18 and 19. By reference to the Strategic Report, which can be found on pages 2 to 10, the following information is given:

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

Directors qualifying indemnity provisions

Article 88 of the Articles of Association of the Company permit the Company, 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 the Company or any of its subsidiaries. In December 2013, the Company entered into deeds of indemnity in favour of its current and former executive and non-executive directors and officers, its subsidiaries and any other companies to which the Company or any of its subsidiaries has nominated or appointed any such person as a director or officer. The deeds of indemnity, which remain in force, are qualifying third party indemnities for the purposes of section 234 of the Companies Act 2006.

Employees

The Group is committed to the employment of people with disabilities and this is set out in the Group's recruitment and selection policy.

The equal opportunities policy followed by the Group's employing companies contains a code of good practice on disability that states that an individual who becomes disabled, whilst in employment, will receive appropriate support and that the Group will make any reasonable adjustments to ensure, wherever possible, that any disabled individual is able to continue in their role.

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 Group such as the intranet, various printed publications and live briefings. These help to ensure that employees are kept fully informed about developments in the Group, including the Group's financial performance.

Management encourage employee participation in the Group's performance via the Group's bonus and commission schemes.

Information provision to employees

The Group seeks feedback from its people on a wide range of topics through day-to-day contact and team meetings.

Each year the Group makes a significant investment in employee communications to ensure that everybody knows and understands the Group's objectives, to ensure everyone is kept up-to-date with progress against its strategic initiatives, and to ensure comprehensive communication of local news.

Further information regarding the engagement with the Group's employees is given in the Strategic Report (see S.172 Statement).

Forward looking statements

The financial information in the Strategic Report should be read in conjunction with the audited financial 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

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 group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company 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, 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 group and company and of the profit or loss of the group and 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 intrenational accounting standars in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Statement of disclosure of information to auditors

At the date of signing their report, so far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware. The directors have taken necessary steps to make themselves aware of relevant audit information and to establish that the 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.

By order of the Board

Christian Wells
Company Secretary
28 July 2021

Independent auditors' report to the members of Hibu Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Hibu Group Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's and company's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the group and company only statements of financial position as at 31 March 2021; the group and company only income statements, the group statement of comprehensive income, the group cash flow statement, and the group and company only statements 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 group 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 group's ability to continue as a going concern. The Covid-19 pandemic and related lockdown in the UK have had a material effect on the group's UK business. Management's base planning scenario indicates that the UK business is not expected to encounter any liquidity issues in either the current financial year or the year ending 31 March 2023. There are however credible downside scenarios, if the recovery of the UK business is slower than might otherwise be expected, in which the Owl Group, which owns the UK business, would be unable to make its interest payments in September 2022 on the senior secured notes against which the assets of the Owl Group are secured. 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 group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Audit scope

- Overall group materiality: £2,941,000 (2020: £3,510,000).
- The Group's headquarters are in the United Kingdom, which is where Group management resides
- We identified 3 reporting units which, in our view, required a full scope audit based on their size and risk

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Overview (continued)

Audit scope (continued)

- We used one component team to perform full scope audit procedures over two of the US components, with the Group team performing the remainder of the work. Group financial statement disclosures and a number of complex areas were audited by the UK Group engagement team. These included external borrowings, impairment assessments, share-based payments, taxation, going concern and central adjustments recorded as part of the consolidation process.
- Reporting units where audit procedures were performed accounted for 99% of Group revenue and 99% of Group profit before tax; and 99% of Group total assets. Our audit scope provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

- Material uncertainty related to going concern (group)
- Provisions for impairment of trade receivables (group)
- Valuation of defined benefit pension scheme assets and liabilities (group)
- Taxation (group)
- COVID-19 (group and company)
- Presentation and disclosure of US operations as discontinued operations and assets held for sale (group)
- Impairment of investments in subsidiaries (company)

Materiality

- Overall group materiality: £2,941,000 (2020: £3,510,000) based on 0.75% of total revenues.
- Overall company materiality: £1,489,700 (2020: £1,536,000) based on 1% of total assets.
- Performance materiality: £2,205,000 (group) and £1,117,270 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The presentation and disclosure of US operations as discontinued operations and assets held for sale and the impairment of investments in subsidiaries are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Provisions for impairment of trade receivables (group) Refer to notes 1 and 14 to the group consolidated financial statements for the directors' disclosure of the related accounting policies, judgements and estimates. As at 31 March 2021 the Group's trade receivables gross balance amounted to £8.7 million. A provision is recorded to adjust the balance to its expected recoverable amount. The Group has a provision for impairment of trade receivables of £3.8 million held on the balance sheet.	We focused on assessing the appropriateness of the judgements and estimates used in the Group's calculation of the provision for impairment of trade receivables. We have: • assessed the methodology used to estimate the recoverability of trade receivables and the assumptions used by management and recalculated the valuation of the provisioning required;

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions for impairment of trade receivables (group) (continued) The valuation of this provision requires management to make significant assumptions when assessing the future cash flows expected to be recovered from these receivables using an expected credit loss model; including considering historical experience of customer payment behaviour, new market information such as the effects of COVID-19 and other current information available. Our audit procedures focussed on the risk that the assumptions used by management could result in a misstatement of the provision. This is a key audit matter relevant to the Group.	• tested a sample of trade receivable balances through agreement to pre year-end invoicing and post year-end cash receipt, as appropriate; • challenged management regarding the appropriateness of receivable provisioning by assessing recoverability with reference to subsequent cash received and the Group's historical experience of actual trade receivable write offs; and • assessed the overall adequacy of provisions for impairment of trade receivables. Based on the evidence obtained, we concluded that management's approach to the expected credit loss is in line with IFRS standards and that the provision for impairment of trade receivables recorded is adequate and appropriate.
Valuation of defined benefit pension scheme assets and liabilities (group) Refer to notes 1 and 30 to the group consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. The Group has a defined pension benefit plan in the UK with a net retirement benefit surplus of £83.8 million which is significant in the context of the balance sheet of the Group. In particular, the valuation of the pension liabilities included within the net retirement benefit surplus require significant levels of judgement and technical expertise in choosing appropriate assumptions. The assumptions used to value the pension liabilities can be found on page 60 within note 30 to the consolidated financial statements. The directors employ actuarial experts to assist them in identifying appropriate assumptions and valuing the assets and liabilities in the scheme. We have focused on this area because changes in a number of key assumptions (particularly discount rates, mortality and inflation) can have a material impact on the calculation of the net retirement benefit surplus. This is a key audit matter relevant to the Group.	In respect of the defined benefit pension plan, we received and read the report issued to the directors by the actuary. With the assistance of our own actuarial experts, we evaluated the assumptions made in relation to the valuation of the pension liabilities and assets. In particular, we tested the assumptions around discount rates, mortality and inflation by comparing them to our independently developed benchmarks. We noted that the discount rate assumption was towards the middle of the range of these benchmarks with the mortality and inflation assumptions towards the prudent end of the range. We determined that this stance was consistent both with the expert actuarial advice received by the directors and the range position at which assumptions were established in prior years. We independently confirmed the values of the underlying assets held in the scheme with the asset managers or to independent third party sources. Overall, we consider the judgements taken and assumptions made by the directors to be supportable and appropriate.
Taxation (group) Refer to note 1, 8 and 12 to the group consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. The Group has historically operated across a number of international jurisdictions and undertaken a number of complex transactions. Various positions of judgement are taken in the application of international tax law in these financial statements. The Group closely monitors developments in tax legislation and the ultimate outcome of tax judgements made. Taxation is an area of focus for our audit because of these complexities and judgements. This is a key audit matter relevant to the Group.	In conjunction with our internal tax specialists we evaluated the Group's taxation in the financial statements, in particular we have: • reviewed the year-end reported information to ensure that the Group has appropriately provided against known exposures at the year-end; • assessed and formed our own views on the key tax judgements made by the Directors; • read relevant correspondence with tax authorities as appropriate; and • evaluated and concluded that the judgements were appropriately disclosed in the financial statements. Overall, we consider the calculation of current and deferred tax charges and balances to be appropriate.

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

COVID-19 (group and company) Refer to note 1 to the consolidated financial statements, strategic report and directors' report to the Annual report and financial statements. In December 2019, a novel strain of coronavirus (COVID-19) surfaced in China and has spread globally. This was declared a pandemic by the World Health Organisation (WHO) in 2020. COVID-19 has had an impact on the Group's trading in 2021, and may impact on the Group's ability, as well as the ability of the Group's customers and suppliers, to operate in a 'business as usual' manner, which could have a material effect on the results of the business, financial condition or results of operations. Management and the directors have considered the potential impact of the pandemic of COVID-19 on the current and future operations of the business. In doing so, management has had particular focus on the company's cash flow and liquidity position by performing various modelling scenarios of the potential impact. This is a key audit matter relevant to the Group and Company.	We have performed the following procedures to address this key audit matter: • held discussions with management to understand, in qualitative terms, the impact of COVID-19 on business operations; • challenged the key assumptions included in the models and cash flow forecasts; and • reviewed management's disclosures in relation to the COVID-19 pandemic and potential impact and found them to be consistent with the planning scenarios tested. Based on the information available, we consider the scenarios to be reasonable whilst noting that management's downside case shows there to be a material uncertainty regarding the potential longer-term effects of the Covid-19 pandemic of the Group's and Company's ability to continue as a going concern.
Presentation and disclosure of US operations as discontinued operations and assets held for sale (group) Refer to notes 1, 17 and 31 of the group consolidated financial statements and the Strategic Report to the Annual report and financial statements. On 4 May 2021, the Group sold its investment in Hibu Group (USA), Inc and its subsidiaries to a third party for net proceeds of $361.0m (£260.0m), after transaction costs. At the year end of 31 March 2021, the Group presented the US business as a discontinued operation with the disposal group assets classified as held for sale. The presentation of these balances is an area of focus for our audit because of the judgement involved in determining the appropriate presentation. This is a key audit matter relevant to the Group.	We have performed the following procedures to address this key audit matter: • held discussions with management to understand the rationale for the presentation included in the accounts; • obtained and reviewed the legal documentation for the sale of Hibu Group (USA), Inc subsequent to the year end date of 31 March 2021; and • agreed the financial statement disclosures are consistent with the guidance under IFRS 5 'Non-current assets held for sale and discontinued operations' Overall, we consider the presentation and disclosure of Hibu Group (USA), Inc and its subsidiaries as at 31 March 2021 to be appropriate.
Impairment of investments in subsidiaries (company) Refer to notes 1 and 10 to the company financial statements for the directors' disclosure of the related Accounting policies, judgements and estimates. As at 31 March 2021, the Company holds investments in subsidiaries of £141.2 million. Management has considered the declining performance of the underlying UK trading business in combination with the sale of the US operations as a potential impairment trigger. Management has not recorded a further provision for impairment in the year. Judgement is required in the impairment assessment, particularly around the methodology applied. Management has utilised a fair value less cost to sell model, in testing for possible impairment of the investment in subsidiaries and amounts receivable from subsidiary undertakings, with the fair value determined to be the market value of the UK listed debt and the US subsidiary operations as at the balance sheet date. This is a key audit matter relevant to the Company.	We have performed the following procedures to address this key audit matter: • critically assessed management's assessment of whether an indication of impairment exists; evaluated the methodology applied by management for impairment review and assessed whether this is in line with IAS 36; • tested the calculation of fair value less cost of disposal model used by management. We concluded that management's approach to the impairment reviews and accounting treatment is in line with IAS 36 and that no further provision for impairment was required in the year.

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around local finance functions in each of the Group's reporting entities. These functions maintain their own accounting records and controls (although transactional processing and certain controls for some reporting units are performed by the head office finance team) and report to the head office finance team through a consolidation system.

In establishing the overall Group audit strategy and plan, we determined the type of work that needed to be performed at the reporting units by the Group engagement team and by our component auditors from other PwC network firms. Where the work was performed by our component audit team, we determined the level of involvement we needed to have in the audit work so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. For each reporting entity we determined whether we required an audit of their reported financial information ("full scope").

The 3 reporting entities (one based in the United Kingdom, which was audited by the group engagement team and two based in the United States of America) where a full scope audit was required were determined as individually financially significant because all three individually contribute more than 15% of the Group's revenues. We maintained regular communication with the local teams, before, during and after their audits. We directed the work of the component teams, reviewed their approach and findings and participated in the closing meetings of the significant components.

In addition to the work performed at the in-scope reporting entities, there is work performed at head office by the Group audit engagement team. The Group consolidation, financial statement disclosures and a number of complex items, prepared by the head office finance function, were audited by the Group engagement team. These included external borrowings, impairment assessments, share-based payments, taxation, going concern and central adjustments recorded as part of the consolidation process.

Reporting units where audit procedures were performed accounted for 99% of Group revenue and 99% of Group profit before tax; and 99% of Group total assets. Our audit scope provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole. As a result of its structure and size, the Group also has a number of small reporting entities that make up the remaining portion of the key coverage metrics. These small reporting units are covered by the work performed by the Group audit engagement team, where we perform analytical review procedures. Those not subject to analytical review procedures were individually, and in aggregate, immaterial. This gave us the evidence we needed for our opinion on the financial statements as a whole.

The Company's accounting process is performed by the head office finance team, who maintain the Company's own accounting records and controls. All of the work is performed at the head office by the group engagement team. This includes the financial statement disclosures and complex items, prepared by the head office finance function such as investments and intercompany.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Materiality (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£2,941,000 (2020: £3,510,000).	£1,489,700 (2020: £1,536,000).
How we determined it	0.75% of total revenues	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, total revenues is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is deemed the most appropriate basis for materiality as the company is a holding company. It does not trade and only recognises intercompany interest amounts and recharges in the income statement. The key financial performance indicator of the company is therefore the value of its investments in the UK and US businesses, hence total assets is the appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1,156,000 and £2,793,950. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £2,205,000 for the group financial statements and £1,117,270 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £147,000 (group audit) (2020: £175,000) and £74,480 (company audit) (2020: £76,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

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 group's and 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 group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, bribery and corruption, tax legislation and data protection, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, omitting, advancing or delaying recognition of events and transactions that have occurred during the reporting period and management bias in accounting estimates or judgements to manipulate results. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and internal legal counsel including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meeting with the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and journals posted by senior management; and
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the recoverability of trade receivables balances, the appropriateness of the assumptions used in the pension scheme, the treatment of unrecognised tax positions and the recoverability of investments in subsidiaries and intercompany receivables.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent auditors' report to the members of Hibu Group Limited (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

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 obtained 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 company 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

28 July 2021

Hibu Group Limited

Group income statement

For the year ended 31 March

£m	Note(s)	2021	2020
Continuing operations			
Revenue	2	**121.8**	165.8
Net impairment losses on financial assets – trade receivables [(a)]	3,13	**(2.7)**	(7.6)
Cost of sales	3	**(59.8)**	(85.0)
Gross profit		**59.3**	73.2
Administrative expense (including exceptional costs of £6.8m; 2020: £12.0m)	3,6	**(59.8)**	(60.0)
Operating (loss) / profit		**(0.5)**	13.2
Finance costs	7	**(21.9)**	(23.0)
Finance income	7	**3.7**	4.5
Net finance costs	7	**(18.2)**	(18.5)
Loss before tax		**(18.7)**	(5.3)
Tax credit / (charge)	8	**2.1**	(11.9)
Loss for the year from continuing operations		**(16.6)**	(17.2)
Discontinued operations			
Profit for the year from discontinued operations	17	**43.2**	46.1
Profit for the year		**26.6**	28.9

(a) The prior year comparatives have been restated to separately present the impairment losses on receivables, as further set out in the basis of preparation in note 1.

