

Registered number: 10277047

Owl Finance Limited

Annual report and unaudited financial statements for the year ended 31
March 2023



Owl Finance Limited

Annual report for the year ended 31 March 2023

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Owl Finance Limited

Company information

Directors

David Anderson
Robert Hall (appointed 20 December 2022)
Adam Hurst (resigned 17 March 2023)
Claire Miles (resigned 31 December 2022)

Company secretary

Paul Manwaring

Registered office

3 Forbury Place
Forbury Road
Reading
RG1 3YL

Registered number

10277047

All references to the Group are references to the ultimate controlling party, Yell Holdco Limited, and its consolidated subsidiaries.

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

Owl Finance Limited

Strategic report for the year ended 31 March 2023

The directors present their strategic report for Owl Finance Limited (the "Company") for the year ended 31 March 2023.

Principal activities

The Company acts as an intermediate holding company. The Company is an integral part of a group of companies whose ultimate holding company is Yell Holdco Limited. The Company is incorporated and domiciled in England & Wales.

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

- Separately employ individuals;
- Have customers outside the Group;
- Have a strategy other than to meet its purpose;
- Have key performance indicators other than its profit or loss.

Review of the business and future developments

The Company's results for the year are set out on page 8. The Company had net assets at 31 March 2023 of £12.5m (2022: £18.6m). The directors consider the result for the year and the financial position at 31 March 2023 to be satisfactory.

During the prior year, the Group carried out a refinancing whereby the Senior Secured Notes held by the Company's direct subsidiary, Yell Bondco plc, were amended. As a consequence, the intercompany loan payable by the Company to Yell Bondco Plc of £216.4m was split into two tranches of £149m and £67.4m. Yell Bondco plc released £149m of intercompany loans due from the Company, in exchange for the novation of a £149m tranche of the Senior Secured Notes.

The Company in turn novated the Senior Secured Notes to Yell Holdco Limited, the Company's immediate parent undertaking, in exchange for the issue of a further £1 ordinary share and recognised £155.9m of share premium. The Company initially recorded the liability for the Senior Secured Notes at fair value, with a net gain on release of the intercompany loan liability recognised directly into equity. On novation of the Senior Secured Notes to Yell Holdco Limited, the amount recorded into equity was reversed with a corresponding amount recognised in the share premium account of the Company for the excess over the nominal value of the share issued, together with the amount released for the carrying value of the Senior Secured Notes. The terms of the remaining intercompany loan payable were amended to have a coupon of 9% and a maturity of 31 March 2027.

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

Risk management and principal risks

The Company's operations expose it to a variety of risks including credit risk. As the Company's trading is with other fellow group undertakings and its operations are principally funded through intra-group loan arrangements it is not exposed directly to external risk factors such as liquidity risk. The Company would be exposed to interest rate risk only to the extent the intra-group loan arrangements carried interest on a floating rate basis. These risks are managed on a group-wide basis by the Company's ultimate parent undertaking Yell Holdco Limited. Full disclosure on how these risks are managed is provided in the financial statements of that company.

The Group has £70.8m of Senior Secured Notes which are not subject to any financial ratio maintenance covenants. The Company and certain of its subsidiaries are guarantors of the Senior Secured Notes, and the Senior Secured Notes are secured on the assets of these companies.

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

Owl Finance Limited

Strategic report for the year ended 31 March 2023

S.172 Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006. Due to the non-trading nature of the Company's activities, only a limited number of Board meetings were held in the year. Principal decisions made in the year were primarily around to approve the financial statements of the Company. The decisions were agreed to be in the best interests of the Company as a whole.

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

More details on how the Group applies its policies and strategy can be found in the Group's strategic report on its website – <https://about.yell.com/bondholders>. Details of the key stakeholders and how we engage with them are set out below.

Shareholder

The Company has no direct shareholders outside of the Group.

Our People

The Company has no employees but its subsidiaries, Yell Limited, Yell Studio Limited and Yell Sales Limited ("Yell") do. We define our people as employees who are paid through the Yell payroll. An engaged and motivated workforce is critical to the delivery of Group 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 ensure that incentive plans are designed to promote the success of the Group and are appropriate to retain employees and are aligned to the interests of the shareholders.

