

Which? Limited

Registration number 00677665

Strategic report, Directors' report
and audited financial statements
for the year ended 30 June 2019



	Pages
Strategic report	1 - 3
Directors' report	4 - 6
Independent auditors' report	7 - 8
Income statement	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 - 20

Strategic report
for the year ended 30 June 2019

The Directors present their Strategic report on Which? Limited ('the Company') for the year ended 30 June 2019.

Financial review

In the year the Company made a loss of £9.8m (2017-18: profit of £11.4m). This loss was a consequence of a £25.1m impairment of investment in its wholly owned subsidiary, Which? Financial Services Limited. This followed the decision to close the Which? Mortgage advice and Which? Insurance advice operations. This difficult decision reflected the view that these businesses were not financially sustainable within an external mortgage market that was both increasingly competitive and also very challenging, particularly in a period of continued economic uncertainty in the UK with a stagnant housing market. The additional £3.4m investment made by the Company in the year included funding to cover all relevant costs of closure.

Excluding this impairment, the underlying profitability of the Company was strong, with profit excluding the impairment of £15.3m (2017-18: £14.2m). During the year revenue fell slightly, reflecting lower revenues in our subscription business (anticipated following a lower level of marketing expenditure on TV advertising and sponsorship as marketing efficiency decreased), but also significant growth for our endorsement schemes.

During the past year we've invested a significant amount of time to better understand how we can help our members and give them more of the content, products and services they want from Which?. In order to reinvigorate and sustain our membership over the long term we have conducted a consultation with current and potential members to understand how best we can evolve our membership offer. We have reached out to a new audience, through a combination of brand and marketing campaigns, high-impact communications, and research to develop a deeper understanding.

Over the course of the year we have conducted more than 5,000 survey interviews, ran focus groups across the country and tested different membership options to understand what members like. In October we trialled different subscription bundles and packages with members to test whether offering more variety around pricing and content access would be of interest, for example an online only package. Our ambition is to redefine our core membership subscription, taking a fresh look at what we currently offer our members and what new features and developments should be prioritised. The first outputs of this work will be launched over the coming year and this work will continue to inform where and how we invest in providing improved services for our members.

Our Black Friday campaign aimed to not only raise awareness of the existence of fake reviews, but also to reach new audiences and drive subscriptions. This campaign was particularly successful, with 2,169 people taking out a trial with us in one day. During this winter shopping season we saw an increase in demand for our reviews, resulting in a surge in sign up through our digital channels. We closed the year with 632,000 customers (30 June 2018: 683,000).

It has been a successful year for our endorsement programme. While both members and consumers benefit from our logos in terms of knowing what products and services have passed our rigorous testing, we generate income through the sale of these award logos to the businesses that win them. Following our extensive testing, we awarded 108 more best buys and 19 more Which? recommended providers than last year.

Which? Trusted Traders delivered a profit for the second year with 369 traders joining the scheme and retention remained high at 88%. This year we have really focused on improving trader compliance by setting up compliance triggers, complaints monitoring, review moderation and more regular phone calls to customers by our account managers. To support this, we have created a new in-house moderation team whose roles is to moderate 100% of reviews received so customers are not misled.

Which? Switch provides consumers with a transparent and impartial way to compare energy tariffs and find the best gas and electricity provider for their needs and in September 2018 we added a broadband switching site which has helped to increase customer visits. The energy service continued to drive consistent revenue despite tough trading conditions due to the rapidly changing nature of the sector. We continue to monitor these changes to ensure the business adapts where necessary.

This year the Technology Support team has helped over 20,000 members, taking over 11,400 calls, sending over 8,675 emails and conducting 5,955 remote access sessions. The remote access tool has proved very popular with members as they can not only get their problem resolved quickly by our experts but the member is also able to see their tech issues being resolved in real time on their computer. Many members have commented on how this aids their learning and confidence with tech in general.

The Which? Money helpline gives independent one-to-one guidance over the phone on all sorts of money matters, from tax to travel insurance. This year marks a milestone for the Money Helpline. Reaching its ten-year anniversary, the service has surpassed the £4million mark recovered for individuals following guidance from the Helpline.