Group statement of comprehensive income

For the year ended 31 March

£m	Note(s)	2021	2020
Profit for the year		**26.6**	28.9
Other comprehensive (expense) / income:			
Items that will not be reclassified to profit or loss:			
Net actuarial (loss) / gain on defined benefit pension scheme	30	**(79.0)**	37.6
Tax effect of net loss / (gain) not recognised in the Group income statement	8,30	**15.0**	(9.7)
Items that may be reclassified to profit or loss:			
Exchange (loss) / gain arising on translation of foreign continuing operations	27	**(0.1)**	0.1
Exchange (loss) / gain arising on translation of foreign discontinued operations	27	**(3.5)**	1.8
Total other comprehensive (expense) / income		**(67.6)**	29.8
Total comprehensive (expense) / income for the year		**(41.0)**	58.7

Hibu Group Limited

Group statement of financial position at 31 March

£m	Note(s)	2021	2020
Non-current assets			
Intangible assets	10	**6.3**	17.1
Property, plant and equipment	11	**6.8**	24.4
Deferred tax assets	12	**–**	3.0
Retirement benefit surplus	30	**83.8**	159.1
Trade and other receivables	14	**1.0**	3.8
Total non-current assets		**97.9**	207.4
Current assets			
Inventories	15	**–**	0.3
Trade and other receivables	14	**11.9**	46.7
Corporate income tax assets		**0.2**	1.0
Cash and cash equivalents	16	**31.0**	76.9
		43.1	124.9
Assets of disposal group classified as held for sale	17	**112.5**	–
Total current assets		**155.6**	124.9
Total assets		**253.5**	332.3
Current liabilities			
Borrowings	18,23	**–**	(8.8)
Corporate income tax liabilities		**(5.8)**	(12.4)
Trade and other payables	20	**(34.3)**	(80.1)
Lease liabilities	22	**(2.0)**	(3.3)
Provisions for liabilities	21	**(1.1)**	(2.3)
		(43.2)	(106.9)
Liabilities of disposal group classified as held for sale	17	**(58.8)**	–
Total current liabilities		**(102.0)**	(106.9)
Net current assets		**53.6**	18.0
Non-current liabilities			
Borrowings	18,23	**(211.0)**	(209.5)
Deferred tax liabilities	12	**(9.5)**	(32.2)
Trade and other payables	20	**(0.4)**	(0.8)
Lease liabilities	22	**(5.5)**	(16.7)
Provisions for liabilities	21	**(0.9)**	(1.4)
Total non-current liabilities		**(227.3)**	(260.6)
Total liabilities		**(329.3)**	(367.5)
Net liabilities		**(75.8)**	(35.2)
Equity attributable to owners			
Share capital	25	**–**	–
Other reserves	27	**11.3**	81.8
Accumulated losses		**(87.1)**	(117.0)
Total equity		**(75.8)**	(35.2)

Company registered in England and Wales No. 08815102. The notes on pages 25 to 64 are an integral part of these financial statements.

The financial statements on pages 21 to 64 were approved by the Board of directors on 28 July 2021 and were signed on its behalf by

DJ Anderson

David Anderson
Director

Hibu Group Limited

Group statement of changes in equity

For the year ended 31 March 2021

£m	Share capital	Other reserves	Accumulated losses	Total equity
Balance at 1 April 2019	–	52.3	(129.4)	(77.1)
Profit for the year	–	–	28.9	28.9
Total other comprehensive income for the year	–	29.8	–	29.8
Total comprehensive income for the year	–	29.8	28.9	58.7
Share-based payments (see note 26)	–	(0.3)	–	(0.3)
Dividends (see note 9)	–	–	(16.5)	(16.5)
Total transactions with owners, recognised directly in equity	–	(0.3)	(16.5)	(16.8)
Balance at 31 March 2020	–	81.8	(117.0)	(35.2)
Balance at 1 April 2020	–	**81.8**	**(117.0)**	**(35.2)**
Profit for the year	–	–	**26.6**	**26.6**
Total other comprehensive expense for the year	–	**(67.6)**	–	**(67.6)**
Total comprehensive (expense) / income for the year	–	**(67.6)**	**26.6**	**(41.0)**
Share-based payments (see note 26)	–	**0.4**	–	**0.4**
Reclassification of translation reserves [(a)]	–	**(3.3)**	**3.3**	–
Total transactions with owners, recognised directly in equity	–	**(2.9)**	**3.3**	**0.4**
Balance at 31 March 2021	–	**11.3**	**(87.1)**	**(75.8)**

(a) The reclassification between translation reserves and accumulated losses relates to translation reserves associated with overseas operations that were liquidated or wound up in prior periods.

See Group notes 25 and 27 for a further analysis of share capital and other reserves.

Hibu Group Limited

Group cash flow statement

For the year ended 31 March

£m	Note	2021	2020
Net cash flows from operating activities			
Cash generated from operating activities		**23.6**	36.1
Interest and financing fees paid		**(18.6)**	(18.9)
Lease interest paid		**(1.1)**	(1.0)
Corporate income and withholding taxes paid		**(0.5)**	(5.4)
Net cash inflow from operating activities		**3.4**	10.8
Net cash inflow from operating activities of discontinued operations	17	**50.2**	65.9
Cash flows from investing activities			
Repurchase of equity instruments		**(0.1)**	–
Net payments for purchase of intangible assets and software		**(5.8)**	(5.2)
Net payments for purchase of property, plant and equipment		**(0.8)**	(0.6)
Net cash outflow from investing activities		**(6.7)**	(5.8)
Net cash outflow from investing activities of discontinued operations	17	**(8.1)**	(8.5)
Free cash flow		**38.8**	62.4
Cash flow from financing activities			
Revolving credit facility (repayment) / drawdown	23	**(8.8)**	8.8
Repurchase of senior secured notes		**–**	(9.5)
Repayment of lease liabilities		**(2.3)**	(2.5)
External dividends paid	9	**–**	(16.5)
Dividend received from discontinued operations	17	**12.2**	28.2
Net intercompany loan repayment (paid to) / received from discontinued operations	17	**(0.6)**	0.7
Net cash inflow from financing activities		**0.5**	9.2
Net cash outflow from financing activities of discontinued operations	17	**(12.8)**	(32.2)
Net increase in cash and cash equivalents		**26.5**	39.4
Cash and cash equivalents at the beginning of the year		**76.9**	35.6
Exchange (losses) / gains on cash and cash equivalents		**(0.4)**	0.1
Exchange (losses) / gains on cash and cash equivalents of discontinued operations		**(5.4)**	1.8
Cash and cash equivalents – discontinued operations		**(66.6)**	–
Cash and cash equivalents at year-end	16	**31.0**	76.9

Cash generated from operating activities – continuing operations
For the year ended 31 March

£m	Note	2021	2020
Loss for the year		**(16.6)**	(17.2)
Adjustments for:			
Tax (credit) / charge	8	**(2.1)**	11.9
Finance income	7	**(3.7)**	(4.5)
Finance costs	7	**21.9**	23.0
Depreciation of property, plant and equipment	11	**3.1**	3.4
Impairment of property, plant and equipment	11	**0.3**	–
Loss on disposal of property, plant and equipment		**0.3**	–
Amortisation of intangible assets	10	**6.5**	7.2
Foreign exchange losses		**–**	0.2
Pension contribution		**–**	(0.3)
Share-based payments charge / (credit)	26	**0.4**	(0.1)
Other non-cash movements		**0.1**	–
Changes in working capital:			
Decrease in trade and other receivables		**9.9**	9.3
Increase in trade and other payables		**3.7**	4.0
Net movement in intercompany trading account with discontinued operations		**(0.2)**	(0.8)
Cash generated from operating activities		**23.6**	36.1

Notes to the consolidated financial statements for the year ended 31 March 2021

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments

Basis of preparation and consolidation

Hibu Group Limited (the "Company") is a private company limited by shares incorporated and domiciled in the UK.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial instruments at fair value in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applicable to companies using IFRS.

The Group financial statements consolidate the financial statements of the Company and all subsidiaries for the year ended 31 March 2021. Details of subsidiary undertakings at the year-end, all of which are unlisted, are shown in note 13 to the consolidated financial statements. The senior secured notes issued during the prior year by the Company's subsidiary undertaking, Yell Bondco plc, are listed on the International Stock Exchange.

In accordance with IFRS 1, the Group has measured its assets and liabilities at the same amounts in both its consolidated and separate financial statements, and the financial statements of its subsidiaries, after adjusting for consolidation and equity accounting adjustments and for the effects of any business combination in which the entity acquired its subsidiary undertakings. All significant companies within the Group have been consolidated on a coterminous year-end basis. All transactions between the Group's businesses have been eliminated in the preparation of these consolidated financial statements. Intra-group transactions have not been disclosed, other than those shown in note 28, related party transactions.

The £7.6m of net impairment losses on financial assets – trade receivables on the face of the income statement in the year ended 31 March 2020 was previously reported within cost of sales and has been reclassified to be consistent with the current year presentation of 'Net impairment losses on financial assets – trade receivables'. Gross profit and net income are not affected by this reclassification of costs.

Going concern

The financial statements have been prepared on a going concern basis. The Group has £214m of senior secured notes and a £25m revolving credit facility, of which £nil was drawn at 31 March 2021. 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 when £8.75m or more is drawn. The senior secured notes and revolving credit facility are secured on the assets of the Owl Group. Owl Finance Limited and all its subsidiaries are guarantors of the senior secured notes and the revolving credit facility.

The COVID-19 pandemic and related lockdown in the UK had a material effect on the UK business in the first part of the year ended 31 March 2021 but since then UK results have largely stabilised and management's financial forecasts indicate that the UK business will have sufficient liquidity to meet all its financial obligations in the current financial year and the year ending 31 March 2023.

In accordance with guidance from the Financial Reporting Council, against the backdrop of uncertainty caused by the COVID-19 pandemic and the revenue trajectory of the two most recent financial years, management has modelled an unlikely but possible downside scenario in which, if the recovery of the UK business faltered and went significantly into reverse with no mitigating cost reductions, the Owl Group would be unable to make its interest payments on the Senior Secured Notes against which the assets of the Owl Group are secured as early as September 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Group have considered the implications of this and the risks as set out in the Strategic report on pages 2 to 10, in particular whether it is appropriate to prepare the financial statements on a going concern basis and the adequacy of the going concern disclosures made within the financial statements. The directors have concluded that there is a material uncertainty regarding the potential longer-term effects of the COVID-19 pandemic on the Owl Group's liquidity and hence the Group's ability to continue as a going concern.

However, the directors have also concluded that, given the Group 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 Group were unable to continue as a going concern.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Significant accounting policies

(a) Revenue

Group revenue, after deduction of sales allowances, value added tax and other sales taxes, comprises the value of services provided by Group undertakings. Revenue from classified directories and other directories, mainly comprising advertising revenue, is recognised in the Group income statement upon completion of delivery to the users of the directories. Digital directory revenue is recognised from the point at which service is first provided over the life of the contract. Other digital marketing services revenue is recognised from the point at which service is first provided in accordance with relevant performance criteria with the exception of revenue from building websites, which is recognised when the site is successfully delivered to the customer. 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 digital marketing services, digital directories and printed directories. Provisions for impairment of trade receivables are also included within cost of sales.

(c) Administrative expenses

The Group expenses costs relating to administrative expenses as the costs are incurred.

(d) Government Grants

Revenue grants are treated as a form of deferred income that must be spread over the period in which the related revenue is earned or costs expensed. Grants relating to income are recorded in the period in which the related revenue is earned. Grants relating to expenditure are treated as reductions of that expenditure within the period in which the expense is incurred.

(e) Finance costs and income

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

(f) Exceptional items

Exceptional items are transactions that by virtue of their incidence, size, nature, or combination of all three, are disclosed separately in the notes to the consolidated financial statements.

(g) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are prepared in 'pound sterling', which is the Group's presentation currency.

On consolidation, the assets and liabilities of foreign undertakings are translated into sterling at the rates of exchange ruling at the date of the Group statement of financial position. The results of foreign undertakings are translated into sterling at average rates of exchange for the year to the extent that these rates approximate the actual rates.

Trading transactions denominated in foreign currency are translated locally at the rate of exchange when the transactions were entered into. Exchange differences are included in the Group income statement in the year in which they arise or directly in equity depending upon the nature of the transaction.

(h) Assets held for sale and discontinued operations

Where the Group expects to recover the carrying amount of a group of assets through a sale transaction rather than through continuing use, and a sale is considered to be highly probable at the balance sheet date, the assets are classified as held for sale and measured at lower of cost and the fair vale less costs to sell. If the group of assets constitutes a separate major line of business, it is classified as a discontinued operation.

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Significant accounting policies (continued)

(i) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(i) Intangible assets

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These net assets may include software development costs, brand names, non-compete agreements, contracts, customer commitments and customer lists, all of which are recorded as intangible assets and held at cost less accumulated amortisation.

Software, including internally developed software, is amortised on a straight-line basis over its useful economic life, which does not generally exceed 2 years. Brand names are amortised on a straight-line basis over their useful economic lives, which do not exceed 8 years. Asset lives and method of amortisation are reviewed and adjusted, if appropriate, at each Group statement of financial position date. No asset values were adjusted as a result of this review.

Internally developed software that is capitalised includes the employee costs of developing the software and an appropriate portion of overheads. Assets under construction are depreciated when the assets are available for use.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Cost comprises the purchase price and other costs of bringing an asset into use.

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 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, and a charge is recognised in the income statement under administrative expenses.

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:

Leasehold improvements	Five years or life of lease if less than five years
Computers and equipment	Two to six years
Right-of-use assets	Over the period of the lease

(l) Asset impairment

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 discounted future earnings from operating the assets.

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Significant accounting policies (continued)

(l) Asset impairment (continued)

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.

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:

i) First, to reduce the carrying amount of any goodwill allocated to the CGU;

ii) Then, to reduce the carrying amount of any intangible assets allocated to the CGU; and

iii) 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.

(m) Inventory

Inventory is stated at the lower of cost and net realisable value and is valued using a "first in, first out" basis. Inventory comprises paper stocks and the paper and printing costs of books awaiting shipment.

(n) 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.

(o) Trade and other payables

Trade payables are stated at amortised cost. Other payables are initially recognised at fair value and subsequently re-measured at amortised cost.

(p) 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.

(q) Leases

On 1 April 2019, the Group adopted IFRS 16 "Leases". The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the applicable incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured when there is a change in future lease payments or if the assessment of whether a company will exercise a purchase, extension or termination option. The policies adopted and the details of the effect of adopting the standard, are set out in note 31 to these financial statements.

