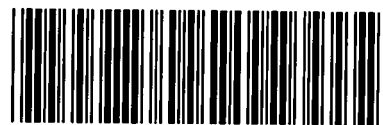


Hibu Group Limited

Annual Report and financial statements for the year ended 31 March 2018

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Hibu Group Limited

Annual Report for the year ended 31 March 2018

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Hibu Group Limited

Company information

Directors

Alfred Mockett
Atish Banerjea
Christopher Ripley
David Anderson
David Sharman
John Brantl (appointed 8 May 2017)
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 the Bidco Group are references to the sub-group of companies whose intermediate holding company is Hibu Bidco Limited and whose primary trading operations are based in the UK and the US.

All references to the Spain Holdco Group are references to the sub-group of companies whose intermediate holding company is Hibu Spain Holdco Limited and whose primary trading operations were based in Spain. On 9 May 2017, the Spain Holdco Group sold its interest in hibu Connect S.A.U. and its subsidiary ("the Spanish business") and these have been treated as discontinued operations in these consolidated financial statements (note 16).

Hibu Group Limited

Strategic report for the year ended 31 March 2018

The directors present their Strategic Report for Hibu Group Limited ("the Company") and its subsidiaries (together "the Group"), for the year ended 31 March 2018.

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.

Review of the business and future developments

The Company is the ultimate owner of the Group, which included trading operations in the US, UK, and Spain, though the Spanish operations were sold on 9 May 2017. The financial statements reflect the trading results of this Group for the year ended 31 March 2018 with comparative results for the year ended 31 March 2017.

The Spanish business was divested in the early part of the year, the results of which are disclosed in the discontinued operations note to the financial statements (note 16). The Group recognised a profit on disposal of £20.6m through the sale of the Spanish business and the separate sale of the Spanish property. To make comparisons more relevant the following commentary in the Strategic Report refers only to the continuing operations in the US and UK.

During the year the Group continued to focus its resources on its existing core product lines that help small businesses get found and chosen. These products include digital marketing services (predominantly websites, search and display), digital directories and print directories, which generate the vast majority of Group revenue.

The principal financial Key Performance Indicators ("KPIs") of the Group are revenue and adjusted earnings before interest, depreciation and amortization ("Adjusted EBITDA"), which is closely aligned with cash generation.

Total revenue for the year was £651m as compared to revenue for the prior year of £732m. Revenue declined by 9% on an underlying constant currency basis, adjusting for a non-recurring credit of £6.2m in the prior year and converting current year revenues at prior year foreign exchange rates.

Adjusted EBITDA was £177m, compared to £207m in the prior year, at a margin of 27% after £11m of central group costs.

US Operations

Total revenue declined by 11% in the year to £424m.

Digital marketing services revenue, largely comprising websites, search and display products, grew by 5% to £210m. The market for digital advertising continues to grow as businesses of all sizes migrate their marketing spend from more traditional media such as print.

Print directory revenue declined by 23% to £179m as businesses continue to reduce their expenditure on print, and transfer to digital and other forms of advertising.

Digital directories revenue declined by 25% to £35m. Our US digital directory product is largely sold as a bundle with print and is declining at broadly the same rate.

In the face of ongoing downward pressure on revenue, the management team continued to focus on cost initiatives including headcount reductions and the consolidation and rationalisation of suppliers, technology platforms, sales systems and buildings.

US Adjusted EBITDA was £114m (prior year: £138m), at a margin of 27%.

UK Digital Operations

Total digital revenue grew by 3% in the year to £199m.

Digital marketing services revenue grew by 6% to £91m and digital directory revenue grew by 1% to £108m. Our UK digital directory, Yell.com, has a strong brand name and is sold as a standalone product.

Adjusted digital EBITDA was £62m (prior year: £59m), at a margin of 31%.

UK Print Operations

Print revenue declined by 37% in the year to £27m and adjusted print EBITDA was £12m (prior year: £26m).

During the year, our UK business announced that it would deliver its final Yellow Pages directory in January 2019.

Hibu Group Limited

Strategic report for the year ended 31 March 2018 (continued)

Review of the business and future developments (continued)

The table below reconciles operating profit to Adjusted EBITDA.

Year ended £m	31 March 2018		31 March 2017	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Operating profit/(loss)	143.0	(2.6)	166.3	13.7
Depreciation of property, plant and equipment	4.6	4.1	6.2	0.7
Loss on disposals	0.1	–	–	–
Amortisation of intangible assets	15.4	0.1	21.1	0.8
Share-based payments	5.4	–	3.5	–
Intercompany recharges below EBITDA	–	–	1.2	(1.2)
Foreign exchange loss (gain) on intercompany recharges below EBITDA	0.5	–	(0.5)	–
Exceptional operating items	8.1	–	8.8	2.4
Adjusted EBITDA	177.1	1.6	206.6	16.4

The Group's operating profit for the year was £143m, after £8m of exceptional costs associated with the cost initiatives discussed above, compared to an operating profit of £166m for the prior year, which was affected by £9m of exceptional costs.

Cash generated from operating activities was £143m compared with £209m in the prior year, reflecting the decline in Adjusted EBITDA, lower release of receivables as print revenue declines, and a one-off legacy incentive plan payment.

Outstanding debt at 31 March 2018 was £360m, equivalent to approximately two times Adjusted EBITDA. On 2 May 2018, this debt was replaced with a £225m high yield bond secured on the Group's UK business.

The principal non-financial KPIs of the Group were as follows:

At 31 March	2018	2017
US live digital marketing services customers ('000) ^(a)	123.8	132.1
US average digital marketing services revenue per customer (\$) ^(b)	2,162	2,010
UK live digital customers ('000) ^(a)	131.9	133.4
UK average digital revenue per customer (£) ^(b)	1,485	1,362
Yell.com average monthly visits to for last 12 months (m)	11.3	14.2

(a) US excludes digital directories as the product is largely sold as bundle with print. UK includes digital directories (Yell.com).

(b) Average revenue in the last 12 months.

In both countries, customer numbers decreased but average revenue per customer grew as the businesses focused on acquiring higher value, and more profitable, customers. The UK team is pursuing several initiatives to slow and reverse the decline in Yell.com visits – including new search partnerships, a new consumer app and promotions to coincide with the end of UK printed directories.

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 treatment 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;

Hibu Group Limited

Strategic report for the year ended 31 March 2018 (continued)

Risk management and principal risks (continued)

- The Group carries out regular risk assessments to identify and document key strategic, operational and financial risks. During the year ended 31 March 2017, the Group established a risk committee at the group level and, during the year ended 31 March 2018, established 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 US and UK 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 monthly 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) are discussed on a quarterly basis with the Audit Committee and the Board. This latter process has been in place for the reporting periods covered by this report and up to the date of approval of this Annual Report;
- Internal audit plans are developed to review controls and key auditable mitigating actions highlighted as part of this process and 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 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 demand uncertainty

Economic uncertainty and tight credit markets can lead to small and medium-sized entities spending less money on advertising. Whilst our UK customers are generally not reliant on cross border activity they can be affected by UK economic uncertainties caused by Brexit. There continues to be a degree of 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 were to suddenly contract.

Mitigation: The Group has implemented cost reduction programmes to manage margins and is moving increasingly to a variable cost model that will allow it to manage fluctuations in demand.

Hibu Group Limited

Strategic report for the year ended 31 March 2018 (continued)

Risk management and principal risks (continued)

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. These systems are important to both the legacy print products and to the delivery of the newer digital products.

Potential effect - Lost revenue and profits, asset impairments, breach of legislation or damage to reputation could result if there were a catastrophic failure of the IT systems.

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 a disaster recovery plan to replicate the data stored on its business-critical computer systems and maintains firewalls and cyber security controls. The Group directors regularly discuss the security over IT systems and data thereon, review progress against action plans to remediate shortcomings in security that have been identified by third-party experts and review the steps taken to comply with the EU's General Data Protection Regulation.

Risk from: Key people leaving the business

The success of the 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 £20 million that could be imposed on companies that fail to comply with the General Data Protection Regulations that came into effect on 25 May 2018).

Mitigation: The 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.

Hibu Group Limited

Strategic report for the year ended 31 March 2018 (continued)

Risk management and principal risks (continued)

Risk from: UK pension fund (continued)

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 Management of the Group and the trustee directors of the UK Pension Fund review the scheme funding on various actuarial bases (including the buy-out basis) at least triennially in accordance with legislation. The next full actuarial valuation of the scheme will be as of 5 April 2018, with agreement between the trustees and Management of the Group expected in the autumn of 2018. The trustee directors and management work together to mitigate the risk of having insufficient funds. The strategy currently includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps that perform in line with the liabilities of the plan so as to protect against inflation being higher than expected and the purchase of a bulk annuity policy and liability driven investment funds to significantly reduce the volatility of the Plan's funding level by mitigating inflation, interest rate and longevity risks. The trustee directors and management have an agreed funding arrangement to repair the funding deficit by 2026 but expect to agree a new funding arrangement in the autumn of 2018. It is possible that no further funding will be required during the next triennial cycle.

Financial risk management

Our overall risk management programme focuses on the strategic and operational risks of our operations and the markets in which we operate and it seeks to manage potential adverse effects on our financial performance. Our activities expose us to a variety of financial risks including liquidity, credit risk, the effects of changes in foreign currency exchange and interest rates.

Our objectives when managing capital are to safeguard our ability to continue as a going concern. We manage our capital structure and adjust it when required by changes in economic conditions and the risk characteristics of underlying assets.

Commodity price risk

The only commodity exposing the Group to market risk is paper. The Group tries to limit its exposure to market fluctuations through contracts and pricing arrangements with its suppliers. We do not expect exposure to commodity price risk following the termination of our UK print business in 2019.

Default and credit risk

The maximum exposure to credit risk at the balance sheet date is the carrying value of receivables and cash and cash equivalents held by financial institutions. All cash and cash equivalents were held by institutions with credit ratings of 'A' or higher at 31 March 2018. 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 a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations.

The primary role of our treasury function is to ensure that adequate liquidity is available to meet funding requirements as they arise and that financial risk arising from our 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 2018.

Hibu Group Limited

Strategic report for the year ended 31 March 2018 (continued)

Risk management and principal risks (continued)

Interest rate cash flow risk

We will be exposed to fluctuations or variability in interest payments due to changes in interest rates as any indebtedness we incur under the Revolving Credit Facility, entered into on 2 May 2018, will bear interest at variable rates. Any increase in LIBOR will increase interest payments due on amounts borrowed under the Revolving Credit Facility. We do not intend to enter into hedging arrangements with respect to the Revolving Credit Facility and have no hedging arrangements currently in place.

Going Concern

Many of the subsidiaries of the Company were guarantors and obligors under the Common Terms Agreement dated 7 September 2016. The terms required the Bidco Group to keep net Cash Pay debt to less than four times the Bidco Group's EBITDA over the preceding twelve months. The Bidco Group was in compliance with the terms during the relevant period ended 31 March 2018. On 2 May 2018, this debt was replaced with £225m of high yield bonds that do not require specific financial ratio covenants, but are secured on the Group's UK business.

The directors of the Group have considered the implications of this and the risks set out above, and in particular whether it is appropriate to prepare the financial statements on a going concern basis and the adequacy of the disclosures made within the financial statements. In reaching a conclusion the directors reviewed forecasts of future performance that indicate that the Group will continue to generate sufficient cash flows to be able to meet interest payments for the next twelve months and repay liabilities as they fall due.

The directors have concluded that the going concern basis of accounting is 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

27 July 2018

Hibu Group Limited

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements for Hibu Group Limited (the "Company") for the year ended 31 March 2018. The financial statements comprise the consolidated financial statements of the Company and its subsidiaries (the "Group") on pages 16 to 58 and the financial statements of the Company on pages 59 to 67.

Dividends

No dividends have been paid or proposed during the year ended 31 March 2018 (year ended 31 March 2017: £nil).

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 27 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 2018, the position of the Group at 31 March 2018 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, 13, 17 and 18. By reference to the strategic report, which can be found on pages 2 to 7, the following information is given:

- Principal activities;
- Review of the business;
- Risk management and principal risks; 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, inclusive of the Company, has a Recruitment and Selection Policy that states that the Group is committed to the employment of people with disabilities.

The Group's 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.

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.

Hibu Group Limited

Directors' report for the year ended 31 March 2018 (continued)

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 Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 IFRSs as adopted by the European Union 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 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 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 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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.