Strategic report (continued)
for the year ended 30 June 2019

One of the main focuses for Which? Legal this year has been the successful relocation from our office in Hertford to Bristol, whilst minimising the impact for members. A combination of dedicated recruitment, bespoke induction and onsite support from existing people meant the Which? Wills and Which? Legal operations successfully relocated ahead of schedule. It's been a busy year for the team who have answered 85,000 calls and sold over 8,000 wills and power of attorney to customers. As part of commitment to improve the choice we offer members, we have been testing new legal propositions with members, including for example, the option to purchase advice regarding a single problem, rather than an ongoing subscription. In addition, we continue to promote Which? Legal services and products to members who are visiting Which? through other parts of the website, or alternative channels.

We are committed to providing the best possible customer service for our members and in January we officially opened our new Member Services Centre in Cardiff, having relocated from Hertford. Over the course of the year we received 702,000 calls and over 156,000 emails. We have been focusing on achieving a successful transition whilst trying to minimise impact on members. Following the move, performance has increased monthly and we are well on the way to ensuring that our members and prospective members are supported by the highest levels of customer service however they chose to communicate with us.

At 30 June 2019, the Company had total net liabilities of £4.1m (30 June 2018: net assets of £15.7m), following the impairment of its investment in Which? Financial Services Limited. Given the underlying profitability of the Company, we expect that the Company will return to a net asset position during 2019/20. During this time however, the Company will be unable to make gift aid payments to its charitable parent underlying (Consumers' Association), until it has sufficient distributable reserves.

Future developments

During the year, a new group strategy was delivered under the direction of the new CEO, Anabel Hoult, to reshape organisation structure and its areas of focus to better deliver to consumers.

Our primary objectives are to deliver:

- Meaningful impact for and with consumers
- Compelling propositions for consumers, business and policy makers
- Actions that reflect our values
- The creation of a sustainable business model
- Innovation and efficiency

Particular focus within the Company will be on creating a sustainable business model in the face of a challenging subscriptions landscape, and we are seeking to refocus around our core strengths of research and advice. We aim to improve our subscription package to attract and retain a larger audience whilst generating more revenue from other sources such as affiliate and endorsements licences, both of which help customers buy the best products or services, whilst maintaining our editorial independence.

Strategic report (continued)
for the year ended 30 June 2019

Risks

The principal risks which have been identified are reviewed by the Group Audit & Risk Committee at each of its quarterly meetings. This also includes consideration of any substantial changes to principal risks, such as new or emerging risks; material changes to control frameworks in below:

Principal area of risk

Key mitigation activity

Technology and Innovation

Our ability to make a meaningful impact for and with future consumers, and to create propositions that our audiences can't live without, is contingent on the delivery of benefits from new technology platforms and on our approach to innovation. This will ensure that we remain relevant in a fast-changing environment.

We are continuing to implement new technologies and platform enhancements across the business and have established a product function to champion new ways of cross-organisational working in line with our innovation framework. This is further supported by a new programme management office. We continue to test and learn in order to enhance our proposition and are also working to ensure we understand and track our relevance more effectively for our different audiences.

People and organisation change

Successful implementation of our strategy requires a significant amount of organisational change, and in particular people with sufficient skills, capabilities and motivation. Continuity and reliance on key persons are also important considerations, particularly in the context of significant changes at a management level.

We have recently changed our organisational structure to best support our new strategic direction and provide the skills and capabilities we need for the future. We are refreshing our approach to reward, recognition and employee engagement and continue to develop both our people and our employer brand.

Financial sustainability

We recognise that we need to put our resources to best effect while we evolve and strengthen our commercial offering, in order to defy a challenging publishing market and protect the company against a potential expected reduction in income.

Building a sustainable business model is an important strategic focus for the organisation. Separately, we are strengthening our approach to cost management which includes improving our procurement and benefit realisation frameworks and is also supported by our new programme management office.

Living our values

Maintaining our independence and being true to our values in all that we do are really important to us, particularly as we expand our commercial relationships with businesses, in line with our new strategic direction. We continually need to ensure that our own customer offerings are consistent with our values.

Our key mitigation activities included launching a new set of internal organisation values supported by a dedicated communication and engagement strategy, and the continued operation of key value-based policies and processes such as our guiding principles relevant for all commercial third party relationships. We have recently reviewed our customer offerings in the context of our values and are carrying out some remedial actions.

Cyber

In common with similar organisations, we make extensive use of technology solutions for data management and communications and recognise the need to ensure that our data and systems are adequately protected against misuse.

This year we have strengthened our information security function and have begun work to better educate and train our people on key information security and cyber risks as well as continuing to improve our system defences against cyber threats.

Brexit

The UK's planned departure from the European Union presents us with a risk to revenue as well as challenges to the continuity of product testing.