(r) Borrowings

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

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Significant accounting policies (continued)

(s) Share capital

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

(t) Employee benefits

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

The Group maintains a defined benefit pension scheme ("UKPP") for UK employees employed before 1 October 2001, but that was closed to future accrual from 31 March 2011. The Group also offers membership to a defined contribution scheme to its UK employees and a 401(k) plan to its US employees.

All pension schemes are independent of the Group's finances. Actuarial valuations of the UKPP 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 30 for a description of the associated risk.

The Group 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 Group reports a surplus as an asset if the requirements 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 Group statement of comprehensive income.

Payments to the Group's defined contribution schemes are charged against profit as incurred.

(u) Current and deferred tax

The charge or credit for tax is based on the profit or loss for the year 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 profits 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 for the amounts expected to be paid or recovered under the tax rates that have been enacted or substantively enacted by the Group statement of financial position date. Deferred tax is measured at the tax rates that are expected to apply in the years in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Group statement of financial position date. Deferred tax assets and liabilities are not discounted.

No provision is made for temporary differences relating to investments in subsidiaries where realisation of such differences can be controlled and is not probable in the foreseeable future.

(v) Financial assets

The Group shows its financial assets as loans or receivables where they are non-derivative with fixed or determinable prices and they are included in current assets. The Group has no non-derivative financial assets held at fair value through the Group income statement as no such assets are held for trading.

(w) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and the fair value is subsequently remeasured at year-end. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Significant accounting policies (continued)

(w) Derivative financial instruments (continued)

The Group has not designated any derivatives as:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of highly probable forecast transactions (cash flow hedges); or
- hedges of net investments in foreign operations (net investment hedges).

If it did, changes in the fair value of derivatives that qualify as fair value hedges would be recorded in the Group income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Group income statement. Amounts accumulated in equity are recycled to the Group income statement in the year when the hedged item affects income (for instance, when the forecast transaction that is hedged takes place).

Amounts deferred in equity on hedges of net investments are recycled when the underlying investment is disposed. The Group does not hold or issue derivative financial instruments for speculative purposes. Changes in the fair value of derivative instruments or elements of derivative instruments that do not qualify for hedge accounting are recognised immediately in the Group income statement.

(x) Dividends

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

(y) Contingent liabilities

Through the normal course of business, the Group is involved in legal disputes, the settlement of which may involve cost to the Group. These costs are accrued when payment is probable and associated costs can be reliably estimated.

(z) Share-based payments

The costs of share-based payments to individuals providing services to the Group are charged against the income of the Group to the extent services are received. The costs represent the relevant portion of the fair value of the equity rights transferring to the individuals.

Critical accounting estimates and judgments

In preparing the consolidated financial statements, the Group's management have made their best estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. The Group regularly reviews these estimates and judgments and updates them when required. Actual results could differ from these estimates and judgments. Unless otherwise indicated, the Group does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. The Group has presented below a description of the most significant estimates and judgments, which require management to make subjective and complex judgments, and matters that are inherently uncertain.

Expected credit losses:

The Group 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 expected credit loss provision and considered in the historical loss experience.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Critical accounting estimates and judgments (continued)

Pension assets:

The Group maintains the UKPP for UK employees employed before 1 October 2001. The UKPP plan assets are held in separate trustee administered funds that are invested primarily in debt securities, liability-driven investments, cash and a bulk annuity policy.

The trustees of the UKPP are required to act in the best interest of its beneficiaries. The appointment of trustees to the UKPP is determined by Yell Limited in accordance with the trust documentation, as modified by UK statute. An independent professional trustee and two other trustees are appointed by Yell Limited. Two 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 exceptions to this are the values of the insurance contracts that are determined with reference to the value of the underlying liabilities, which are subject to significant estimates as detailed further below. The trustees and management have an agreed strategy to mitigate the risk of having insufficient funds, if markets fall, through a bulk annuity policy that covers nearly all of the UKPP plan's pensioners and liability-driven investment funds. The purpose of the bulk annuity policy and liability-driven investment funds is to significantly reduce the volatility of the UKPP 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.

Pension liabilities:

The UKPP was closed to future accrual from 31 March 2011, thus reducing the Group's exposure to future changes in salaries and employee service years. The determination of the Group's obligation, expense and contribution rate for pensions is dependent on the selection of assumptions that its actuaries use in calculating such amounts. Those 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 expectations. Differences in the Group's actual experience or changes in its assumptions can materially affect the amount of reported future pension obligations and future valuation adjustments in the statement of comprehensive income. The Group seeks expert actuarial advice in setting its assumptions (see note 30).

The Group's defined contribution scheme is managed by a mastertrust separately from the assets and liabilities of the Group.

Share-based payments:

The accounting for share-based payments as either equity-settled or cash-settled is based upon a judgment of whether the most likely outcome for the recipients of awarded shares will be an equity or cash settlement. The judgment is tested at each financial year end until fully vested. If the judgment changes in the future, then the accounting entries must reflect the change in basis.

The shares awarded by the subsidiary, Hibu Midco Limited were deemed to be equity settled at the date of grant and at each balance sheet date during the vesting period. The fair value of the restricted Class B shares issued by the indirect subsidiary Yell Holdco Limited is determined on the assumption of equity settlement. The fair value of the restricted VCP shares issued by the indirect subsidiary Yell Holdco Limited shares is determined on the assumption of cash settlement.

The fair value of equity-settled instruments is determined only on the date of grant and the fair value of cash-settled instruments is redetermined at the most recent balance sheet date. The fair values are charged to the income statement over the shorter of the period to the most likely date of settlement or the period to the date of vesting.

Tax:

The determination of the Group's obligation and expense for taxes requires an interpretation of tax law. Judgments and estimates are required to determine the appropriate amount of tax to provide for and any required disclosure around contingent tax liabilities at each period end (see note 24).

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Critical accounting estimates and judgments (continued)

Tax (continued):

The Group 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 local 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 local factors (see note 8). Whilst the Group believes that its judgments are prudent and appropriate, significant differences in actual experience may materially affect future tax charges.

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

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

Judgment was exercised in evaluating the effect of the COVID-19 pandemic on the financial statements in the following 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

Standards that have been adopted during the current year

There were no new standards or interpretations adopted during the year. However, the following amendments to existing standards became effective, none of which were material to the Group:

- Amendments to IFRS 3, 'Business Combinations'. This amendment revised the definition of a business with a view to reducing complexity in determining whether a transaction constitutes a business combination.
- Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. These amendments seek to clarify the explanation of the definition of material and ensure a consistent use of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting.
- Amendments to IFRS 9, 'Financial Instruments', IFRS 7 'Financial Instruments: Disclosure' and IAS 39, 'Financial Instruments: Recognition and Measurement'. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2021 or later periods, but which the Group has chosen not to adopt early, as set out below:

- Amendment to IFRS 16, 'Leases'. This amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account in the same way as they would if they were not lease modifications. This amendment has received UK endorsement and is effective for annual periods beginning on or after 1 June 2020.
- Amendments to IFRS 17, 'Insurance Contracts', IFRS 4, 'Insurance Contracts' and IFRS 16, 'Leases' Interest Rate Benchmark Reform – phase 2. These amendments address issues arising from the implementation of the reforms. They have received UK endorsement and are effective for annual periods beginning on or after 1 January 2021.
- Amendments to IFRS 17, 'Insurance Contracts', IFRS 4, 'Insurance Contracts' and the deferral of application of IFRS9, 'Financial Instruments'. These amendments defer the date of application of IFRS 17 by two years and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9 until 1 January 2023. These amendments have received UK endorsement and are effective for annual periods beginning on or after 1 January 2023.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

1. Basis of preparation and consolidation, significant accounting policies and critical accounting estimates and judgments (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

Other publications that have been issued, which have not yet received UK endorsement and which are effective for accounting periods beginning on or after 1 January 2022 include amendments to IAS 1, 'Presentation of Financial Statements' and a number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16.

Other publications have also been issued, which have not yet received UK endorsement and which are effective for accounting periods beginning on or after 1 January 2023. These include IFRS17, 'Insurance Contracts' and some narrow-scope amendments to IAS 1 and IAS 8.

2. Revenue – continuing operations

Year ended 31 March

£m	2021	2020
Digital directories	**67.8**	90.2
Other digital marketing services	**54.0**	75.6
Total revenue [(a)]	**121.8**	165.8

(a) All revenues were from services delivered in the UK.

The Group's contracts with customers are materially of one year or less and, accordingly, performance obligations are expected to be materially satisfied within twelve months. Therefore, the Group is applying the practical expedient in paragraph 121 of IFRS 15.

3. Expenses by nature – continuing operations

Year ended 31 March

£m	Note	2021	2020
Staff costs (excluding exceptional restructuring costs)		**53.6**	62.5
Exceptional items	6	**6.8**	12.0
Depreciation of property, plant and equipment		**3.1**	3.4
Operating lease expenses – property, plant and equipment	24	**0.9**	0.9
Amortisation of intangible assets		**6.5**	7.2
Third party direct costs		**21.9**	30.3
Expected credit loss provision charge	14	**2.7**	7.6
Other		**26.8**	28.7
Total cost of sales and administrative expenses		**122.3**	152.6

Variable costs incurred in acquiring and retaining a customer contract (primarily sales commissions and associated employer taxes) are spread over the life of that contract. The movement in relation to the deferral of such costs, included within prepayments (see note 14), and the amounts expensed during the year are as follows:

Deferred variable costs

£m	2021 Less than one year	2021 Greater than one year	2021 Total	2020 Less than one year	2020 Greater than one year	2020 Total
At 1 April	**6.2**	**0.1**	**6.3**	6.4	1.3	7.7
Amounts deferred during the year	**3.5**	**0.1**	**3.6**	8.1	0.2	8.3
Amounts amortised during the year	**(7.3)**	**(0.1)**	**(7.4)**	(8.3)	(1.4)	(9.7)
At 31 March	**2.4**	**0.1**	**2.5**	6.2	0.1	6.3

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

4. Auditors' remuneration

The following fees were paid or are payable to the Group's auditors for the years ended 31 March 2021 and 2020:

Year ended 31 March

£m	2021	2020
Fees payable to the auditors for the audit of the Group and Company annual financial statements		
- in respect of the current year	**0.3**	0.3
Audit of the Company's subsidiaries	**0.7**	0.7
Total fees payable for audit services	**1.0**	1.0
Fees payable to the Group's auditors and its associates for other services:		
Tax compliance services	**0.2**	0.2
Tax advisory services	**0.3**	0.2
Other non-audit services [a]	–	–
Total fees payable for non-audit services	**0.5**	0.4
Total auditors' remuneration	**1.5**	1.4

(a) The fee payable to the Group's auditors in the current year for Other Non-audit Services totalled £3,600 (2020: £5,059)

5. Employees

Year ended 31 March

	2021	2020
Average monthly number of employees in the Group (including executive directors and including discontinued operations):		
US	**1,221**	1,428
UK	**1,173**	1,358
Total employees	**2,394**	2,786
Sales and marketing	**1,569**	1,817
Other	**825**	969
Total employees	**2,394**	2,786

Year ended 31 March

£m	2021	2020
Staff costs for the Group during the year (including executive directors and including discontinued operations):		
Wages and salaries	**143.9**	166.9
Social security costs	**11.5**	13.4
Other pension costs	**3.1**	3.7
Past service cost	–	0.1
Severence costs	**5.1**	2.6
Share-based payments charge / (credit)	**0.4**	(0.3)
Amount capitalised	**(3.2)**	(3.9)
Total staff costs expensed to the income statement [b]	**160.8**	182.5

(b) As part of the Coronavirus Job Retention Scheme, a benefit of £3.5m (2020: £nil) has been credited to staff costs, which are stated net of this benefit. There are no unfulfilled conditions or other contingencies attached to this grant.

6. Exceptional items – continuing operations

Exceptional items are transactions that by virtue of their incidence, size or a combination of both, are disclosed separately. Exceptional items comprise the following:

Year ended 31 March

£m	2021	2020
Severance costs	**4.3**	2.3
Settlement of incentive arrangements relating to prior periods	**1.1**	–
Fees associated with financial restructuring	**0.7**	–
Onerous lease costs	**0.6**	–
Pension settlement costs	**–**	8.4
Other restructuring costs	**–**	1.0
Past service cost	**–**	0.1
Other exceptional costs [(a)]	**0.1**	0.2
Net exceptional expense in Group profit before tax	**6.8**	12.0

(a) Other exceptional costs include an amount of £0.1m (2020: £nil) in respect of fees associated with the disposal of US subsidiaries (see note 17).

7. Net finance costs – continuing operations

Year ended 31 March

£m	2021	2020
Interest payable on 8.5% senior secured notes	**(18.2)**	(18.4)
Amortisation of deferred financing costs	**(1.5)**	(1.5)
Underlying interest charges on credit facilities	**(19.7)**	(19.9)
Interest on lease liabilities	**(1.1)**	(1.0)
Net foreign exchange losses on financing activities	**(0.5)**	(1.1)
Provision for interest on uncertain tax positions	**(0.1)**	(0.2)
Intercompany interest payable	**–**	(0.3)
Other interest payable	**(0.5)**	(0.5)
Total finance costs	**(21.9)**	(23.0)
Net finance income from retirement benefit plan surplus (see note 30)	**3.7**	2.8
Gain on repurchase of senior secured notes	**-**	1.5
Other interest income	**-**	0.2
Total finance income	**3.7**	4.5
Net finance costs	**(18.2)**	(18.5)

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

8. Tax (credit) / charge

The Company is resident in the UK for tax purposes. The tax charge on the Group's profit (2020: profit) before tax is analysed as follows:

Year ended 31 March

£m	2021	2020
Current tax		
UK corporation tax charge for the year	–	0.3
Foreign corporate income tax charge for the year	**8.7**	8.8
Adjustments in respect of prior periods	**(6.1)**	(8.3)
Total current tax charge	**2.6**	0.8
Deferred tax (see note 12)		
UK deferred tax charge for the year	**0.2**	7.5
Foreign deferred tax (credit) / charge for the year	**(2.7)**	1.9
Adjustments in respect of prior periods	**(1.1)**	2.6
Effect of changes in tax rates	–	(0.4)
Total deferred tax (credit) / charge	**(3.6)**	11.6
Total tax (credit) / charge	**(1.0)**	12.4

A tax credit of £2.1m (2020: charge of £11.9m) comprising of a current tax credit of £0.4m (2020: credit of £7.8m) and a deferred tax credit of £1.7m (2020: charge of £19.7m) relates to continuing operations. A tax charge of £1.1m (2020: charge of £0.5m) comprising of a current tax charge of £3.0m (2020: charge of £8.6m) and a deferred tax credit of £1.9m (2020: credit of £8.1m) relates to discontinued operations (see note 17).

