



Owl Finance Limited financial report for the three months ended 30 June 2020⁽¹⁾

Cost actions protect EBITDA and cash in the quarter despite acceleration in revenue decline driven by Covid-19; salesforce and other furloughed staff returned on 1st July

Strategic Update

- Discussions with the Group’s largest bondholders have been constructive and are continuing. Although the Group does not consider that it has a short-term liquidity issue, its opportunities to grow and develop are restricted by its current capital structure which the Group and its largest bondholders are working together to address.

Financial and operational highlights for the quarter ended 30 June 2020

- As anticipated, Covid-19 accelerated revenue decline in Q1. Despite 80% of the sales organisation being placed on furlough, new business was sustained at half of previous levels, but customer churn increased, and a significant number of customers paused their marketing programmes or utilised payment holidays.
- Adjusted EBITDA and trading operating cash flow in the quarter remained relatively stable due to the cost actions taken in March, including furloughing or reduced hours and pay for a significant proportion of the workforce, and deferral of VAT payments. From 1st July, most staff have returned to work full-time and VAT payments have resumed.
- Average monthly visits to Yell.com in the last 12 months declined from 9.0m to 8.2m. Consumer searches for business services dropped sharply in the quarter but are expected to recover as lockdown restrictions ease. Average monthly partnership usage of Yell data declined to 17.5m in the quarter.
- The company ended the quarter with a cash balance of £49.5m, including the benefit of £7.0m of VAT deferred until March 2021 and £8.8m drawn on its revolving credit facility which the company expects to repay in September 2020.

Summary Operating Results	Quarter ended					Year to date		
	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Jun-20	Jun-19	Change
Non-GAAP⁽²⁾, £m								
Revenue	43.7	42.6	41.5	38.0	30.8	30.8	43.7	(29.5%)
Adjusted EBITDA	11.5	11.9	11.4	9.3	8.2	8.2	11.5	(28.7%)
Trading operating cash flow	9.7	12.4	9.3	8.5	9.9	9.9	9.7	2.1%

(1) Delivered under the Indenture dated 2 May 2018 governing the terms of the 8 ½ % Senior Secured Notes issued by Yell Bondco plc (the “Indenture”). All figures, including comparatives, are the unaudited consolidated results of Owl Finance Limited and its subsidiaries (the “Group”). A copy of this document and other Bondholder notices published on 23 July 2020 can be found at <https://www.hibugroup.com/bondholders>.

(2) Non-GAAP Key Performance Indicators (“KPIs”) are defined in Appendix 1 and reconciled to GAAP measures in note 3 to the financial statements.

Financial outlook

As part of the discussions with its largest bondholders, the Group has prepared a business plan including a forecast for the current year and potential outcomes for subsequent years. These are summarised below and are subject to a number of variables many of which are out of the Group's control, including the course of the continuing novel coronavirus pandemic and related economic crisis.

In FY21, revenue is expected to fall by approximately 30% to between £115m and £120m. In response to this, headcount is also expected to be reduced by around 30% at a one-off cost of approximately £5m. This is expected to result in an EBITDA margin of around 15%. Capital expenditure will be around 5% of revenue of which 80% will be spent on stabilisation. Cash flow before financing costs is expected to be broadly neutral.

In FY22, the range of possible outcomes widens and will depend heavily on customer reactivation and re-engagement over the next few months and the exit revenue run-rate at 31 March 2021. The business plan anticipates a return to sequential quarter-on-quarter growth in the quarter ending 31 March 2021, continuing through FY22 to deliver full year revenue growth in excess of 5% and a slightly increased EBITDA margin. This is expected to generate cash flow before financing costs of the order of £10m.

Looking further ahead, the business plan shows a business with growing revenue and a long-term EBITDA margin in excess of 25%.

Claire Miles, Yell UK Chief Executive Officer, said:

"We have now welcomed back almost all our people from furlough whilst also taking the tough decision to permanently reduce our field salesforce, and supporting roles, from the end of July. I would like to thank all those that are leaving us for their contribution and commitment to Yell."

