

Registered Number: 04205228

**hibu (UK) Limited**

**Annual Report for the year ended 31 March 2016**

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# hibu (UK) Limited

## Annual Report for the year ended 31 March 2016

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# hibu (UK) Limited

## Company Information

### Directors

Robert Kenneth Hall  
Richard John Hanscott  
David William Henry Sharman

(appointed 17 December 2015)

### Company secretary

Christian Wells

### Registered office

One Reading Central  
Forbury Road  
Reading  
RG1 3YL

### Registered number

04205228

### Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

All references to Hibu Group in this document are references to the ultimate parent company Hibu Group 2013 Limited. All references to the Group are references to Hibu Group and its consolidated subsidiaries.

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

The directors of hibu (UK) Limited (the "Company") present their strategic report on the Company for the year ended 31 March 2016.

### Principal activities

The Company's principal activities during the year were the provision of digital directories, other digital products including website production, search and display solutions, and printed directories. The Company is an integral part of a group of companies whose ultimate holding company is Hibu Group 2013 Limited.

The Company is incorporated and domiciled in England & Wales.

### Review of business and future developments

The Company's profit for the year ended 31 March 2016 was £7.8m (2015: loss of £5.0m). The net liabilities of the Company at 31 March 2016 were £679.1m (2015: £714.9m).

The Company has continued to focus its resources on its core product lines which help small businesses get found and chosen.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000	2016 year on year movement %	2015 year on year movement %
Print directories	61,026	83,916	(27)	(28)
Digital directories	107,685	106,571	1	(5)
Other digital products	72,210	61,364	18	9
Other products and services	1,094	2,230	(51)	(27)
<b>Total revenue for the year</b>	<b>242,015</b>	<b>254,081</b>	<b>(5)</b>	<b>(12)</b>
Digital	179,895	167,935	7	(0)
Non-digital	62,120	86,146	(28)	(28)

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000	2016 year on year movement %	2015 year on year movement %
Operating profit		68,526	27,776	147	n/a
Intercompany bad debt charge / (write-back)	4	93	(3,319)		
Restructuring costs		6,890	10,814		
Onerous contracts write back	4	(334)	(4,671)		
Impairment of carrying value of subsidiaries	12	100	-		
<b>Adjusted operating profit</b>		<b>75,275</b>	<b>30,600</b>	<b>146</b>	<b>n/a</b>
Depreciation of property, plant and equipment	11	1,909	8,741		
Loss on disposal		27	5,895		
(Release) / impairment of leasehold dilapidations	4	(1,204)	910		
Amortisation of other intangible assets	10	2,147	7,981		
<b>EBITDA</b>		<b>78,154</b>	<b>54,127</b>	<b>44</b>	<b>485</b>

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

### Review of business and future developments (continued)

The principal Key Performance Indicator (KPI) of the Company is 'earnings before interest, taxation, depreciation and amortisation', hereafter referred to as 'EBITDA'. EBITDA is considered the principal KPI of the Company because of its close alignment to operating cashflow. The net effect of the efforts undertaken by the Company to grow digital revenue and reduce costs delivered EBITDA growth of £24.0m to £78.2m, representing 32% of revenue. EBITDA is reconciled from operating profit in the table on page 2.

The decline of total revenue has slowed from 12% to 5% year on year. Revenue from digital products has increased over the prior year, and now represents 74% of total revenue (2015: 66%). This proportional increase is primarily due to the growth in digital revenue and the continued decline in print revenue.

The classification of "other digital products" is primarily comprised of revenue generated from websites, search and display products. This revenue increased by 18% (2015: increase of 9%) in the year, which has been achieved primarily through increasing acquisition of higher value customers, higher product penetration and reduced churn.

Yell.com continues to be the Company's largest product by revenue and increased by 1% (2015: decline of 5%). The Local VIP product introduced during 2015, which provides an effective way for customers to get geographically-targeted leads for their businesses, underpinned this improved performance. Further investment is planned for the product in order to maximise the monetization of the high level of consumer usage that the product continues to enjoy, averaging 16.5 million monthly visitors during the year ended 31 March 2016.

Decline in print revenue remains steady.

During the year the Company continued with its aggressive management of the cost base, despite upward pressure from digital revenue growth. A number of material costs (such as severance and contract termination payments) and credits (following the cessation of onerous contracts) have been incurred in the year as part of this process.

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

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

### Review of business and future developments (continued)

#### Risk management and principal risks

The Hibu 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;

The Group carries out an annual risk assessment to identify and document key strategic, operational and financial risks. 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 treatment plans are developed and monitored. These risks (and corresponding treatment plans) are then monitored and reviewed on a quarterly basis, with oversight of the Group Audit Committee and the Group Board, for any changes and emerging risks. This process has been in place for the reporting period covered by this report and up to the date of approval of this Annual Report;

The internal audit plan has been developed to review controls and key auditable mitigating actions highlighted as part of this process;

The Group Audit Committee and senior management review regularly the risk assessment, management plans, and internal audit plan;

The Group has designed and implemented financial reporting controls in line with what it believes are best practices. The financial framework comprises processes that represent a set of coordinated tasks and activities, conducted by both people and IT systems, where significant classes of transactions are initiated, recorded, processed and reported; and

The Group Board, with advice from the Group's Audit Committee, has completed its annual review of the effectiveness of the system of internal controls. In the Group Board's view, the information it received was sufficient to enable it to review the effectiveness of the 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.

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

### Review of business and future developments (continued)

#### Risk from: Debt covenants

On 3 March 2014, a financial restructuring became effective and the Company, amongst other group undertakings, became a guarantor under the terms of a Facilities Agreement dated 3 March 2014.

This Facilities Agreement includes certain financial covenants with which the Company and Group were in full compliance at the date these financial statements were approved. Forecasts indicate that covenants will be met and repayments of principal amounts will continue over the next 12 months and therefore these risks are considered to be low.

**Potential effect** - In the unlikely event that financial covenants are breached without remedy or waiver, the lenders' agent may, and must if directed by two-thirds of lenders (by reference to the value of debt held) demand immediate repayment of all amounts due to them.

**Mitigation:** The Company and Group were in full compliance with the financial covenants at the date these financial statements were signed. The risk of a covenant breach is not likely to crystallise over the next 12 months. In addition, the Group Board considers that it is unlikely that a covenant waiver or reset would not be obtained in the unlikely event it were required.

#### Risk from: Strong competition in existing and new markets

The Company faces strong competition from the action of other companies, some of whom have significant resources, particularly in the Company's digital markets.

**Potential effect** - The Company might be unable to replace quickly enough the cash flow lost from the decline in its products with that from new products and markets.

**Mitigation:** The Company has a very strong asset in its sales force, employed by hibu Sales Limited, and customer relationships. This allows the Company to profitably sell a wide range of its own and its partners' digital products. The increased fragmentation of the digital market is therefore an opportunity as hibu increasingly becomes the provider of digital solutions to its large customer base of small and medium sized businesses. This effort is being managed by the Company as the Company's sales and marketing teams are best placed to determine which products and partners are most appropriate for its market.

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

### Review of business and future developments (continued)

#### Risk from: Market demand uncertainty

Economic uncertainty and tight credit markets can lead to small and medium-sized entities spending less money on advertising. There continues to be a degree of economic uncertainty in the markets in which the Company operates, although generally the economic outlook is improving. Demand for the Company's products could also be affected by changes in what the market wants or its perception of the Company's products.

**Potential effect** - Lost revenue and profits, asset impairments and long-term funding issues could result if the markets in which the Company operates were to suddenly contract.