The tax credit (2020: charge) for the year is higher than (2020: higher than) the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are explained below:

Year ended 31 March

£m	2021	2020
Profit before tax	**25.6**	41.3
Profit before tax multiplied by the standard rate of corporation tax in the UK	**4.9**	7.8
Effects of:		
Adjustments in respect of prior periods [(a)]	**(7.2)**	(5.7)
Deferred tax provision for unremitted earnings from discontinued operations (see note 17)	**(5.4)**	(4.0)
Foreign withholding taxes (recoverable) / paid	**(0.1)**	4.5
Deferred tax assets not recognised on restricted interest expenses (see note 12)	**3.5**	2.0
Differing tax rates on foreign profits	**2.6**	1.7
Non-taxable / deductible items	**0.8**	–
Deferred tax assets not recognised on net operating losses (see note 12)	–	6.5
Remeasurement of deferred tax – change in tax rates	–	(0.4)
Non-deductible foreign exchange losses	–	0.2
Other	**(0.1)**	(0.2)
Total tax (credit) / charge	**(1.0)**	12.4

(a) Included within adjustments in respect of prior periods is £3.2m (2020: £4.9m) in respect of the release of provisions for uncertain tax positions in respect of discontinued operations.

8. Tax (credit) / charge (continued)

The calculation of the Group'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 Group has open tax periods in the UK and US involving a number of issues. Within corporate income tax liabilities of £5.8m at 31 March 2021 (2020: £12.4m), the Group has provided £5.8m (2020: £12.1m) in respect of open tax periods that have not yet been agreed by tax authorities. The final agreed liabilities may vary from the amounts provided as these are dependent upon the outcomes for each open period in the relevant countries. The Group 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 Group does not expect material changes to occur to the level of provisions against uncertain tax positions during the next twelve months.

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

Year ended 31 March

£m	**2021**	2020
Deferred tax (credit) / charge on actuarial (loss) /gain (see note 30)	**(15.0)**	7.2
Remeasurement of deferred tax – change in tax rates (see below)	–	2.5
Tax (credited) / charged directly to equity	**(15.0)**	9.7

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The Finance Act 2021 was enacted on 10 June 2021. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date would have increased the tax expense for the year by £1.4m and the deferred tax liability by £3.6m to £13.0m.

9. Dividends

£m	**2021**	2020
Ordinary dividends	–	16.5
	–	16.5

In the prior year, the Company paid ordinary dividends of $4.75m (£3.7m), $9.5m (£7.8m) and $6.4m (£5.0m) to its shareholders on 24 June 2019, 19 August 2019 and 25 November 2019, respectively. A dividend of $346.0m (£249.2m) (2020: $nil (£nil)) has been declared and paid since 31 March 2021, following the disposal of Hibu Group (USA), Inc and its subsidiaries (see notes 17 and 31).

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

10. Intangible assets

£m	Brand names	Software costs	Total
1 April 2019 - Cost	18.6	91.9	110.5
Accumulated amortisation	(16.4)	(75.2)	(91.6)
Net book value at 1 April 2019	2.2	16.7	18.9
Year ended 31 March 2020 - Cost			
Balance at beginning of year	18.6	91.9	110.5
Additions	–	12.4	12.4
Disposals	–	(2.1)	(2.1)
Currency movement	0.9	3.6	4.5
Cost at 31 March 2020	19.5	105.8	125.3
Accumulated amortisation			
Balance at beginning of year	(16.4)	(75.2)	(91.6)
Charge for the year	(0.8)	(13.9)	(14.7)
Disposals	–	2.1	2.1
Currency movement	(0.7)	(3.3)	(4.0)
Accumulated amortisation at 31 March 2020	(17.9)	(90.3)	(108.2)
Net book value at 31 March 2020	1.6	15.5	17.1
Balance at beginning of year	**19.5**	**105.8**	**125.3**
Additions	**–**	**13.3**	**13.3**
Disposals	**–**	**(6.7)**	**(6.7)**
Currency movement	**(1.7)**	**(8.2)**	**(9.9)**
Transferred to assets of disposal group held for sale (note 17)	**(13.8)**	**(63.0)**	**(76.8)**
Cost at 31 March 2021	**4.0**	**41.2**	**45.2**
Accumulated amortisation			
Balance at beginning of year	**(17.9)**	**(90.3)**	**(108.2)**
Charge for the year	**(0.8)**	**(13.4)**	**(14.2)**
Disposals	**–**	**6.7**	**6.7**
Currency movement	**1.5**	**7.3**	**8.8**
Transferred to assets of disposal group held for sale (note 17)	**13.5**	**54.5**	**68.0**
Accumulated amortisation at 31 March 2021	**(3.7)**	**(35.2)**	**(38.9)**
Net book value at 31 March 2021	**0.3**	**6.0**	**6.3**

There is no goodwill included in intangible assets. Assets under construction with a net book value of £0.2m (2020: £3.1m) are included within software costs at 31 March 2021 (31 March 2020). All amortisation charged in the year is included within administrative expenses within the income statement.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

11. Property, plant and equipment

Property, plant and equipment is summarised as follows:

£m	Leasehold Improve-ments	Computers and equipment	Right-of-use assets: property	Right-of-use assets: other	Total
1 April 2019 - Cost	1.3	32.2	13.4	2.6	49.5
Accumulated amortisation	(0.5)	(25.9)	–	–	(26.4)
Net book value at 1 April 2019	0.8	6.3	13.4	2.6	23.1
Year ended 31 March 2020 - Cost					
Balance at beginning of year	1.3	32.2	13.4	2.6	49.5
Additions	0.3	1.1	6.4	–	7.8
Disposals	(1.0)	(6.9)	(1.1)	–	(9.0)
Currency movement	0.2	1.2	0.5	0.1	2.0
Cost at 31 March 2020	0.8	27.6	19.2	2.7	50.3
Accumulated depreciation					
Balance at beginning of year	(0.5)	(25.9)	–	–	(26.4)
Charge for the year	(0.3)	(2.2)	(3.5)	(1.5)	(7.5)
Disposals	1.0	6.9	1.1	–	9.0
Currency movement	(0.2)	(0.8)	–	–	(1.0)
Accumulated depreciation at 31 March 2020	–	(22.0)	(2.4)	(1.5)	(25.9)
Net book value at 31 March 2020	0.8	5.6	16.8	1.2	24.4
Year ended 31 March 2021 - Cost					
Balance at beginning of year	**0.8**	**27.6**	**19.2**	**2.7**	**50.3**
Additions	**0.2**	**1.0**	–	**0.5**	**1.7**
Disposals	–	**(4.2)**	**(0.7)**	**(0.7)**	**(5.6)**
Remeasurement of lease	–	–	**(0.6)**	**(0.1)**	**(0.7)**
Currency movement	**(0.1)**	**(1.8)**	**(1.2)**	–	**(3.1)**
Transferred to assets of disposal group held for sale (note 17)	**(0.4)**	**(12.0)**	**(9.6)**	**(0.3)**	**(22.3)**
Cost at 31 March 2021	**0.5**	**10.6**	**7.1**	**2.1**	**20.3**
Accumulated depreciation					
Balance at beginning of year	–	**(22.0)**	**(2.4)**	**(1.5)**	**(25.9)**
Charge for the year	**(0.6)**	**(1.8)**	**(2.9)**	**(0.9)**	**(6.2)**
Disposals	–	**4.0**	**0.4**	**0.7**	**5.1**
Impairment loss	–	–	**(0.3)**	–	**(0.3)**
Currency movement	**0.1**	**1.5**	**0.2**	–	**1.8**
Transferred to assets of disposal group held for sale (note 17)	**0.4**	**9.1**	**2.4**	**0.1**	**12.0**
Accumulated depreciation at 31 March 2021	**(0.1)**	**(9.2)**	**(2.6)**	**(1.6)**	**(13.5)**
Net book value at 31 March 2021	**0.4**	**1.4**	**4.5**	**0.5**	**6.8**

The net book value of property, plant and equipment included amounts of £5.0m (2020: £18.0m) in respect of leased assets.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

12. 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 where they relate to corporate income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities.

At 31 March

£m	2021	2020
Deferred tax assets	–	3.0
Deferred tax liabilities	**(9.5)**	(32.2)
Net deferred tax liabilities	**(9.5)**	(29.2)

The notes below set out the Group's deferred tax assets and liabilities without applying such set off:

At 31 March

£m	2021	2020
Deferred tax assets	**6.6**	16.3
Deferred tax liabilities	**(16.1)**	(45.5)
Net deferred tax liabilities	**(9.5)**	(29.2)

Deferred tax assets

Year ended 31 March

£m	2021	2020
Balance at beginning of year	**16.3**	28.0
Charged to Group income statement	**(2.8)**	(19.0)
Reclassification from deferred tax asset to deferred tax liability	**0.1**	0.6
Effect of implementing IFRS 16	–	3.2
Reclassification from corporate income tax receivables	–	2.7
Currency movements	**(1.1)**	0.8
Transferred to assets of disposal group held for sale (note 17)	**(5.9)**	–
Balance at 31 March	**6.6**	16.3

The elements of net deferred tax assets recognised in the financial statements were as follows:

At 31 March

£m	2021	2020
Tax effect of timing differences due to:		
Recognised tax net operating losses	**3.1**	–
Depreciation	**2.5**	3.2
Amortisation of goodwill recognised for tax purposes	**0.5**	2.6
Other allowances and accrued expenses	**0.2**	2.5
IFRS 16 – capital leases	–	2.6
Expected credit loss provision	–	2.4
Interest on uncertain tax positions	–	1.2
Intangible assets	–	1.1
Other	**0.3**	0.7
Recognised deferred tax assets	**6.6**	16.3

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

12. Deferred tax (continued)

Deferred tax assets (continued)

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. Except for restricted interest expenses, the reversal of deferred tax liabilities supported the recognition of deferred tax assets in the UK in the current year. Except for tax net operating losses and restricted interest expenses, the reversal of deferred tax liabilities supported the recognition of deferred tax assets in the UK in the prior year.

From 1 April 2017, the amount of UK taxable profits that can be offset with carried forward net operating losses has been restricted to 50% of those profits, and the amount of tax-deductible UK interest expense has been limited to 30% of the "Tax EBITDA" of the Group's UK tax resident subsidiaries, with any restricted interest carried forward and available for offset in future periods where there is interest capacity.

At 31 March 2021, the Group did not recognise deferred tax assets of £59.0m (2020: £60.9m) in respect of UK net operating loss carry forwards of £310.5m (2020: £320.6m), the Group did not recognise deferred tax assets of £12.5m (2020: £9.0m) in respect of £65.8m (2020: £47.6m) of restricted UK interest expenses, and the Group did not recognise deferred tax assets of £0.2m (2020: £0.2m) in respect of UK capital loss carry forwards of £1.2m (2020: £1.2m).

The benefits in respect of UK carried forward net operating losses, restricted interest expenses and capital losses do not time expire.

Deferred tax liabilities

Year ended 31 March

£m	2021	2020
Balance at beginning of year	**45.5**	37.9
Effect of implementing IFRS 16	–	3.7
Credited to Group income statement	**(6.4)**	(7.4)
(Credited) / charged directly to equity	**(15.0)**	9.7
Reclassification from deferred tax asset to deferred tax liability	**0.1**	0.6
Currency movements	**(1.3)**	1.0
Transferred to liabilities of disposal group held for sale (note 17)	**(6.8)**	–
Balance at 31 March	**16.1**	45.5

The elements of net deferred tax liabilities recognised in the financial statements were as follows:

At 31 March

£m	2021	2020
Tax effect of timing differences due to:		
Defined benefit pension scheme	**15.9**	30.2
Unremitted earnings	**0.1**	5.8
Intangible assets	**0.1**	2.6
IFRS 16 – capital leases	–	3.0
Deferred sales commissions	–	1.5
Deferred revenue	–	1.3
Depreciation	–	0.6
Prepaid expenses	–	0.5
Recognised deferred tax liabilities	**16.1**	45.5

13. Subsidiary undertakings

With the exception of Hibu Midco Limited, in which the Company holds 100% of the ordinary share capital, all companies listed below are held indirectly. Details of subsidiary undertakings at 31 March 2021, all of which are unlisted, are as follows:

Name	Activity	Group interest in allotted capital[a]	Countries of operation
Hibu Midco Limited	Holding company	100% ordinary	United Kingdom
Hibu Bidco Limited	Holding company	100% ordinary	United Kingdom
Yell Holdco Limited	Holding company	100% ordinary	United Kingdom
Owl Finance Limited	Finance and holding company	100% ordinary	United Kingdom
YH Limited	Finance and holding company	100% ordinary	United Kingdom
Yell Bondco plc	Finance company	100% ordinary	United Kingdom
Yell Limited	Digital marketing services	100% ordinary	United Kingdom
Moonfruit Limited	Holding company	100% ordinary	United Kingdom
Sitemaker Software Limited	Website services	100% ordinary	United Kingdom
Yell Mediaworks Limited	Graphics services	100% ordinary	United Kingdom
Yell Sales Limited	Sales services	100% ordinary	United Kingdom
Yell Studio Limited	Graphics services	100% ordinary	United Kingdom
Hibu Asia Pacific Holdings Limited	Holding company	100% ordinary	United Kingdom
Hibu (UK) Limited	Holding company	100% ordinary	United Kingdom
Hibu Finance (FX) Limited	Dormant	100% ordinary	United Kingdom
Hibu Finance (USD) Limited	Dormant	100% ordinary	United Kingdom
Hibu Spain Holdco Limited	Not trading	100% ordinary	United Kingdom
hibu India Private Limited	Not trading	100% ordinary	India
hibu (Philippines) Private Limited, Inc	In liquidation	100% ordinary	Philippines
hibu Group (USA), Inc [b]	Holding company	100% common	United States of America
hibu Holdings (USA), Inc [b]	Holding company	100% common	United States of America
hibu Inc [b]	Digital marketing services	100% common	United States of America
hibu pay LLC [b]	Payments card services	100% ordinary	United States of America

(a) The proportion of voting rights and aggregate interest percentage held by the Company and subsidiary undertakings, unless otherwise stated.

(b) On 4 May 2021, the Group sold its investment in hibu Group (USA), Inc together with its subsidiaries to a third party (see note 31).

All subsidiary undertakings have been consolidated on a coterminous year-end basis.

There were no undertakings dissolved, liquidated or sold in the year.

The registered office of all subsidiaries incorporated in the United Kingdom is 3 Forbury Place, Forbury Road, Reading RG1 3YL. The registered address of hibu India Private Limited is TMF Services India Private Limited, 2nd Floor, Shabari Complex, Field Marshal Cariappa Road, Shanthala Nagar, Ashok Nagar, Bengaluru, Karnataka 560025 India. The registered address of hibu (Philippines) Private Limited, Inc is Unit 1815 Cityland Condominium 10, Tower 1, 156 H.V. Dela Costa Street, Ayala North, Makati City, Philippines. The registered address of all subsidiaries incorporated in the United States of America is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington Castle, County Delaware, 19801 U.S.A.