Yell operates a whistleblowing service, and all incidents are investigated and reported to the Group Audit & Risk Committee and ultimately the Group Board. Yell Sales Limited is the primary employer of the Group. Its Gender Pay Gap report can be found on: <https://about.yell.com/legal>.

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. Regular live, interactive, all hands, business update webinars are held by the senior leadership team with open question and answer sessions.

A detailed employee survey is carried out each year to provide insight into how employees view working at Yell, the strategy, engagement and culture. A shorter pulse survey is also carried out during the year. The results of the latest detailed survey, in November 2022, showed improvements across the board as a result of action taken based on the results of the survey run in the prior year.

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.

Employees

Yell's aim is to recruit, train and promote the best person for the job, to make full use of the talents and resources of all its people and to create a working environment free from unlawful discrimination, victimisation, and harassment in which all individuals are treated with dignity and respect. All employees are made aware of the requirements of the Yell Equality and Diversity Code of Practice and are obliged to co-operate to ensure that it is adhered to.

Owl Finance Limited

Strategic report for the year ended 31 March 2023

S.172 Statement (continued)

Employees (continued)

Yell is committed to supporting the principle of equality, diversity and inclusion and opposes all forms of *unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic or national origins, gender, gender reassignment, marital/civil partnership status, disability, part-time or fixed-term status, parental responsibilities, age, sexual orientation, religion, belief, or political opinion.*

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

Our Equal Opportunities Policy contains a code of good practice on disability that states that an individual who becomes disabled whilst in employment will receive support to ensure, wherever possible, they are able to continue in their role. This will involve whatever reasonable adjustments can be made on consultation with the individual. Alternatively, in consultation with the individual, other positions will be considered where the individual's skills and abilities match the requirements of the role, making reasonable adjustments where appropriate. We will ensure that training and career development is equally available to people with disabilities, tailored where practicable for their specific needs.

Customers and Suppliers

The Company has no customers or suppliers outside the Group.

Pension

Certain employees of the Company's subsidiaries are members of Yell pension plans. 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 contribution ("DC") scheme.

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.

The £370m bulk annuity buy-in with Pension Insurance Corporation plc ("PIC") in September 2022 meant that the DB scheme's total liabilities are now fully matched by insurance policies, delivering security for the DB scheme's 1,800 members whilst also minimising future risk for the Group.

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.

Environmental reporting

The Company recognises its responsibility to act in the interests of the environment and to reduce its carbon footprint wherever possible. Continued remote and hybrid working has had a positive effect on the environment with reduced spend on consumables and work-related travel. Full disclosure of the Company's carbon emission information is included in the financial statements of Yell Holdco Limited. Further details on how the Group has regard for the environment are presented in the context of the Group as a whole in the strategic report of Yell Holdco Limited.

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 of the Group is updated on legal and regulatory developments and takes these into account when considering future actions.

Owl Finance Limited

Strategic report for the year ended 31 March 2023

Going concern

The Company has net assets of £12.5m (2022: £18.6m). The Group has £70.8m of Senior Secured Notes at 31 March 2023. The Senior Secured Notes are not subject to any financial ratio maintenance covenants and are secured on the assets of the Company and certain of its subsidiaries. The Company and certain of its subsidiaries are guarantors of the Senior Secured Notes.

Management have modelled an unlikely but possible downside scenario in which business performance fails to improve and revenue growth is not achieved. In this scenario, the Group would not default on interest payments on the Senior Secured Notes and retain sufficient liquidity to meet all of its financial obligations for at least 18 months from the statement of financial position date.

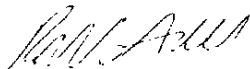
The directors of the Company have considered the implications of the above and the risks set out in the Yell Holdco Limited strategic report for the year ended 31 March 2023 and, in particular, whether it is appropriate to prepare the financial statements of the Company on a going concern basis and the adequacy of the going concern disclosures made within the financial statements.

Consequently, the directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

Events after the reporting period

There are no material events after the reporting period at the time of signing these financial statements.

On behalf of the Board:



Robert Hall
Director

15 June 2023

Owl Finance Limited

Report of the directors for the year ended 31 March 2023

The directors present their annual report and the unaudited financial statements of the Company for the year ended 31 March 2023.

Dividends

The directors do not recommend the payment of a dividend (2022: £nil).