"The lockdown has challenged us to review the way in which we serve our customers. It has also led to a significant number of our customers either ceasing or pausing their services. I am however confident that our service teams can deliver the high-quality experience that will help retain our loyal base and persuade others to reactivate their services. The rate of reactivations in Q2 will be critical to the speed with which the business returns to growth."

"We enter Q2 with a leaner organisation and our best sales performers focussed on rebuilding our revenues as lockdown eases and many small businesses open their doors again. There is lots of win back opportunity in the market and we can offer better value than ever to customers through our great new smart performance product."

"We continue to look to the future and during Q2 we will launch the first phase of smart presence, enabling super-quick automated website creation. Also, in Q2 our new partnership with Amazon will go live delivering Yell data on Alexa and, after a successful trial in Manchester, our messaging platform is now live across the country allowing businesses nationwide to interact with consumers supported by our existing partnership with Apple."

Enquiries: yellinvestors@yell.com

A conference call will be held for bondholders to discuss these results at 14.00 UK time on 23 July 2020

[>> Click here to Join Call <<](#) 0800 279 4827 (US: 888 632 5004) Passcode: 856526

Operating and financial discussion

Financial condition and results of operations

£m	Three months ended 30 June 2020	Three months ended 30 June 2019	Change
Yell.com revenue	17.5	24.0	(27.1%)
Digital Marketing Services revenue	13.3	19.7	(32.5%)
Revenue	30.8	43.7	(29.5%)
Product contribution	24.9	34.8	(28.4%)
Product contribution margin (%) ⁽¹⁾	80.7%	79.6%	
Adjusted EBITDA	8.2	11.5	(28.7%)
Adjusted EBITDA margin (%)	26.6%	26.3%	
Operating Metrics			
Customers at period end (thousands)	96.4	115.0	(16.2%)
Customers acquired (thousands) ⁽²⁾	3.8	6.3	(39.7%)
Customers lost (thousands) ⁽²⁾	12.1	9.7	(24.7%)
Average revenue per customer (£) ⁽³⁾	1,411	1,498	(5.8%)
Average monthly visits to Yell.com (last 12 months, m)	8.2	10.5	(21.9%)

Non-GAAP KPIs are defined in Appendix 1. Following the discontinuation of printed directories, revenue and adjusted EBITDA are now equivalent to Digital Revenue and Digital EBITDA as defined in the Indenture.

Revenue & product contribution

Revenue was down 29.5% on the prior year due to the ongoing decline of the customer base since June 2019 which accelerated significantly in the quarter due to the impact of Covid-19 pandemic. Product contribution margin was slightly above prior year due to a slight shift in product mix towards higher-margin Yell.com.

Adjusted EBITDA

Adjusted EBITDA decreased by £3.3m on the prior year due to the £9.9m decline in product contribution, partially offset by cost savings during the quarter in response to Covid-19 such as furloughing and reduced hours for a significant proportion of the workforce.

Customers

Customer acquisitions were maintained at over half of the prior year level despite the furloughing of approximately 80% of the salesforce. Losses increased as customers cancelled their marketing during the lockdown with the average rate of monthly customer churn rising from 2.6% to 3.7%. Average revenue per customer fell by 5.8% as additional customers reduced or paused their advertising.

Yell.com visits

Average monthly visits to Yell.com in the last 12 months decreased to 8.2m due to search engine algorithm changes during the previous year and a significant decline in consumer searches for local business during the lockdown. Syndicated partnerships delivered a further 17.5m⁽⁴⁾ average monthly usage in the quarter.

(1) Contribution: Yell.com 98.9% (prior year: 99.6%) Digital Marketing Services 56.8% (prior year: 55.2%).

(2) Customers acquired and lost are an aggregation of monthly changes in the customer base. Individual customers who take advantage of the ability to switch in and out of digital products from month to month could be counted as both an addition and a loss more than once during a quarter.

(3) Monthly average in the last twelve months (LTM). LTM average digital customers 30 June 2020: 107.0k and 30 June 2019: 121.7k.

(4) Source: Syndicated partner stats, April to June 2020.