By order of the Board



Christian Wells
Company Secretary
27 July 2018

Hibu Group Limited

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 2018 and of the group's profit, the company's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- 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 for the year ended 31 March 2018 (the "Annual Report"), which comprise: the group and company statements of financial position as at 31 March 2018; the group and company income statements and statements of comprehensive income, the group cash flow statement, and the group and company 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

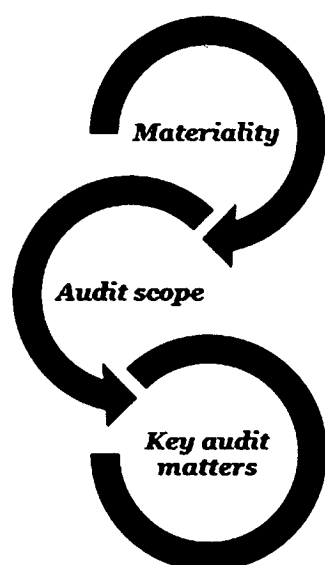
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £6.8 million (2017: £9.9 million), based on 5% of profit before tax.
 - Overall company materiality: £0.44 million (2017: £0.36 million), based on 1% of total assets.
-
- We identified two reporting units being the US and UK which, in our view, required a full scope audit based on their size or risk.
 - We used a component team from another PwC member firm to audit the US reporting unit.
 - The Group's external borrowings, consolidation, financial statement disclosures and a number of complex items, prepared by the head office finance function, were audited by the Group engagement team at the Group's head office in Reading in the UK.
 - Reporting units where we performed audit procedures accounted for 99% of Group revenue; 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.
-
- Provisions for impairment of trade receivables (Group).
 - Valuation of defined benefit pension scheme assets and liabilities (Group).
 - Taxation (Group).

Hibu Group Limited

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

Report on the audit of the financial statements (continued)

Our audit approach (continued)

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.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Provisions for impairment of trade receivables (Group)</i></p> <p><i>Refer to note 1 and 13 to the financial statements for the directors' disclosure of the related Accounting policies, judgements and estimates.</i></p> <p>As at 31 March 2018 the Group's trade receivables gross balance amounted to £84.9 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 £22.5 million held on the balance sheet.</p> <p>The valuation of this provision requires management to make significant assumptions when assessing the future cash flows expected to be recovered from these receivables; including considering historical experience of customer payment behaviour and other current information available.</p> <p>Our audit procedures focussed on the risk the assumptions used result in an overstatement of the provision.</p>	<p>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 recoverability. We have:</p> <ul style="list-style-type: none">assessed the methodology used to estimate the recoverability of trade receivables and recalculated the valuation of the provisioning required;tested a sample of trade receivable balances through agreement to post year end invoicing and post year end cash receipt, as appropriate; andchallenged 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. <p>Based on the evidence obtained, we found that the assumptions used by the directors were materially appropriate.</p>
<p><i>Valuation of defined benefit pension scheme assets and liabilities (Group)</i></p> <p><i>Refer to note 1 and 29 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.</i></p> <p>The Group has a defined pension benefit plan in the UK with a net retirement benefit surplus of £129.3 million which is significant in the context of the balance sheet of the Group.</p> <p>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.</p>	<p>In respect of the UK pension scheme, 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.</p> <p>In particular, we tested the assumptions around discount rates, mortality and inflation by comparing them to our independently developed benchmarks. We noted that mortality, discount rate and inflation assumptions were towards the middle of the range of these benchmarks. 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.</p>

Hibu Group Limited

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 matter	How our audit addressed the key audit matter
<i>Valuation of defined benefit pension scheme assets and liabilities (Group) (continued)</i> <p>The assumptions used to value the pension liabilities can be found on page 55 within note 29 to the financial statements.</p> <p>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.</p>	<p>Overall, we consider the judgements taken and assumptions made by the Directors to be supportable and reasonable.</p>
<i>Taxation (Group)</i> <p><i>Refer to note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.</i></p> <p>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.</p> <p>The Group closely monitor developments in tax legislation and the ultimate outcome of tax judgements made.</p> <p>Taxation is an area of focus for our audit because of these complexities and judgements.</p>	<p>In conjunction with our internal tax specialists we evaluated the Groups taxation in the financial statements, in particular we have:</p> <ul style="list-style-type: none">• 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. <p>Overall, we consider the calculation of current and deferred tax charges and balances to be reasonable</p>

We determined that there were no key audit matters applicable to the Company to communicate in our report.

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 two main reporting units are Yell Limited based in the United Kingdom and hibu Inc. based in the United States of America. The Group's head office function is located in the United Kingdom.

The Group's accounting process is structured around a local finance function in each of the Group's main reporting units. These functions maintain their own accounting records and controls and report to the head office finance function who are responsible for preparation of the Group's consolidated financial statements.

In establishing the overall Group audit strategy and plan, we determined that both reporting units required an audit of their complete financial information as they are both financially significant to the Group as they contribute more than 15% of the Group's earnings before interest, taxation, depreciation and amortisation.

We utilised a component audit team from another PwC network firm to audit the operations in the United States of America. We determined the level of involvement we needed to have in the audit work at this reporting unit 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. This included senior members of the Group audit engagement team visiting this reporting unit to review the work undertaken by component auditors and assess the audit findings.

The overall approach to scoping the Group audit engagement was further influenced by specific factors unique to the FY18 activities of the business, specifically the sale of its Spanish operations.

Hibu Group Limited

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

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.

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

	Group financial statements	Company financial statements
Overall materiality	£6.8 million (2017: £9.9 million).	£0.44 million (2017: £0.36 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax 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 the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing 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 £3.2 million and £6.4 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.34 million (Group audit) (2017: £0.4 million) and £13,000 (Company audit) (2017: £18,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

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

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.

Hibu Group Limited

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

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 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.

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 set out on page 9, 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.

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.

Hibu Group Limited

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

Other required reporting

Companies Act 2006 exception reporting

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

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

27 July 2018

Hibu Group Limited

Group income statement

Year ended 31 March

£m	Note(s)	2018	2017
Continuing operations			
Revenue	2	651.0	732.3
Cost of sales	3	(346.4)	(374.1)
Gross profit		304.6	358.2
Distribution costs	3	(27.5)	(32.8)
Administrative expense (including exceptional costs of £8.1m; 2017: £8.8m)	3,6	(134.1)	(159.1)
Operating profit		143.0	166.3
Fair valuation discount on external debt, unwound during year	7	–	(53.0)
Loss on extinguishment of external loan facilities	7	–	(223.0)
Other finance costs	7	(11.1)	(60.8)
Finance income	7	3.8	4.2
Net finance costs	7	(7.3)	(332.6)
Profit (loss) before tax		135.7	(166.3)
Tax charge	8	(56.4)	(16.2)
Profit (loss) for the year from continuing operations		79.3	(182.5)
Discontinued operations			
Profit for the year from discontinued operations	16	17.8	2.5
Profit (loss) for the year		97.1	(180.0)

Group statement of comprehensive income

Year ended 31 March

£m	Note(s)	2018	2017 restated*
Profit (loss) for the year		97.1	(180.0)
Other comprehensive (loss) income:			
Items that will or may be reclassified to profit or loss:			
Exchange (loss) gain arising on translation of foreign continuing operations *	26	(9.1)	0.6
Exchange gain arising on translation of foreign discontinued operations	16,26	3.1	2.8
Net actuarial gain on defined benefit pension scheme	29	5.4	14.6
Tax effect of net gains not recognised in the Group income statement	8,29	(0.6)	(1.1)
		(1.2)	16.9
Cumulative exchange gains recycled to profit or loss	16	(1.8)	–
Items that will or may be reclassified to profit or loss		(3.0)	16.9
Total comprehensive income (loss) for the year		94.1	(163.1)

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

Hibu Group Limited

Group statement of financial position

£m	Note(s)	At 31 March 2018	At 31 March 2017 restated*	At 1 April 2016 restated*
Non-current assets				
Intangible assets	9	21.7	26.7	31.3
Property, plant and equipment	10	6.9	11.6	29.4
Deferred tax assets	11	49.6	74.4	71.0
Retirement benefit surplus	29	129.3	109.8	86.0
Trade and other receivables	13	1.4	3.4	9.7
Total non-current assets		208.9	225.9	227.4
Current assets				
Inventories	14	1.8	3.1	3.2
Trade and other receivables	13	92.7	113.0	167.1
Corporate income tax receivables		4.6	8.2	4.6
Cash and cash equivalents	15	54.2	56.2	70.9
		153.3	180.5	245.8
Assets of disposal group classified as held for sale	16	–	71.6	–
Total current assets		153.3	252.1	245.8
Total assets		362.2	478.0	473.2
Current liabilities				
Borrowings	18,21	(0.8)	(1.2)	(1.2)
Corporate income tax liabilities		(25.2)	(26.9)	(42.0)
Trade and other payables	19	(121.5)	(162.2)	(204.9)
Provisions for liabilities	20	(4.8)	(4.4)	(8.5)
		(152.3)	(194.7)	(256.6)
Liabilities of disposal group classified as held for sale	16	–	(61.2)	–
Total current liabilities		(152.3)	(255.9)	(256.6)
Non-current liabilities				
Borrowings	18,21	(356.1)	(479.4)	(331.7)
Deferred tax liabilities	11	(36.5)	(26.4)	(24.4)
Trade and other payables	19	(6.9)	(5.7)	(5.4)
Provisions for liabilities	20	(3.2)	(2.9)	(4.5)
Total non-current liabilities		(402.7)	(514.4)	(366.0)
Total liabilities		(555.0)	(770.3)	(622.6)
Net liabilities		(192.8)	(292.3)	(149.4)
Equity attributable to owners				
Share capital	23	–	–	–
Share premium	24	16.7	16.7	–
Other reserves	26	62.5	60.1	39.7
Accumulated losses		(272.0)	(369.1)	(189.1)
Total equity		(192.8)	(292.3)	(149.4)

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements on page 27.

Company registered in England and Wales No. 08815102. The notes on pages 20 to 58 are an integral part of these financial statements.

The financial statements on pages 16 to 58 were approved by the Board of directors on 27 July 2018 and were signed on its behalf by



Robert Hall
Director

Hibu Group Limited

Group statement of changes in equity

For the year ended 31 March 2018

£m	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
Balance at 1 April 2016	–	–	39.4	(193.4)	(154.0)
Adjustment on correction of prior year understatement (see note 1)	–	–	0.3	4.3	4.6
Balance at 1 April 2016 (restated *)	–	–	39.7	(189.1)	(149.4)
Loss for the year	–	–	–	(180.0)	(180.0)
Other comprehensive income for the year *	–	–	16.9	–	16.9
Total comprehensive loss for year	–	–	16.9	(180.0)	(163.1)
Share-based payments (see note 25)	–	–	3.5	–	3.5
Proceeds from shares issued	–	16.7	–	–	16.7
Total transactions with owners, recognised directly in equity	–	16.7	3.5	–	20.2
Balance at 31 March 2017	–	16.7	60.1	(369.1)	(292.3)
Balance at 31 March 2017 as originally presented	–	16.7	59.1	(373.4)	(297.6)
Adjustment on correction of prior year understatement (see note 1)	–	–	1.0	4.3	5.3
Balance at 1 April 2017 (restated *)	–	16.7	60.1	(369.1)	(292.3)
Profit for the year	–	–	–	97.1	97.1
Other comprehensive loss for the year	–	–	(3.0)	–	(3.0)
Total comprehensive income (loss) for the year	–	–	(3.0)	97.1	94.1
Share-based payments (see note 25)	–	–	5.4	–	5.4
Proceeds from shares issued	–	–	–	–	–
Total transactions with owners, recognised directly in equity	–	–	5.4	–	5.4
Balance at 31 March 2018	–	16.7	62.5	(272.0)	(192.8)

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

See Group notes 23, 24 and 26 for a further analysis of share capital and other reserves.