We have set up a cross-organisational Brexit group which coordinates internal efforts, including our work to develop relevant content and influence key policy makers. We carried out risk-based contingency planning in advance of the original Brexit deadline and intend to repeat our efforts as we near the revised leave date.

Approved by the Board and signed on its behalf by:



Judy Gibbons
Director
2 Marylebone Road
London
NW1 4DF
23 October 2019

Which? Limited
Registration number 00677665

Directors' report
for the year ended 30 June 2019

The directors present their report and the audited financial statements of Which? Limited ('the Company') for the year ended 30 June 2019.

Our people

As part of the strategic review which took place during the year, we considered how best to structure our organisation to ensure we have the right people in the right teams and roles to deliver our new mission and in turn create lasting and meaningful impact. This has inevitably meant some difficult decisions and a large number of people have been affected. However, as an equal opportunities employer that values diversity across our organisation, we ensure this is brought to life through our approach to attraction, recruitment and selection, training and career development and working practices for our employees.

There have been a considerable number of changes across the business we have realigned our resources, driven efficiencies and focused in certain areas. An example of significant strategic people and team changes included the bringing together of our content teams, as well as moving away from the previous market areas that were led by individual managing directors. Those who have left the Company during the year due to organisational changes have been supported through career transition support. The organisation has experienced a significant period of change which makes ensuring we build a culture where people feel supported through these changes and connected to the organisation even more important.

We have continued to develop our managers through the Pathway to Leadership Excellence programme which provides opportunities to enhance their leadership skills and capabilities to develop themselves and their teams to support the delivery to our organisation.

This year we completed the sale of our office in Hertford to Aldi and relocated our Which? Legal team to Bristol and our Member Service Centre to Cardiff and many of the support functions across the sites. The transition saw a number of employees relocate successfully to the new sites.

Reward at Which? remains important as a means to attract, retain and motivate our people to perform to their best. Our principles are based on a total remuneration approach where all roles are externally benchmarked. We aim to be a market median payer. We benchmark roles annually and review based on the skills, scope and responsibility of the role. Benchmarks are set at an appropriate salary and total reward range within the relevant field for that role to ensure like for like comparison is made within the relevant talent markets. During the year we made significant progress to align the total compensation of the Leadership Team to the market, and to align performance measures to the achievements of the Company. Executive variable pay plans have been realigned to ensure a fairer and more balanced distribution across to breadth of the Company. This is part of our total remuneration policy, which removed Long Term Incentive Plans and sees all of our executives incentivised against both charitable and commercial targets.

Going-concern

In preparing the financial statements, the directors have taken into account all information that could reasonably be expected to be available for the following twelve months from the date of signing the financial statements and beyond. They have considered the Company's ongoing cash requirements and the support provided by the parent company, Consumers' Association, and on this basis they consider that they have adequate resources to continue in operational existence for the foreseeable future and as such they continue to prepare the financial statements on the going-concern basis.

Political and charitable contributions

There were no donations made to political organisations during the year (2017-18: nil). Payments to charities through gift aid distributions of £10.0m (2017-18: £10.0m) were made during the year.

Gift aid distributions

Gift aid distributions of £10.0m were made during the year (2017-18: £10.0m) to Consumers' Association, the ultimate parent company.

Environment

Which? recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The Company operates in accordance with group policies. Initiatives designed to minimise the Company's impact on the environment include using more sustainable production materials for our magazines, including the introduction this year of compostable wrapping to our magazine wrapping, recycling and reducing energy consumption. We have also this year removed all plastic cutlery and cups, replacing with metal and glass alternatives.

Qualifying third party provisions

The company has provided an indemnity for the directors and the secretary of the company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Bankers and professional advisers

Which? Limited's principal banker is:

Barclays Bank plc, The Lea Valley Group, 78 Turners Hill, Cheshunt, Herts EN8 9BW

Which? Limited's independent auditor and tax adviser is:

PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH

In addition to our legal staff employed within the Group, Which? Limited uses a number of leading firms of solicitors for specialist legal advice.

Future developments

The future developments of Which? Limited are included within the Strategic report on page 3.

Which? Limited
Registration number 00677665

Directors' report (continued)
for the year ended 30 June 2019

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

	Date of appointment	Date of resignation
Judy Gibbons (Chair)		
Jacques Cadranel		31 December 2018
Deborah Davis		
Julie Harris		
Anabel Hoult	01 October 2018	
Ian Hudson		
Jonathan Thompson		
Peter Vicary-Smith		30 September 2018
Tony Ward OBE		

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to be reappointed for another term.