Liquidity and capital resources

£m	Three months ended 30 June 2020	Three months ended 30 June 2019	Change
Adjusted EBITDA	8.2	11.5	(28.7%)
Capital expenditure	(1.2)	(0.9)	(33.3%)
Restructuring payments	(0.2)	(1.1)	83.3%
Working capital movement	3.0	0.2	1400.0%
Trading operating cash flow	9.9	9.7	2.1%
Cash and cash equivalents	49.5	21.4	131.3%
Senior Secured Notes	214.0	214.0	0.0%

Trading operating cash flow was £0.2m higher than the prior year due to the decline in Adjusted EBITDA being more than offset a working capital inflow due to the deferral of VAT payments. Trading operating cash flow excludes Hibu Group management costs, for which the Group received a net £4.3m cash reimbursement in the quarter.

Cash and cash equivalents increased from £33.7m to £49.5m in the three months ended 30 June 2020 due to the trading operating cash flow in the quarter and reimbursements and loan repayments received from the Hibu Group. The Group has access to a £25.0m revolving credit facility of which £8.8m was drawn at 30 June 2020. A reconciliation of net debt is provided in note 10 to the unaudited consolidated financial information.

The revolving credit facility is subject to a covenant requiring the Group to maintain a ratio of net debt to EBITDA of less than 6.25 if the facility is greater than, or equal to, 35% drawn. At 30 June 2020, this ratio was approximately 4.7.

Other required disclosures

Other than the drawing of £8.8m of the revolving credit facility in March 2020, there were no material changes in the debt instruments of the Group since the most recent report was issued on 13 February 2020 in accordance with the Indenture.

Unaudited consolidated financial information of the Group

The unaudited consolidated financial information of the Group for the three months ended 30 June 2020 is included from page 6 in this document.

Unaudited pro forma financial information

There were no material acquisitions, disposals or recapitalisations of the Group during the three months ended 30 June 2020 that require the presentation of pro forma financial information in this document.

DISCLAIMER

This report is for information purposes only and does not constitute a prospectus or any offer to sell or the solicitation of an offer to buy any security in the United States of America, the United Kingdom or in any other jurisdiction. Securities may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933, as amended.

The information contained in this report does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for Owl Finance Limited for the year ended 31 March 2020 will be posted to <https://www.hibugroup.com/bondholders> on 23 July 2020 and will be filed with the Registrar of Companies. The auditor has reported on those accounts and its report was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Presented in this report are certain non-GAAP financial measures of the Group ("Non-GAAP Financial Measures") that are not required by or presented in accordance with IFRS-EU, FRS 101 or FRS 104, including EBITDA among others. The Non-GAAP Financial Measures are not measurements of financial performance under IFRS-EU, FRS 101 or FRS 104 and have not been audited or reviewed. Accordingly, they should not be considered as alternatives to other indicators of operating performance, cash flows or any other measure of performance derived in accordance with IFRS-EU, FRS 101 or FRS 104. The Non-GAAP Financial Measures as presented in this report may differ from and may not be comparable to similarly titled measures used by other companies. The calculations for the Non-GAAP Financial Measures are based on various assumptions. There can be no assurance that the items identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. Such measures are inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision.

This report may include forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, our future financial conditions and performance, results of operations and liquidity, our strategy, plans, objectives, prospects, growth, goals and targets, future developments in the markets in which we participate or are seeking to participate, and anticipated regulatory changes in the industry in which we operate. These forward-looking statements can be identified by the use of forward-looking terminology, including, but not limited to, terms such as "aim", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "outlook", "plan", "predict", "project", "should", "will" or "would" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions. Our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this report. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. We undertake no obligation publicly to update or revise any forward-looking statements, except as may be required by law.