14. Trade and other receivables

At 31 March £m	**2021**	2020
Amounts falling due within one year		
Gross trade receivables	**8.7**	34.3
Less: provision for expected credit loss	**(3.8)**	(15.2)
Net trade receivables	**4.9**	19.1
Accrued income	**0.1**	2.7
Total financial assets other than cash and cash equivalents classified as loans and receivables	**5.0**	21.8
Foreign withholding tax recoverable	**0.7**	–
Prepayments	**6.2**	24.9
Current portion	**11.9**	46.7
Amounts falling due after more than one year		
Other non-current receivables	**0.9**	2.2
Total financial assets other than cash and cash equivalents classified as loans and receivables	**0.9**	2.2
Prepayments	**0.1**	1.6
Non-current portion	**1.0**	3.8
Total trade and other receivables	**12.9**	50.5

Trade receivables are non-interest bearing and generally have terms of between thirty days and ten months. Due to their short maturities and the non-interest-bearing nature of these financial assets, the fair value of trade and other receivables approximates their book value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned above. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, geographically diverse and unrelated. The Group does not hold any collateral as security.

Prepayments at 31 March 2021 include £2.4m (2020: £10.4m) in respect of the deferral of commission costs due within one year and £0.1m (2020: £1.6m) due after more than one year.

Other receivables falling due after more than one year comprise deposits made to financial institutions to facilitate the collection of payments made by customers using credit or debit cards.

The carrying amounts of trade and other receivables are denominated in the following currencies, which are the functional currencies of the respective subsidiaries. The Group does not have any other significant exposure to currency risk on these amounts.

At 31 March £m	**2021**	2020
Sterling	**12.9**	22.1
US dollar	**–**	28.4
Total receivables	**12.9**	50.5

The carrying amounts of the Group's trade receivables are stated after deducting a provision of £3.8m at 31 March 2021 (2020: £15.2m) for expected credit loss.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

14. Trade and other receivables (continued)

The movement in the provision for expected credit loss was as follows:

Year ended 31 March

£m	2021	2020
At beginning of year	**15.2**	15.8
Charged to Group income statement – continuing operations (revenue)	**3.5**	1.1
Charged to Group income statement – continuing operations (expenses)	**2.7**	7.6
Credited to Group income statement – discontinued operations	**(4.2)**	2.4
Utilised	**(9.9)**	(12.2)
Currency movements	**(0.6)**	0.5
Transferred to assets of disposal group held for sale (note 17)	**(2.9)**	–
Balance at 31 March	**3.8**	15.2

Trade receivables can become impaired, generally when customers are in financial distress, before being considered uncollectible.

Trade receivables are considered impaired only after completion of collection processes designed locally to collect monies from slow payers or, if earlier, when amounts are more than one year past due. At 31 March 2021, the carrying value and estimated recoverable amount of trade receivables past due and impaired was £nil (2020: £nil), after deducting the related provision for expected credit loss of £2.6m (2020: £4.9m).

At 31 March the ageing analysis of gross trade receivables past due and impaired is as follows:

£m	2021	2020
Up to one month past due	**0.2**	0.3
One to three months past due	**0.3**	0.6
Three to nine months past due	**0.8**	2.3
Over nine months past due	**1.3**	1.7
Total gross trade receivables past due and impaired	**2.6**	4.9

The other classes of receivables do not contain impaired assets.

At 31 March 2021, gross trade receivables of £0.5m (2020: £6.2m) that were past due but not impaired, have a provision set against them of £nil (2020: £0.6m). At 31 March 2021, the ageing analysis of these gross trade receivables is as follows:

£m	2021	2020
Up to one month past due	**0.2**	2.9
One to three months past due	**0.3**	1.9
Three to nine months past due	**–**	0.8
Over nine months past due	**–**	0.6
Total gross trade receivables past due but not impaired	**0.5**	6.2

The credit quality of trade receivables past due but not impaired is assessed using a statistical approach to determine the historical allowance rate for each ageing tranche. This allowance rate is then applied to the debt tranches at the end of the reporting year and a provision for expected credit loss recognised.

Trade receivables not yet due of £5.6m (2020: £23.2m) have a provision set against them of £1.2m (2020: £9.7m). The Group does not hold any collateral as security.

The credit quality of financial assets that are neither past due nor impaired is assessed by credit exposures using an external credit rating system. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, geographically diverse and unrelated. No other receivables have been impaired (2020: none) as these parties do not have a history of default.

15. Inventories

Inventory of £nil (2020: £0.3m), comprises paper stocks to be used in production of books and the paper and printing costs of books awaiting shipment. Inventory of £0.5m has been transferred to assets held for sale. The cost of paper recognised as an expense, and included in operating expenses of discontinuing operations, amounted to £1.6m (2020: £2.6m).

16. Cash and cash equivalents

At 31 March

£m	2021	2020
Cash at bank and in hand	**1.6**	15.7
Short-term deposits	**29.4**	61.2
Total cash and cash equivalents	**31.0**	76.9

Credit quality of cash and cash equivalents based on external credit ratings at 31 March 2021 was:

£m	AAA	A	BBB	Total
GB Pounds	**29.0**	**0.9**	–	**29.9**
US Dollars	**0.4**	**0.1**	–	**0.5**
Others	–	–	**0.6**	**0.6**
Total	**29.4**	**1.0**	**0.6**	**31.0**

17. Discontinued operations

During the year ended 31 March 2021 an offer was received and accepted for the US business, which was subsequently sold on 4 May 2021 for net proceeds after transaction costs of $361.0m (£260.0m) (see note 31). Details of the results from the US business, which have been treated as discontinued operations, along with their effect on these financial statements, are given below.

Year ended 31 March

£m	2021	2020
Profit for the year from discontinued operations	**43.2**	46.1
Profit on disposal of subsidiaries	–	–
Total profit for the year from discontinued operations	**43.2**	46.1

Analysis of the profit from discontinued operations is as follows:

Year ended 31 March

£m	Note	2021	2020
Revenue		**270.4**	302.2
Operating expenses (including exceptional items)		**(227.7)**	(262.9)
Operating profit		**42.7**	39.3
Net finance income		**1.6**	7.3
Profit before tax		**44.3**	46.6
Tax charge	8	**(1.1)**	(0.5)
Profit for the year from discontinued operations		**43.2**	46.1

An amount of £3.1m (2020: £nil) relating to professional and incidental costs associated with the disposal is included within the operating profit from discontinued operations.

The £1.1m tax charge in the current year is stated net of (i) a £5.4m credit from the release of deferred tax liabilities for unremitted earnings, (ii) a £3.2m credit from the release of provisions for uncertain tax positions and (iii) a £1.8m credit from adjustments in respect of prior periods. The £0.5m tax charge in the prior year is stated net of (i) a £4.0m credit from the release of deferred tax liabilities for unremitted earnings and (ii) a £6.9m credit from the release of provisions for uncertain tax positions.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

17. Discontinued operations (continued)

Amounts recognised in other comprehensive income relating to discontinued operations:

Year ended 31 March

£m	2021	2020
Exchange (loss) / gain arising on translation of foreign operations	**(3.5)**	1.8
Total	**(3.5)**	1.8

Cash flows of discontinued operations – year ended 31 March

£m	Note	2021	2020
Net cash flows from operating activities of discontinued operations			
Cash generated from operating activities		**57.1**	71.1
Interest and financing fees received		**0.1**	0.1
Lease interest paid		**(1.0)**	(0.6)
Corporate income tax paid		**(6.0)**	(4.7)
Net cash inflow from operating activities		**50.2**	65.9
Cash flows from investing activities			
Net payments for purchase of intangible assets and software		**(8.0)**	(7.8)
Net payments for purchase of property, plant and equipment		**(0.1)**	(0.7)
Net cash outflow from investing activities		**(8.1)**	(8.5)
Free cash flow		**42.1**	57.4
Cash flow from financing activities			
Repayment of lease liabilities		**(1.2)**	(3.3)
Net intercompany loan repayment received from / (paid to) continuing operations		**0.6**	(0.7)
Dividend paid to continuing operations		**(12.2)**	(28.2)
Net cash outflow from financing activities		**(12.8)**	(32.2)
Net increase in cash and cash equivalents		**29.3**	25.2
Cash and cash equivalents at the beginning of the year		**42.7**	15.7
Exchange (losses) / gains on cash and cash equivalents		**(5.4)**	1.8
Total cash and cash equivalents of the discontinued operations at year end		**66.6**	42.7
Cash generated from operating activities of discontinued operations			
Profit for the year		**43.2**	46.1
Adjustments for:			
Tax charge	8	**1.1**	0.5
Net finance income		**(1.6)**	(7.3)
Depreciation of property, plant and equipment	11	**3.1**	4.1
Amortisation of intangible assets	10	**7.7**	7.5
Share-based payments credits		**–**	(0.2)
Loss on disposal of property, plant and equipment		**0.2**	0.1
Foreign exchange gains		**–**	(0.2)
Changes in working capital:			
(Increase) / decrease in inventory		**(0.2)**	1.0
Decrease in trade and other receivables		**1.7**	26.6
Increase / (decrease) in trade and other payables		**1.7**	(7.9)
Net movement in intercompany trading account		**0.2**	0.8
Cash generated from operating activities of discontinued operations		**57.1**	71.1

17. Discontinued operations (continued)

Assets of discontinued operations classified as held for sale – year ended 31 March:

£m	2021	2020
Assets:		
Intangible assets	**8.8**	–
Property, plant and equipment	**10.3**	–
Inventories	**0.5**	–
Trade and other receivables	**25.6**	–
Corporate income tax receivables	**0.6**	–
Cash	**66.6**	–
Other assets	**0.1**	–
Total assets held for sale	**112.5**	–

Liabilities of discontinued operations classified as held for sale – year ended 31 March:

£m	2021	2020
Liabilities:		
Corporate income tax liabilities	**(2.6)**	–
Trade and other payables	**(41.8)**	–
Lease liabilities	**(7.9)**	–
Provisions for liabilities	**(5.6)**	–
Net deferred tax liabilities	**(0.9)**	–
Total liabilities held for sale	**(58.8)**	–

The above presentation of net deferred tax liabilities of the disposal group classified as held for sale sets off deferred tax assets against deferred tax liabilities where they relate to corporate income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities. Without applying such set off, the disposal group had deferred tax assets of £5.9m and deferred tax liabilities of £6.8m.

18. Risk management

Treasury and capital management

The primary role of the Group's treasury functions is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise and that financial risk arising from the Group's underlying operations is effectively identified and managed by or on behalf of the directors.

The Group holds its short-term liquidity as cash in current or deposit bank accounts or as investments in liquidity funds operated by highly rated, major banks and substantial financial institutions. 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 Board and does not engage in transactions of a speculative nature. The Group did not enter into any derivative transactions during the year and does not have any derivatives at the year-end.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Borrowing facilities and liquidity risk

The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts.

Market risk and financial instruments

Financial instruments affected by market risk include borrowings and deposits.

18. Risk management (continued)

Financial instruments analysis

At 31 March 2021, the Group's outstanding long-term debt was £214m (31 March 2020: £214m) of sterling denominated senior secured notes with a fixed interest rate of 8.5%.

There were no hedging arrangements at 31 March 2021 or 31 March 2020.

See note 18 on financial instruments for details of the currency profile, interest rate risk and liquidity risk and note 14, trade and other receivables, for details of credit risk.

Liquidity and funding

The Owl Group is contractually obliged to use between 25% and 75% of net cash flow, depending on leverage, to repay the senior secured notes subject to a minimum threshold below which no repayment is required. Net cash flow in the years ended 31 March 2021 and 31 March 2020 was below this minimum threshold and therefore no mandatory repayment of the notes was required.

During the prior year, the Owl Group repurchased and cancelled £11m nominal value of senior secured notes for cash consideration of £9.5m (at an average price of 86.4% of the par value of the notes).

The UK business has access to a £25m revolving credit facility of which £nil was drawn at 31 March 2021 (31 March 2020: £8.75m).

UK defined benefit pension plan

The Group 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. A full funding valuation was conducted on 5 April 2018 and the trustees have agreed that no further regular pension contributions are required before the next valuation, which is not expected until later in 2021 (see note 30).

19. Financial instruments

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern. The accounting classification of each class of the Group's financial assets and financial liabilities, together with their fair values, is as follows:

At 31 March 2021 £m	Loans and Receivables	Amortised cost loans and other liabilities	Total book value	Total fair value
Assets				
Cash and cash equivalents[a]	31.0	–	31.0	31.0
Trade and other receivables[a]	5.9	–	5.9	5.9
Total financial assets	36.9	–	36.9	36.9
Liabilities				
Trade and other payables[a]	–	(30.9)	(30.9)	(30.9)
Short-term borrowings	–	–	–	–
Long-term borrowings	–	(214.0)	(214.0)	(88.9)
Total financial liabilities	–	(244.9)	(244.9)	(119.8)

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

19. Financial instruments (continued)

At 31 March 2020 £m	Loans and receivables	Amortised cost loans and other liabilities	Total book value	Total fair value
Assets				
Cash and cash equivalents[(a)]	76.9	–	76.9	76.9
Trade and other receivables[(a)]	24.0	–	24.0	24.0
Total financial assets	100.9	–	100.9	100.9
Liabilities				
Trade and other payables[(a)]	–	(66.0)	(66.0)	(66.0)
Short-term borrowings	–	(8.8)	(8.8)	(8.8)
Long-term borrowings	–	(214.0)	(214.0)	(86.7)
Total financial liabilities	–	(288.8)	(288.8)	(161.5)

(a) The fair value of trade and other receivables, cash and cash equivalents, and trade and other payables approximated their carrying value due to the short maturity of the instruments.

Currency profile and interest rate risk

The interest rate profile of the Group's material financial assets and liabilities is as follows:

At 31 March 2021

£m	Financial assets floating rate	Financial liabilities: Fixed or capped rate	Floating rate	Total	Net financial (liabilities) assets
Currency					
Sterling	**29.9**	**(214.0)**	**–**	**(214.0)**	**(184.1)**
US dollar	**0.5**	**–**	**–**	**–**	**0.5**
Euro	**–**	**–**	**–**	**–**	**–**
Other	**0.6**	**–**	**–**	**–**	**0.6**
Total	**31.0**	**(214.0)**	**–**	**(214.0)**	**(183.0)**

At 31 March 2020

£m	Financial assets floating rate	Financial liabilities: Fixed or capped rate	Floating rate	Total	Net financial (liabilities) assets
Currency					
Sterling	32.8	(214.0)	(8.8)	(222.8)	(190.0)
US dollar	43.4	–	–	–	43.4
Euro	0.1	–	–	–	0.1
Other	0.6	–	–	–	0.6
Total	76.9	(214.0)	(8.8)	(222.8)	(145.9)

Details regarding the credit quality of financial assets are given in notes 14 and 16.

19. Financial instruments (continued)

All borrowings represent level 1 of the fair value hierarchy. There are no material monetary assets or liabilities denominated in currencies other than pounds sterling, US dollars and Euros.

There are no derivative financial instruments in place at 31 March 2021.