Hibu Group Limited

Group cash flow statement

Year ended 31 March

£m	Note	2018	2017
Net cash flows from operating activities			
Cash generated from operating activities		143.4	209.2
Interest and financing fees paid		(36.5)	(28.4)
Corporate income tax paid		(21.7)	(28.2)
Net cash inflow from operating activities		85.2	152.6
Net cash (outflow) inflow from operating activities of discontinued operations	16	(6.8)	3.6
Cash flows from investing activities			
Net cash received on disposal of assets held for sale	16	36.7	–
Net payments for purchase of property, plant, equipment and software		(12.5)	(16.4)
Net cash inflow (outflow) from investing activities		24.2	(16.4)
Net cash outflow from investing activities of discontinued operations	16	(0.1)	(2.0)
Free cash flow		102.5	137.8
Cash flow from financing activities			
Repayment of borrowings at par		(100.7)	(138.5)
Net intercompany loan (paid to) repayment received from disposal group		(7.7)	2.7
Net cash outflow from financing activities		(108.4)	(135.8)
Net cash inflow (outflow) from financing activities of discontinued operations	16	7.7	(13.2)
Net increase (decrease) in cash and cash equivalents		1.8	(11.2)
Cash and cash equivalents at the beginning of the year – continuing operations		56.2	70.9
Exchange (losses) gains on cash and cash equivalents		(3.8)	4.2
Exchange gains on cash and cash equivalents of discontinued operations	16	0.2	0.4
Net decrease in cash of operations disposed of in the year		(0.2)	–
Cash and cash equivalents – discontinued operations	16	–	(8.1)
Cash and cash equivalents at year end – continuing operations	15	54.2	56.2

Cash generated from operating activities – continuing operations

Year ended 31 March

£m	Note	2018	2017
Profit (loss) for the year		79.3	(182.5)
Adjustments for:			
Tax charge	8	56.4	16.2
Finance income	7	(3.8)	(4.2)
Finance costs	7	11.1	336.8
Depreciation of property, plant and equipment	10	4.6	6.2
Loss on disposal of property, plant and equipment		0.1	–
Amortisation of intangible assets	9	15.4	21.1
Foreign exchange losses (gains)		0.5	(0.5)
Pension settlement		–	4.1
Share-based payments		5.4	3.5
Other non-cash movements		(0.1)	(0.3)
Changes in working capital:			
Decrease in inventory		0.9	0.2
Decrease in trade and other receivables		12.3	31.3
Decrease in trade and other payables		(38.7)	(20.3)
Net movement in intercompany trading account with disposal group	16	–	(2.4)
Cash generated from operating activities		143.4	209.2

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018

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 Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The Group financial statements consolidate the financial statements of the Company and all subsidiaries for the year ended 31 March 2018. Details of subsidiary undertakings at the year-end, all of which are unlisted, are shown in note 12 to the consolidated financial statements.

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, which have been eliminated on consolidation of the Group, have not been disclosed, other than those shown in note 27, related party transactions.

Certain items in the comparative information have been reclassified following the classification of three intermediate and property holding companies as discontinued operations during the current year (see note 16). An additional statement of financial position at 1 April 2016 is presented in these financial statements due to the retrospective correction of understated revenue in prior periods (see page 27).

Going concern

Many of the subsidiaries of the Company were guarantors and obligors under the Common Terms Agreement dated 7 September 2016. The terms required the Bidco Group to keep net Cash Pay debt to less than four times the Bidco Group's EBITDA over the preceding twelve months. The Bidco Group was in compliance with the terms during the relevant period ended 31 March 2018. On 2 May 2018, this debt was replaced with £225 million of high yield bonds that do not require specific financial ratio covenants, but are secured on the Group's UK business.

The directors of the Group have considered the implications of this and the risks set out on pages 3 to 7, and in particular whether it is appropriate to prepare the financial statements on a going concern basis and the adequacy of the disclosures made within the financial statements. In reaching a conclusion the directors reviewed forecasts of future performance that indicate that the Group will continue to generate sufficient cash flows to be able to meet interest payments for the next twelve months and repay liabilities as they fall due.

The directors have concluded that the going concern basis of accounting is appropriate, as set out in the strategic report on pages 2 to 7. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Significant accounting policies

(a) Revenue

Group revenue, after deduction of sales allowances, value added tax and other sales taxes, comprises the value of products 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 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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

Significant accounting policies (continued)

(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) Advertising

The Group expenses the costs of advertising its own products and services as the costs are incurred.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) Other non-current 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. Contracts are amortised on a straight-line basis over the term of the contract. Customer commitments are amortised as the directories to which the commitments relate are published. Customer lists are amortised on a basis that takes into account the estimated customer retention rate at the date of acquisition. The useful economic lives of customer lists do not generally exceed three 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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

Significant accounting policies (continued)

(i) 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. Depreciation is provided on property, plant and equipment on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful economic lives taking into account any expected residual values.

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

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

Land	Not depreciated
Buildings	40 years
Leasehold improvements	Five years or life of lease if less than five years
Computers and equipment	Two to six years
Motor vehicles and other	Four to nine years

(j) 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.

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.

(k) Leased assets

Rentals in respect of operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the Group income statement on a straight-line basis over the life of the lease.

Assets held under finance leases where substantially all the benefits and risks of ownership are transferred to the Group are capitalised in property, plant and equipment at the present value of the minimum lease payments payable during the lease term and depreciated over the shorter of their useful economic lives or the lease term. The capital element of the future obligations under the lease is included as a liability in the Group statement of financial position, classified as appropriate as a payable due within or after one year. Lease payments are split between capital and interest elements using the interest rate implicit in the lease. Interest is charged to the Group income statement.

(l) 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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

Significant accounting policies (continued)

(m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The loss is recognised in cost of sales. The provision is calculated by estimating future cash flows from trade receivables on the basis of historical loss experience.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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. Yell Limited also operates defined contribution schemes for UK employees.

All pension schemes are independent of the Group's finances. Actuarial valuations of the defined benefit scheme are carried out as determined by the trustees at intervals of not more than three years, the rates of contribution payable and the pension cost being determined on the advice of the actuaries, having regard to the results of these valuations. In any intervening years, the actuaries review the continuing appropriateness of the contribution rates. See note 29 for a description of the associated risk.

The Group statement of financial position includes the surplus or losses 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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

Significant accounting policies (continued)

(s) 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 profit will be available against which the benefit can be realised. It is probable that future taxable profits will be available to the extent that reversing taxable temporary differences exist.

Current tax is provided 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.

(t) 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.

(u) 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.

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.

(v) Dividends

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

(w) 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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

Significant accounting policies (continued)

(x) 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 updates them when required. Actual results could differ from these estimates. 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, which require management to make subjective and complex judgments, and matters that are inherently uncertain.

Bad debts:

The Group reduces receivables by an allowance for amounts that may not be collectible in the future. The allowance is determined by estimating the future cash flows from the receivables based on historical loss experience and judgment. A receivable is written off against the provision when it is believed to be entirely uncollectible. Any monies recovered subsequent to write off are recorded as adjustments to the bad debt provision and considered in the historical loss experience.

Pension assets:

The defined benefit pension scheme ("UKPP") assets are held in separate trustee-administered funds that are invested in UK and overseas equities, diversified growth funds, debt securities, liability driven investments 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 the Company in accordance with the Plan's trust documentation, as modified by UK statute. An independent professional trustee and three other trustees are appointed by the Company. Three further trustees are elected by the active members.

Asset values will increase and decrease as markets rise and fall. The 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 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 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 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, 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 29.

The Group's defined contribution schemes are managed separately from the assets and liabilities of the Group.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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

Critical accounting estimates and judgments (continued)

Share-based payments:

The accounting for share-based payments as equity-settled is based upon a judgment that equity settlement is the most likely outcome for the recipients of restricted shares in a subsidiary. This judgment must be tested at each financial year end. If the judgment changes in the future, then the accounting entries will have to reflect the change in basis.

Tax:

The determination of the Group's obligation and expense for taxes requires an interpretation of tax law.

The Group seeks appropriate, competent and professional tax advice before making any judgments on tax matters. 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. At 31 March 2018 it believes it has recognised all its potential deferred tax assets.

Standards that have been adopted during the current year

The following standards, interpretations and amendments became effective during the year but were not material to the Group:

- Amendments to IAS 7, 'Statement of Cash Flows', on the disclosure initiative. These amendments introduce an additional disclosure that will enable users to evaluate changes in liabilities arising from financing activities. They are part of the IASB initiative to improve presentation and disclosure in financial reports and are effective for accounting periods beginning on or after 1 January 2017.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2018 or later periods, but which the Group has chosen not to adopt early, as set out below.

- Amendments to IFRS 2, 'Share-based Payments'. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount of the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2018.
- IFRS 9, 'Financial Instruments'. This standard replaces the guidance in IAS 39 and includes requirements on the classification and measurements of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard has received EU endorsement and is effective for annual periods beginning on or after 1 January 2018.
- IFRS 15, 'Revenue from Contracts with Customers'. This standard will improve the financial reporting of revenue and improve comparability of the top line in the financial statements globally. The standard also requires the deferral of contract acquisition costs, thus affecting the timing of cost recognition. It has received EU endorsement and is effective for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 15. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

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)

- IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting, particularly for lessees. Under IAS17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts.
- 'Annual Improvements 2014-16'. These amendments affect two standards being IFRS 1, 'First Time Adoption of IFRS' and IAS 28, 'Investments in Associates' regarding the measurement of an associate or joint venture at fair value.

None of the above are expected to have a significant effect on the consolidated financial statements, except the following set out below:

- IFRS 15, "Revenue from Contracts with Customers". The effect of IFRS 15 has been assessed by management. Implementation of IFRS 15 requires a thorough review of existing contractual arrangements. We estimate that the cumulative transition adjustment at 1 April 2018 (the date of initial application) is £14.2m increasing shareholder's equity representing a cumulative transition adjustment as if IFRS 15 had been applied retroactively. The ongoing effect on the income statement in any one financial year is expected to be initially less than £3.0m. Cash flows will not be affected by the implementation of IFRS 15.
- IFRS 16, "Leases". For lessees, this standard will require the recognition of a right of use asset and a lease liability for most leases that are currently treated as operating leases. This standard will change the presentation of costs associated with the material, current operating leases such that EBITDA will be increased when relevant rental costs are removed from the calculation of EBITDA and are replaced by charges against depreciation and finance costs. The effect of IFRS 16 is still being assessed by management to determine the affected leases and materiality of the changes. Management plans to implement the standard from 1 April 2019.

Other publications have been issued, which have not yet received EU endorsement and which are effective for accounting periods beginning on or after 1 January 2018 including amendments to IAS 40, 'Investment Property', and IFRIC 22, 'Foreign Currency Transactions and Advance Consideration', which addresses foreign currency transactions where there is consideration that is denominated or priced in a foreign currency.

Publications which have not yet received EU endorsement and which are effective for accounting periods beginning on or after 1 January 2019 include amendments to IAS 19, 'Employee Benefits', amendments to IAS 28, 'Investments in Associates', amendments to IFRS9, 'Financial instruments' as well as IFRIC 23, 'Uncertainty over Income Tax Treatments' and the 'Annual Improvements 2015-17', which include minor changes to IAS 12, IAS 23, IFRS 3 and IFRS 11.

Publications which have not yet received EU endorsement and which are effective for accounting periods beginning on or after 1 January 2021 include IFRS 17, 'Insurance Contracts', which replaces IFRS 4 and will lead to fundamental changes to the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Prior period adjustment

During the financial years ended 31 March 2014 and 2015, significant changes were made to the allocation of US revenue between digital and print products sold together as bundles that affected the timing of revenue recognition. A detailed year-end management review of unallocated accounts receivable credits identified that cumulative US revenues had been understated by approximately \$12.2m (£7.9m) during the two years ended 31 March 2016 when revenues deferred in those years should have been recognised. Consequently deferred income was understated by \$1.5m (£1.1m) and \$1.2m (£0.9m), gross trade receivables were understated by \$13.7m (£9.5m) and \$13.4m (£10.7m) and accrued liabilities for tax and interest were understated by \$5.5m (£3.8m) and \$5.5m (£4.5m) at 31 March 2016 and 2017, respectively. Each of the financial statement lines have been restated and re-translated at the exchange rate prevailing at the relevant balance sheet date. The net \$6.7m (£4.3m) reduction of brought forward accumulated losses was translated at an estimated average rate for the periods in which the understatement arose with a gain of £0.3m recognised in translation reserves at 1 April 2016.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

2. Revenue – continuing operations

Analysis by class of business:

Year ended 31 March

£m	2018	2017
Digital directories	143.2	153.8
Other digital services	301.5	291.6
Print and other directory services	206.3	286.9
Total revenue	651.0	732.3

Analysis by country of destination:

Year ended 31 March

£m	2018	2017
US	424.3	493.0
UK	226.7	239.3
Total revenue	651.0	732.3

3. Expenses by nature – continuing operations

Year ended 31 March

£m	Note	2018	2017
Staff costs (excluding exceptional restructuring costs)		240.0	253.9
Exceptional items	6	8.1	8.8
Depreciation of property, plant and equipment	10	4.6	6.2
Operating lease expenses – property, plant and equipment	22	7.9	8.4
Amortisation of intangible assets	9	15.4	21.1
Third party direct costs		97.3	105.0
Distribution costs		27.5	32.8
Paper and printing		42.0	55.0
Other		65.2	74.8
Total cost of sales, distribution costs and administrative expenses		508.0	566.0

4. Auditors' remuneration

The following fees were paid or are payable to the Group's auditors for the years ended 31 March 2018 and 2017:

Year ended 31 March

£m	2018	2017
Fees payable to the Group's auditors for the audit of the consolidated Group entities' annual financial statements		
- in respect of the current year	0.7	0.8
- in respect of the prior year	–	–
Audit of the Company's subsidiaries	0.1	0.2
Total fees payable for audit services	0.8	1.0
Fees payable to the Group's auditors and its associates for other services:		
Tax compliance services	0.1	0.2
Tax advisory services	0.4	0.5
Other non-audit services	0.6	0.2
Total fees payable for non-audit services	1.1	0.9
Total auditors' remuneration	1.9	1.9

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

5. Employees

Year ended 31 March

	2018	2017
Average monthly number of employees in the Group (including executive directors):		
US	1,937	2,130
UK	1,516	1,529
Spain ^(a)	38	465
Asia Pacific	2	5
Total employees	3,493	4,129
Sales and marketing	2,099	2,441
Other	1,394	1,688
Total employees	3,493	4,129

(a) The Group's Spanish operations were disposed on 9 May 2017.