Owl Finance Limited and subsidiaries
Unaudited condensed consolidated income statement

Three months ended 30 June

£m	Note	2020	2019
Revenue	2	30.8	43.7
Cost of sales		(15.0)	(24.0)
Gross profit		15.8	19.7
Administrative expenses		(9.6)	(12.6)
Operating profit	3	6.2	7.1
Net finance costs	4	(4.5)	(3.1)
Profit before taxation		1.7	4.0
Tax charge	5	–	(1.6)
Profit for the period		1.7	2.4

Unaudited condensed consolidated statement of comprehensive income

Three months ended 30 June

£m	Note	2020	2019
Profit for the period		1.7	2.4
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	13	(55.2)	(10.5)
Corporate income tax relating to these items	5	10.5	1.8
Total other comprehensive expense		(44.7)	(8.7)
Total comprehensive loss for the period		(43.0)	(6.3)

Owl Finance Limited and subsidiaries

Unaudited condensed consolidated statement of financial position

£m	Note	At 30 June 2020	At 31 March 2020
Non-current assets			
Intangible assets	6	6.7	7.1
Property, plant and equipment	7	8.8	9.8
Retirement benefit surplus	13	104.8	159.1
Trade and other receivables	9	1.8	1.8
Total non-current assets		122.1	177.8
Current assets			
Trade and other receivables	9	19.0	27.0
Corporate income tax assets		–	0.2
Cash and cash equivalents	10	49.5	33.7
Total current assets		68.5	60.9
Total assets		190.6	238.7
Current liabilities			
Borrowings	10	(8.8)	(8.8)
Corporate income tax liabilities		(5.6)	(5.8)
Trade and other payables	11	(35.8)	(29.2)
Lease liabilities		(2.1)	(2.1)
Provision for liabilities		(0.2)	–
Total current liabilities		(52.5)	(45.9)
Net current assets		16.0	15.0
Non-current liabilities			
Borrowings	10	(209.9)	(209.5)
Deferred tax liabilities	8	(15.6)	(26.5)
Trade and other payables	11	(0.1)	(0.8)
Lease liabilities		(7.3)	(7.9)
Provision for liabilities		(1.3)	(1.2)
Total non-current liabilities		(234.2)	(245.9)
Total liabilities		(286.7)	(291.8)
Net liabilities		(96.1)	(53.1)
Equity			
Allotted and fully paid share capital (1 share for £1.00)		–	–
Other reserves		21.5	66.2
Accumulated losses		(117.6)	(119.3)
Total equity		(96.1)	(53.1)

The notes on pages 10 to 18 are an integral part of the condensed consolidated financial information.

Owl Finance Limited and subsidiaries
Unaudited condensed consolidated statement of changes in equity

For the three months ended 30 June 2019

£m	Called up share capital	Other reserves	Accumulated losses	Total Shareholders deficit
Balance at 1 April 2019	–	38.3	(114.8)	(76.5)
Profit for the period	–	–	2.4	2.4
Other comprehensive expense for the period	–	(8.7)	–	(8.7)
Total comprehensive (expense) / income for the period	–	(8.7)	2.4	(6.3)
Balance at 30 June 2019	–	29.6	(112.4)	(82.8)

For the three months ended 30 June 2020

£m	Called up share capital	Other reserves	Accumulated losses	Total Shareholders deficit
Balance at 1 April 2020	–	66.2	(119.3)	(53.1)
Profit for the period	–	–	1.7	1.7
Other comprehensive expense for the period	–	(44.7)	–	(44.7)
Total comprehensive (expense) / income for the period	–	(44.7)	1.7	(43.0)
Balance at 30 June 2020	–	21.5	(117.6)	(96.1)

Owl Finance Limited and subsidiaries
Unaudited condensed consolidated statement of cash flows
Three months ended 30 June

£m	Note	2020	2019
Cash flows from operating activities			
Cash generated from operations		15.4	10.1
Interest and financing fees paid		(0.1)	(0.4)
Lease interest paid		(0.3)	(0.3)
Corporate income tax refunded		0.1	0.2
Net cash generated from operating activities		15.1	9.6
Cash flows from investing activities:			
Purchase of intangible assets and software		(1.2)	(0.9)
Purchase of property, plant and equipment		–	–
Net cash used by investing activities		(1.2)	(0.9)
Free cash flow		13.9	8.7
Cash flows from financing activities			
Repayment of capital leases		(0.5)	(0.5)
Repurchase of Senior Secured Notes		–	(9.5)
Net principal received from related parties		2.4	3.0
Net cash generated from / (used by) financing activities		1.9	(7.0)
Increase in cash and cash equivalents		15.8	1.7
Cash and cash equivalents at beginning of period		33.7	19.6
Exchange gains on cash and cash equivalents		–	0.1
Cash and cash equivalents at end of period		49.5	21.4
Cash generated from operations			
Profit for the period		1.7	2.4
Adjustments for:			
Tax charge	5	–	1.6
Net finance costs	4	4.5	3.1
Depreciation, impairments and losses on property, plant and equipment	7	0.7	1.0
Amortisation of intangible assets	6	1.6	2.0
Share-based payments		–	0.1
Changes in working capital:			
Trade and other receivables		2.2	3.5
Trade and other payables		0.7	(2.9)
Net movement in intercompany trading account with related parties		4.0	(0.7)
Cash generated from operations	3	15.4	10.1