**Mitigation:** The Company has implemented an aggressive cost reduction programme to manage margins and is moving increasingly towards a variable cost model that will allow it to better manage any fluctuations in demand.

#### Risk from: Dependence on IT

The Company is dependent on effective IT systems to maintain efficient and effective operations. Cyber security is important because the Company is dependent upon the uninterrupted and secure operation of its computer systems and databases. 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 Company is focusing resources on a small number of key, locally managed IT systems and increasingly using best in class 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.

#### Risk from: Failure to adhere to applicable laws, rules and regulations

Any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings being filed against the Company, or in the Company becoming subject to regulatory sanctions.

Regulatory authorities have wide-ranging administrative powers to deal with any failure to comply with regulatory oversight (and this could affect the Company, whether such failure is the Company's or, in some cases, that of third party contractors).

**Potential effect** - The damage to reputation and the diversion of management time that would result from an authority attempting to sanction the Company could result in lost revenue and profits. There would also be costs associated with any such action.

**Mitigation:** The Company devotes significant resources to the considerable challenge of compliance with applicable current and emerging laws. The Company through its in-house legal team establishes specific policies and guidelines as appropriate. The Company requires at least two people to be involved in all transactions and, through its Authorities System, ensures that senior managers are involved in all key transactions and decisions. The Company ensures that the integrity of its control framework is maintained through both internal and external audit.

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

### Review of business and future developments (continued)

#### Risk from: Key people leaving the business

The success of the Company is in part dependent upon the continued service of its key management personnel and its ability to attract, motivate and retain suitably qualified employees. Due to the continuing level of change and market challenges that the business faces, the risk of key people leaving the business is high and recruiting replacements is challenging.

**Potential effect** - An internal loss of market, industry or financial expertise could lead to lost revenue and profits or damage to reputation.

**Mitigation:** Succession planning for key roles is continually being addressed by the Company's Human Resources (HR) department. The HR strategy is also being evolved to have an increased local focus and appropriate compensation schemes to address the particular challenges in each of the geographical markets in which hibu operates.

#### Risk from: UK pension fund

The Company's pension obligations are backed by assets invested across the broad investment market. The Company's most significant obligations (after the net borrowings) relate to the UK pension fund.

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 return or the fund liabilities grew faster than expected due to improved longevity of life. Various different actuarial methods are available for valuing pension scheme liabilities and legislation can require the use of specific methods in some circumstances (for example the insurance buy out basis applies if debts are triggered under s75 Pensions Act 1995). These methods can result in liability figures substantially higher than those reported in the Company's financial statements.

**Potential effect** - The Company could incur higher debt costs if it had to fund a large deficit, thus stressing the business' ability to meet its debt obligations.

**Mitigation:** The directors of the Company and the trustees 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 directors and trustees agreed a new funding arrangement as part of the financial restructuring that was implemented on 3 March 2014. This new arrangement was also reviewed by the UK Pension Regulator who has signed a Clearance Certificate. The scheme is closed to further accrual.

#### Financial risk management policy

The financial risks faced by the Company include liquidity, credit risk and the effect of changes in foreign currency exchange and interest rates. The primary role of the Group's treasury function is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise and that financial risk arising from the underlying operations is effectively identified and managed.

#### Price risk

The Company tries to limit its exposure to market fluctuations through contracts and pricing arrangements with its suppliers. It is always possible, however, that the Company will not be able to renew these arrangements on satisfactory terms, if at all. Failure to agree satisfactory terms or failure of any of the Company's major suppliers to deliver could force the Company to buy services at higher prices until new arrangements are put in place.

# hibu (UK) Limited

## Strategic Report for the year ended 31 March 2016

### Review of business and future developments (continued)

#### Credit risk

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. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated.

#### Liquidity risk

The Company, along with its fellow group undertakings, actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

#### Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets and liabilities include cash balances and certain intercompany loans which earn or incur interest at a variable rate. At 31 March 2016 the Company has no financial instruments in place to manage exposure to interest rate fluctuations.

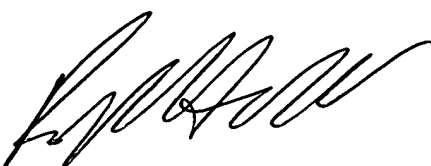
#### Going concern

The directors have considered the implications of 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 which indicate that the Group and Company will continue to comply comfortably with its financial covenants, generate sufficient cash flows to make debt repayments and be able to meet fully the interest payments for the next twelve months.

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 Company were unable to continue as a going concern.

The Company's deficit is tied to intercompany financing that is not due for payment until 4 March 2019 unless payment is directed to be paid earlier by the Board of Hibu Group 2013 Limited, which has issued a letter of support to the Company confirming that these liabilities will not be called during a period of at least 12 months from the date of signing these financial statements.

On behalf of the Board



Robert Kenneth Hall

Director

Date: 27 June 2016

# hibu (UK) Limited

## Report of the directors for the year ended 31 March 2016

The directors present their Annual Report and the audited financial statements of hibu (UK) Ltd (the "Company") for the year ended 31 March 2016.

### Results and dividends

The Company's result for the financial year to 31 March 2016 was a profit of £7,769,000 (2015: loss of £4,959,000). The directors do not recommend the payment of a dividend (2015: £nil).

### Strategic report

The Company is required by the Companies Act 2006 to set out the development and performance of the business of the Company during the financial year ended 31 March 2016, the position of the Company at the end of the year, and a description of the principal risks and uncertainties facing the Company. By reference to the Strategic report, which can be found on pages 2 to 8, the following information is given:

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

### Directors and their interests

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

Article 77 of the Articles of Association of the Hibu Group, the Company's ultimate holding company, permit the Hibu Group, subject to the Companies Act 2006 and other applicable legislation, to indemnify any of the directors against any loss or liability in connection with any proven or alleged negligence, default, breach of duty or trust by him, in relation to the Hibu Group or any of its subsidiaries. In December 2013, the Hibu Group entered deeds of indemnity in favour of current and former executive and non-executive directors and officers of the Hibu Group, its subsidiaries, or any other companies to which the Hibu Group or any of its subsidiaries has nominated or appointed any such person as a director or officer. The deeds of indemnity are qualifying third party indemnities for the purposes of section 234 of the Companies Act 2006, and were in force during the financial year and at the date of approval of these financial statements.

# **hibu (UK) Limited**

## **Report of the directors for the year ended 31 March 2016**

### **Employees**

The Hibu Group, inclusive of the Company, has a Recruitment and Selection Policy that states that we are committed to the employment of people with disabilities. Moreover, we guarantee an interview to people with disabilities who meet the minimum selection criteria for any vacancy. The Company is registered as a Two Tick employer as it satisfies the UK government's criteria on the employment of people with disabilities.

Our Equal Opportunities Policy contains a code of good practice on disability which states that an individual who becomes disabled whilst in employment will receive support to ensure, wherever possible, they are able to continue in their role. This will involve whatever reasonable adjustments can be made on consultation with the individual.

Alternatively, in consultation with the individual, other positions will be considered where the individual's skills and abilities match the requirements of the role, making reasonable adjustments where appropriate.

We will ensure that training and career development is equally available to people with disabilities, tailored where practicable for their specific needs. An extensive range of communication and consultative arrangements are instigated by the Company such as the intranet, various printed publications and live briefings. These help to ensure that employees are kept fully informed about developments in the Company, including the Company's financial performance.

Management encourage employee participation in the Company's performance via the Company's bonus and commission schemes. In addition, each department elects a representative to the Company's employee forum, which meets regularly with senior management to discuss a wide variety of issues.