Strategic report

The Company is required by the Companies Act 2006 to set out the development and performance of the business of the Company during the financial year ended 31 March 2023, the position of the Company at the end of the year, and a description of the principal risks and uncertainties facing the Company. By reference to the strategic report, which can be found on pages 2 to 5, the following information is given:

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

Directors and their interests

The directors who held office during the year and up to the date of approval of the financial statements are stated on page 1. Details of directors' remuneration can be found in note 4.

Article 96 of the Articles of Association of Yell Holdco Limited ("Holdco"), the Company's ultimate holding company, permit Holdco, subject to the Companies Act 2006 and other applicable legislation, to indemnify any of the directors, former directors or secretary of the Company against any loss or liability in connection with any proven or alleged negligence, default, breach of duty or trust by them, in relation to Holdco or any of its subsidiaries.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

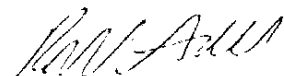
Owl Finance Limited

Report of the directors for the year ended 31 March 2023

Statement of directors' responsibilities in respect of the financial statements (continued)

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

On behalf of the Board:



Robert Hall
Director

15 June 2023

Owl Finance Limited

Statement of comprehensive income for the year ended 31 March 2023

£'000	Note	Unaudited 2023	2022
Reversal of impairment of amounts due from Group undertakings		-	1,164
Administrative expenses		-	(859)
Operating profit	3	-	305
Income from shares in Group undertakings	7	-	9,095
Profit before interest and taxation		-	9,400
Finance income	5	245	5,125
Finance costs	5	(6,908)	(24,187)
Net finance costs	5	(6,663)	(19,062)
Loss before taxation		(6,663)	(9,662)
Tax credit on loss	6	542	1,851
Loss and total comprehensive expense for the financial year		(6,121)	(7,811)

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

Owl Finance Limited

Statement of financial position at 31 March 2023

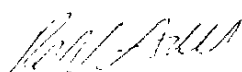
£'000	Note	Unaudited 2023	2022
Non-current assets			
Investments in subsidiaries	8	88,566	88,566
Trade and other receivables	9	3,155	-
Total non-current assets		91,721	88,566
Current assets			
Trade and other receivables	9	-	2,488
Total current assets		-	2,488
Total assets		91,721	91,054
Current liabilities			
Trade and other payables	10	-	(370)
Total current liabilities		-	(370)
Net current assets		-	2,118
Non-current liabilities			
Trade and other payables	10	(79,213)	(72,055)
Total non-current liabilities		(79,213)	(72,055)
Total liabilities		(79,213)	(72,425)
Net assets		12,508	18,629
Equity			
Called up share capital	11	-	-
Retained earnings		12,508	18,629
Total equity		12,508	18,629

For the financial year ended 31 March 2023 the Company was entitled to exemption from audit under section 479A-479C of the Companies Act 2006.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for preparing financial statements which give a true and fair view of the state of affairs of the Company as at 31 March 2023 and of its loss for the year in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Company Act 2006 relating to financial statements, so far as applicable to the Company.

The notes on pages 11 to 19 are an integral part of these financial statements. The financial statements on pages 8 to 19 were approved by the Board of directors and were signed on its behalf on 15 June 2023 by:



Robert Hall
Director

Registered number: 10277047

Owl Finance Limited

Statement of changes in equity for the year ended 31 March 2023

	Called-up share capital £'000	Share premium account £'000	(Accumulated losses) / retained earnings £'000	Total equity/ (shareholder's deficit) £'000
2022				
Balance at 1 April 2021	-	-	(129,420)	(129,420)
Loss and total comprehensive expense for the financial year	-	-	(7,811)	(7,811)
Gain on release of intercompany payable	-	-	132,360	132,360
Share premium on issue of shares	-	155,860	(132,360)	23,500
Capital reduction	-	(155,860)	155,860	-
Total transactions with owners recognised directly in equity	-	-	155,860	155,860
Balance at 31 March 2022	-	-	18,629	18,629

	Called-up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
2023				
Balance at 1 April 2022	-	-	18,629	18,629
Loss and total comprehensive expense for the financial year (unaudited)	-	-	(6,121)	(6,121)
Balance at 31 March 2023	-	-	12,508	12,508

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023

1. Basis of preparation and accounting policies

Entity information

The Company is a private company, limited by shares and registered in England and Wales under registration number 10277047. Its registered office is at 3 Forbury Place, Forbury Road, Reading, Berkshire, RG1 3YL. The Company is a wholly owned subsidiary of Yell Holdco Limited and is included in the consolidated financial statements of Yell Holdco Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. The financial statements are prepared in British pounds sterling, which is the functional currency of the Company.