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information

1. Basis of preparation and accounting policies

Owl Finance Limited (the "Company") is incorporated and domiciled in England & Wales with its registered office at 3 Forbury Place, Forbury Road, Reading RG1 3YL. The Company is presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2020. The Group's principal activities during the period were the provision of digital directories, other digital products including website production and search and display solutions. The Group is an integral part of a group of companies whose ultimate holding company is Hibu Group Limited, which separately prepares annual consolidated financial statements.

The Group's unaudited condensed consolidated interim financial information for the three months ended 30 June 2020 has been prepared under the historical cost convention and in accordance with International Accounting Standard 34 "Interim Financial Reporting" and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's unaudited condensed interim financial information should be read in conjunction with the annual financial statements of Owl Finance Limited for the year ended 31 March 2020, which 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 ("IFRS") and IFRS Interpretations Committee ("IFRSIC") as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS. Certain items in the prior year relating to the disposal of subsidiary undertakings have been restated to be consistent with the presentation in the audited annual financial statements for the year ended 31 March 2020.

The accounting policies applied are consistent with those of the Owl Finance Limited audited annual financial statements for the year ended 31 March 2020, as described in those financial statements. The critical accounting judgments and key estimates are also consistent with those set out in the Owl Finance Limited audited annual financial statements for the year ended 31 March 2020.

The unaudited condensed interim financial information for the three months ended 30 June 2020 have been prepared on a going concern basis. The Company and its subsidiaries are guarantors and obligors under the terms of the Indenture dated 2 May 2018 governing the terms of the 8½% Senior Secured Notes issued by Yell Bondco plc (the "Senior Secured Notes") (the "Indenture"). The Indenture does not include covenants that require the maintenance of specific financial ratios. The Senior Secured Notes are secured on the Group's assets.

The directors of the Company have considered the implications of the above and the risks set out in the Owl Finance Limited strategic report for the year ended 31 March 2020, and in particular whether it is appropriate to prepare the financial information of the Group on a going concern basis and the adequacy of the disclosures made within the financial information. In reaching a conclusion the directors note that the forecasts of future performance indicate that the Group will generate sufficient cash flows to be able to meet its financial obligations for the next twelve months. The directors have concluded that the going concern basis of accounting continues to be appropriate.

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information (continued)

2. Revenue

Analysis of revenue by category

For the three months ended 30 June

£m	2020	2019
Yell.com revenue	17.5	24.0
Digital marketing services revenue	13.3	19.7
Total revenue	30.8	43.7

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

3. Non-GAAP measures

The Group manages the business on the basis of non-GAAP financial measures that do not represent measurements of financial performance under IFRS-EU, FRS 101 or FRS 104 ("GAAP"). The following tables reconcile these non-GAAP measures to balances that are determined in accordance with GAAP.

Reconciliation of Adjusted EBITDA to operating profit

For the three months ended 30 June

£m	2020	2019
Adjusted EBITDA	8.2	11.5
Restructuring costs and other	(0.1)	(1.3)
Hibu Group management credit / (charge) ⁽¹⁾	0.4	(0.1)
EBITDA	8.5	10.1
Depreciation and amortisation ⁽²⁾	(2.3)	(3.0)
Operating profit	6.2	7.1

(1) Hibu Group management charges are primarily an estimate of management costs occurring above the Group that are charged to Group operations in accordance with the Hibu Group's arm's length transfer pricing methodologies

(2) Depreciation and amortisation include adjustments to carrying values for impairments and gains or losses on disposal