### **Forward looking statements**

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

### **Disclosure of information to the auditors**

At the date of signing their report, so far as each director was aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company'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.

# hibu (UK) Limited

## Report of the directors for the year ended 31 March 2016

### Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Strategic report, Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

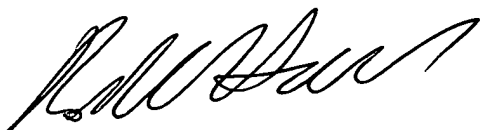
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

By order of the Board



Robert Kenneth Hall

Director

Date: 27 June 2016

# **hibu (UK) Limited**

## **Independent auditors' report to the members of hibu (UK) Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, hibu (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Report of the directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the directors. We have nothing to report in this respect.

# hibu (UK) Limited

## Independent auditors' report to the members of hibu (UK) Limited

### Other matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of the directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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 (UK) Limited

## Independent auditors' report to the members of hibu (UK) Limited

### What an audit of financial statements involves

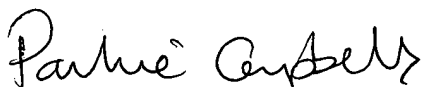
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the directors, we consider whether those reports include the disclosures required by applicable legal requirements.



Pauline Campbell (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 June 2016

# hibu (UK) Limited

## Income statement for the year ended 31 March 2016

	Note	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Revenue	3	242,015	254,081
Cost of sales		(111,311)	(123,981)
<b>Gross Profit</b>		<b>130,704</b>	<b>130,100</b>
Distribution costs		(6,494)	(8,145)
Administrative expenses		(55,684)	(94,179)
<b>Operating profit</b>	4	<b>68,526</b>	<b>27,776</b>
Finance income	6	2,809	2,978
Finance costs	6	(52,513)	(50,252)
<b>Net finance cost</b>	6	<b>(49,704)</b>	<b>(47,274)</b>
<b>Profit / (loss) before tax</b>		<b>18,822</b>	<b>(19,498)</b>
Tax (charge) / credit	7	(11,053)	14,539
<b>Profit / (loss) for the year</b>		<b>7,769</b>	<b>(4,959)</b>

## Statement of comprehensive income for the year ended 31 March 2016

	Note	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Profit / (loss) for the year</b>		<b>7,769</b>	<b>(4,959)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of post-employment benefit obligations	19	28,078	6,116
<b>Other comprehensive income for the year, net of tax</b>		<b>28,078</b>	<b>6,116</b>
<b>Total comprehensive income for the year</b>		<b>35,847</b>	<b>1,157</b>

# hibu (UK) Limited

## Statement of cash flows for the year ended 31 March 2016

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Cash flows from operating activities:</b>		
Cash generated from operations	63,056	43,890
Interest paid	-	(330)
Interest received	1,886	2,423
Corporation tax refunded / (paid)	1,250	(1,250)
<b>Net cash generated from operating activities</b>	<b>66,192</b>	<b>44,733</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant, equipment and intangibles	(4,010)	(3,470)
<b>Net cash used in investing activities</b>	<b>(4,010)</b>	<b>(3,470)</b>
<b>Cash flows from financing activities:</b>		
Amounts owed by group undertakings	9,889	2,800
Amounts owed to group undertakings	(71,536)	(59,371)
<b>Net cash used in financing activities</b>	<b>(61,647)</b>	<b>(56,571)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>535</b>	<b>(15,308)</b>
Cash and cash equivalents at beginning of the year	27,948	43,372
Exchange gains / (losses) on cash and cash equivalents	4	(116)
<b>Cash and cash equivalents at end of year</b>	<b>28,487</b>	<b>27,948</b>
	<b>Year Ended 31 March 2016 £'000</b>	<b>Year Ended 31 March 2015 £'000</b>
<b>Cash generated from operations</b>		
Profit / (loss) for the year	7,769	(4,959)
<b>Adjustments for:</b>		
Tax charge / (credit)	11,053	(14,539)
Depreciation	1,909	8,741
(Release) / impairment of leasehold dilapidations	(1,204)	910
Loss on disposal of property, plant and equipment	27	5,895
Amortisation of non-current intangible assets	2,147	7,981
Foreign exchange (gain) / loss on operating activities	(490)	182
External finance cost	-	330
Finance costs due to group undertakings	52,513	49,922
External finance income	(1,886)	(2,423)
Finance income due from group undertakings	(923)	(555)
Impairment of investments in subsidiaries	100	-
Impairment / (write-back) of intercompany receivables	93	(3,319)
<b>Changes in working capital:</b>		
Trade and other receivables	6,623	16,586
Trade and other payables	(5,043)	(14,847)
Defined benefit pension contributions	(9,632)	(6,015)
<b>Cash generated from operations</b>	<b>63,056</b>	<b>43,890</b>

# hibu (UK) Limited

## Statement of financial position at 31 March 2016

	Note	At 31 March 2016 £'000	At 31 March 2015 £'000
<b>Non-current assets</b>			
Goodwill	9	78,620	78,620
Other intangible assets	10	4,061	3,372
Investments in subsidiaries	12	-	100
Retirement benefit surplus	19	86,001	42,987
Property, plant and equipment	11	4,732	5,686
Deferred tax assets	14	11,071	19,038
Trade and other receivables	13	12,632	8,049
<b>Total non-current assets</b>		<b>197,117</b>	<b>157,852</b>
<b>Current assets</b>			
Trade and other receivables	13	138,568	145,680
Corporation tax recoverable		-	1,153
Cash and cash equivalents		28,487	27,948
<b>Total current assets</b>		<b>167,055</b>	<b>174,781</b>
<b>Current liabilities</b>			
Trade and other payables	15	(69,126)	(90,848)
<b>Total current liabilities</b>		<b>(69,126)</b>	<b>(90,848)</b>
<b>Net current assets</b>		<b>97,929</b>	<b>83,933</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	(15,479)	(8,597)
Trade and other payables	15	(958,665)	(948,133)
<b>Total non-current liabilities</b>		<b>(974,144)</b>	<b>(956,730)</b>
<b>Net liabilities</b>		<b>(679,098)</b>	<b>(714,945)</b>
<b>Equity</b>			
Share capital	16	-	-
Share premium	16	325,971	325,971
Other reserves	17	(63,690)	(91,768)
Accumulated losses		(941,379)	(949,148)
<b>Total equity</b>		<b>(679,098)</b>	<b>(714,945)</b>

The financial statements on pages 15 to 44 were approved by the Board of directors and were signed on its behalf on 27 June 2016 by:



Robert Kenneth Hall  
Director

Registration number: 04205228

# hibu (UK) Limited

## Statement of changes in equity for the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
<b>2015</b>					
Balance at beginning of year	-	325,971	(97,884)	(944,189)	(716,102)
Other comprehensive income for the year	-	-	6,116	-	6,116
Loss for the year	-	-	-	(4,959)	(4,959)
<b>Total comprehensive income for the year</b>	-	-	6,116	(4,959)	1,157
<b>Balance at 31 March 2015</b>	-	325,971	(91,768)	(949,148)	(714,945)
<b>2016</b>					
Balance at beginning of year	-	325,971	(91,768)	(949,148)	(714,945)
Other comprehensive income for the year	-	-	28,078	-	28,078
Profit for the year	-	-	-	7,769	7,769
<b>Total comprehensive income for the year</b>	-	-	28,078	7,769	35,847
<b>Balance at 31 March 2016</b>	-	325,971	(63,690)	(941,379)	(679,098)

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 1. Basis of preparation and accounting policies

#### Entity information

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

The Company has early adopted the changes to the format of the financial statements made in SI 2015/980. The true and fair override provisions of the Companies Act 2006 have been invoked in respect of the treatment of goodwill. Information on the effect of the first-time adoption of FRS 101 is given in note 22.