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

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

- the requirements of IFRS 7 "Financial Instruments: Disclosures";
- the requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement";
 - the requirements of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of paragraph 79 (a)(iv) of IAS 1 "Share Capital";
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 to 136 of IAS 1 "Presentation of Financial Statements";
- the requirements of IAS 7 "Statement of Cash Flows";
- the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"; 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 Company has net assets of £12.5m (2022: £18.6m). The Group has £70.8m of Senior Secured Notes at 31 March 2023. The Senior Secured Notes are not subject to any financial ratio maintenance covenants and are secured on the assets of the Company and certain of its subsidiaries. The Company and certain of its subsidiaries are guarantors of the Senior Secured Notes.

Management have modelled an unlikely but possible downside scenario in which business performance fails to improve and revenue growth is not achieved. In this scenario, the Group would not default on interest payments on the Senior Secured Notes and retain sufficient liquidity to meet all its financial obligations for at least 18 months from the statement of financial position date.

Consequently, the directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

1. Basis of preparation and accounting policies (continued)

Material accounting policies

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

a. Finance costs and income

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

Gains and losses on insubstantial modifications as a result of intercompany loans payable being amended, are recognised within finance income and costs at the time of the amendment. These include the gains associated with the waiver of accrued interest, and losses on the fair value discount on the consideration. An effective interest rate basis is used for the amortisation of issue costs, the coupon rate, and the fair value discount on the consideration. These are charged to the statement of comprehensive income, as finance costs over the term of the borrowings, or over a shorter period where the lender can require earlier repayment, or immediately recognised in finance costs upon amendment of the debt to which they relate.

b. Investments in subsidiaries

Investments are valued at cost less any amounts written down due to impairment based on annual reviews of recoverability. Impairment losses are reversed to the extent that events demonstrate that previously impaired amounts can be recovered.

c. Borrowings

All borrowings are initially stated at fair value of consideration received after deduction of issue costs. Borrowings are subsequently stated at amortised cost. An effective interest rate basis is used for the amortisation of issue costs, the coupon rate, and the fair value discount on the consideration. These are charged to the statement of comprehensive income, as finance costs over the term of the borrowings, or over a shorter period where the lender can require earlier repayment. Issue costs relating to amendment of the borrowings are amortised over the revised term of the amended borrowings, where a modification is defined as an insubstantial modification.

d. Financial assets and liabilities

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

e. 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.

f. Current and deferred tax

The current tax credit is the amount of income tax payable in respect of the taxable loss for the year. Tax is calculated on the basis of tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent it is probably they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

1. Basis of preparation and accounting policies (continued)

Material accounting policies (continued)

f. Current and deferred tax (continued)

The carrying value of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits to recover the asset. In assessing the availability of future profits the Company uses forecasts consistent with those used for asset impairment testing and going concern purposes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

g. Standards that have been adopted during the current year

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2023 that have a material impact on the company's financial statements. The Company has chosen to early adopt the 2021 amendments to IAS 1 'Presentation of Financial Statements', which are mandatory for accounting periods beginning on or after 1 January 2023, for the financial year ended 31 March 2023. Therefore, the Company no longer discloses its significant accounting policies, and only discloses its material accounting policies.

Certain new accounting standards and interpretations have been published that are not mandatory for current reporting periods and have not been early adopted by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

2. Critical accounting estimates and judgements

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

Tax

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

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

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

2. Critical accounting estimates and judgements (continued)

Tax (continued)

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

Investments in subsidiaries

The Company evaluates its investments in subsidiary undertakings and the respective carrying value of these investments on an annual basis for any indicators of impairment or impairment reversal. The recoverable amount of the investment in YH Limited has been determined based on a value in use calculation. This requires the determination of appropriate assumptions along with management's estimates (both the assumptions and management's estimates are sources of estimation uncertainty) in relation to the cash flows over the five-year strategic plan period, the long-term growth rate to be applied beyond this five-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value. The Company has updated its assumptions as at 31 March 2023, reflecting the latest budget and forecast cash flows covering a five-year period, showing a cumulative annual growth rate of 5.3% with growth into perpetuity of 1.9%. The pre-tax discount rate of 13.3% (2022: 10.9%) was derived from the Group's weighted average cost of capital, the inputs of which include a country risk-free rate, equity risk premium, illiquidity premium and a risk adjustment (beta). Other key assumptions include a total increase over the five-year period in gross margin percentage of 6.0% and an average annual revenue growth rate of 6.6%.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the industry and country in which the subsidiary undertakings operate.