The following table analyses the contractual undiscounted cash flows payable as well as the face value, carrying value and fair value of Group borrowings, excluding lease liabilities (which are shown in note 22) at the date of the statement of financial position. An analysis of the commitments relating to lease liabilities is given in note 22. Contractual flows in respect of interest payments are calculated using interest rates applicable at the date of the statement of financial position. The senior secured notes are secured on the Group's UK business (see note 23). The Group also has short-term receivables and payables that arise in the normal course of business and these are not included in the following table. Any cash flows based on floating rate interest are based on interest rates prevailing at 31 March in the relevant year.

At 31 March 2021

£m	Due within one year	Due between one and two years	Due between two and three years	Total amounts owed	Deferred finance costs	Nominal value of net debt	Carrying value	Fair Value [b]
8.5% senior secured notes	–	–	214.0	214.0	–	214.0	214.0	88.9
Revolving credit facility drawdown	–	–	–	–	–	–	–	–
Deferred financing fees	–	–	–	–	(3.0)	(3.0)	(3.0)	–
Total loans and other borrowings	–	–	214.0	214.0	(3.0)	211.0	211.0	88.9
Fixed rate interest [a]	18.2	18.2	1.5	37.9				
Floating rate interest [a]	–	–	–	–				
Total payments	18.2	18.2	215.5	251.9				
Contractual payments analysed between:								
Sterling	18.2	18.2	215.5	251.9				
Total payments	18.2	18.2	215.5	251.9				
Contractual payments analysed between:								
Fixed	18.2	18.2	215.5	251.9				
Floating	–	–	–	–				
Total payments	18.2	18.2	215.5	251.9				

(a) Interest payments are calculated based upon the outstanding face value of the debt at 31 March 2021.
(b) Fair value has been determined in reference to active prices in determined markets.

19. Financial instruments (continued)

At 31 March 2020

£m	Due within one year	Due between one and three years	Due between three and four years	Total amounts owed	Deferred finance costs	Nominal value of net debt	Carrying value	Fair Value [b]
8.5% senior secured notes	–	–	214.0	214.0	–	214.0	214.0	86.7
Revolving credit facility drawdown	8.8	–	–	8.8	–	8.8	8.8	8.8
Deferred financing fees	–	–	–	–	(4.5)	(4.5)	(4.5)	–
Total loans and other borrowings	8.8	–	214.0	222.8	(4.5)	218.3	218.3	95.5
Fixed rate interest [a]	18.2	36.4	1.5	56.1				
Floating rate interest [a]	0.2	–	–	0.2				
Total payments	27.2	36.4	215.5	279.1				
Contractual payments analysed between:								
Sterling	27.2	36.4	215.5	279.1				
Total payments	27.2	36.4	215.5	279.1				
Contractual payments analysed between:								
Fixed	18.2	36.4	215.5	270.1				
Floating	9.0	–	–	9.0				
Total payments	27.2	36.4	215.5	279.1				

(a) Interest payments are calculated based upon the outstanding face value of the debt at 31 March 2020.
(b) Fair value has been determined in reference to active prices in determined markets.

20. Trade and other payables

At 31 March £m	2021	2020
Amounts falling due within one year		
Trade payables	**2.1**	4.2
Other payables	**10.3**	7.5
Accrued interest	**2.8**	7.0
Accrued expenses	**15.3**	46.5
Total financial liabilities excluding loans and borrowings classified as financial liabilities measured at amortised cost	**30.5**	65.2
Deferred income	**3.8**	14.9
Current portion	**34.3**	80.1
Amounts falling due after more than one year		
Other payables	**0.4**	0.8
Non-current portion	**0.4**	0.8
Total trade and other payables	**34.7**	80.9

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

20. Trade and other payables (continued)

Deferred income at 31 March 2020 was materially recognised during the current year. The change in deferred income during the year is materially in line with the underlying performance of the Group.

Due to their short maturities, the fair value of trade and other payables approximates their book value. The effect of discounting has been considered for payables falling due after more than one year, and the difference between fair value and book value is not material, therefore the fair value approximates book value. The carrying amounts of trade and other payables are denominated in the following currencies, which are the functional currencies of the respective subsidiaries. The Group does not have any other significant exposure to currency risk on these amounts.

At 31 March

£m	2021	2020
Sterling	34.7	29.1
US dollar	–	51.8
Total trade and other payables	**34.7**	80.9

21. Provisions for liabilities

The Group had the following movements in provisions during the year:

Year ended 31 March 2021

£m	Redundancy provisions	Property related provisions	Legal and other provisions	Total
At 1 April 2020	0.1	1.5	2.1	3.7
Charged to income statement:				
- Additional provisions	0.8	2.8	2.4	6.0
- Unused amounts reversed	–	–	(1.2)	(1.2)
Utilised during the year	(0.6)	–	–	(0.6)
Currency movements	–	(0.3)	–	(0.3)
Transferred to liabilities of disposal group classified as held for sale	(0.2)	(2.1)	(3.3)	(5.6)
At 31 March 2021	0.1	1.9	–	2.0

At 31 March

£m	2021	2020
Current	1.1	2.3
Non-current	0.9	1.4
Total provisions for liabilities	**2.0**	3.7

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 £1.1m (2020: £2.3m) have been classified as current liabilities.

(a) Redundancy

Provisions for restructuring of activities comprise accruals for certain employee benefits that are directly associated with plans to exit or cease specific activities. For all restructuring provisions a detailed formal plan exists, and the implementation of the plan had either started or been communicated to affected employees before the relevant balance sheet date. All restructuring plans are expected to be completed within one year from the balance sheet date.

21. Provisions for liabilities (continued)

(b) Property related

Property related provisions include a leasehold dilapidations provision that 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 and is periodically reviewed and, where necessary, adjusted during the lease life, 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 23.

During the year the UK business announced its decision to close one of its offices. Accordingly, a provision has been calculated for non-rental costs relating to this property expected to be borne until the lease break date. There are no expectations to sublease.

(c) Legal and other

In the normal course of business, the Group is exposed to a number of pending or potential legal actions and claims, including, but not limited to commercial and employment-based legal actions and challenges from tax authorities regarding the amount of taxes due. In certain of these matters, substantial monetary claims are asserted. Based on current knowledge, after consultation with legal counsel and after taking into account current accruals, management does not believe that losses, if any, arising from pending or potential legal actions and claims will have a material adverse effect on the financial position or liquidity of the Group.

22. Leases

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

Year ended 31 March

£m	**Note**	**2021**	2020
Depreciation charge for the right-of-use assets			
Property	11	**(2.9)**	(3.5)
Other	11	**(0.9)**	(1.5)
		(3.8)	(5.0)
Additions to the right-of-use assets	11	**0.5**	6.4
Remeasurement of right-of-use assets		**(0.7)**	–
Net book amount of right-of-use assets [(a)]	11	**5.0**	18.0
Interest expense on lease liabilities	7	**(2.1)**	(1.6)
Cash outflow for leases – interest payments		**(2.1)**	(1.6)
Cash outflow for leases – principal payments		**(3.5)**	(5.8)
Expense related to short-term leases and low-value assets [(a)]	3	**(0.9)**	(0.9)

(a) These amounts relate to continuing operations only. All other amounts include both continuing and discontinued operations.

Analysis of lease liabilities – continuing operations:

At 31 March

£m	**2021**	2020
Present value of minimum lease payments due:		
In one year or less	**2.0**	3.3
In more than one year but less than five years	**4.6**	11.0
In more than five years	**0.9**	5.7
Present value of lease liabilities	**7.5**	20.0
Current portion	**2.0**	3.3
Non-current portion	**5.5**	16.7

23. Borrowings

The 8.5% senior secured notes, which are redeemable on 2 May 2023, are governed by the terms of an indenture. The indenture does not include covenants requiring the maintenance of specific financial ratios. Certain subsidiaries in the United Kingdom, primarily the trading entities within the United Kingdom, are guarantors and obligors under the terms of the indenture. The notes are secured on the assets of those subsidiaries, are all denominated in British pounds sterling and are listed on the International Stock Exchange. The Group had incurred £7.3m of transaction costs in respect of the issue of the notes, which are being amortised over the term of the notes.

During the prior year, the Group repurchased and cancelled £11m par value of senior secured notes for consideration of £9.5m (at an average price of 86.4% of par value), reducing the par value of the outstanding notes to £214m. The Group also drew down £8.8m of its available £25m revolving credit facility. The amount drawn down on the facility was fully repaid during the current year. The revolving credit facility is subject to a covenant requiring the Group's UK business 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 2021, this ratio was approximately 8.9.

The following table sets out the borrowings and total net debt of the Group (excluding lease obligations):

At 31 March £m	Interest rate %[a]	2021	2020
Amounts falling due within one year			
Revolving credit facility drawdown	–	–	8.8
Total amounts falling due within one year		–	8.8
Amounts falling due after more than one year			
8.5% senior secured notes	**8.5**	**214.0**	214.0
Deferred financing fees		**(3.0)**	(4.5)
Total amounts falling due after more than one year		**211.0**	209.5
Total loans and other borrowings		**211.0**	218.3
Cash and cash equivalents		**(31.0)**	(76.9)
Total net debt (excluding lease obligations)		**180.0**	141.4

(a) Interest rates applicable at 31 March 2021 on the underlying debt instruments.

The senior secured notes are denominated in British pounds sterling. There are no material borrowings denominated in any other currencies. Details of the currency denomination of all the Group's material financial assets and liabilities and the interest and maturity profiles of borrowings are given in note 18.

Movement in net debt (including accrued interest and lease liabilities)

£m	2021	2020
At 1 April	**168.4**	197.9
Cash generated from operating activities	**(80.7)**	(107.2)
Purchase of intangible assets and software	**13.8**	13.0
Purchase of property, plant and equipment	**0.9**	1.3
Repurchase of equity instruments	**0.1**	–
Repurchase of senior secured notes	–	(1.5)
Lease liabilities recognised on adoption of IFRS16	–	18.4
Lease liabilities entered into during the year	**0.5**	6.4
Remeasurement of lease liabilities	**(0.7)**	–
Net interest expense	**18.2**	12.9
Amortisation of deferred financing fees	**1.5**	1.5
Corporate income tax paid	**6.5**	10.1
Dividends paid (see note 9)	–	16.5
Currency movements	**4.5**	(0.9)
Transferred to assets and liabilities of disposal group held for sale	**57.3**	–
At 31 March	**190.3**	168.4

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

24. Commitments and contingent liabilities

Capital commitments

Capital expenditure contracted for at the end of the year, but not yet incurred, is as follows:

At 31 March

£m	2021	2020
Property, plant and equipment	–	0.1
Total	–	0.1

Operating lease commitments

Future aggregate minimum operating lease payments for the Group are as follows:

At 31 March

£m	2021	2020
Payable		
Not later than one year	**0.6**	0.8
Later than one year and not later than five years	**0.6**	–
Total future aggregate minimum operating lease payments	**1.2**	0.8

Operating lease payments expensed during the year amounted to £0.9m (2020: £0.9m) excluding discontinued operations.

Contingent liabilities

There are no contingent liabilities or guarantees other than those referred to below, those referred to in notes 1, 23 and 26 and those arising in the ordinary course of the Group's business.

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

In March 2020, YH Limited, a subsidiary undertaking, received a notice of tax assessment from HM Revenue and Customs asserting that a tax liability of £122m arose on the Group's debt restructuring transactions undertaken during the year ended 31 March 2014. YH Limited submitted a robust appeal against the tax assessment on both technical and procedural grounds and, as reported in the financial statements for the year ended 31 March 2020, HMRC agreed to postpone the tax assessed, together with any associated interest, pending resolution of the matter. In addition, HMRC had opened enquiries into YH Limited covering the years ended 31 March 2015, 2016 and 2017 and, as reported in the financial statements for the year ended 31 March 2020, the Group considered that it was possible that this could have resulted in a reduction in the carried forward tax losses for which deferred tax assets were not recognised at 31 March 2020 (see note 12). In September 2020, HMRC formally withdrew the notice of assessment in respect of FY14 in full, and issued closure notices in respect of their enquiries into FY15-FY17 without any adjustment to YH Limited's tax losses.

25. Share capital

For the year ended 31 March

	2021 No. of shares of £0.00000001	2020 No. of shares of £0.00000001	**2021 £**	2020 £
Ordinary shares				
At beginning of year	**1,526,713,578**	1,526,713,578	**15**	15
At 31 March	**1,526,713,578**	1,526,713,578	**15**	15

All shares rank pari passu in all respects.

26. Share-based payments

Restricted shares in Hibu Midco Limited, a subsidiary, were issued to Company directors and selected employees (the "participants") for £nil consideration in the year ended 31 March 2017. Rights in the shares vested in four equal tranches on four successive annual anniversaries of the award date, unless the participants had become leavers. The Company repurchased 130 shares during the year ended 31 March 2019 for £1.4m. A further 248 shares were forfeited during the year ended 31 March 2020 and upon full vesting the remaining holders of the shares owned restricted ownership rights in 5.5% of the Group. The Group had a limited (£0.2m in aggregate) legal obligation to repurchase the shares in cash on demand from recipients under specific circumstances. The shares could not be traded, but the Company could have bought the shares through an exchange of an equivalent shareholding in the Company under certain circumstances.

At 31 March 2018 and 2017 the holders of the restricted shares could not receive dividend distributions until the shareholders of the Company received £66.5m in dividends ("the Hurdle"). The Hurdle was increased on 2 May 2018 to £187.3m when the Group exchanged ordinary shares in the Company for outstanding PIK debt and issued £225m of senior secured notes. The Hurdle was subsequently increased by £7.8m of notional interest on the converted PIK debt and decreased by £51.1m due to dividends paid in the prior year. At 31 March 2021 the Hurdle was £140.9m. The award was deemed to represent an equity-settled share-based payment at the date of grant, based on the Board's assessment of the most likely scenario in which the recipients would have received value from the grant. The fair value of the grant was determined to be the present value of the estimated future values 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 the enterprise value over the relevant periods. The effect of the restrictions was also considered in determining the fair value of the award. The fair value of the 930 shares issued was £14.0m (£15,000 each) on the date of grant. The Group recorded a charge of £0.2m in the current year (2020: credit of £0.3m) against income in respect of these awards. The fair value of the 552 unforfeited shares issued and outstanding at 31 March 2021 was £8.3m (£15,000 each) on the date of grant.

Subsequent to 31 March 2021 the hurdle of £141.6m was cleared on the 10 May 2021 following the payment of a dividend to the Company's shareholder of $346m and the Group repurchased all of the outstanding instruments for £6.3m cash and contingent deferred payments, which are forecast to be £2.3m.

Restricted shares ("Yell Holdco B shares") in Yell Holdco Limited, a subsidiary, were issued to one Board member for nominal value without premium in the year ended 31 March 2020. Rights in the restricted shares were to vest in five equal tranches on five successive annual anniversaries of the award date, unless there was a change in control in which case a portion would vest immediately. Participation in ownership benefits would accrue only after the equity value of the UK business exceeded £255m. The award was an equity-settled share-based payment under IFRS 2. The value of the grant (amortised as a charge against income) was £0.3m; determined at the date of grant to be the present value of the average returns from a range of simulated potential enterprise values through the use of an assumed distribution on the most likely date of an exit event. The Yell Holdco B shares were returned and cancelled for £nil in the year ended 31 March 2021, but relevant costs continue to be charged against income. The Group recorded a charge of £0.1m (2020: charge of £0.1m) against income in the year ended 31 March 2021 for the relevant costs of Yell Holdco B shares granted to the Board member.