The Company is a private company, limited by shares and registered in England and Wales under registration number 04205228. Its registered office is at One Reading Central, Forbury Road, Reading, Berkshire, RG1 3YL. The Company is a wholly-owned subsidiary of YH Limited (UK) and is included in the consolidated financial statements of Eagle Bidco 2013 Limited (UK) which are publicly available. Consequently the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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

#### First time application of FRS 100 and FRS 101

In the current year the Group 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.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with EU endorsed IFRS. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the Group to take advantage of some of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with EU endorsed IFRS.

#### 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 requirements of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
  - paragraph 79 (a)(iv) of IAS 1 (Share capital)
  - paragraph 73 (e)(iv) of IAS 16 (Property, plant and equipment)
  - paragraph 118 (e) of IAS 38 (Intangible assets)
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements"
- the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"
- the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 1. Basis of preparation and accounting policies (continued)

#### Going concern

The financial statements have been prepared on a going concern basis. The Company and other subsidiaries of the Hibu Group are Guarantors under the terms of a Facilities Agreement dated 3 March 2014. This Facilities Agreement includes certain financial covenants with which the Company and fellow obligors were in full compliance at the date these financial statements were approved. The directors have concluded that the going concern basis of accounting continues to be appropriate as set out in the strategic report on page 8. The Company's deficit is tied to intercompany financing that is not due for payment until 4 March 2019 unless payment is directed to be paid earlier by the Board of Hibu Group 2013 Limited, which has issued a letter of support to the Company confirming that these liabilities will not be called during a period of at least 12 months from the date of signing these financial statements.

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### a. Revenue

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

Digital directory and other digital services revenue, where sold on a pay-for-inclusion basis, is recognised on an accruals basis over the length of the contract from the date the service is first provided. Digital directory and other digital services revenue which is sold on a pay-on-performance basis is recognised only once the minimum threshold is reached, and rateably on the contractual performance thereafter. Revenue in respect of website design and creation is recognised on whichever is the latter of customer acceptance of delivery of the website or when legal title passes to the customer. Website revenue relating to the ongoing provision of the service is recognised evenly on an accrual basis over the length of the contract commencing from the date the website goes live. Revenue from classified directories and other directories, mainly comprising advertising revenue, is recognised in the income statement upon 95% completion of delivery to the users of the directories. Unbilled revenue resulting from services already provided is accrued at the end of each period and unearned revenue from services to be provided in future periods is deferred in the Statement of financial position.

#### b. Cost of sales

Cost of sales comprises the costs incurred in developing directories and other products. Provisions for impairment of trade receivables are also included within cost of sales.

#### c. Advertising

The Company expenses the costs of advertising its own products and services in administrative expenses as the costs are incurred.

#### d. Finance costs and income

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

#### e. Foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the date of the financial position. Trading transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling when the transactions were entered into. Exchange differences are included in the income statement, in administration expenses or net finance costs in the period they arise or directly to equity depending upon the nature of the transaction.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 1. Basis of preparation and accounting policies (continued)

#### f. Goodwill

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

The Companies Act would normally require the systematic annual amortisation of goodwill. However, the directors believe that this policy of not providing amortisation is necessary in order for the financial statements to be compliant with FRS 101.

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

#### g. Other intangible assets

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

Internally developed software, that is capitalised, includes the software development employee costs and an appropriate portion of overheads. Amortisation is charged to administrative expenses.

#### h. Property, plant and equipment

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

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

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

	<b>Years</b>
Leasehold improvements	5 years or life of lease if less than 5 years
Office equipment	2 to 6 years
Motor vehicles	5 years or life of lease if less than 5 years

#### i. Financial assets and liabilities

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

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 1. Basis of preparation and accounting policies (continued)

#### j. Impairment of non-financial assets

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

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

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

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

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

#### k. Investments in subsidiaries

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

Any impairment would be charged to the income statement account to the extent that it is not covered by amounts previously credited to shareholders' equity through the revaluation surplus.

#### l. Leased assets

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

#### m. Trade and other receivables

Trade receivables are recognised initially at fair value. 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.

#### n. 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.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 1. Basis of preparation and accounting policies (continued)

#### **o. Trade and other payables**

Trade and other payables are initially recognised at fair value, which approximates to cost due to the short term nature of these liabilities.

#### **p. Employee benefits**

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

The Company operated a defined benefit pension scheme for its employees employed before 1 October 2001 (sections 1, 2 and 3 of the 'UKPP'), and operates defined contribution schemes for its employees employed subsequent to 1 October 2001. The Company closed its defined benefit scheme to future accrual on 31 March 2011, thus reducing the Company's exposure to future changes in salaries and employee service years. Employees employed before 1 October 2001 became members of a defined contribution scheme from 1 April 2011.

All pension schemes are independent of the Company's finances. Actuarial valuations of the defined benefit scheme are carried out as determined by the trustees at intervals of not more than three years, the rates of contribution payable and the pension cost being determined on the advice of the actuaries, having regard to the results of these valuations. In any intervening years, the actuaries review the continuing appropriateness of the contribution rates. See note 19 for a description of the associated risks.

The balance sheet includes the surplus or deficit in the defined benefit scheme taking assets at their year-end market values and liabilities at their actuarially calculated values discounted at the year-end AA corporate bond interest rates. The cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time are included in other finance costs or income. Actuarial gains and losses on pension schemes are recognised immediately in the statement of comprehensive income.

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

#### **q. Current and deferred tax**

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

Current tax is provided at the amounts expected to be paid or recovered under the tax rates that have been enacted or substantively enacted by the statement of financial position date.

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

#### **r. Contingent liabilities - provisions**

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

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 1. Basis of preparation and accounting policies (continued)

#### s. Exceptional costs

Exceptional items are material and non-recurring in nature, and are recorded at the amounts expected to be subsequently paid or received where the expenditure or income has not yet crystallised at the date of the statement of financial position. Subsequent revisions of estimates for items initially recognised as exceptional provisions are recorded as exceptional items in the year that the revision is made.

#### t. Share capital

Ordinary shares are classified as equity.

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

### 2. Critical accounting estimates and judgments

In general, the Company's accounting policies under FRS 101 are consistent with those generally adopted by others operating within the same industry in the UK.

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

#### Bad debts

The Company reduces receivables by an allowance for amounts that may become uncollectible in the future. The allowance is determined by estimating the future cashflows from the receivables based on historical loss experience. A receivable is written off against the provision when it is believed to be entirely uncollectible. Any monies recovered subsequent to write off are recorded as adjustments to the bad debt provision and considered in the historical loss experience.

#### Carrying value of goodwill

The Company reviews goodwill annually for impairment or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable and at the end of the first full year following acquisition. The Company compares the carrying value of its operations with estimated recoverable values to determine whether goodwill is impaired. The recoverable value is estimated from a discounted cash flow model that relies on significant key assumptions including post-tax cash flows forecasted over an extended period of years, terminal growth rates and discount rates.

During the year the Company recognised impairment losses of £nil (2015: £ nil). At 31 March 2016, the fair values of the operations exceeded their carrying value.