Reconciliation of Trading operating cash flow to cash generated from operations

For the three months ended 30 June

£m	2020	2019
Trading operating cash flow	9.9	9.7
Hibu Group management charge	4.3	(0.5)
Add back: Purchase of property, plant, equipment and intangibles	1.2	0.9
Cash generated from operations	15.4	10.1

Owl Finance Limited and subsidiaries
Unaudited notes to the financial information (continued)

4. Net finance costs

For the three months ended 30 June

£m	2020	2019
Interest payable on Senior Secured Notes	(4.5)	(4.7)
Amortisation of deferred financing costs	(0.4)	(0.4)
Capital lease interest	(0.3)	(0.3)
Bank charges and other finance costs	(0.2)	(0.1)
Total finance cost	(5.4)	(5.5)
Gain on repurchase of Senior Secured Notes	–	1.5
Net finance income on retirement benefit plan surplus	0.9	0.8
Net foreign exchange gains on financing activities	–	0.1
Total finance income	0.9	2.4
Net finance cost	(4.5)	(3.1)

5. Taxation

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

For the three months ended 30 June

£m	2020	2019
Current tax:		
Corporate income tax (credit) / charge for the period	(0.1)	0.5
Adjustments in respect of prior periods	–	0.3
Total current tax (credit) / charge	(0.1)	0.8
Deferred tax:		
Deferred tax charge for the period	–	0.8
Adjustments in respect of prior periods	0.1	–
Total deferred tax charge	0.1	0.8
Tax charge	–	1.6

The tax charge for the period is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

For the three months ended 30 June

£m	2020	2019
Profit before taxation	1.7	4.0
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	0.3	0.8
Effects of:		
Deferred tax assets not recognised on restricted interest expense	–	0.5
Adjustment in respect of prior periods	–	0.3
Other	(0.3)	–
Tax charge	–	1.6

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information (continued)

5. Taxation (continued)

The calculation of the Group's total tax charge involves consideration of certain items whose tax treatment cannot be ultimately determined until final resolution has been reached through negotiation with the relevant tax authorities. The Group has provided corporate income tax liabilities of £5.8m (31 March 2020: £5.8m) in respect of open tax periods that have not yet been agreed by UK tax authorities. The final agreed liabilities may vary from the amounts provided as these are dependent upon the outcomes for each open period. The Group has limited control over the timing of the resolution of uncertain tax positions with tax authorities. Acknowledging this inherent unpredictability, and on the basis of currently available information, the Group does not expect material changes to occur to the level of provisions against uncertain tax positions during the next twelve months.

Tax credited directly to equity is as follows:

For the three months ended 30 June

£m	2020	2019
Deferred tax credit on actuarial loss	10.5	2.0
Re-measurement of deferred tax – change in UK tax rate	–	(0.2)
Tax credited directly to equity	10.5	1.8

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 and therefore 19% has been used for the measurement of closing deferred tax balances.

6. Intangible assets

£m	30 June 2020	31 March 2020
Cost:		
Opening net book value at 1 April 2020 and 2019	7.1	9.2
Additions	1.2	5.1
Amortisation	(1.6)	(7.2)
Net book value at period end	6.7	7.1

Intangible assets comprise primarily software development costs.

7. Property, plant and equipment

£m	30 June 2020	31 March 2020
Cost:		
Opening net book value at 1 April 2020 and 2019	9.8	2.1
Leased assets on adoption of IFRS 16	–	10.4
Remeasurement of leased assets	(0.3)	–
Additions	–	0.7
Depreciation	(0.7)	(3.4)
Net book value at period end	8.8	9.8

The net book value of property, plant and equipment included amounts of £7.0m (31 March 2020: £7.9m) in respect of leased assets.

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information (continued)

8. Deferred tax

The presentation of deferred tax assets and deferred tax liabilities in the statement of financial position sets off deferred tax assets against deferred tax liabilities where they relate to corporate income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current liabilities.