Restricted shares ("VCP shares") in Yell Holdco Limited, a subsidiary, were issued to selected directors and selected UK employees of the Group for £nil consideration in the year ended 31 March 2021. Rights in the restricted shares vest in four equal tranches on the four successive annual anniversaries of 31 March 2021, unless there is a change in control in which case 100% will vest immediately. Participants will receive cash for selling their VCP shares upon the earlier of a change in control or 1 October 2026. The value of the cash payments will be determined on an increasing sliding scale, but only to the extent the adjusted enterprise value at the time of payment exceeds a threshold of £100m. The award is a cash-settled share-based payment under IFRS 2. The value of the grant (to be amortised as a charge against income) was £1.2m; determined at the date of grant to be the present value of the average returns from a range of simulated potential enterprise values through the use of an assumed distribution on the most likely date of an exit event. The Group recorded a charge of less than £0.1m against income for the share-based payments in the year ended 31 March 2021 for the relevant costs of its employees.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

27. Other reserves

The following describes the nature and purpose of each reserve within equity:

Pension reserve	Accumulated actuarial gain.
Share-based payment reserve	Cumulative amortised fair value of equity-settled share-based payments.
Translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into British pound sterling (GBP).
Accumulated losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Total other reserves are analysed as follows for the year ended 31 March 2020:

£m	**Pension *reserve***	**Share-based payment *reserve***	**Translation *reserve***	**Total other *reserves***
At 1 April 2019	38.3	10.2	3.8	52.3
Net actuarial gain on defined benefit pension schemes (see note 30)	37.6	–	–	37.6
Tax charge (see note 8)	(9.7)	–	–	(9.7)
Share-based payments (see note 26)	–	(0.3)	–	(0.3)
Exchange gains arising on translation of foreign continuing operations	–	–	0.1	0.1
Net income / (expense) recognised directly in equity from continuing operations	27.9	(0.3)	0.1	27.7
Exchange gains arising on translation of foreign discontinued operations	–	–	1.8	1.8
Net income / (expense) recognised directly in equity	27.9	(0.3)	1.9	29.5
At 31 March 2020	66.2	9.9	5.7	81.8

Total other reserves are analysed as follows for the year ended 31 March 2021:

£m	**Pension reserve**	**Share-based payment reserve**	**Translation reserve**	**Total other reserves**
At 1 April 2020	**66.2**	**9.9**	**5.7**	**81.8**
Net actuarial loss on defined benefit pension schemes (see note 30)	**(79.0)**	–	–	**(79.0)**
Tax credit (see note 8)	**15.0**	–	–	**15.0**
Share-based payments (see note 26)	–	**0.4**	–	**0.4**
Exchange losses arising on translation of foreign continuing operations	–	–	**(0.1)**	**(0.1)**
Net (expense) / income recognised directly in equity from continuing operations	**(64.0)**	**0.4**	**(0.1)**	**(63.7)**
Exchange losses arising on translation of foreign discontinued operations	–	–	**(3.5)**	**(3.5)**
Reclassification to accumulated losses [(a)]	–	–	**(3.3)**	**(3.3)**
Net (expense) / income recognised directly in equity	**(64.0)**	**0.4**	**(6.9)**	**(70.5)**
At 31 March 2021	**2.2**	**10.3**	**(1.2)**	**11.3**

(a) The reclassification between translation reserves and accumulated losses relates to translation reserves associated with overseas operations that were liquidated or wound up in prior periods.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

28. Related party transactions

Subsidiary undertakings

Details of the subsidiary undertakings are given in note 13 of these financial statements. Further detail can be found in the Company only section of these financial statements on page 72.

Directors' remuneration

The aggregate remuneration paid to the directors in respect of their services to the Group was as follows:

Year ended 31 March

£m	2021	2020
Salaries and other short-term benefits	**4.1**	2.8
Contractual and in lieu of contractual loss of office payments	**–**	0.1
Total remuneration	**4.1**	2.9

The highest paid director received £1.6m (2020: £1.6m) in the year, excluding employer's pension contributions £nil (2020: £nil), in respect of services to the Group.

The Group issued restricted equity instruments, each with a nominal value of £0.00000001, to six of the Board members in the year ended 31 March 2017. Subsequent to 31 March 2021, Group purchased the restricted shares from the holders for £4.7m cash and contingent deferred payments forecast to be £1.6m. The Group issued restricted equity instruments, each with a nominal value of £0.000001, to one Board member in the year ended 31 March 2020. All restricted equity instruments issued in the year ended 31 March 2020 were returned and cancelled in the year ended 31 March 2021 for £nil. The Group issued restricted equity instruments, each with a nominal value of £0.000001, to four Board members in the year ended 31 March 2021.

There were no amounts earned under long term incentive schemes (other than shares or share options) during the periods presented. Employer's pension contributions were less than £0.1m during the periods presented. No director was a member of the Group's UK defined benefit pension scheme during the periods presented.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the business, directly or indirectly. Compensation includes that earned by the executive directors (as included above) and certain members of the Group's management.

Year ended 31 March

£m	2021	2020
Salaries and other short-term employee benefits	**5.0**	4.2
Share-based payments (non-cash)	**0.3**	(0.1)
Total key management compensation	**5.3**	4.1

The Group issued restricted equity instruments, each with a nominal value of £0.00000001, to three members of key management in the year ended 31 March 2017. Subsequent to 31 March 2021, Group purchased the restricted shares from the holders for £2.7m cash and contingent deferred payments forecast to be £0.9m. The Group issued restricted equity instruments, each with a nominal value of £0.000001, to one member of key management in the year ended 31 March 2020. All restricted equity instruments issued in the year ended 31 March 2020 were returned and cancelled in the year ended 31 March 2021 for £nil. The Group issued restricted equity instruments, each with a nominal value of £0.000001, to three members of key management in the year ended 31 March 2021. There were no amounts earned under long-term incentive schemes (other than shares or share options) and no contractual and in lieu of contractual loss of office payments during the periods presented. Employer's pension contributions were less than £0.1m during the periods presented.

29. Ultimate parent company and controlling party

The Company is the ultimate holding company of the Group.

30. Pensions

Yell Limited, which is one of the consolidated subsidiaries in these Group financial statements, operates a defined benefit pension scheme ("UKPP"or "Plan") for UK employees employed before 1 October 2001, but that was closed to future accrual from March 2011. Yell Limited also operates a defined contribution scheme for the remaining UK employees. They are the only material schemes in Yell Limited. Yell Limited's income statement and statement of comprehensive income for the years ended 31 March 2021 and 2020 included the following charges.

Amounts charged to operating loss

Year ended 31 March

£m	**2021**	2020
Settlement cost	–	8.4
Past service cost	–	0.1
Amounts charged for defined benefit schemes	–	8.5
Amounts expensed for defined contribution schemes	**2.1**	2.4
Total operating charge	**2.1**	10.9

Net finance income from defined benefit scheme

Year ended 31 March

£m	**2021**	2020
Interest income on pension scheme assets	**15.1**	15.3
Interest cost on pension scheme liabilities	**(11.4)**	(12.5)
Net finance income from defined benefit scheme	**3.7**	2.8

Amount recognised in Group statement of comprehensive income

Year ended 31 March

£m	**2021**	2020
Actual return less interest on pension plan assets	**22.7**	9.7
Experience (losses) / gains arising on plan liabilities	**7.0**	3.3
Changes in financial assumptions underlying the value of plan liabilities	**(109.3)**	25.4
Changes in demographic assumptions underlying the present value of plan liabilities	**0.6**	(0.8)
Actuarial (loss) / gain	**(79.0)**	37.6
Tax on actuarial loss / (gain) recognised in equity	**15.0**	(9.7)
Actuarial (loss) / gain net of tax	**(64.0)**	27.9

The cumulative actuarial gain net of tax recognised at 31 March 2021 amounts to £2.2m (2020: £66.2m).

UKPP – Defined benefit sections

There are three defined benefit sections of the UKPP, which have been closed to new entrants since 1 October 2001. The Plan 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 2021, showed a surplus of £84m. Pension benefits are based on years of qualifying service and final pensionable salary. With effect from 31 March 2011, the Plan 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 the defined contribution sections were closed and a Mastertrust with L&G was put in place instead.

The Group is required to agree its contributions to the Plan 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 2021.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

30. Pensions (continued)

Net surplus

The UKPP 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

£m	2021	2020
Fair value of scheme assets	**684.9**	665.1
Present value of scheme liabilities	**(601.1)**	(506.0)
Net surplus	**83.8**	159.1

The following amounts explain the movement in the pension provision:

Year ended 31 March

£m	2021	2020
Net surplus at the beginning of year	**159.1**	126.9
Movement in year:		
Contributions	–	0.3
Past service cost	–	(0.1)
Settlement cost	–	(8.4)
Net finance income	**3.7**	2.8
Actuarial (loss) / gain	**(79.0)**	37.6
Net surplus at end of year	**83.8**	159.1

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 ceased in late 2018.

Contributions of £nil (2020: £0.3m), of which £nil (2020: £0.3m) were in respect of benefit augmentations were made in the year to 31 March 2021.

Valuation assumptions

The UKPP net surpluses at 31 March 2021 and 31 March 2020 were based on the valuation at 5 April 2018 updated to 31 March 2021 and 31 March 2020 respectively. The updated valuations were carried out by professionally qualified independent actuaries using the following key assumptions:

At 31 March

All figures in % per annum	2021	2020
Discount rate	**2.1**	2.3
Expected rate of return on assets	**n/a**	n/a
Pension increases linked to RPI	**3.3**	2.6
Pension increases linked to CPI	**2.9**	2.0

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

Years	2021	2020
Male	**28.6**	28.6
Female	**30.9**	30.8

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

At 31 March

Years	2021	2020
Male	**27.3**	27.3
Female	**29.5**	29.4

30. Pensions (continued)

Assets

The UKPP 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 Plan are required to act in the best interest of the Plan's beneficiaries. The appointment of trustees to the Plan is determined by Yell Limited in accordance with the Plan's trust documentation, as modified by UK statute. An independent professional trustee and two other trustees are appointed by Yell Limited. 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 corporate bonds, a bulk annuity policy that covers nearly all of the 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 Plan's funding level by mitigating inflation, interest rate and longevity risks. These asset classes match the movements in interest rates and inflation closely. The trustees also work with management to ensure sufficient assets will be available to settle obligations in the long term. The assets were:

At 31 March

£m	**2021**	**Of which, not quoted on an active market**	2020	Of which, not quoted on an active market
Secured Finance	–	–	67.1	–
Bonds	**203.9**	–	84.3	–
Liability-driven investments	**253.5**	–	269.7	–
Insurance contracts	**190.5**	**190.5**	169.5	169.5
Other	**37.0**	–	74.5	–
Total assets at fair value	**684.9**	**190.5**	665.1	169.5

Changes in the present value of the Plan's assets were as follows:

Year ended 31 March

£m	**2021**	2020
Opening fair value of plan assets	**665.1**	708.9
Interest on assets	**15.1**	15.3
Actuarial gain	**22.7**	9.7
Contributions by employer	–	0.3
Benefits paid	**(18.0)**	(69.1)
Closing fair value of plan assets	**684.9**	665.1

The actuarial gain in the year ended 31 March 2021 and 2020 represents the difference between the expected return on plan assets and the actual return on plan assets as follows:

Year ended 31 March

£m	**2021**	2020
Interest on plan assets	**15.1**	15.3
Actuarial gain	**22.7**	9.7
Actual return on plan assets	**37.8**	25.0

30. Pensions (continued)

Liabilities

The present value of the Plan's 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 Plan using the projected unit method. The projected unit method is an accrued benefits valuation method in which a scheme's liabilities make allowance for projected earnings. Changes in the present value of the defined benefit obligations were as follows:

Year ended 31 March

£m	2021	2020
Opening present value of defined benefit liabilities	**506.0**	582.0
Past service costs	–	0.1
Settlement cost	–	8.4
Interest cost	**11.4**	12.5
Actuarial loss / (gain)	**101.7**	(27.9)
Benefits paid	**(18.0)**	(69.1)
Closing present value of defined benefit liabilities	**601.1**	506.0

The Group offered an enhanced transfer option to members of the UKPP during the year ended 31 March 2020, which if accepted resulted in a transfer of the members' liabilities and related assets from the Plan 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 £8.4m settlement cost in the year.

The actuarial loss in the year ended 31 March 2021 was primarily the result of an increase in the assumption for inflation and a decrease in the discount rate assumption. This was partially offset by inflationary increases applied to benefits during the year being lower than expected. In addition to this a change in the mortality assumption placed a slightly lower value on the liability value.

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 place a higher value on the liability value.

Profile of the Plan

The defined benefit obligation includes benefits for deferred members and current pensioners. Broadly, about 65% of the liabilities are attributable to deferred members and 35% to current pensioners. Note that the term "deferred members" refers to members of the UKDBP who are yet to draw their pension.

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

Sensitivity analysis

The present value of the pension obligations at 31 March 2021 was calculated on the basis that the real interest rate at the balance sheet date was -1.4%, 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 £13.5m. The effect on the market value of assets cannot be estimated because the values of the Plan'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 £3.2m due to the assumed discount rate increasing or decreasing by 0.1% per annum respectively.

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

30. Pensions (continued)

Sensitivity analysis (continued)

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 £13.0m and increase or decrease the value placed on the bulk annuity policy by approximately £3.0m.

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 £25.6m and would increase the value of the bulk annuity policy by £8.7m.

Risks associated with the Plan

Through its defined benefit pension plan the Group 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.

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

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

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

The policy covers most of the Plan's current pensioners, plus their survivors' pensions payable after death. It does 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 Plan is exposed, as well as inflation risks and risks associated with changes in bond yields.

The Plan's liabilities included liabilities in relation to the equalisation of Guaranteed Minimum Pensions ("GMPs"). In October 2018 the UK High Court ruled that GMPs will need to be equalised. In November 2020 the UK High Court also ruled that GMPs will have to be equalised for past transfers out of the Plan. This increases the defined benefit obligation of the Plan. The Group carried out calculations based on the Plan's benefits and profile to estimate the effect of allowing for GMP equalisation and allowed for this as a past service cost of £0.6m in the year ended 31 March 2020 (£0.5m was allowed for in the 31 March 2019 figures for the October 2018 Court case, and an additional £0.1m was allowed for in the 31 March 2021 figures for the November 2020 Court case but accrued for in the prior year).

30. Pensions (continued)

Defined contribution pension sections

In addition to the defined contribution scheme in the UK, the operating subsidiary in our discontinued operations, hibu Inc, sponsors a 401(k) plan for the majority of its employees in the US. The 401(k) plan allows employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. hibu Inc matches a percentage of the employee contributions up to certain limits. The assets of the plan are held separately from those of hibu Inc in an independently administered fund.