#### Carrying value of long-lived tangible and intangible assets

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

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Critical accounting estimates and judgments (continued)

#### Pension liabilities

The Company closed its defined benefit scheme in the UK to future accrual on 31 March 2011, thus reducing the Company's exposure to future changes in salaries and employee service years. The determination of our obligation and expense for pensions is dependent on the selection of assumptions that are used by our actuaries in calculating such amounts. These assumptions include, amongst others, expected mortality rates of scheme members, the rate at which future pension payments are discounted to the balance sheet date, and inflation. Differences in hibu's actual experience or changes in its assumptions can materially affect the amount of our future pension obligations and future valuation adjustments in the statement of comprehensive income. The Company seeks expert actuarial advice in setting its assumptions.

The defined contribution schemes are managed separately from assets and liabilities of the Company.

#### Pension assets

The assets held by the UK defined benefit pension scheme are valued to quoted market rates where such rates are available. Asset values will increase and decrease as markets rise and fall. The pension scheme trustees and Company management have an agreed strategy to mitigate the risk of having insufficient funds, if markets fall. In order to significantly reduce the volatility of the pension plan's funding level by mitigating inflation, interest rate and longevity risks, the trustees have exchanged the index linked gilts and some of the equities and corporate bonds for a bulk annuity policy that covers nearly all the Plan's pensioners and liability driven investment funds, which more closely match movements in interest rates and inflation. The trustees have retained a proportion of the higher risk assets to seek higher rates of growth. The trustees work with management to ensure sufficient assets will be available to settle obligations in the long term.

#### Tax

The determination of our obligation and expense for taxes requires an interpretation of tax law.

The Company recognises deferred tax assets and liabilities arising from timing differences where we have a taxable benefit or obligation in the future as a result of past events.

We record deferred tax assets to the extent that we believe they are more likely than not to be realised. Should we determine in the future that we would be able to realise deferred tax assets in excess of our recorded amount or that our liabilities are different than the amounts we recorded, then we would increase or decrease income as appropriate in the period such determination was made. At 31 March 2016 we believe we have recognised all our potential deferred tax assets.

The Company seeks appropriate, competent and professional tax advice before making any judgments on tax matters. Whilst the Company believes that its judgments are prudent and appropriate, significant differences in actual experience may materially affect future tax charges.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Critical accounting estimates and judgments (continued)

#### Standards that have been adopted during the current year

In addition to the adoption of FRS101, the following standards, interpretations and amendments became effective during the year but were not material to the Company:

- Amendment to IAS 19 regarding retirement benefit plans which sets out narrow-scope amendments which apply to contributions from employees or third parties to defined benefit plans. It has received EU endorsement and was effective for accounting periods beginning on or after 1 February 2015.
- Annual improvements 2012, which include changes from the 2010-12 cycle of the annual improvements project, including changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39. These improvements were effective for annual periods beginning on or after 1 July 2014, although endorsed for annual periods beginning on or after 1 February 2015.
- Annual improvements 2013, which include changes from the 2011-13 cycle of the annual improvements project, including changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40. These improvements were endorsed for annual periods beginning on or after 1 January 2015.
- IFRIC 21, "Levies", relating to IAS37 ("Provisions, contingent liabilities and contingent assets"). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. It is effective for annual periods beginning on or after 1 January 2014 although endorsed for annual periods beginning on or after 17 June 2014.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 3. Revenue

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Analysis of revenue by category</b>		
Print directories	61,026	83,916
Digital directories	107,685	106,571
Other digital services	72,210	61,364
Other products and services	1,094	2,230
<b>Total revenue</b>	<b>242,015</b>	<b>254,081</b>

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

### 4. Operating profit

Operating profit is stated after charging / (crediting)

	Note	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Staff costs	5	37,003	43,918
Amortisation of other intangible assets	10	2,147	7,981
Depreciation of property, plant and equipment	11	1,909	8,741
Loss on disposal of plant, property and equipment		27	5,895
(Release) / impairment of leasehold dilapidation		(1,204)	910
Impairment of investments	12	100	-
Operating lease charges	18	3,427	7,253
Onerous contracts write-back (a)		(334)	(4,671)
Bad debt provision charge	13	5,065	3,610
Intercompany bad debt provision charge / (write-back)		93	(3,319)

#### Auditors' remuneration:

Fees payable for the audit of the Company financial statements in respect of the current year	154	154
Fees payable for the audit of the Company financial statements in respect of the prior year	40	39

#### Non-audit services:

Fees payable for the audit of the Company financial statements of any subsidiary of the Company in respect of the current year	24	65
Fees payable for the audit of the Company financial statements of any subsidiary of the Company in respect of the prior year	-	35
For services relating to taxation compliance in respect of the current year	7	33
For services relating to taxation compliance in respect of the prior year	14	19
For services relating to taxation advisory	2	5

(a) The Company exited from a number of contracts in the prior year which gave rise to an onerous contract credit.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 5. Employees

	Year Ended 31 March 2016	Year Ended 31 March 2015
<b>Average monthly number of employees (including executive directors):</b>		
<b>By activity:</b>		
Marketing and sales	32	42
Administrative	339	466
<b>Total</b>	<b>371</b>	<b>508</b>

		Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
	Note		
Wages and salaries (including restructuring costs of £5,580,000 (2015: £2,646,000))		31,164	34,629
Social security costs		3,185	5,116
Other pension costs	19	1,520	4,173
Termination benefits	19	400	-
Settlement costs	19	734	-
<b>Total staff costs</b>		<b>37,003</b>	<b>43,918</b>

### Directors' remuneration

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

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Salaries and other short term benefits	2,003	4,214
Amounts received under long term incentive schemes (other than shares or share options)	-	153
Employer's pension contributions	60	31
<b>Total directors' emoluments payable for the year</b>	<b>2,063</b>	<b>4,398</b>

The highest paid director received £1,503,951 (2015: £3,421,900) in the year, excluding employer's pension contributions, in respect of services to the Company. The service contract of the highest paid director during the year ended 31 March 2015 was tied to Hibu Group investors receiving a specific total return of cash combined with an increase in the market value of their holdings, at which time the service contract was terminated and the director received a contractual completion bonus upon leaving the business. The amount received in 2015 includes this bonus.

No share based payment expense has been included as no share options have been granted or are outstanding at 31 March 2016. One director was a member of the Company's defined benefit pension scheme, but no amounts were paid into that scheme on his behalf.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 6. Net finance costs

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Interest expense on amounts owed to group undertakings	(52,513)	(49,922)
Other interest expense	-	(330)
<b>Total finance cost</b>	<b>(52,513)</b>	<b>(50,252)</b>
Interest income on bank deposits	122	183
Interest income on amounts owed by group undertakings	923	555
Net finance income on retirement benefit obligations (note 19)	1,572	1,378
Net foreign exchange gains on financing activities	192	862
<b>Total finance income</b>	<b>2,809</b>	<b>2,978</b>
<b>Net finance cost</b>	<b>(49,704)</b>	<b>(47,274)</b>

### 7. Tax

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Current tax:</b>		
Current tax for the year	89	-
Adjustments in respect of prior years	984	(2,474)
<b>Total current tax charge / (credit)</b>	<b>1,073</b>	<b>(2,474)</b>
<b>Deferred tax:</b>		
Current year charge / (credit)	12,385	(11,673)
Adjustments in respect of prior years	(2,980)	(392)
Effect of changes in tax rate	575	-
<b>Total deferred tax charge / (credit)</b>	<b>9,980</b>	<b>(12,065)</b>
<b>Tax charge / (credit)</b>	<b>11,053</b>	<b>(14,539)</b>