£m	30 June 2020	31 March 2020
Deferred tax assets	4.4	4.2
Deferred tax liabilities	(20.0)	(30.7)
Net deferred tax liabilities	(15.6)	(26.5)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

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

£m	30 June 2020	31 March 2020
Defined benefit pension scheme	(19.9)	(30.2)
Accelerated tax depreciation	3.2	3.2
Other	1.1	0.5
Net deferred tax liabilities	(15.6)	(26.5)

9. Trade and other receivables

£m	30 June 2020	31 March 2020
Amounts falling due within one year		
Gross trade receivables	15.4	13.7
Less: provisions for impairment of trade receivables	(6.4)	(5.9)
Net trade receivables	9.0	7.8
Prepayments	8.1	10.6
Accrued income	0.7	1.6
Amounts due from group undertakings ⁽¹⁾	1.2	7.0
Current portion	19.0	27.0
Amounts falling due after more than one year		
Prepayments	0.1	0.1
Other non-current receivables	1.7	1.7
Non-current portion	1.8	1.8
Total trade and other receivables	20.8	28.8

(1) Amounts due from sister companies within the ultimate parent company group.

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information (continued)

10. Borrowings and net debt

On 2 May 2018 the Group issued £225m of Senior Secured Notes, which are governed by the terms of the Indenture. The Indenture does not include covenants requiring the maintenance of specific financial ratios. The Company and its subsidiaries are guarantors and obligors under the terms of the Indenture. The Senior Secured Notes are secured on the Group's assets.

During the year ended 31 March 2020, the Group repurchased and cancelled £11m par value of Senior Secured Notes for consideration of £9.5m (at an average price of 86.4% of par value), reducing the par value of the outstanding notes to £214m. The Group also drew down £8.8m of its available £25m revolving credit facility. The revolving credit facility is subject to a covenant requiring the Group to maintain a ratio of net debt to EBITDA of less than 6.25 if the facility is greater than, or equal to, 35% drawn. At 30 June 2020, this ratio was approximately 4.7.

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

£m	30 June 2020	31 March 2020
Amounts falling due within one year		
Revolving credit facility drawdown	8.8	8.8
Total amounts falling due within one year	8.8	8.8
Amounts falling due after more than one year		
8.5% Senior Secured Notes	214.0	214.0
Deferred financing fees	(4.1)	(4.5)
Total amounts falling due after more than one year	209.9	209.5
Total borrowings	218.7	218.3
Cash and cash equivalents	(49.5)	(33.7)
Total net debt (excluding accrued interest and lease liabilities)	169.2	184.6
Accrued interest	7.2	2.6
Lease liabilities	9.4	10.0
Total net debt (including accrued interest and lease liabilities)	185.8	197.2

The movement in the net debt, including accrued interest and lease liabilities, for the three months ended 30 June 2020 arose as follows:

£m	2020
Total net debt at 1 April 2020	197.2
Operating cash flow	(15.4)
Purchase of property, plant, equipment and intangibles	1.2
Bond interest	4.5
Net other interest expense	0.6
Tax refunded	(0.1)
Net loan principal received from related parties	(2.4)
Deferred financing fees amortised	0.4
Other	(0.2)
Total net debt at 30 June 2020	185.8

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information (continued)

11. Trade and other payables

£m	30 June 2020	31 March 2020
Amounts falling due within one year		
Trade payables	1.8	1.2
Accrued interest	7.2	2.6
Accrued expenses	9.6	13.8
Deferred income	4.3	4.5
Amounts owed to group undertakings ⁽¹⁾	1.2	0.6
Other payables	11.7	6.5
Current portion	35.8	29.2
Amounts falling due after more than one year		
Other payables	0.1	0.8
Total amounts falling due after more than one year	0.1	0.8
Total trade and other payables	35.9	30.0

(1) Amounts due to sister companies within the ultimate parent company group.

12. Share-based payments

Restricted shares in Hibu Midco Limited (formerly Eagle Midco 2013 Limited), a parent company, were issued to directors and selected employees of the Group (the "participants") for £nil consideration in a period prior to those being reported. The award represented an equity-settled share-based payment under IFRS 2, and the relevant costs have been charged against income of the Group to the extent it employed participants. The Group charged £nil against income for share-based payments in the period ended 30 June 2020 (period ended 30 June 2019: £0.1m). The Group is expected to pay the parent company for these equity-settled share-based payments.