The pension cost in respect of these schemes represents contributions payable to the funds and amounted to £1.0m in the year ended 31 March 2021 (2020: £1.1m) for the hibu Inc scheme, and £2.1m (2020: £2.4m) for the UK defined contribution scheme. Outstanding contributions amounted to £nil at 31 March 2021 (2020: £nil).

31. Post balance sheet events

On 4 May 2021, the Group sold its investment in Hibu Group (USA), Inc and its subsidiaries to a third party for net proceeds of $361.0m (£260.0m), after transaction costs. The carrying value of the investment at 31 March 2021 was less than the disposal proceeds minus the estimated selling costs. On 10 May 2021, the Company paid a dividend to its shareholders of $346.0m (£249.2m) out of the net sale proceeds (see note 9).

There are no other material post balance sheet events to report at the time of signing these financial statements.

Hibu Group Limited

Income statement (Company only)

Year ended 31 March

£'000	Note(s)	2021	2020
Other operating income	4	**4,240**	9,197
Reversal of impairment / (impairment) of amounts due from group undertakings		**67**	(249)
Administrative expenses	5	**(10,739)**	(17,115)
Operating loss		**(6,432)**	(8,167)
Income from shares in group undertakings	7	**11,560**	16,471
Profit before interest and tax		**5,128**	8,304
Net finance income		**614**	1,189
Profit before tax		**5,742**	9,493
Tax credit	8	**1,111**	1,256
Profit for the year		**6,853**	10,749

There is no other comprehensive income for the year (2020: £nil).

Hibu Group Limited

Statement of financial position (Company only)

At 31 March

£'000	**Note**	**2021**	2020
Non-current assets			
Investments	10	**141,248**	141,186
Deferred tax assets	11	**–**	–
Trade and other receivables	12	**5,877**	10,652
Total non-current assets		**147,125**	151,838
Current assets			
Trade and other receivables	12	**1,848**	1,823
Total current assets		**1,848**	1,823
Total assets		**148,973**	153,661
Current liabilities			
Trade and other payables	13	**(25,104)**	(36,645)
Total current liabilities		**(25,104)**	(36,645)
Net current liabilities		**(23,256)**	(34,822)
Total liabilities		**(25,104)**	(36,645)
Net assets		**123,869**	117,016
Equity			
Share capital	15	**–**	–
Retained earnings		**123,869**	117,016
Total equity		**123,869**	117,016

The notes on pages 68 to 74 are an integral part of these financial statements.

The financial statements on pages 65 to 74 were approved by the Board of directors on 28 July 2021 and were signed on its behalf by:

David Anderson
Director

Registration no 08815102

Hibu Group Limited

Statement of changes in equity (Company only) for the year ended 31 March 2021

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 April 2019	–	122,738	122,738
Profit for the year	–	10,749	10,749
Total comprehensive income for the year	–	10,749	10,749
Dividends (see note 9)	–	(16,471)	(16,471)
Total transactions with owners, recognised in equity	–	(16,471)	(16,471)
Balance at 31 March 2020	–	117,016	117,016
Balance at 1 April 2020	–	**117,016**	**117,016**
Profit for the year	–	**6,853**	**6,853**
Total comprehensive income for the year	**–**	**6,853**	**6,853**
Dividends (see note 9)	–	–	–
Total transactions with owners, recognised in equity	**–**	**–**	**–**
Balance at 31 March 2021	**–**	**123,869**	**123,869**

Notes to the financial statements (Company only) for the year ended 31 March 2021

1. Accounting policies

Basis of preparation

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

The financial statements present information about the Company as an individual undertaking, and not as a group. The Company is a private company limited by shares incorporated and domiciled in the UK.

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

Financial reporting standard 101 – reduced disclosure exemptions

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

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

Going concern

The financial statements have been prepared on a going concern basis. The Group has £214m of senior secured notes and a £25m revolving credit facility, of which £nil was drawn at 31 March 2021. 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 when £8.75m or more is drawn. The senior secured notes and revolving credit facility are secured on the assets of the Owl Group. The Company is not a guarantor of these new arrangements.

The directors of the Company have considered the implications of this and the risks set out on pages 4 to 7, and in particular whether it is appropriate to prepare the financial statements on a going concern basis and the adequacy of the going concern disclosures made within the financial statements. In reaching a conclusion the directors reviewed relevant financial reports and noted that the Company and relevant subsidiaries have access to sufficient funds to be able to settle obligations as they fall due for the next twelve months.

The directors have concluded that the going concern basis of accounting is appropriate, as set out in the Strategic report on pages 2 to 10.

Significant accounting policies

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

a) Investments in subsidiaries

Investments are valued at cost less any amounts written down due to impairment based on annual reviews of recoverability. Any impairment would be charged to the income statement account to the extent that it is not covered by amounts previously credited to shareholders' equity through the revaluation surplus. Impairment losses are reversed to the extent that events demonstrate that previously impaired amounts can be recovered.

b) 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.

1. Accounting policies (continued)

Significant accounting policies (continued)

c) 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.

d) Current and deferred tax

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

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

e) Share capital

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

f) 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.

Standards that have been adopted during the current year

Details of standards, interpretations and amendments that became effective during the year are set out on page 32. None of these were material to the Company.

Critical accounting estimates and management judgments

In preparing the financial statements, the Company's management have made their best estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. The Company regularly reviews these estimates and judgments and updates them when required. Actual results could differ from these estimates and judgments. 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 has presented below a description of the most significant estimates and judgments, which require management to make subjective and complex judgments, and matters that are inherently uncertain.

Investments in subsidiaries:

Investments are valued at cost less any amounts written off due to impairment. Any impairment is charged to the statement of comprehensive income account to the extent that it is not covered by amounts previously credited to shareholders' equity through the revaluation surplus. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the investment or by the discounted future earnings of the investment.

Details of other critical accounting estimates and management judgments are set out on pages 30 to 32. The only estimates and judgments that are relevant to the Company are share-based payments, tax and judgments made in assessing the effect of the COVID-19 pandemic on the financial statements.

2. Auditors' remuneration

The audit fee for the Company is included within the fee for the audit of the Group and is disclosed in note 4 to the consolidated financial statements. £19,500 was paid to PricewaterhouseCoopers LLP for non-audit services to the Company in the year (2020: £nil).

Notes to the financial statements (Company only) for the year ended 31 March 2021 (continued)

3. Directors' remuneration

Directors' remuneration is disclosed in note 28 to the consolidated financial statements.

4. Other operating income

Year ended 31 March

£'000	2021	2020
Recharges to group undertakings	**4,240**	9,197
Total other operating income	**4,240**	9,197

5. Administrative expenses

Year ended 31 March

£'000	Note	2021	2020
Recharges from group undertakings [(a)]		**3,812**	11,341
Foreign exchange losses on group recharges		**–**	142
Other administrative expenses		**994**	1,481
Staff costs	6	**5,933**	4,151
Total administrative expenses		**10,739**	17,115

(a) Recharges from group undertakings are recharges in respect of costs incurred by other group undertakings on behalf of the Company and its subsidiaries. These are primarily management services costs.

6. Employees

Year ended 31 March

£'000	2021	2020
Average monthly number of employees:		
Administrative	**14**	15
Total employees	**14**	15

Year ended 31 March

£'000	2021	2020
Staff costs for the Group during the year (including executive directors):		
Wages and salaries	**5,228**	3,210
Social security costs	**320**	321
Other pension costs	**93**	140
Share-based payments [(a)]	**292**	480
Total staff costs expensed to the income statement	**5,933**	4,151

(a) Further amounts relating to share-based payments are included within the recharges from group undertakings (see note 5).

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2021 (continued)

7. Income from shares in group undertakings

Year ended 31 March

£'000	2021	2020
Ordinary dividends received	**11,560**	16,471
Share-based payment distributions received	**292**	678
Recharge of share-based payment from subsidiaries	**(292)**	(678)
Total income from shares in group undertakings	**11,560**	16,471

The Company received dividends totalling $14,250,000 (£11,559,896) from its subsidiary, Hibu Midco Limited, during the year (2020: $20,662,500 (£16,470,788)).

During the year, the Company received a share-based payment distribution from Hibu Midco Limited of £0.2m (2020: £0.7m) and from Yell Holdco Limited of £0.1m (2020: £nil) in respect of its portion of share-based payments. The Company was later recharged the relevant costs and recorded the £0.3m (2020: £0.7m) as intercompany liabilities, with a compensating decrease to the share-based payment distribution (see note 16).

8. Tax credit

The Company is resident in the UK for tax purposes. The tax credit on the Company's profit before tax is analysed as follows:

Year ended 31 March

£'000	Note	2021	2020
Current tax:			
Corporation tax credit for the year		**(1,146)**	(1,308)
Adjustments in respect of prior periods		**35**	(11)
Total current tax credit		**(1,111)**	(1,319)
Deferred tax:			
Deferred tax charge for the year		**23**	68
Adjustments in respect of prior periods		**(23)**	(5)
Total deferred tax charge	11	**–**	63
Total tax credit		**(1,111)**	(1,256)

The tax credit is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are explained below:

Year ended 31 March

£'000	2021	2020
Profit before tax	**5,742**	9,493
Profit before tax multiplied by the standard rate of corporation tax in the UK	**1,091**	1,804
Effects of:		
Non-taxable ordinary dividends received	**(2,196)**	(3,129)
Non-deductible provision against intercompany receivables	**(13)**	47
Deferred tax assets written off	**–**	32
Adjustments in respect of prior periods	**12**	(16)
Other	**(5)**	6
Total tax credit	**(1,111)**	(1,256)

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2021 (continued)

8. Tax credit (continued)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The Finance Act 2021 was enacted on 10 June 2021. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that there would be no overall effect of the change on the tax credit for the year.

9. Dividends

Year ended 31 March

£'000	2021	2020
Ordinary dividends	**–**	16,471

There were no dividends paid or declared during the current year. A dividend of $346.0m (£249.2m) (2020: $nil (£nil)) has been declared and paid since 31 March 2021, following the disposal of Hibu Group (USA), Inc and its subsidiaries (see notes 17 and 31 of the consolidated financial statements).

During the prior year, the Company paid ordinary dividends of $4,750,000 (£3,693,624), $9,500,000 (£7,817,000) and $6,412,500 (£4,960,164) to its shareholders on 24 June 2019, 19 August 2019 and 25 November 2019 respectively.

10. Investments

The movement in investments during the year is as follows:

£'000	2021	2020
Cost		
At the beginning of the year	**141,186**	141,186
Additions	**62**	–
At 31 March	**141,248**	141,186
Carrying value at 31 March	**141,248**	141,186

The Company paid £62,000 to acquire "B" ordinary shares in its subsidiary, Hibu Midco Limited. The recoverable value of the Company's investment in Hibu Midco Limited will need to be reassessed for impairment after 31 March 2021 following the disposal by its subsidiary Hibu Bidco Limited of its US based subsidiaries as set out in Note 17.

At 31 March Direct subsidiaries	Company activity	Country of incorporation	**2021 Percentage owned**	2020 Percentage owned	**2021 Carrying value £'000**	2020 Carrying value £'000
Hibu Midco Limited	Intermediate holding company	United Kingdom	**100.00**	100.00	**141,248**	141,186

The registered address of Hibu Midco Limited is 3 Forbury Place, Forbury Road, Reading, RG1 3YL. Details of the Company's indirect subsidiary undertakings are given in note 13 of the consolidated financial statements on page 42.

11. Deferred tax assets

The movement in deferred tax assets during the year is as follows:

£'000	Accrued expenses	Total
Deferred tax assets at 1 April 2019	63	63
Credited to income statement	(63)	(63)
Deferred tax assets at 31 March 2020	–	–
Deferred tax assets at 1 April 2020	–	–
Charged to income statement	–	–
Deferred tax assets at 31 March 2021	–	–

12. Trade and other receivables

At 31 March

£'000	2021	2020
Amounts falling due within one year		
Amounts due from group undertakings	**1,453**	1,823
Other debtors	**395**	–
Total amounts falling due within one year	**1,848**	1,823
Amounts falling due after one year		
Amounts due from group undertakings	**5,877**	10,652
Total amounts falling due after one year	**5,877**	10,652
Total trade and other receivables	**7,725**	12,475

Amounts falling due within one year are short-term receivables in respect of group recharges, interest receivable and group relief. None of the amounts due from group undertakings are past due. During the year, the Company released an impairment provision of £67,000 (2020: recognised a provision of £249,000) against an amount of £182,000 (2020; £249,000) included within amounts due from group undertakings falling due within one year. All other amounts are considered to be fully recoverable. Amounts falling due after more than one year include an amount of £5,876,295 (2020: £10,651,800) that accrues interest at 9% and that is payable annually; the facility has a mandatory repayment date of 9 May 2022. All amounts due from Group undertakings are unsecured.

13. Trade and other payables

At 31 March

£'000	2021	2020
Amounts falling due within one year		
Accrued expenses	**1,522**	1,637
Amounts owed to group undertakings	**23,582**	35,008
Total trade and other payables	**25,104**	36,645

Amounts due to group undertakings falling due within one year include an amount of £20,081,118 that is payable on demand (2020: of £20,081,118). Other amounts are short-term liabilities primarily in respect of group recharges and group relief. Interest is charged based upon the three-month LIBOR rate in the denominated currency on amounts totalling £504,355 (2020: £11,028,659) with interest rates reset at the beginning of each quarter.

14. Contingent liabilities

There are no contingent liabilities other than that disclosed in note 24 to the consolidated financial statements.

15. Share capital

Allotted and fully paid

	No. of shares of £0.00000001	£
Ordinary shares		
At beginning of year	1,526,713,578	15
At 31 March 2021	**1,526,713,578**	**15**

All shares rank pari passu in all respects.

16. Share-based payments

The Company charged £0.3m (2020: charged £0.5m) against income for share-based payments (see note 26 of the consolidated financial statements) in the year ended 31 March 2021. £0.3m (2020: £0.7m) was settled through share-based payment distributions from the Company's direct subsidiary, Hibu Midco Limited and its indirect subsidiary Yell Holdco Limited (see note 7). The Company was later recharged the relevant costs and recorded the £0.3m (2020: £0.7m) as intercompany liabilities, with a compensating decrease to the share-based payment distributions.

17. Post balance sheet events

On 4 May 2021, the Company's indirectly held subsidiary, Hibu Bidco Limited, sold its investment in Hibu Group (USA), Inc, and its subsidiaries, to a third party for net proceeds of $361.0m (£260.0m), after transaction costs. Hibu Bidco Limited, also received $75.1m (£54.1m) from Hibu Group (USA), Inc, in consideration for share redemption, prior to the disposal. The Company, in turn, received a dividend on 30 April 2021 from Hibu Midco Limited, of $59.3m (£42.7m), together with the settlement of various inter-company receivables and a further dividend of $354.2m (£255.1m) on 4 May 2021, following the sale. On 10 May 2021, the Company paid a dividend to its shareholders of $346.0m (£249.2m) out of the net sale proceeds (see note 9).

There are no other material post balance sheet events to report at the time of signing these financial statements.