Year ended 31 March

£m	2018	2017
Staff costs for the Group during the year (including executive directors and including discontinued operations):		
Wages and salaries	216.4	250.0
Social security costs	19.6	23.1
Other pension costs	4.1	4.4
Severance costs	0.1	0.3
Exceptional restructuring costs	3.8	6.8
Share-based payments	5.4	3.5
Amount capitalised	(3.6)	(5.1)
Total staff costs expensed to the income statement	245.8	283.0

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	2018	2017
Severance costs	3.8	5.4
Software costs	2.0	–
Onerous leases costs	1.2	0.2
Fees associated with financial restructuring	0.9	2.2
Other exceptional costs	0.2	1.0
Net exceptional expense in Group loss before tax	8.1	8.8

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

7. Net finance costs – continuing operations

Year ended 31 March

£m	2018	2017
Interest payable on bank loans	(35.8)	(29.0)
Fair valuation discount on external debt, unwound during year ^(a)	–	(53.0)
Loss on extinguishment of external loan facilities ^(b)	–	(223.0)
Amortisation of deferred financing costs	(1.2)	(0.7)
Underlying interest charges on credit facilities	(37.0)	(305.7)
Net foreign exchange gains (losses) on financing activities	26.0	(28.1)
Other interest payable	(0.1)	(3.0)
Total finance costs	(11.1)	(336.8)
Net finance income as retirement benefit Plan (see note 29)	3.0	3.2
Other interest income	0.8	1.0
Total finance income	3.8	4.2
Net finance costs	(7.3)	(332.6)

(a) The fair value discount on external debt, unwound during the prior year.

(b) The prior year loss on extinguishment of external loan facilities arose as a result of recognising new loan facilities and equity at a higher value than the accreted value of the old debt, which was de-recognised on 7 September 2016 as outlined in note 21.

8. Tax charge

The Company is resident in the UK for tax purposes. The tax charge on the Group's profit (2017: loss) before tax (including discontinued operations) is analysed as follows:

Year ended 31 March

£m	2018	2017
Current tax		
UK corporation tax charge for the year	1.3	0.7
Foreign corporate income tax charge for the year	22.9	32.0
Adjustments in respect of prior periods	1.0	(7.4)
Total current tax charge	25.2	25.3
Deferred tax (see note 11)		
UK deferred tax credit for the year	(0.5)	(8.0)
Foreign deferred tax charge for the year	21.8	13.6
Adjustments in respect of prior periods	(0.5)	(5.0)
Effect of changes in tax rates	10.6	0.8
Total deferred tax charge	31.4	1.4
Total tax charge	56.6	26.7

A tax charge of £56.4m (2017: charge of £16.2m) relates to continuing operations. A tax charge of £0.2m (2017: charge of £10.5m) relates to discontinued operations (see note 16). The tax charge for the year is higher (2017: higher than) than the standard rate of corporation tax in the United Kingdom of 19% (2017: 20%). The differences are explained below:

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

8. Tax charge (continued)

Year ended 31 March

£m	Note	2018	2017
Profit (loss) before tax		153.7	(153.3)
Profit (loss) before tax multiplied by the standard rate of corporation tax in the UK		29.2	(30.7)
Effects of:			
Differing tax rates on foreign profits		13.3	15.9
Deferred tax provision for unremitted earnings		10.7	–
Remeasurement of deferred tax – change in tax rates ^(a)		10.6	0.8
Recognition of deferred tax assets		(6.1)	(0.5)
Non-taxable foreign exchange (gains) losses		(4.8)	4.7
Non-deductible finance costs		3.8	45.3
Adjustments in respect of prior periods		0.5	(12.4)
Other		(0.6)	3.6
Total tax charge		56.6	26.7

(a) During the year the US federal corporate income tax rate was reduced from 35% to 21%. As a result, the Group's US deferred tax assets and liabilities were remeasured based on this reduced rate which resulted in a net £10.6m tax charge. The prior year charge relates to the remeasurement of the Group's UK deferred tax assets and liabilities following the reductions in the UK corporation tax rate that are note below.

Factors that might affect future tax charges:

The main rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. A further reduction to the corporation tax rate to 17% with effect from 1 April 2020 was substantively enacted in the Finance Act 2016. At 31 March 2018, the deferred assets and liabilities included in these financial statements were based on those reduced rates having regard to their reversal profiles.

Tax charged directly to equity is as follows:

Year ended 31 March

£m	2018	2017
Deferred tax charge on actuarial gains	0.6	1.1
Tax charged directly to equity	0.6	1.1

The prior year deferred tax charge on actuarial gains includes £1.3m charge relating to the UK (see note 29) and £0.2m credit relating to India.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

9. Intangible assets

£m	Customer lists	Advertiser commitments	Brand names	Software costs	Total
1 April 2016 - Cost	17.3	6.0	17.3	61.1	101.7
Accumulated amortisation	(12.0)	(6.0)	(6.3)	(46.1)	(70.4)
Net book value at 1 April 2016	5.3	–	11.0	15.0	31.3
Year ended 31 March 2017 - Cost					
Balance at beginning of year	17.3	6.0	17.3	61.1	101.7
Additions	–	–	–	15.6	15.6
Disposals	–	–	–	(8.2)	(8.2)
Currency movement	2.2	0.6	2.0	12.3	17.1
Transferred to assets of disposal group held for sale (note 16)	–	–	–	(7.5)	(7.5)
Cost at 31 March 2017	19.5	6.6	19.3	73.3	118.7
Accumulated amortisation					
Balance at beginning of year	(12.0)	(6.0)	(6.3)	(46.1)	(70.4)
Charge for the year – continuing operations	(5.7)	–	(3.3)	(12.1)	(21.1)
Charge for the year – discontinued operations	–	–	–	(0.8)	(0.8)
Disposals	–	–	–	7.6	7.6
Currency movement	(1.8)	(0.6)	(0.8)	(10.4)	(13.6)
Transferred to assets of disposal group held for sale (note 16)	–	–	–	6.3	6.3
Accumulated amortisation at 31 March 2017	(19.5)	(6.6)	(10.4)	(55.5)	(92.0)
Net book value at 31 March 2017	–	–	8.9	17.8	26.7
Balance at beginning of year	19.5	6.6	19.3	73.3	118.7
Additions	–	–	–	12.1	12.1
Disposals	(19.5)	(6.6)	–	(1.6)	(27.7)
Currency movement	–	–	(1.7)	(7.5)	(9.2)
Cost at 31 March 2018	–	–	17.6	76.3	93.9
Accumulated amortisation					
Balance at beginning of year	(19.5)	(6.6)	(10.4)	(55.5)	(92.0)
Charge for the year	–	–	(3.2)	(12.2)	(15.4)
Disposals	19.5	6.6	–	1.6	27.7
Currency movement	–	–	1.0	6.5	7.5
Accumulated amortisation at 31 March 2018	–	–	(12.6)	(59.6)	(72.2)
Net book value at 31 March 2018	–	–	5.0	16.7	21.7

As noted in note 1, there is no goodwill included in intangible assets. Assets under construction with a net book value of £4.2m (2017: £5.3m) are included within software costs at 31 March 2018 (31 March 2017). 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 2018 (continued)

10. Property, plant and equipment

Property, plant and equipment is summarised as follows:

£m	Land	Buildings	Leasehold improve- ments	Motor vehicles and other	Computers and equipment	Total
1 April 2016 - Cost	11.9	7.6	11.6	0.6	31.5	63.2
Accumulated amortisation	–	(3.6)	(9.7)	(0.5)	(20.0)	(33.8)
Net book value at 1 April 2016	11.9	4.0	1.9	0.1	11.5	29.4
Year ended 31 March 2017 - Cost						
Balance at beginning of year	11.9	7.6	11.6	0.6	31.5	63.2
Additions	–	1.1	1.5	–	3.5	6.1
Disposals	–	–	(1.7)	(0.1)	(3.7)	(5.5)
Currency movement	1.0	0.8	2.1	0.2	6.4	10.5
Transferred to assets of disposal group held for sale (note 16)	(12.9)	(9.5)	–	(0.1)	(3.0)	(25.5)
Cost at 31 March 2017	–	–	13.5	0.6	34.7	48.8
Accumulated depreciation						
Balance at beginning of year	–	(3.6)	(9.7)	(0.5)	(20.0)	(33.8)
Charge for the year - continuing operations	–	–	(1.2)	–	(5.0)	(6.2)
Charge for the year - discontinued operations	–	(0.4)	–	–	(0.3)	(0.7)
Disposals	–	–	0.8	0.1	3.4	4.3
Currency movement	–	(0.4)	(2.0)	(0.2)	(5.4)	(8.0)
Transferred to assets of disposal group held for sale (note 16)	–	4.4	–	–	2.8	7.2
Accumulated depreciation at 31 March 2017	–	–	(12.1)	(0.6)	(24.5)	(37.2)
Net book value at 31 March 2017	–	–	1.4	–	10.2	11.6
Year ended 31 March 2018 - Cost						
Balance at beginning of year	–	–	13.5	0.6	34.7	48.8
Additions	–	–	0.2	–	0.9	1.1
Disposals	–	–	(1.6)	(0.2)	(2.7)	(4.5)
Currency movement	–	–	(1.7)	(0.4)	(3.8)	(5.9)
Cost at 31 March 2018	–	–	10.4	–	29.1	39.5
Accumulated depreciation						
Balance at beginning of year	–	–	(12.1)	(0.6)	(24.5)	(37.2)
Charge for the year	–	–	(0.3)	–	(4.3)	(4.6)
Disposals	–	–	1.3	0.2	2.5	4.0
Currency movement	–	–	1.7	0.4	3.1	5.2
Accumulated depreciation at 31 March 2018	–	–	(9.4)	–	(23.2)	(32.6)
Net book value at 31 March 2018	–	–	1.0	–	5.9	6.9

The net book value of property, plant and equipment included amounts of £nil (2017: £nil) in respect of assets held under finance leases.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

11. Deferred tax

Deferred tax assets

Year ended 31 March

£m	2018	2017
Balance at beginning of year	74.4	71.0
Charged to Group income statement	(20.5)	(1.7)
Adjustments relating to disposals	0.2	–
Currency movements	(4.5)	8.1
Transferred to assets of disposal group held for sale (note 16)	–	(3.0)
Balance at 31 March	49.6	74.4

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

At 31 March

£m	2018	2017
Tax effect of timing differences due to:		
Recognised tax net operating losses	19.5	16.1
Amortisation of goodwill recognised for tax purposes	9.7	22.4
Depreciation	6.7	10.0
Other allowances and accrued expenses	5.4	9.0
Bad debt provision	3.8	9.1
Intangible assets	3.1	6.8
Other	1.4	1.0
Recognised deferred tax assets	49.6	74.4

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Forecast future profit projections support the recognition of deferred tax assets in excess of deferred tax liabilities in the UK and US.

From 1 April 2017, the amount of UK taxable profits that can be offset with carried forward net operating losses is restricted to 50% of those profits, and the amount of tax deductible interest expense is 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 2018, the Group did not recognise deferred tax assets of £44.8m (2017: £52.4m) in respect of UK net operating loss carry forwards of £263.3m (2017: £308.3m), the Group did not recognise deferred tax assets of £3.4m (2017: £nil) in respect of £19.8m (2017: £nil) of restricted UK interest expense, and the Group did not recognise deferred tax assets of £0.2m (2017: £0.2m) in respect of UK capital loss carry forwards of £1.2m (2017: £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	2018	2017
Balance at beginning of year	26.4	24.4
Charged (credited) to Group income statement	10.7	(0.3)
Charged directly to equity	0.6	1.1
Currency movements	(1.2)	1.3
Transferred to liabilities of disposal group held for sale (note 16)	–	(0.1)
Balance at 31 March	36.5	26.4

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

11. Deferred tax (continued)

Deferred tax liabilities (continued)

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

At 31 March

£m	2018	2017
Tax effect of timing differences due to:		
Defined benefit pension scheme	22.0	18.7
Unremitted earnings	10.2	0.2
Intangible assets	3.2	6.3
Prepaid expenses	1.1	1.1
Other	–	0.1
Recognised deferred tax liabilities	36.5	26.4

12. 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 2018, 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
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	Classified advertising publisher	100% ordinary	United Kingdom
Yell Mediaworks Limited	Graphics services	100% ordinary	United Kingdom
hibu Global Limited	Digital product sales	100% ordinary	United Kingdom
Moonfruit Limited	Holding company	100% ordinary	United Kingdom
Sitemaker Software Limited	Website services	100% ordinary	United Kingdom
Yell Sales Limited	Advertising space sales	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	Holding company	100% ordinary	United Kingdom
hibu Holdings 3 Limited ^{(c)(d)}	Holding company	100% ordinary	United Kingdom
Yell Finance (Jersey) Two Limited	Finance company	100% ordinary	United Kingdom ^{(b)(d)}
hibu India Private Limited	Not trading	100% ordinary	India
hibu (Philippines) Private Limited, Inc	Not trading	100% ordinary	Philippines

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

(b) Yell Finance (Jersey) Two Limited is incorporated in Jersey but managed and controlled in the United Kingdom.