The Company has determined that the recoverable amount of its investment in YH Limited exceeds its carrying value of £88,566,000 (2022: £88,566,000) and as a result has not recognised any additional impairment in the current or prior period. The cash flows used within the value in use model, which are derived from cumulative annual growth rate, are considered to be a source of estimation uncertainty. Management have performed a sensitivity analysis reflecting a 0% cumulative annual growth rate in revenue which would not result in any additional impairment.

Modification of Senior Secured Notes

On 30 March 2022, the Group agreed with the bondholders to the modification of the terms of the Senior Secured Notes issued by Yell Bondco plc, a direct subsidiary of the Company. The existing liability of £214m was bifurcated into two tranches of £65m and £149m. The terms of the £65m tranche were amended and extended. The remaining £149m tranche was novated from Yell Bondco plc to the Company in exchange for the release of a corresponding amount of an intercompany loan owed by the Company to Yell Bondco Limited. The Senior Secured Notes were then in turn novated to Yell Holdco Limited, the Company's immediate parent undertaking, in exchange for the issue of a further £1 ordinary share. Yell Holdco Limited subsequently entered into a debt for equity swap arrangement with the bondholders for the £149m tranche.

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Notes to the financial statements for the year ended 31 March 2023 (continued)

2. Critical accounting estimates and judgements (continued)

Modification of Senior Secured Notes (continued)

The Company initially recorded the liability for the Senior Secured Notes at fair value, with a net gain on release of the intercompany loan liability recognised directly in retained earnings. On novation of the Senior Secured Notes to Yell Holdco Limited, the amount recorded in retained earnings was reversed with a corresponding amount recognised in the share premium account of the Company for the excess over the nominal value of the share issued, together with the amount released for the carrying value of the Senior Secured Notes. The amount recognised for the fair value of the Senior Secured Notes relies on management's estimates and associated assumptions and is, therefore, considered a key source of estimation uncertainty.

3. Operating profit

In the prior year, the fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements were £23,000. In the prior year, amounts payable to PricewaterhouseCoopers LLP for tax and advisory services were £385,000 and for other non-audit services were £nil. The Company was exempt from a statutory audit for the current year under section 479A-479C of the Companies Act 2006.

4. Employees and directors' remuneration

There are no employees of the Company (2022: none). The directors are remunerated for their services to other companies within the Group. No amounts were received by them as directors of the Company (2022: £nil). Amounts received in respect of the stewardship of the Company are included within the consolidated financial statements of the Company's immediate parent undertaking, Yell Holdco Limited.

5. Net finance costs

£'000	Note	Unaudited 2023	2022
Interest expense on amounts owed to group undertakings		(6,642)	(19,574)
Amortisation of deferred financing fees attributable to intercompany loans payable	10	(211)	(1,455)
Loss on fair value recognition of intercompany loans payable	10	-	(1,474)
Loss on derecognition of deferred financing fees		-	(1,584)
Other interest and bank charges		(55)	(100)
Total finance costs		(6,908)	(24,187)
Gain on waiver of accrued interest on intercompany loans payable	10	-	5,125
Unwind of fair value recognition of intercompany loans payable	10	245	-
Total finance income		245	5,125
Net finance costs		(6,663)	(19,062)

6. Tax credit on loss

The Company is resident in the UK for tax purposes. The tax credit on the Company's loss (2022: loss) before tax is analysed as follows:

£'000	Unaudited 2023	2022
Tax credit included in the income statement		
Current tax:		
Corporate tax credit for the year	539	1,824
Adjustments in respect of prior years	3	27
Tax credit on loss	542	1,851

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

6. Tax credit on loss (continued)

The tax credit (2022: credit) for the year is lower (2022: higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

£'000	Unaudited 2023	2022
Loss before tax	(6,663)	(9,662)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	1,266	1,836
Effects of:		
Deferred tax assets not recognised on restricted interest expenses	(727)	(2,935)
Non-taxable dividends receivables	-	1,728
Non-deductible expenses	-	974
Non-taxable release of provision	-	221
Adjustments in respect of prior years	3	27
Tax credit on loss	542	1,851

Finance Act 2021 included legislation increasing the rate of corporation tax in the UK from 19% to 25% with effect from 1 April 2023. At 31 March 2023, there is no effect of the future tax rate change on the tax charge for the year.