The tax charge / (credit) for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Profit / (loss) before tax</b>	<b>18,822</b>	<b>(19,498)</b>
Profit / (loss) before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	3,764	(4,094)
<b>Effects of:</b>		
Deferred tax assets recognised	-	(17,449)
Non-deductible interest	8,281	9,284
Adjustments in respect of prior years	(1,996)	(2,865)
Remeasurement of deferred tax – change in UK tax rate	575	-
Non-deductible lease surrender premium	301	-
Write-off of foreign tax suffered	89	-
Non-deductible dilapidations	35	435
Intercompany debt write-offs	19	57
Other	(15)	93
<b>Tax charge / (credit)</b>	<b>11,053</b>	<b>(14,539)</b>

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 7. Tax (continued)

Tax charged directly to equity is as follows:

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Deferred tax on actuarial gains	(4,869)	(1,626)
<b>Tax charged directly to equity</b>	<b>(4,869)</b>	<b>(1,626)</b>

The main rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the year ended 31 March 2016 are taxed at a rate of 20%. Further reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 were substantively enacted in the Finance (No. 2) Act 2015 on 26 October 2015. At 31 March 2016, the deferred tax assets and liabilities included in these financial statements were based on these reduced rates having regard to their reversal profiles.

A further rate reduction from 18% to 17% was announced in the Chancellor's Budget on 16 March 2016 and is expected to apply from 1 April 2020. As this change had not been substantively enacted at the balance sheet date, its effects are not included in the financial statements. The overall effect of this change, if it had applied to the deferred tax assets and liabilities at the balance sheet date, would be to (i) reduce the deferred tax assets by £0.2m and increase the deferred tax expense for the period by £0.2m; and (ii) decrease the deferred tax liability by £0.9m which would increase other comprehensive income by £0.9m.

### 8. Dividends

No dividend was proposed or paid during the year (2015: £nil).

### 9. Goodwill

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Balance at beginning of year	78,620	78,620
<b>Balance at end of year</b>	<b>78,620</b>	<b>78,620</b>

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

In 2016 and 2015, the Group measured the carrying value against the value in use, which used a discounted cash flow model. In both years the cash flow projections were based on Board reviewed cash flow projections extrapolated to five years.

During the year ended 31 March 2016, impairment losses of £ nil (2015: £nil) on goodwill in relation to its operations were recorded. At 31 March 2016, the fair values of the operations exceeded their carrying value by £226m (2015: £13m).

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 9. Goodwill (continued)

Cash flows beyond the period of extrapolation are calculated using the terminal growth rates stated below. In addition, revenue growth over the five year period ending 31 March 2021 is a key assumption in the 31 March 2016 valuation as discussed above. The carrying value of goodwill after impairments and the key assumptions used for estimating value in use are as follows:

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Net book value</b>		
Carrying value of goodwill	78,620	78,620
Compound annual growth rate	(0.7%)	(5.3%)
Terminal growth rate	0.0%	0.0%
Pre-tax discount rate	19.7%	17.6%

A sensitivity analysis was carried out to determine the extent to which its assumptions would need to change for the calculated recoverable amounts from value in use, to fall below the carrying value of goodwill. Management has concluded that no reasonably foreseeable change in the key assumptions used in the impairment model would result in a significant impairment charge being recorded in the financial statements.

### 10. Other intangible assets

	Year Ended 31 March 2016 £'000
<b>Cost</b>	
Balance at beginning of year	67,650
Additions	3,621
Disposals	(7,948)
<b>Total cost at end of year</b>	<b>63,323</b>
<b>Accumulated amortisation</b>	
Balance at beginning of year	(64,278)
Charge for the year	(2,147)
Disposals	7,163
<b>Total amortisation at end of year</b>	<b>(59,262)</b>
<b>Net book value at end of year</b>	<b>4,061</b>

Other intangible assets comprise software development costs.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 11. Property, plant and equipment

	Leasehold Improvements £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
Opening balance	9,846	47,335	9	57,190
Additions	488	851	-	1,339
Disposals	(482)	(1,187)	-	(1,669)
<b>Total cost at 31 March 2016</b>	<b>9,852</b>	<b>46,999</b>	<b>9</b>	<b>56,860</b>
<b>Accumulated depreciation</b>				
Opening balance	(8,192)	(43,304)	(8)	(51,504)
Depreciation	(584)	(1,324)	(1)	(1,909)
Disposals	100	1,185	-	1,285
<b>Total depreciation at 31 March 2016</b>	<b>(8,676)</b>	<b>(43,443)</b>	<b>(9)</b>	<b>(52,128)</b>
<b>Net book value at 31 March 2016</b>	<b>1,176</b>	<b>3,556</b>	<b>-</b>	<b>4,732</b>

### 12. Investments in subsidiaries

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Cost</b>		
At 1 April	18,651	18,651
<b>At 31 March</b>	<b>18,651</b>	<b>18,651</b>
<b>Impairment</b>		
At 1 April	(18,551)	(18,551)
Impairment of investments	(100)	-
<b>At 31 March</b>	<b>(18,651)</b>	<b>(18,551)</b>
<b>Carrying value</b>	<b>-</b>	<b>100</b>

During the year, as part of the ultimate holding company's test for impairment, impairment losses of £100,000 were recognised (2015: £nil).

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 12. Investments in subsidiaries (continued)

The interests of the Company in its subsidiaries at 31 March 2016 were as follows:

#### Direct subsidiaries

	Company activity	Registered Office	2016 % owned	2015 % owned	2016 Carrying value £'000	2015 Carrying value £'000
hibu Sales Limited	Advertising space sales	England & Wales	100	100	-	-
Moonfruit Limited	Holding company	England & Wales	100	100	-	-
hibu pay LLC (a)	Payment services	USA	100	100	-	-
hibu Mediaworks Limited	Fulfillment of print, video and website advertising	England & Wales	100	100	-	-
hibu Global Limited	Digital product sales	England & Wales	100	100	-	100
<b>Indirect subsidiaries</b>						
hibu Studio Limited	Graphic design	England & Wales	100	100	-	-
Sitemaker Software Limited	Website services	England & Wales	100	100	-	-
<b>Total carrying value</b>					-	100

(a) hibu pay LLC is incorporated in the USA but managed and controlled in the UK.

The subsidiary undertakings have the same registered address and year end as the Company except for hibu Pay LLC whose registered office is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA.

### 13. Trade and other receivables

	At 31 March 2016 £'000	At 31 March 2015 £'000
<b>Amounts falling due within one year</b>		
Net trade receivables	11,058	13,007
Prepayments	5,033	5,049
Other receivables	787	2,064
Accrued income	13,081	17,097
Amounts owed by group undertakings	108,609	108,463
<b>Total</b>	<b>138,568</b>	<b>145,680</b>
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertakings	4,058	-
Other receivables	8,574	8,049
<b>Total</b>	<b>12,632</b>	<b>8,049</b>
<b>Total trade and other receivables</b>	<b>151,200</b>	<b>153,729</b>

Other receivables falling due after more than one year comprises 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 interest rate used to calculate the interest on group undertakings due after more than one year was 5% plus the 3-month Libor rate (reset quarterly) for the interest bearing loan with Sitemaker Software Limited. Included in the amount owed by group undertakings falling due within one year is an amount of £94,988,780 (2015: £88,721,536) which carries interest at the 3-month Libor rate (reset quarterly). All other amounts owed by group undertakings are non-interest bearing and repayable on demand.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 13. Trade and other receivables (continued)

Trade receivables are non-interest bearing and generally have terms between 30 days and 10 months. Due to their short maturities and the non-interest bearing nature of these financial assets, the fair value of trade receivables approximates book value. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large, and unrelated.