(c) hibu Holdings 3 Limited had a branch that was resident in Spain. The branch was dissolved on 28 March 2018.

(d) hibu Holdings 3 Limited and Yell Finance (Jersey) Two Limited have been included in discontinued operations, as the decision to dissolve these entities has been taken in the year.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

12. Subsidiary undertakings (continued)

Name	Activity	Group interest in allotted capital ^(a)	Countries of operation
hibu pay LLC	Payment card services	100% ordinary	United States of America ^(b)
hibu Group (USA), Inc	Holding company	100% common	United States of America
hibu Holdings (USA), Inc	Holding company	100% common	United States of America
hibu Inc	Classified advertising publisher	100% common	United States of America
hibu of Pennsylvania, Inc	Advertising space sales	100% common	United States of America
Global Patroclo S.L.U. ^(c)	Property holding company	100% ordinary	Spain

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

(b) hibu pay LLC is incorporated in the United States of America but managed and controlled in the United Kingdom.

(c) Global Patroclo S.L.U. has been included in discontinued operations, as the decision to dissolve this entity has been taken in the year.

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

The following undertakings were merged, disposed of or have been dissolved during the year:

Name	Activity	Group interest in allotted capital ^(a)	Countries of operation
hibu Connect, S.A.U. ^(b)	Classified advertising publisher	100% ordinary	Spain
11888 Servicio Consulta Telefonica, S.A. ^(b)	Directory assistance	100% ordinary	Spain
hibu Connect, LLC ^(c)	Holding company	100% common	United States of America
Znode, Inc ^(c)	Dormant	100% common	United States of America

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

(b) Disposed during the year (see note 16)

(c) hibu Connect, LLC and Znode, Inc, subsidiaries operating in the United States of America, were merged into hibu Inc during 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, Indique Alpha, A Wing, 2nd Floor, Plot No.19/4&27 Kadubeesanahalli Village, Varthur Hobli, 560103 Bangalore, Karnataka, India. The registered address of hibu (Philippines) Private Limited, Inc is 18/F Cityland Condominium 10 Tower 1, 156 H.V. Dela Costa Street, Ayala North, Makati City, Philippines 1226. 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. The registered office of Yell Finance (Jersey) Two Limited is Intertrust Corporate Services (Jersey) Limited, 44 Esplanade, St Helier, Jersey, JE4 9WG. The registered address of Global Patroclo S.L.U. is Padrillo 5, Bajo Exterior, 28002 Madrid, Spain.

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Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

13. Trade and other receivables

At 31 March

£m	2018	2017 restated*
Amounts falling due within one year		
Gross trade receivables	84.9	117.5
Less: provisions for impairment of trade receivables	(22.5)	(33.9)
Net trade receivables	62.4	83.6
Accrued income	12.1	9.1
Other current receivables	4.0	5.9
Total financial assets other than cash and cash equivalents classified as loans and receivables	78.5	98.6
Prepayments	14.2	14.4
Current portion	92.7	113.0
Amounts falling due after more than one year		
Other non-current receivables	1.4	3.4
Non-current portion	1.4	3.4
Total trade and other receivables	94.1	116.4

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

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.

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. Other receivables falling due within one year primarily comprise loans to employees in respect of deposits for vehicles provided through a car ownership scheme.

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	2018	2017 restated*
Sterling	29.5	29.6
US dollar	64.3	86.5
Other	0.3	0.3
Total receivables	94.1	116.4

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

The carrying amounts of the Group's trade receivables are stated after deducting a provision of £22.5m at 31 March 2018 (2017: £33.9m) for doubtful debts and sales allowances.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

13. Trade and other receivables (continued)

The movements in the provision for doubtful debts were as follows:

Year ended 31 March

£m	2018	2017
At beginning of year	33.9	44.9
Charged to Group income statement	1.8	7.2
Utilised	(11.0)	(20.0)
Currency movements	(2.2)	4.3
Transferred to assets of disposal group held for sale	–	(2.5)
Balance at 31 March	22.5	33.9

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 2018, the carrying value and estimated recoverable amount of trade receivables past due and impaired was £nil (2017: £nil), after deducting the related provision for doubtful debts of £3.7m (2017: £6.3m).

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

£m	2018	2017
Up to one month past due	0.4	0.4
One to three months past due	0.5	0.7
Three to nine months past due	1.0	2.1
Over nine months past due	1.8	3.1
Total gross trade receivables past due and impaired	3.7	6.3

The other classes of receivables do not contain impaired assets.

At 31 March 2018, gross trade receivables of £15.7m (2017: £18.8m) that were past due but not impaired, have a provision set against them of £4.8m (2017: £5.5m). At 31 March 2018, the ageing analysis of these gross trade receivables is as follows:

£m	2018	2017
Up to one month past due	8.3	10.1
One to three months past due	4.0	5.0
Three to nine months past due	2.0	2.2
Over nine months past due	1.4	1.5
Total gross trade receivables past due but not impaired	15.7	18.8

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 doubtful debts recognised.

Trade receivables not yet due of £65.5m (2017: £92.4m) have a provision set against them of £14.0m (2017: £22.1m). 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. These parties do not have a history of default.

14. Inventories

Inventory of £1.8m (2017: £3.1m), comprises paper stocks to be used in production of books and the paper and printing costs of books awaiting shipment. Inventory of £nil (2017: £0.8m) has been transferred to assets held for sale. The cost of paper recognised as an expense, and included in cost of sales of continuing operations, amounted to £16.5m (2017: £24.8m).

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Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

15. Cash and cash equivalents

At 31 March

£m	2018	2017
Cash at bank and in hand	40.3	36.7
Short-term deposits	13.9	19.5
Total cash and cash equivalents	54.2	56.2

Credit quality of cash and cash equivalents based on external credit ratings at 31 March 2018 was:

£m	AAA	A	BBB	Total
GB Pounds	13.6	8.1	–	21.7
US Dollars	0.3	30.8	–	31.1
Euros	–	1.0	–	1.0
Others	–	–	0.4	0.4
Total	13.9	39.9	0.4	54.2

16. Discontinued operations

During the year ended 31 March 2017 an offer was received and accepted for the Spanish business, which was subsequently sold on 9 May 2017 for gross proceeds of €38m. The Group disposed of its Spanish business operations ("the disposal group"), with effect from 9 May 2017. Details of the activities of the disposal group for the period until disposal which have been treated as discontinued operations, along with effect on these financial statements, are given below. Property, plant and equipment acquired internally from hibu Connect S.A.U. by Global Patroclo S.L.U. on 29 March 2017 was marketed for sale separate to the sale of the Spanish business and was subsequently sold in November 2017. The Spanish branch of hibu Holdings 3 Limited was dissolved on 27 March 2018 and the Group has begun proceedings to liquidate hibu Holdings 3 Limited and its two subsidiaries, Yell Finance (Jersey) Two Limited and Global Patroclo S.L.U. Results from hibu Holdings 3 Limited, its Spanish branch and its two subsidiaries are also included here within discontinued operations.

Year ended 31 March

£m	2018	2017
(Loss) profit for the year from discontinued operations	(2.8)	2.5
Profit on disposal of subsidiaries	20.6	–
Total profit for the year from discontinued operations	17.8	2.5

Analysis of the (loss) profit from discontinued operations is as follows:

Year ended 31 March

£m	Note	2018	2017
Revenue		6.2	72.9
Operating expenses (including exceptional items)		(8.8)	(59.2)
Operating (loss) profit before gain on disposal		(2.6)	13.7
Net finance income (costs)		–	(0.7)
(Loss) profit before tax		(2.6)	13.0
Tax charge	8	(0.2)	(10.5)
(Loss) profit for the year from discontinued operations		(2.8)	2.5

An amount of £nil (2017: £2.2m) relating to restructuring and strategic implementation is included within the operating profit or loss from discontinued operations.

The Group's profit on disposal of its subsidiaries and related property was as follows:

Year ended 31 March

£m	Note	2018	2017
Net proceeds on disposal		36.7	–
Net assets of the disposal group		(17.9)	–
Exchange gains recycled from the translation reserve	26	1.8	–
Profit on disposal of subsidiaries		20.6	–

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

16. Discontinued operations (continued)

Amounts recognised in other comprehensive income relating to discontinued operations:

Year ended 31 March

£m	2018	2017
Exchange gain arising on translation of foreign operations	3.1	2.8
Tax effect of net gains not recognised in the income statement	–	–
Total	3.1	2.8

Cash flows of discontinued operations

Year ended 31 March

£m	Note	2018	2017
Net cash flows from operating activities of discontinued operations			
Cash generated from operating activities		(1.1)	17.3
Net interest paid		(4.1)	(2.2)
Corporate income tax paid		(1.6)	(11.5)
Net cash (outflow) inflow from operating activities		(6.8)	3.6
Cash flows from investing activities			
Payments for property, plant, equipment and software		(0.1)	(2.0)
Net cash outflow from investing activities		(0.1)	(2.0)
Free cash flow		(6.9)	1.6
Cash flow from financing activities			
Repayment of borrowings		–	(10.5)
Net intercompany loan receipt from (payment to) continuing operations		7.7	(2.7)
Net cash inflow (outflow) from financing activities		7.7	(13.2)
Net increase (decrease) in cash and cash equivalents		0.8	(11.6)
Cash and cash equivalents at the beginning of the year		8.1	19.3
Cash retained in the Group in respect of discontinued operations		(9.1)	–
Exchange gains (losses) on cash and cash equivalents		0.2	0.4
Total cash and cash equivalents of the disposal group at disposal date / prior year end		–	8.1
Cash generated from operating activities of discontinued operations			
(Loss) profit for the year		(2.8)	2.5
Adjustments for:			
Tax charge	8	0.2	10.5
Finance costs		–	0.7
Depreciation and impairment of property, plant and equipment		4.1	0.7
Amortisation of intangible assets		0.1	0.8
Changes in working capital:			
Decrease (increase) in inventory		0.2	(0.3)
Decrease in trade and other receivables		1.0	5.2
Increase in trade and other payables		(3.9)	(5.2)
Net movement in intercompany trading account		–	2.4
Cash generated from operating activities of discontinued operations		(1.1)	17.3

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

16. Discontinued operations (continued)

Assets of discontinued operations classified as held for sale

Year ended 31 March

£m	2018	2017
Non-current assets:		
Intangible assets	–	1.2
Property, plant and equipment ^(a)	–	18.3
Other long-term assets	–	0.1
Deferred tax assets	–	3.0
Current assets:		
Inventories	–	0.8
Trade and other receivables	–	40.1
Cash	–	8.1
Total assets held for sale	–	71.6

(a) An amount of £17.0m included within prior year Property, plant and equipment relates to a property acquired from hibu Connect S.A.U. by Global Patroclo S.L.U., a group undertaking, on 29 March 2017. The property was sold separate from the sale of the Spanish business in November 2017.

Liabilities of discontinued operations classified as held for sale

Year ended 31 March

£m	2018	2017
Current liabilities:		
Corporate income tax liabilities	–	(7.0)
Trade and other payables	–	(52.3)
Provisions for liabilities	–	(1.2)
Non-current liabilities:		
Deferred tax liabilities	–	(0.1)
Trade and other payables	–	(0.6)
Total liabilities held for sale	–	(61.2)

17. 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 Group's underlying operations is effectively identified and managed by or on behalf of the directors.

The only financial covenant in place during the year required the Group to keep net Cash Pay debt to less than four times EBITDA. On 2 May 2018, this debt was replaced with a £225m high yield bond secured against the Group's UK business, with no similar financial covenant.

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 in their various local markets. 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 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

17. Risk management (continued)

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. The analyses below are only valid when all other factors are held constant.

Financial instruments analysis

As explained in note 30, on 2 May 2018, the outstanding debt, which was denominated in sterling, US dollars and Euros and had a variable interest component, was replaced with a £225m high yield bond with a fixed interest rate of 8.5%. As such the sensitivity to both interest rates and exchange rates is considerably reduced.

There were no hedging arrangements at 31 March 2018 or 31 March 2017.