At 31 March 2023, the Company did not recognise deferred tax assets on restricted UK interest expenses of £82,826,000 (2022: £79,051,000). These tax attributes may be carried forward indefinitely but cannot be accessed by the reversal of deferred tax liabilities or current financial forecasts. On 30 March 2022 the Company left the Corporate Interest Restriction group headed by Yell Group Limited, and as a consequence of this change the Company will no longer be able to benefit from £79,035,000 of restricted interest expenses in the future. No deferred tax asset is recognised on this amount.

7. Income from shares in Group undertakings

Ordinary dividends totalling £nil (2022: £9,095,000) were paid to the Company during the year by its subsidiary undertaking, YH Limited.

8. Investments in subsidiaries

£'000	Unaudited 2023	2022
Cost		
At 1 April and 31 March	384,055	384,055
Impairment		
At 1 April and 31 March	(295,489)	(295,489)
Carrying value at 31 March	88,566	88,566

The Company directly held 100% of the ownership interest in Yell Bondco plc and YH Limited. All other companies listed are indirectly held by the Company. During the year Moonfruit Limited and Sitemaker Software Limited entered liquidation.

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Notes to the financial statements for the year ended 31 March 2023 (continued)

8. Investments in subsidiaries (continued)

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

Name of undertaking	Countries of incorporation	Nature of business	Ownership interest (%)
Yell Bondco plc	United Kingdom	Finance company	100
YH Limited	United Kingdom	Finance and holding company	100
Yell Limited	United Kingdom	Digital marketing services	100
Moonfruit Limited	United Kingdom	Holding company	100
Sitemaker Software Limited	United Kingdom	Ceased trading	100
Yell Mediaworks Limited	United Kingdom	Fulfilment of video and website advertising	100
Yell Sales Limited	United Kingdom	Sale of digital marketing products and support services	100
Yell Studio Limited	United Kingdom	Graphic design	100

9. Trade and other receivables

£'000	Unaudited 2023	2022
Amounts falling due within one year		
Amounts owed by group undertakings	-	2,488
Total amounts falling due within one year	-	2,488
Amounts falling due after more than one year		
Amounts owed by group undertakings	3,155	-
Total amounts falling due after more than one year	3,155	-
Total trade and other receivables	3,155	2,488

Amounts owed by group undertakings falling due within one year were non-interest bearing and repayable at the discretion of the ultimate parent company, Yell Holdco Limited. Amounts owed by group undertakings falling due after more than one year include an amount of £1,874,000 (2022: £nil) with a repayment date of 31 March 2027. Interest was charged at a fixed rate of 9.25% from 31 March 2023.

Amounts owed by group undertakings falling due after more than one year also include an amount of £1,281,000 (2022: £nil) with a repayment date of 31 March 2027, interest is charged from 31 March 2023 at the quarterly SONIA rate on the first day of each quarter, and the amounts receivable are unsecured.

In the current year, amounts owed by group undertakings falling due after one year include long-term receivables of £1,621,000 offset against £340,000 in respect of accrued interest on intercompany loans payable. In the prior year, amounts owed by group undertakings falling due within one year included short-term receivables of £920,000 offset against £303,000 in respect of accrued interest on intercompany loans payable. During the prior year, the Company released a provision of £1,164,000 against these amounts owed, as a result of intercompany settlements, giving a total provision against the amounts due from group undertakings of £nil.

10. Trade and other payables

£'000	Unaudited 2023	2022
Amounts falling due within one year		
Accruals	-	320
Amounts owed to group undertakings	-	50
Total amounts falling due within one year	-	370
Amounts falling due after more than one year		
Amounts owed to group undertakings	79,213	72,055
Total amounts falling due after more than one year	79,213	72,055
Total trade and other payables	79,213	72,425

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

10. Trade and other payables (continued)

Amounts due to group undertakings falling due after more than one year include an amount of £4,894,000 (2022: £4,487,000) with a repayment date of 31 March 2027. Interest is charged at a fixed rate of 9.25%.