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

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Balance at beginning of year	(8,027)	(11,773)
Charged to income statement	(5,065)	(3,610)
Utilised	3,812	7,356
<b>Balance at end of year</b>	<b>(9,280)</b>	<b>(8,027)</b>

### 14. Deferred tax

#### Deferred tax assets

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Balance at beginning of year	19,038	5,572
(Charged) / credited to income statement	(7,967)	13,466
<b>Balance at end of year</b>	<b>11,071</b>	<b>19,038</b>

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

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

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Tax effect of timing differences due to:</b>		
Net operating losses	2,784	10,071
Depreciation and capital allowances	6,176	8,220
Goodwill	645	747
Other temporary differences	1,466	-
<b>Recognised deferred tax assets</b>	<b>11,071</b>	<b>19,038</b>

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 14. Deferred tax (continued)

#### Deferred tax liabilities

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Balance at beginning of year	8,597	5,572
Charged to income statement	2,013	1,399
Charged directly to equity	4,869	1,626
<b>Balance at end of year</b>	<b>15,479</b>	<b>8,597</b>

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

	At 31 March 2016 £'000	At 31 March 2015 £'000
<b>Tax effect of timing differences due to:</b>		
Defined benefit pension scheme	15,479	8,597
<b>Recognised deferred tax liabilities</b>	<b>15,479</b>	<b>8,597</b>

### 15. Trade and other payables

	At 31 March 2016 £'000	At 31 March 2015 £'000
<b>Amounts falling due within one year</b>		
Trade payables	1,667	3,109
Other taxation and social security	8,884	1,947
Accruals and other payables	33,670	45,847
Deferred income	22,263	23,778
Amounts owed to group undertakings	2,642	16,167
<b>Total amounts falling due within one year</b>	<b>69,126</b>	<b>90,848</b>
<b>Amounts falling due after more than one year</b>		
Other payables	4,452	2,813
Amounts owed to group undertakings	954,213	945,320
<b>Total amounts falling due after more than one year</b>	<b>958,665</b>	<b>948,133</b>
<b>Total trade and other payables</b>	<b>1,027,791</b>	<b>1,038,981</b>

Current amounts owed to group undertakings are repayable at the discretion of the Hibu Group. The interest rate used to calculate the interest on amounts owed to group undertakings after more than one year was 5% plus the 1 month Libor rate for the interest bearing loan with Eagle Finance (FX) Limited.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 16. Share capital and share premium

#### Share capital:

Authorised	No. of shares of £1 each	£
At 1 April 2015	100	100
<b>At 31 March 2016</b>	<b>100</b>	<b>100</b>

Allotted, called up and fully paid	No. of shares of £1 each	£
At 1 April 2015	73	73
<b>At 31 March 2016</b>	<b>73</b>	<b>73</b>

All shares rank pari passu in all respects.

#### Share premium:

	£'000
At 1 April 2015	325,971
<b>At 31 March 2016</b>	<b>325,971</b>

### 17. Other reserves

Year ended 31 March 2016	Pension reserve £'000	Total other reserves £'000
Balance at beginning of year	(91,768)	(91,768)
Actuarial gain on defined benefit pension scheme	32,947	32,947
Taxation	(4,869)	(4,869)
<b>Net income recognised directly in equity</b>	<b>28,078</b>	<b>28,078</b>
<b>Balance at 31 March 2016</b>	<b>(63,690)</b>	<b>(63,690)</b>

Year ended 31 March 2015	Pension reserve £'000	Total other reserves £'000
Balance at beginning of year	(97,884)	(97,884)
Actuarial gain on defined benefit pension scheme	7,742	7,742
Taxation	(1,626)	(1,626)
<b>Net income recognised directly in equity</b>	<b>6,116</b>	<b>6,116</b>
<b>Balance at 31 March 2015</b>	<b>(91,768)</b>	<b>(91,768)</b>

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 18. Financial commitments, contingent liabilities and litigation

Future aggregate minimum operating lease payments for the Company at 31 March 2016 and 2015 were as follows:

	At 31 March 2016 £'000	At 31 March 2015 £'000
<b>Payable</b>		
Not later than 1 year	3,131	7,253
Later than 1 year and not later than 5 years	7,548	19,197
Later than 5 years	5,273	19,265
<b>Total future aggregate minimum operating lease payments</b>	<b>15,952</b>	<b>45,715</b>

Operating lease payments expensed during the year amounted to £3,427,000 (2015: £7,253,000).

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

The Company is party to various contractual arrangements associated with the debt structure for the subsidiaries of the Hibu Group, including as a guarantor of one of the borrowing facilities and provision of an undrawn £120m loan facility to Eagle Finance (FX) Limited, a fellow group undertaking. Amongst other things, these borrowing facilities contain financial covenants as detailed in the consolidated financial statements of Eagle Bidco 2013 Limited. The Company, and fellow Hibu Group undertakings were in full compliance with their respective covenants and undertakings at the date these financial statements were signed.

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

### 19. Pensions

The Company operates a defined benefit pension scheme ("UKPP") for employees of the Company and certain subsidiaries employed before 1 October 2001, but that was closed to future accrual from March 2011. The Company also operates a defined contribution scheme for the remaining employees of the Company and certain subsidiaries. They are the only material schemes in the Company. The Company's income statement and statement of comprehensive income for the years ended 31 March 2016 and 2015 included the following charges below.

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Amounts charged to operating loss</b>		
Administration expenses	3	6
Termination benefits	400	-
Settlement cost	734	-
<b>Amounts charged for defined benefit schemes</b>	<b>1,137</b>	<b>6</b>
Amounts expensed for defined contribution schemes	1,520	4,173
<b>Total operating charge</b>	<b>2,657</b>	<b>4,179</b>
	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Net finance income from defined benefit scheme</b>		
Interest income on pension scheme assets	(19,947)	(22,179)
Interest cost on pension scheme liabilities	18,375	20,801
<b>Net finance income from defined benefit schemes</b>	<b>(1,572)</b>	<b>(1,378)</b>

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 19. Pensions (continued)

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
<b>Amounts recognised in statement of comprehensive income</b>		
Actual return less interest on pension Plan assets	(26,866)	90,630
Experience losses arising on the Plan	29,897	(5,810)
Changes in financial assumptions underlying the value of the Plan liabilities	20,250	(78,250)
Changes in demographic assumptions underlying the present value of the Plan liabilities	9,666	1,172
<b>Actuarial gain</b>	<b>32,947</b>	<b>7,742</b>
Tax on actuarial gain recognised in equity (note 7)	(4,869)	(1,626)
<b>Actuarial gain, net of tax</b>	<b>28,078</b>	<b>6,116</b>

The cumulative actuarial loss net of tax recognised at 31 March 2016 amounts to £35.3m (2015: £63.4m).

#### 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. The full actuarial valuation at 5 April 2013, updated to 31 March 2016, showed a surplus of £86m. 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 Company is required to agree its contributions to the plan with the trustees based on actuarial advice.

Such agreement must be reached in a way that complies with the UK Pensions Regulator's 'Scheme Specific Funding' guidance. Any failure to agree would result in the intervention of the Pensions Regulator and, possibly, an imposed settlement. The full funding valuation that has an effective date of 5 April 2013 was the most recent, agreed full funding valuation at 31 March 2016. A full funding valuation at 31 December 2015 was subsequently carried out with the Funding Principles and Schedule of Contributions (effective from 1 July 2016) provisionally agreed at the date these financial statements were signed.