See note 18 on financial instruments for currency profile and interest rate risk, liquidity risk. See note 13, trade and other receivables, for credit risk.

Liquidity and funding

Subsequent to the £225m high yield bond issue on 2 May 2018, the UK business is contractually obliged to use between 25% and 75% of net cash flow, depending on leverage, to repay the bond. Also from 2 May 2018, the UK business has an available but undrawn £25m revolving credit facility.

UK defined benefit pension plan

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 31 December 2015 has been updated to 31 March 2018 (see note 29).

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18. 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 2018		Amortised	Total	Total
	Loans and	cost loans	book	fair
£m	Receivables	and other	value	value
		liabilities		
Assets				
Cash and cash equivalents ^(a)	54.2	–	54.2	54.2
Trade and other receivables ^(a)	79.9	–	79.9	79.9
Total financial assets	134.1	–	134.1	134.1
Liabilities				
Trade and other payables ^(a)	–	(104.9)	(104.9)	(104.9)
Short-term borrowings	–	(0.8)	(0.8)	(0.8)
Long-term borrowings	–	(356.1)	(356.1)	(361.4)
Total financial liabilities	–	(461.8)	(461.8)	(467.1)

At 31 March 2017		Amortised	Total	Total
	Loans and	cost loans	book	fair
£m	receivables	and other	value	value
	restated*	liabilities	restated*	restated*
Assets				
Cash and cash equivalents ^(a)	56.2	–	56.2	56.2
Trade and other receivables ^(a)	102.0	–	102.0	102.0
Total financial assets	158.2	–	158.2	158.2
Liabilities				
Trade and other payables ^(a)	–	(138.2)	(138.2)	(138.2)
Short-term borrowings	–	(1.2)	(1.2)	(1.2)
Long-term borrowings	–	(479.4)	(479.4)	(492.3)
Total financial liabilities	–	(618.8)	(618.8)	(631.7)

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

(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.

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 2018. Detail on the Group's accounting for financial instruments is included in significant accounting policies on pages 20 to 25.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18. Financial instruments (continued)

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 2018

£m	Financial assets floating rate	Financial liabilities		Total	Net financial (liabilities) assets
		Fixed or capped rate	Floating rate		
Currency					
Sterling	21.7	(37.4)	(41.2)	(78.6)	(56.9)
US dollar	31.1	(97.7)	(96.0)	(193.7)	(162.6)
Euro	1.0	(42.5)	(42.1)	(84.6)	(83.6)
Other	0.4	–	–	–	0.4
Total	54.2	(177.6)	(179.3)	(356.9)	(302.7)

Details regarding the credit quality of financial assets are given in note 15.

At 31 March 2017

£m	Financial assets floating rate	Financial liabilities		Total	Net financial (liabilities) assets
		Fixed or capped rate	Floating rate		
Currency					
Sterling	19.6	(45.3)	(54.5)	(99.8)	(80.2)
US dollar	33.2	(133.9)	(142.4)	(276.3)	(243.1)
Euro	1.0	(50.4)	(54.1)	(104.5)	(103.5)
Other	2.4	–	–	–	2.4
Total	56.2	(229.6)	(251.0)	(480.6)	(424.4)

Details regarding the credit quality of financial assets are given in note 15.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18. Financial instruments (continued)

The following table analyses the contractual undiscounted cash flows payable as well as the face value, carrying value and fair value of Group borrowings at the date of the statement of financial position. Contractual flows in respect of interest payments are calculated using interest rates applicable at the date of the statement of financial position. On 2 May 2018, however, the Cash Pay and PIK facilities were replaced with a £225m high yield bond secured on the Group's UK business (see note 30). 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 2018

£m	Due within one year	Due between one and four years	Due between four and five years	Due after more than five years	Total amounts owed	Deferred finance costs one year	Nominal value of net debt	Carrying value	Fair value
Cash pay facilities:									
Sterling	–	41.2	–	–	41.2	–	41.2	41.2	41.4
US dollar	–	96.0	–	–	96.0	–	96.0	96.0	96.6
Euro	–	42.1	–	–	42.1	–	42.1	42.1	42.4
PIK facilities:									
Sterling	–	–	–	41.6	41.6	–	41.6	41.6	41.6
US dollar	–	–	–	96.9	96.9	–	96.9	96.9	96.9
Euro	–	–	–	42.5	42.5	–	42.5	42.5	42.5
Deferred financing fees	–	–	–	–	–	(4.2)	(4.2)	(4.2)	–
	–	179.3	–	181.0	360.3	(4.2)	356.1	356.1	361.4
Other loans and finance leases	0.8	–	–	–	0.8	–	0.8	0.8	0.8
Total loans and other borrowings	0.8	179.3	–	181.0	361.1	(4.2)	356.9	356.9	362.2
Fixed rate interest ^(a)	27.9	76.4	15.3	654.0	773.6				
Floating rate interest ^(a)	2.6	6.3	–	–	8.9				
Total payments	31.3	262.0	15.3	835.0	1,143.6				
Contractual payments analysed between:									
Sterling	6.8	59.8	3.5	191.9	262.0				
US dollar	17.5	141.2	8.2	447.1	614.0				
Euro	7.0	61.0	3.6	196.0	267.6				
Total payments	31.3	262.0	15.3	835.0	1,143.6				
Contractual payments analysed between:									
Fixed	28.7	255.7	15.3	835.0	1,134.7				
Floating	2.6	6.3	–	–	8.9				
Total payments	31.3	262.0	15.3	835.0	1,143.6				

(a) Interest payments are calculated based upon the outstanding face value of the debt at 31 March 2018. No adjustment has been made for any reductions that occur as a result of forecast debt repayments.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18. Financial instruments (continued)

At 31 March 2017

£m	Due within one year	Due between one and four years	Due between four and five years	Due after more than five years	Total amounts owed	Deferred finance costs one year	Nominal value of net debt	Carrying value	Fair value
Cash pay facilities:									
Sterling	–	54.5	–	–	54.5	–	54.5	54.5	56.1
US dollar	–	142.4	–	–	142.4	–	142.4	142.4	146.6
Euro	–	54.1	–	–	54.1	–	54.1	54.1	55.7
PIK facilities:									
Sterling	–	–	–	50.8	50.8	–	50.8	50.8	50.8
US dollar	–	–	–	132.7	132.7	–	132.7	132.7	132.7
Euro	–	–	–	50.4	50.4	–	50.4	50.4	50.4
Deferred financing fees	–	–	–	–	–	(5.5)	(5.5)	(5.5)	–
	–	251.0	–	233.9	484.9	(5.5)	479.4	479.4	492.3
Other loans and finance leases	1.2	–	–	–	1.2	–	1.2	1.2	1.2
Total loans and other borrowings	1.2	251.0	–	233.9	486.1	(5.5)	480.6	480.6	493.5
Fixed rate interest ^(a)	37.4	112.3	27.2	864.8	1,041.7				
Floating rate interest ^(a)	2.6	7.7	1.1	–	11.4				
Total payments	41.2	371.0	28.3	1,098.7	1,539.2				
Contractual payments analysed between:									
Sterling	8.7	80.5	6.1	238.4	333.7				
US dollar	23.9	210.5	16.1	623.4	873.9				
Euro	8.6	80.0	6.1	236.9	331.6				
Total payments	41.2	371.0	28.3	1,098.7	1,539.2				
Contractual payments analysed between:									
Fixed	38.6	363.3	27.2	1,098.7	1,527.8				
Floating	2.6	7.7	1.1	–	11.4				
Total payments	41.2	371.0	28.3	1,098.7	1,539.2				

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Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

19. Trade and other payables

At 31 March

£m	2018	2017 restated*
Amounts falling due within one year		
Trade payables	6.6	9.1
Other payables	11.2	13.3
Accrued interest	14.8	18.2
Accrued expenses	65.4	91.9
Total financial liabilities excluding loans and borrowings classified as financial liabilities measured at amortised cost	98.0	132.5
Deferred income	23.5	29.7
Current portion	121.5	162.2
Amounts falling due after more than one year		
Accrued interest	1.9	–
Other payables	5.0	5.7
Non-current portion	6.9	5.7
Total trade and other payables	128.4	167.9

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

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	2018	2017 restated*
Sterling	67.2	85.0
US dollar	60.3	82.8
Euro	0.9	–
Other	–	0.1
Total trade and other payables	128.4	167.9

20. Provisions for liabilities

The Group had the following provisions during the year:

Year ended 31 March 2018

£m	Redundancy provisions	Property related provisions	Legal provisions	Total
At 1 April 2017	0.5	3.7	3.1	7.3
Charged to income statement:				
- Additional provisions	2.7	2.3	1.9	6.9
- Unused amounts reversed	–	–	(1.1)	(1.1)
Utilised during the year	(1.2)	(1.5)	(1.8)	(4.5)
Currency movements	(0.1)	(0.2)	(0.3)	(0.6)
At 31 March 2018	1.9	4.3	1.8	8.0

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

20. Provisions for liabilities (continued)

£m	2018	2017
Non-current	3.2	2.9
Current	4.8	4.4
Total provisions for liabilities	8.0	7.3

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 £4.8m (2017: £4.4m) have been classified as current liabilities.

(a) Redundancy

Provisions for restructuring of activities comprise of accruals for certain employee benefits which 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 effected employees before the balance sheet date. All restructuring plans are expected to be completed within one year from the balance sheet date.

(b) Property related

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

The onerous leases provision relates to a subsidiary in the US which, in 2008, entered into a non-cancellable lease for office space. Due to changes in its activities, the subsidiary has ceased to use a portion of the premises on which the lease will expire in 2020. The provision has been calculated after taking into account the periods over which the portion of the property will likely to remain vacant. There are no expectations to sublease.

(c) Legal

In the normal course of business, a subsidiary in the US is a defendant in or party to a number of pending and threatened legal actions or claims, including, but not limited to commercial- and employment-based legal actions and claims, 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 threatened legal actions or claims will have a material adverse effect on the financial position or liquidity of the Corporation. As of 31 March 2018, the subsidiary has estimated legal expenses for these matters to be £1.8m in aggregate.

21. Borrowings

The Group manages the capital requirements of the Group by maintaining leverage of the Group within the terms of its debt facilities agreement.

On 7 September 2016, the Group restructured its external debt through a court approved scheme of arrangement. As part of this restructuring the Group extinguished its outstanding debt under the facilities agreement dated 3 March 2014 and in return, issued new Cash Pay and PIK loan notes with new terms. The Cash Pay notes are due for repayment on 7 September 2021 and accrue interest at the higher of 8% or 7% plus LIBOR (or Euribor for the Euro notes). The PIK notes, which are due for repayment on 7 September 2065, accrue interest at 8.5% when the Group elects to settle the interest in cash at the end of each three-month period or 10% when it is not cash settled. On 2 May 2018 this debt was replaced with a £225m high yield bond, secured on the Group's UK business (see note 30).

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

21. Borrowings (continued)

The following table sets out the borrowings and total net debt of the Group:

At 31 March £m	Interest rate % ^(a)	2018	2017
Amounts falling due within one year			
Net obligations under finance leases and other short-term borrowings		0.8	1.2
Total amounts falling due within one year		0.8	1.2
Amounts falling due after more than one year			
Cash Pay facilities ^(b) – due within less than five years	8.00-8.83	179.3	251.0
PIK facilities ^(c) – due after more than five years	8.50	181.0	233.9
Deferred financing fees		(4.2)	(5.5)
Total amounts falling due after more than one year		356.1	479.4
Total loans and other borrowings		356.9	480.6
Cash and cash equivalents		(54.2)	(56.2)
Total net debt		302.7	424.4

(a) Interest rates applicable at 31 March 2018 on the underlying debt instruments.

(b) Cash Pay notes at 31 March 2018 accrue interest at the higher of 8% or 7% plus LIBOR (or Euribor for the Euro notes). Cash Pay debt at 31 March 2017 accrue interest at the higher of 8% or 7% plus LIBOR (or Euribor for the Euro notes).

(c) PIK notes at 31 March 2018 accrue interest at 8.5% when the Group elects to settle the interest in cash at the end of each three-month period or 10% when it is not cash settled. PIK notes at 31 March 2017 accrue interest at 8.5% when the Group elects to settle the interest in cash at the end of each three-month period or 10% when it is not cash settled.

The carrying amounts of borrowings are denominated in the following currencies:

£m	Principal amount	Deferred financing fees	Net balance
Sterling	82.8	(4.2)	78.6
US dollar	193.7	–	193.7
Euro	84.6	–	84.6
Total loans and borrowings at 31 March 2018	361.1	(4.2)	356.9
Sterling	105.3	(5.5)	99.8
US dollar	276.3	–	276.3
Euro	104.5	–	104.5
Total loans and borrowings at 31 March 2017	486.1	(5.5)	480.6

Details of the currency denomination of interest and maturity profiles of borrowings are given in note 18. There are no material borrowings denominated in currencies other than British pounds sterling, US dollars and Euros.