Amounts due to group undertakings falling due after more than one year also include an amount of £570,000 (2022: £23,000) with a repayment date of 31 March 2027. Interest is charged from 31 March 2023 at the quarterly SONIA rate on the first day of each quarter, and the amounts payable are unsecured.

The Company had previously borrowed £225,000,000 from the Company's direct subsidiary, Yell Bondco plc, of which £8,638,000 had been repaid in previous years. Transaction fees relating to the issue of the intercompany loan payable were attributed to the loan and were being amortised over the term of the loan. The loan bore an interest rate of 8.75% and had a repayment date of 2 May 2023.

During the prior year, in association with the modification of the Senior Secured Notes, the Company's direct subsidiary, Yell Bondco plc bifurcated its existing receivable of £216,362,000 into two tranches of £149,000,000 and £67,362,000. Yell Bondco plc released £149,000,000 of intercompany loans due from the Company, in exchange for the novation of a £149,000,000 tranche of the Senior Secured Notes.

The Senior Secured Notes were then in turn novated to Yell Holdco Limited, the Company's immediate parent undertaking, in exchange for the issue of a further £1 ordinary share, and the company recognised £155,860,000 of share premium. The Company initially recorded the liability for the Senior Secured Notes at fair value, with a net gain on release of the intercompany loan liability recognised directly into equity. On novation of the Senior Secured Notes to Yell Holdco Limited, the amount recorded into equity was reversed with a corresponding amount recognised in the share premium account of the Company for the excess over the nominal value of the share issued, together with the amount released for the carrying value of the Senior Secured Notes. The terms of the remaining intercompany loan payable were amended to have a coupon of 9% and a maturity of 31 March 2027.

The new modified payable was initially recognised at fair value, with the difference of £1,474,000 between the fair value and the carrying value of the receivable prior to the modification being recognised in the income statement. Transaction fees of £1,269,000 relating to the issue of the Senior Secured Notes by Yell Bondco plc have been attributed to the intercompany loan payable and are being amortised over the revised term of the loan. During the prior year, interest on intercompany loans payable was partially waived by Yell Bondco plc, and the Company recognised a gain of £5,125,000 on the waiver of accrued interest (see note 5).

The unamortised transaction fees of £1,042,000 (2022: £1,269,000) are set off against the principal of £74,791,000 (2022: £68,837,000) giving a net payable of £73,749,000 (2022: £67,568,000). The Company recognised £6,199,000 (2022: £19,179,000) of interest expense on loans from Yell Bondco plc. Interest payments were capitalised during the year adding £6,199,000 to the balance of the intercompany loan payable.

11. Called up share capital

Allotted and fully paid	No of shares of £1 each	£
At 31 March 2022 and 2023	2	2

12. Financial commitments, contingent liabilities and litigation

There are no contingent liabilities or guarantees other than those mentioned below, and on these no material losses are anticipated. There are no capital or other commitments (2022: £nil).

The Company is party to the security arrangements associated with the Senior Secured Notes, issued by a subsidiary of the Group. The notes do not require specific financial ratio covenants but are secured on the assets of the Company and certain of its subsidiaries.

Owl Finance Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

13. Related parties

Yell Bidco Limited, part of the Yell Group, has a 5% non-controlling interest in Yell Holdco Limited. Details of transactions with Yell Group Limited and its subsidiaries during the years ended 31 March 2023 and 31 March 2022 are as follows:

£'000	Unaudited 2023	2022
Group recharges – amounts charged by:		
Yell Group Limited	-	758
Total Group transactions from Yell Group undertakings	-	758

At 31 March 2023, there were no outstanding amounts (2022: £nil) owed with Yell Group undertakings.

14. Events after the reporting period

There are no material events after the reporting period at the time of signing these financial statements.

15. Controlling entity

The Company's immediate parent undertaking and ultimate controlling party is Yell Holdco Limited.

The smallest and largest group in which the financial statements of this company are consolidated is Yell Holdco Limited, whose financial statements are publicly available at 3 Forbury Place, Forbury Road, Reading, Berkshire, RG1 3YL.