13. Pensions

Yell Limited, which is one of the consolidated subsidiaries in these Group financial statements, operates a defined benefit pension scheme (the "UKDBP") for UK employees employed before 1 October 2001. Yell Limited also operated a defined contribution scheme for the remaining UK employees. With effect from 31 March 2011, the UKDBP was closed to future accrual. Active members at 31 March 2011 were granted leaving service benefits and offered membership in a new section of the defined contribution scheme. Subsequently all defined contribution sections were closed and a Mastertrust with L&G (the "UKDCP") was put in place instead. The UKDBP and UKDCP are the only material pension schemes in the Group.

The following amounts explain the movement in the pension surplus for the periods ended 30 June 2020 and 2019:

£m	2020	2019
Net surplus at 1 April	159.1	126.9
Movement in period:		
Net finance income	0.9	0.8
Actuarial loss	(55.2)	(10.5)
Net surplus at 30 June	104.8	117.2

Owl Finance Limited and subsidiaries

Unaudited notes to the financial information (continued)

14. Financial commitments and contingent liabilities

There are no contingent liabilities or guarantees other than those mentioned below or arising in the ordinary course of the Group's business and on these no material losses are anticipated. There are no capital commitments.

In March 2020, YH Limited, a direct subsidiary of the Company, received a notice of tax assessment from HM Revenue and Customs asserting that a tax liability of £122m arose on YH Limited's debt restructuring transactions undertaken during the year ended 31 March 2014. YH Limited has submitted a robust appeal against the tax assessment on both technical and procedural grounds and HMRC have agreed to postpone the tax assessed, together with any associated interest, pending resolution of the matter. Based on subsequent discussions with HMRC as well as legal advice, YH Limited considers that it is not probable that any tax liability will arise and therefore has not recognised a provision in respect of the tax assessment. HMRC also has open enquiries into YH Limited covering the years ended 31 March 2015, 2016 and 2017 and the Group considers that it is possible that this could result in a reduction in the quantum of net operating loss carry forwards for which deferred tax assets have not been recognised at 30 June 2020.

The Group is party to various contractual arrangements associated with the debt structure. The Group and its subsidiaries are in full compliance with the Indenture at the date of these financial information.

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

15. Controlling entity

On 30 June 2020, the Company's immediate parent undertaking was Yell Holdco Limited. The ultimate parent undertaking and controlling party is Hibu Group Limited.

Owl Finance Limited and subsidiaries

Appendix 1. Key Performance Measures (“KPIs”)

Management use KPIs to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. Given that KPIs are not defined by International Reporting Standards they may not be directly comparable with other companies who use similar measures. KPIs used in these financial statements are:

KPI	Description
Adjusted EBITDA	Operating profit adjusted to add back amortisation, depreciation, restructuring costs, non-cash valuation adjustments and Hibu Group management costs, including share-based payments. See note 3.
Average revenue per customer	Revenue in the last twelve months divided by the average number of customers in the same period.
Customers	Customers with a live product on the last day of the reporting period. Excludes a small number of customers receiving free promotional products and customers of Sitemaker Software Limited (SSL).
Customers acquired	Customers with no live product on the first day of the reporting period and a live product on the last day of the reporting period.
Customers lost	Customers with a live product on the first day of the reporting period and no live product on the last day of the reporting period.
EBITDA	Operating profit adjusted to add back amortisation and depreciation. See note 3.
Hibu Group management costs	An estimate of costs relating to the management of the Hibu Group to be charged to Yell UK Operations in accordance with the Hibu Group’s arm’s length transfer pricing methodologies.
Product contribution	Revenue less the direct costs associated with service delivery of products.
Syndicated Usage	Searches for businesses via Yell’s content syndication partners, where Yell data was used in the search results provided.
Trading operating cash flow	Adjusted EBITDA less capital expenditure, exceptional costs, pension contributions and changes in working capital (excludes Hibu Group management costs). See note 3.
Visits to Yell.com	Calculated as the average over the last twelve months. Usage is sourced and audited by Omniture and includes desktop and mobile visits but excludes any third party syndicated usage.