Movement in net loans and other borrowings (including accrued interest)

£m	2018	2017
At 1 April	498.2	349.9
Transferred to liabilities of disposal group held for sale	–	(17.3)
Interest expense	35.8	32.1
Deferred fee amortisation	1.2	1.4
Accretion	–	53.0
Loss on extinguishment of debt	–	206.3
Interest and financing fees paid	(36.5)	(28.4)
Debt paid	(100.7)	(138.5)
Currency movements	(24.7)	39.7
At 31 March	373.3	498.2

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

22. 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	2018	2017
Property, plant and equipment	0.2	0.1
Intangible assets	0.1	1.2
Total	0.3	1.3

Operating lease commitments

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

At 31 March

£m	2018	2017
Payable		
Not later than one year	7.5	7.0
Later than one year and not later than five years	12.7	17.2
Later than five years	10.6	12.0
Total future aggregate minimum operating lease payments	30.8	36.2

Operating lease payments expensed during the year amounted to £7.9m (2017: £8.4m) excluding discontinued operations.

Contingent liabilities

There are no contingent liabilities or guarantees other than those referred to in notes 1 and 21 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.

23. Share capital

For the year ended 31 March

	2018 No. of shares of £0.00000001	2017 No. of shares of £0.00000001	2018 £	2017 £
Ordinary shares				
At beginning of year	1,135,165,598	585,165,598	11	6
Issued during the year	–	550,000,000	–	5
At 31 March	1,135,165,598	1,135,165,598	11	11

On 7 September 2016, the Company issued 550,000,000 ordinary shares with a nominal value of £0.00000001 each in exchange for a receivable with a fair value of £16.7m, as part of the debt restructuring, giving rise to a share premium of £16.7m.

24. Share premium

£m	2018	2017
Share premium		
Balance at 1 April	16.7	–
Issued during the year	–	16.7
Balance at 31 March	16.7	16.7

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

25. 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 vest in four equal tranches on four successive annual anniversaries of the award date, unless there is a change in control (a portion vests immediately), or if the participants become leavers (shares may have to be transferred). Upon full vesting the holders of the shares will have restricted ownership rights in 9.3% of the Group. The Group has a limited (£0.2m in aggregate) legal obligation to repurchase the shares in cash on demand from recipients under specific circumstances. The shares cannot be traded, but the Company may buy 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 high yield bonds.

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 recipient's will receive 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 charged £5.4m in the current year (2017: £3.5m) against income in respect of these awards.

26. Other Reserves

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

<i>Pension reserve</i>	Accumulated actuarial gain.
<i>Share-based payment reserve</i>	Cumulative amortised fair value of equity-settled share-based payments.
<i>Translation reserve</i>	Gains/losses arising on retranslating the net assets of overseas operations in to British pound sterling (GBP).
<i>Accumulated losses</i>	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 years ended 31 March 2017 and 31 March 2018:

£m	Pensions reserve	Share- based payment reserve	Translation reserve restated*	Total other reserves restated*
At 1 April 2016	37.5	–	2.2	39.7
Net actuarial gain on defined benefit pension schemes (note 29)	14.6	–	–	14.6
Tax charge (note 8)	(1.1)	–	–	(1.1)
Share-based payments (note 25)	–	3.5	–	3.5
Exchange gains arising on translation of foreign continuing operations	–	–	0.6	0.6
Net income recognised directly in equity from continuing operations	13.5	3.5	0.6	17.6
Exchange gains arising on translation of foreign discontinued operations (note 16)	–	–	2.8	2.8
Net income recognised directly in equity	13.5	3.5	3.4	20.4
At 31 March 2017	51.0	3.5	5.6	60.1

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

26. Other Reserves (continued)

£m	Pensions reserve	Share-based payment reserve	Translation reserve	Total other reserves
At 1 April 2017*	51.0	3.5	5.6	60.1
Net actuarial gain on defined benefit pension schemes (note 29)	5.4	–	–	5.4
Tax charge (note 8)	(0.6)	–	–	(0.6)
Share-based payments (note 25)	–	5.4	–	5.4
Exchange losses arising on translation of foreign continuing operations	–	–	(9.1)	(9.1)
Net income (expense) recognised directly in equity from continuing operations	4.8	5.4	(9.1)	1.1
Exchange gains arising on translation of foreign discontinued operations (note 16)	–	–	3.1	3.1
Net income (expense) recognised directly in equity	4.8	5.4	(6.0)	4.2
Cumulative exchange gains recycled to profit or loss (note 16)	–	–	(1.8)	(1.8)
Net income (expense) recognised directly in equity	4.8	5.4	(7.8)	2.4
At 31 March 2018	55.8	8.9	(2.2)	62.5

* The comparative figures have been adjusted from those disclosed in the 31 March 2017 financial statements as further explained in note 1 to the consolidated financial statements.

27. Related party transactions

Subsidiary undertakings

Details of the subsidiary undertakings are given in note 12 of these financial statements. Further detail can be found in the Company only section of these financial statements on page 65.

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	2018	2017
Salaries and other short-term benefits	5.6	5.6
Amounts received under long-term incentive schemes (other than shares or share options)	5.5	1.8
Employer's pension contributions	–	0.1
Total remuneration	11.1	7.5

The highest paid director received £7.0m (2017: £3.2m) in the year, excluding employer's pension contributions, in respect of services to the Group.

The Group issued restricted equity instruments to seven Board members in the year ended 31 March 2017 that when fully vested in September 2020 will represent 6.55% ownership of the Group. No director was a member of the Group's UK defined benefit pension scheme during the periods presented.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

27. Related party transactions (continued)

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	2018	2017
Salaries and other short-term employee benefits	7.4	11.3
The amount of money and other assets (other than shares or share options) earned under long-term incentive schemes	–	11.7
Employer's pension contributions	–	0.1
Share-based payments (non-cash)	3.5	2.2
Total key management compensation	10.9	25.3

The amounts earned under long-term incentive schemes in the year ended 31 March 2017 were non-cash accruals in the period.

28. Ultimate parent company and controlling party

The Company is the ultimate holding company of the Group.

29. Pensions

Yell Limited, which is one of the consolidated subsidiaries in these Group financial statements, operates a defined benefit pension scheme ("UKPP") 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 2018 and 2017 included the following charges below.

Amounts charged to operating loss

Year ended 31 March

£m	2018	2017
Termination benefits	–	(0.1)
Settlement cost	–	4.1
Amounts charged for defined benefit schemes	–	4.0
Amounts expensed for defined contribution schemes	2.7	3.0
Total operating charge	2.7	7.0

Net finance income from defined benefit scheme

Year ended 31 March

£m	2018	2017
Interest income on pension scheme assets	17.8	20.2
Interest cost on pension scheme liabilities	(14.8)	(17.0)
Net finance income from defined benefit scheme	3.0	3.2

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

29. Pensions (continued)

Amount recognised in Group statement of comprehensive income

Year ended 31 March

£m	2018	2017
Actual return less interest on pension Plan assets	(6.2)	120.9
Experience losses arising on the Plan liabilities	(3.7)	6.0
Changes in financial assumptions underlying the value of the Plan liabilities	11.6	(123.6)
Changes in demographic assumptions underlying the present value of the Plan liabilities	3.7	11.3
Actuarial gain	5.4	14.6
Tax on actuarial gain recognised in equity	(0.6)	(1.1)
Actuarial gain net of tax	4.8	13.5

The cumulative actuarial gain net of tax recognised at 31 March 2018 amounts to £55.8m (2017: £51.0m).

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 31 December 2015, updated to 31 March 2018, showed a surplus of £129m. Pension benefits are based on years of qualifying service and final pensionable salary. With effect from 31 March 2011, the defined benefit sections of the Plan were closed to future accrual. Active members at 31 March 2011 were granted leaving service benefits and offered membership of a new Section 7 of the Plan on a defined contribution basis.

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 31 December 2015 was the most recent agreed full funding valuation at 31 March 2018.

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	2018	2017
Fair value of plan assets	685.2	698.8
Present value of scheme liabilities	(555.9)	(589.0)
Net surplus	129.3	109.8

The following amounts explain the movement in the pension provision:

Year ended 31 March

£m	2018	2017
Net surplus at the beginning of year	109.8	86.0
Movement in year:		
Contributions	11.1	10.0
Termination benefits	–	0.1
Settlement cost	–	(4.1)
Net finance income	3.0	3.2
Actuarial gain	5.4	14.6
Net surplus at end of year	129.3	109.8

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

29. Pensions (continued)

Net surplus (continued)

Following the conclusion of the full funding valuation in September 2016 that had an effective date of 31 December 2015, Yell Limited agreed to pay the following minimum contributions, all payable in equal monthly instalments unless prepaid:

- in respect of September 2016, a contribution of £2.5m; and
- monthly contributions of £0.8m per month from 1 October 2016 to 1 June 2020 inclusive; and
- £0.7m per month from 1 July 2020 to 1 September 2025 inclusive.

Contributions of £11.1m (2017: £10.0m), of which £nil (2017: £0.2m) were in respect of benefit augmentations were made in the year.

Valuation assumptions

The UKPP net surplus at 31 March 2018 and 2017 were based on the valuation at 31 December 2015 updated at 31 March 2018 and 31 March 2017 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	2018	2017
Discount rate	2.6	2.6
Expected rate of return on assets	n/a	n/a
Pension increases linked to RPI	3.1	3.2
Pension increases linked to CPI	2.2	2.3

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

At 31 March

Years	2018	2017
Male	29.0	29.2
Female	31.1	31.2

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

At 31 March

Years	2018	2017
Male	27.7	27.8
Female	29.7	29.7

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 scheme 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 three other trustees are appointed by Yell Limited. Three 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 recently changed the investment strategy of the Plan to further de-risk the Plan's investment portfolio. The trustees are in the process of exchanging the diversified growth funds and remaining equities for credit (secured finance and corporate bonds), resulting in a Plan portfolio of credit, a bulk annuity policy that covers nearly all of the Plan's pensioners and liability driven investment funds. As of 31 March 2018, the Plan has a large holding in cash as the planned investment switches are ongoing.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

29. Pensions (continued)

Assets (continued)

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	2018	Of which, not quoted on an active market	2017	Of which, not quoted on an active market
Equities	–	–	60.0	–
Diversified growth funds	–	–	189.8	–
Bonds	74.7	–	73.7	–
Liability-driven investments	165.7	–	176.0	–
Insurance contracts	174.5	174.5	178.8	178.8
Other	270.3	–	20.5	–
Total assets at fair value	685.2	174.5	698.8	178.8

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

Year ended 31 March

£m	2018	2017
Opening fair value of plan assets	698.8	595.5
Interest on assets	17.8	20.2
Actuarial (loss) gain	(6.2)	120.9
Contributions by employer	11.1	10.0
Benefits paid	(36.3)	(47.8)
Closing fair value of plan assets	685.2	698.8

The actuarial gain or loss in the year ended 31 March 2018 and 2017 represents the difference between the expected return on plan assets and the actual return on plan assets as follows:

Year ended 31 March

£m	2018	2017
Interest on plan assets	17.8	20.2
Actuarial (loss) gain	(6.2)	120.9
Actual return on plan assets	11.6	141.1

Liabilities

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

Year ended 31 March

£m	2018	2017
Opening present value of defined benefit liabilities	589.0	509.5
Past service costs	–	(0.1)
Settlement cost	–	4.1
Interest cost	14.8	17.0
Actuarial (gain) loss	(11.6)	106.3
Benefits paid	(36.3)	(47.8)
Closing present value of defined benefit liabilities	555.9	589.0

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

29. Pensions (continued)

Liabilities (continued)

The actuarial gain in the year ended 31 March 2018 was primarily the result of a decrease in the assumption for inflation and a change to the mortality assumption. This was partially offset by inflationary increases applied to benefits during the year being higher than expected.

The actuarial loss in the year ended 31 March 2017 was primarily the result of a decrease in the AA-rated corporate bond yields and an increase in the assumption for inflation which led to significant actuarial losses. This was partly offset by an update to the demographic assumptions and inflationary increases to benefits during the year being lower than expected.

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 Defined Benefit section of the Plan 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 23 years reflecting the approximate split of defined benefit obligation between deferred members (duration around 27 years) and current pensioners (duration of 15 years).

Sensitivity analysis

The present value of the pension obligations at 31 March 2018 was calculated on the basis that the real interest rate at the balance sheet date was -0.7%, 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 real interest rate to -0.6% or -0.8% per annum, respectively, would decrease or increase the present value of the pension liabilities by approximately £12.6m. 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 real interest rates however we can estimate that the value of the bulk annuity policy would decrease or increase by approximately £2.7m due to the assumed real interest rate increasing or decreasing to -0.6% or -0.8% per annum respectively.