#### Net surplus

The UKPP net surplus at the balance sheet 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 2016 £'000	At 31 March 2015 £'000
Fair value of Plan assets	595,450	614,272
Present value of Plan liabilities	(509,449)	(571,285)
<b>Net surplus</b>	<b>86,001</b>	<b>42,987</b>

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 19. Pensions (continued)

The following amounts explain the movement in the pension provision for the years ended 31 March 2016 and 2015:

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Net surplus at beginning of year	42,987	27,858
<b>Movement in year:</b>		
Contributions	9,632	6,015
Termination benefits	(400)	-
Settlement costs	(734)	-
Administration expenses	(3)	(6)
Net finance income	1,572	1,378
Actuarial gain	32,947	7,742
<b>Net surplus at end of the year</b>	<b>86,001</b>	<b>42,987</b>

Following the conclusion of the full funding valuation that had an effective date of 5 April 2013, the Company agreed to pay the following minimum contributions, all payable in equal monthly installments unless prepaid:

- annual contributions of £6m for each year ending 31 March 2015 to 2018; and
- £12.5m annually from 1 April 2018, increasing each subsequent April 1 by 5%.

Contributions of £9.6m (2015: £6.0m), of which £0.1m (2015: £nil) were in respect of benefit augmentations were made in the year. After consideration of the 31 December 2015 full funding valuation a new schedule of contributions applying from 1 July 2016 was agreed by the date these financial statements were signed. Contributions are to equal £833,333 per month (£10m per annum) through June 2020 and drop to £666,667 per month (£8m per annum) thereafter until September 2025. The new provisional agreement will become binding and replace the contribution schedule described above upon completion of certain legal steps that are expected to be completed before 1 November 2016.

### Valuation assumptions

The UKPP net surplus at 31 March 2016 and 2015 were based on the valuation member data at October 2015 and the 5 April 2013 valuation updated at 31 March 2015 respectively. The updated valuations were carried out by professionally qualified independent actuaries using the following key assumptions:

	Year Ended 31 March 2016 %	Year Ended 31 March 2015 %
Discount rate	3.5	3.3
Expected return on assets	n/a	n/a
Pension increases linked to RPI	3.1	3.1
Pension increases linked to CPI	2.1	2.0

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

	Year Ended 31 March 2016	Year Ended 31 March 2015
Male	29.9	30.1
Female	32.2	31.6

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 19. Pensions (continued)

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

	Year Ended 31 March 2016	Year Ended 31 March 2015
Male	28.2	28.7
Female	30.3	30.1

### Assets

The 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 scheme 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. The trustees have recently changed the investment strategy of the Plan to reduce the interest rate and inflation risks. The trustees have exchanged the index linked gilts and some of the equities and corporate bonds for 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 new asset classes match the movements in interest rates and inflation more closely than the index linked gilts did. The trustees have retained a proportion of the higher risk assets to seek higher rates of growth. 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 2016 £'000	Of which not quoted in an active market £'000	At 31 March 2015 £'000	Of which not quoted in an active market £'000
Equities	77,649	-	82,326	-
Diversified growth funds	58,334	-	61,493	-
Bonds	67,503	-	66,382	-
Liability driven investments	159,634	-	173,973	-
Insurance contracts	157,590	157,590	178,875	178,875
Other	74,740	-	51,223	-
<b>Total assets at fair value</b>	<b>595,450</b>	<b>157,590</b>	<b>614,272</b>	<b>178,875</b>

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 19. Pensions (continued)

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Opening fair value of plan assets	614,272	506,688
Interest on assets	19,947	22,179
Actuarial (loss) / gain	(26,866)	90,630
Contributions by employer	9,632	6,015
Administration expenses	(3)	(6)
Benefits paid	(21,532)	(11,234)
<b>Closing fair value of plan assets</b>	<b>595,450</b>	<b>614,272</b>

The actuarial gain or loss in the year ended 31 March 2016 and 2015 represents the difference between expected return on plan assets and the actual return on plan assets as follows:

	Year Ended 31 March 2016 £'000	Year Ended 31 March 2015 £'000
Interest on plan assets	19,947	22,179
Actuarial (loss) / gain	(26,866)	90,630
<b>Actual return on plan assets</b>	<b>(6,919)</b>	<b>112,809</b>

### 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 2016 £'000	Year Ended 31 March 2015 £'000
Opening present value of defined benefit liabilities	571,285	478,830
Past service cost	400	-
Settlement cost	734	-
Interest cost	18,375	20,801
Actuarial (gain) / loss	(59,813)	82,888
Benefits paid	(21,532)	(11,234)
<b>Closing present value of defined benefit liabilities</b>	<b>509,449</b>	<b>571,285</b>

The actuarial gain in the year ended 31 March 2016 was primarily the result of updating the liability calculations to be based on valuation data at October 2015 (compared to April 2014 valuation data from last year's disclosures) and the fact that inflationary increases to benefits were lower than expected. Furthermore, an increase in the AA-rated corporate bond yields and an update of the demographic assumptions resulted in further actuarial gains, which was partly offset by an increase in inflation and a change to the long-term future improvements in mortality.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 19. Pensions (continued)

The actuarial loss in the year ended 31 March 2015 was primarily the result of a decrease in the AA-rated corporate bond yields which was partly offset by a decrease in inflation and a small change to the long-term future improvements in mortality.

#### 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 2016 was calculated on the basis that the real interest rate at the balance sheet date was 0.3%, 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 0.4% or 0.2% per annum, respectively, would decrease or increase the present value of the pension liabilities by approximately £11.2m. 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 £2.4m due to the assumed real interest rate increasing or decreasing to 0.4% or 0.2% 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. The Company estimates that an increase in life expectancy of one year for all members could have increased the present value of pension liabilities by approximately £14.4m and would increase the value of the bulk annuity policy by £5m.

#### Risks associated with the plan

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

##### *Asset volatility*

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Plan holds a material proportion of growth assets (equities, diversified growth fund and global absolute return fund) which are expected to outperform bond yields in the long-term while providing volatility and risk in the short-term. The allocation to growth 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.

# hibu (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016

### 19. Pensions (continued)

#### *Inflation risk*

The majority of the Plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). However the total asset value is correlated with inflation, meaning that the surplus should be broadly protected against increases in inflation.

#### *Life expectancy*

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

The Company and 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 "buyin" policy) from Pensions Insurance Corporation (PIC) in respect of part of the liabilities of the Plan. The purchase price was £199.4m. A buyin 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 buyin 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.

#### **UKPP - Defined contribution section**

The pension cost in respect of this section represents contributions payable to the funds and amounted to £1,520,000 for the year ended 31 March 2016 (2015: £4,173,000). Outstanding contributions amounted to £nil at 31 March 2016 (2015: £nil).

# **hibu (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2016**

### **20. Events after the end of the reporting year**

There are no significant post balance sheet events that affect these financial statements.

### **21. Controlling entity**

At 31 March 2016, the Company was a wholly owned subsidiary of YH Limited.

The ultimate holding company and controlling party is Hibu Group.

At the date of signing these financial statements, the smallest group in which the financial statements of this company are consolidated is Eagle Bidco 2013 Limited. The largest group in which the financial statements of this company are consolidated is Hibu Group 2013 Limited. Financial statements for both of these companies are publicly available from One Reading Central, Forbury Road, Reading, Berkshire, RG1 3YL.

### **22. First time adoption of FRS 101**

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not affected equity or profit or loss.