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 £20.5m and would increase the value of the bulk annuity policy by £8.5m.

Risks associated with the Plan

Through its defined benefit pension plan Yell Limited is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

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

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 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.

Hibu Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

29. Pensions (continued)

Risks associated with the Plan (continued)

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.

Yell Limited and its Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as swaps which 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 which 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 covered nearly all current Plan pensioners, plus their survivors' pensions payable after death. It did not cover any members who have not yet begun to draw their pension. As a result, this buy-in policy significantly reduces the longevity risk to which the plan is exposed, as well as inflation risks and risks associated with changes in bond yields.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pension ("GMP"). The UK is consulting on measures which could result in an increase in the value of GMP benefits.

This would increase the defined benefit obligation of the Plan. At this stage, it is not possible to quantify the effect of this change.

Defined contribution schemes

In addition to the defined contribution Section Four, Section Five, Section Six and Section Seven of the UKPP, hibu Inc sponsors a 401(k) plan for the majority of its employees in the US. The 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 £1.2m in the year ended 31 March 2018 (2017: £1.4m) for the hibu Inc scheme, and £2.7m (2017: £3.0m) for Section Four, Section Five, Section Six and Section Seven of the UKPP. Outstanding contributions amounted to £nil at 31 March 2018 (2017: £nil).

30. Post balance sheet events

On 2 May 2018, the Group issued a high yield bond for £225m secured by the Group's UK business, bearing interest at 8.5% payable on a semi-annual basis and with a maturity date of 2 May 2023. The monies received plus cash on hand of £44m was used to settle in full the obligations under the Cash Pay facilities (see note 21) of £186m, to settle £65m of the PIK facilities (see note 21), to contribute £10m to the Group's UK defined benefit pension plan (see note 29) and to pay estimated transaction costs of £8m. The Group simultaneously issued 391,547,980 ordinary shares of Hibu Group Limited to the holders of the PIK Notes in exchange for the remaining £123m in PIK Notes. The Group estimates that as much as 50% of the transaction costs will be charged directly against income with the balance recorded as deferred financing costs to be amortised over the life of the debt.

Hibu Group Limited

Income statement (Company only)

Year ended 31 March

£'000	Note	2018	2017
Other operating income	4	9,121	4,171
Administrative expenses	5	(15,206)	(9,740)
Operating loss		(6,085)	(5,569)
Income from shares in group undertakings	6	–	–
Loss before interest and tax		(6,085)	(5,569)
Net finance income		940	–
Loss before tax		(5,145)	(5,569)
Tax credit	7	954	1,250
Loss for the year		(4,191)	(4,319)

Statement of comprehensive income (Company only)

There is no other comprehensive income for the year (2017: £nil).

Hibu Group Limited

Statement of financial position (Company only)

At 31 March

£'000	Note	2018	2017
Non-current assets			
Investments	8	16,741	16,741
Trade and other receivables	9	16,031	–
Total non-current assets		32,772	16,741
Current assets			
Trade and other receivables	9	11,249	1,271
Total current assets		11,249	1,271
Total assets		44,021	18,012
Current liabilities			
Trade and other payables	10	(35,790)	(5,561)
Total current liabilities		(35,790)	(5,561)
Non-current liabilities			
Deferred tax liabilities	11	–	(29)
Total non-current liabilities		–	(29)
Total liabilities		(35,790)	(5,590)
Net assets		8,231	12,422
Equity			
Share capital	12	–	–
Share premium	13	16,741	16,741
Accumulated losses		(8,510)	(4,319)
Total equity		8,231	12,422

The notes on pages 62 to 67 are an integral part of these financial statements.

The financial statements on pages 59 to 67 were approved by the Board of directors on 27 July 2018 and were signed on its behalf by:



Robert Hall
Director

Registration no 08815102

Hibu Group Limited

Statement of changes in equity (Company only) for the years ended 31 March 2018 and 31 March 2017

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2016	–	–	–	–
Loss for the year	–	–	(4,319)	(4,319)
Total comprehensive loss for the year	–	–	(4,319)	(4,319)
Proceeds from shares issued	–	16,741	–	16,741
Total transactions with owners, recognised in equity	–	16,741	(4,319)	12,422
Balance at 31 March 2017	–	16,741	(4,319)	12,422
Balance at 1 April 2017	–	16,741	(4,319)	12,422
Loss for the year	–	–	(4,191)	(4,191)
Total comprehensive loss for the year	–	–	(4,191)	(4,191)
Proceeds from shares issued	–	–	–	–
Total transactions with owners, recognised in equity	–	–	(4,191)	(4,191)
Balance at 31 March 2018	–	16,741	(8,510)	8,231

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2018

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").

First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with International Reporting Standards (IFRSs) as endorsed for use within the European Union. Information on the effect of the first-time adoption of FRS 101 is given in note 15.

The financial statements present information about the Company as an individual undertaking, and not as a group.

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';
- 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; and
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Going concern

Many of the subsidiaries of the Company were guarantors and obligors under the Common Terms Agreement dated 7 September 2016. The terms required the Bidco Group to keep net Cash Pay debt to less than four times the Bidco Group's EBITDA over the preceding twelve months. The Bidco Group was in compliance with the terms during the relevant period ended 31 March 2018. On 2 May 2018, this debt was replaced with £225m of high yield bonds that do not require specific financial ratio covenants, but are secured on the Group's UK business.

The directors of the Company have considered the implications of this and the risks set out above, and in particular whether it is appropriate to prepare the financial statements on a going concern basis and the adequacy of the disclosures made within the financial statements. In reaching a conclusion the directors reviewed forecasts of future performance that indicate that the Group will continue to generate sufficient cash flows to be able to meet interest payments for the next twelve months and repay liabilities as they fall due.

The directors have concluded that the going concern basis of accounting is appropriate, as set out in the strategic report on pages 2 to 7.

Significant accounting policies

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

a) Investments

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

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2018 (continued)

1. Accounting policies (continued)

Significant accounting policies (continued)

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. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of receivables. The provision is calculated by estimating future cash flows from trade receivables on the basis of historical loss experience.

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. It is probable that future taxable profits will be available to the extent that reversing taxable temporary differences exist. No provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future.

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 pages 26 to 27. None of these were material to the Company.

Critical accounting estimate and management judgments

Details of critical accounting estimates and management judgments are set out on pages 25 to 26. The only estimates and judgments that are relevant to the Company are share-based payments and tax.

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. No other fees were paid to PricewaterhouseCoopers LLP for non-audit services to the Company in the year.

3. Employees and Directors' remuneration

There are no employees of the Company.

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2018 (continued)

3. Employees and Directors' remuneration (continued)

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

Year ended 31 March

£	2018	2017
Salaries and other short-term benefits	1,949	978
Amounts received under long-term incentive schemes (other than shares or share options)	1,103	42
Employer's pension contributions	1	–
Total remuneration	3,053	1,020

The highest paid director received £1,400,142 (2017 - £419,161) in the year, excluding employer's pension contributions (£1,000), in respect of services to the Company.

The Group issued restricted equity instruments of a subsidiary company to seven Board members that when fully vested in September 2020 will represent 6.55% ownership of the subsidiary. No director was a member of the Group's UK defined benefit pension scheme during the years presented.

4. Other operating income

Year ended 31 March

£'000	2018	2017
Recharges to group undertakings	8,986	4,140
Foreign exchange gains on group recharges	135	31
Total other operating income	9,121	4,171

5. Administrative expenses

Year ended 31 March

£'000	Note	2018	2017
Recharges from group undertakings ^(a)		13,629	7,582
Share-based payment expense ^(b)	14	1,932	1,237
Audit, legal and professional fees		259	–
Accrued bonus payments		(614)	921
Total administrative expenses		15,206	9,740

(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 costs.

(b) Further amounts relating to share-based payments are included within the recharges from group undertakings.

6. Income from shares in group undertakings

Year ended 31 March

£'000	2018	2017
Share-based payment distribution received	1,932	1,237
Recharge of share-based payment from subsidiary	(1,932)	(1,237)
Total income from shares in group undertakings	–	–

During the year, the Company received a share-based payment distribution from its direct subsidiary, Hibu Midco Limited, of £1.9m (2017: £1.2m) in respect of its portion of share-based payments. The Company was later recharged the relevant costs and recorded the £1.9m (2017: £1.2m) as an intercompany liability, with a compensating decrease to the share-based payment distribution (see note 14).

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2018 (continued)

7. Tax on loss

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

Year ended 31 March

£'000	Note	2018	2017
Current tax:			
Current year taxation		(978)	(1,142)
Adjustments in respect of prior periods		53	(137)
Total current tax credit		(925)	(1,279)
Deferred tax:			
Deferred tax charge for the year		–	29
Adjustments in respect of prior periods		(29)	–
Total deferred tax	11	(29)	29
Total tax credit		(954)	(1,250)

The tax credit is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

Year ended 31 March

£'000	2018	2017
Loss before tax	(5,145)	(5,569)
Loss before taxation multiplied by the standard rate of corporation tax in the UK	(978)	(1,114)
Effects of:		
Adjustments in respect of prior periods	24	(138)
Other	–	2
Total tax credit	(954)	(1,250)

8. Investments

At 31 March

£'000	2018	2017
Cost		
At the beginning of the year	16,741	–
Additions	–	16,741
At 31 March	16,741	16,741
Carrying value	16,741	16,741

On 7 September 2016, the Company acquired further shares in Hibu Midco Limited in exchange for settlement of a receivable with a fair value of £16.7m, which arose as part of the Group restructuring.

At 31 March					2018	2017
Direct subsidiaries	Company activity	Country of incorporation	2018 Percentage owned	2017 Percentage owned	Carrying value £'000	Carrying value £'000
Hibu Midco Limited	Intermediate holding company	United Kingdom	100.00	100.00	16,741	16,741

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 12 of the consolidated financial statements on pages 35 and 36.

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2018 (continued)

9. Trade and other receivables

At 31 March

£'000	2018	2017
Amounts falling due within one year		
Amounts due from group undertakings	11,249	1,271
	11,249	1,271
Amounts falling due after one year		
Amounts due from group undertakings	16,031	–
	16,031	–
Total trade and other receivables	27,280	1,271

None of the amounts due from group undertakings are past due and are considered to be fully recoverable. Amounts falling due within one year are short-term receivables in respect of group recharges, interest receivable and group relief. Amounts falling due after more than one year include an amount of £16,031,096 (2017: £nil) which accrues interest at 9% and which is payable annually. The facility has a mandatory repayment date of 9 May 2022.

10. Trade and other payables

At 31 March

£'000	2018	2017
Amounts falling due within one year		
Accrued expenses	307	921
Amounts owed to group undertakings	35,483	4,640
Total trade and other payables	35,790	5,561

Amounts due to group undertakings falling due within one year include an amount of £19,200,368 which is payable on demand (2017: £nil). Other amounts are short-term liabilities primarily in respect of group recharges and group relief.

11. Deferred tax liabilities

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

£'000	Transfer pricing adjustments	Total
Deferred tax liabilities at 1 April 2016	–	–
Deferred tax movements in prior year	–	–
Charged to income statement	29	29
Deferred tax liabilities at 31 March 2017	29	29
Deferred tax liabilities at 1 April 2017	29	29
Deferred tax movements in current year	–	–
Credited to income statement	(29)	(29)
Deferred tax liabilities at 31 March 2018	–	–

Hibu Group Limited

Notes to the financial statements (Company only) for the year ended 31 March 2018 (continued)

12. Share capital

Allotted and fully paid

	No. of shares of £0.00000001	£
Ordinary shares		
At beginning of year	1,135,165,598	11
Issued during the year	–	–
At 31 March 2018	1,135,165,598	11

All shares rank pari passu in all respects.

13. Share premium

£'000	2018
Share premium	
Balance at 1 April	16,741
Issued during the year	–
Balance at 31 March	16,741

14. Share-based payments

The Company charged £1.9m (2017: £1.2m) against income for share-based payments (see note 25 of the consolidated financial statements) in the year ended 31 March 2018. This amount was settled through a share-based payment distribution from the Company's direct subsidiary, Hibu Midco Limited (see note 6). The Company was later recharged the relevant costs and recorded the £1.9m (2017: £1.2m) as an intercompany liability, with a compensating decrease to the share-based payment distribution.

15. First-time adoption of FRS 101

The policies applied under the Company's previous accounting framework are not materially different to FRS 101 and have not affected equity or the statement of comprehensive income.

16. Post balance sheet events

On 2 May 2018, a subsidiary of the Company issued a high yield bond for £225m with the proceeds used to settle outstanding Cash Pay debts and a portion of PIK debt owed by the Group. The Company issued 391,547,980 ordinary shares to its shareholders in exchange for £123m in PIK Notes. The Company transferred the £123m in PIK Notes to its subsidiary, Hibu Midco Limited, in exchange for one share in that subsidiary.