Directors' report (continued)
for the year ended 30 June 2019

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

Approved by the board and signed on its behalf by:



Judy Gibbons
Director
2 Marylebone Road
London
NW1 4DF
23 October 2019

Independent auditors' report to the members of Which? Limited

Report on the audit of the financial statements

Opinion

In our opinion, Which? Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report and Directors' report and audited financial statements (the "Annual report"), which comprise: the statement of financial position as at 30 June 2019; the income statement; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going-concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going-concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going-concern, disclosing as applicable, matters related to going-concern and using the going-concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 October 2019

Income statement
for the year ended 30 June 2019

	Note	2018-19 £'000	2017-18 £'000
Turnover	1	92,173	93,120
Cost of sales		(31,100)	(33,868)
Gross profit		<u>61,073</u>	<u>59,252</u>
Distribution costs		(6,666)	(7,272)
Impairment of investment	8	(25,140)	(2,800)
Administrative expenses		(39,103)	(37,760)
Operating (loss)/profit	3	<u>(9,836)</u>	<u>11,420</u>
Interest receivable and similar income		-	-
(Loss)/profit before taxation		<u>(9,836)</u>	<u>11,420</u>
Tax on (loss)/profit	5	-	-
(Loss)/profit for the financial year		<u>(9,836)</u>	<u>11,420</u>

There is no difference between the (loss)/profit before taxation and the (loss)/profit for the financial year stated above, and their historical cost equivalents, for the current and prior years.

The figures for the current and prior years above relate entirely to continuing operations.

The Company has no other comprehensive income other than those included in the results above, and therefore no separate statement of other comprehensive income has been presented.

The accompanying notes are an integral part of this Income statement.

Statement of financial position as at 30 June 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
Fixed assets					
Intangible assets	6		964		156
Tangible assets	7		1,511		574
Investments	8		-		21,700
			<u>2,475</u>		<u>22,430</u>
Current assets					
Debtors	9	6,632		7,407	
Short term deposits		-		2,500	
Cash at bank and in hand		3,168		5,982	
			<u>9,800</u>	<u>15,889</u>	
Creditors: amounts falling due within one year	10	(16,386)		(22,499)	
Net current liabilities			<u>(6,586)</u>		<u>(6,610)</u>
Total assets less current liabilities			<u>(4,111)</u>		<u>15,820</u>
Creditors: Amounts falling due after more than one year	11		-		(95)
Net (liabilities)/assets			<u>(4,111)</u>		<u>15,725</u>
Capital and reserves					
Called-up share capital	13		1,000		1,000
(Accumulated losses)/Retained earnings			(5,111)		14,725
Total shareholders' (deficit)/funds			<u>(4,111)</u>		<u>15,725</u>

The notes on pages 12 to 20 are an integral part of these financial statements.

The financial statements of Which? Limited (registered number 677665) on pages 9 to 20 were approved by the Board of Directors and authorised for issue on 23 October 2019. They were signed on its behalf by:



Judy Gibbons
Director

Statement of changes in equity for the year ended 30 June 2019

	Called-up share capital 2018-19 £'000	(Accumulated losses)/Retained earnings 2018-19 £'000	Total shareholders' (deficit)/funds 2018-19 £'000	Total shareholders' funds 2017-18 £'000
At 1 July	1,000	14,725	15,725	14,305
(Loss)/Profit for the financial year	-	(9,836)	(9,836)	11,420
Gift aid distribution	-	(10,000)	(10,000)	(10,000)
At 30 June	<u>1,000</u>	<u>(5,111)</u>	<u>(4,111)</u>	<u>15,725</u>

Notes to the financial statements for the year ended 30 June 2019

1 General information

The principal activities of Which? Limited included the sale of subscription products and services (magazines, websites, apps, online tools and helpline services) as well as the Which? Trusted Trader and Best Buy endorsement schemes.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is 2 Marylebone Road, London, NW1 4DF.

Principal accounting policies

The financial statements have been prepared on a going-concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, comprising Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102'), and with the Companies Act 2006.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Basis of preparation

As permitted by section 400 of the Companies Act 2006, the Company has not prepared consolidated financial statements as it is a wholly-owned subsidiary undertaking of Consumers' Association, a company registered in England and Wales which prepares publicly available consolidated financial statements including the results of Which? Limited and its subsidiary undertakings. These financial statements present information about the Company as an individual undertaking.

The Company has taken advantage of the following exemptions:

- From preparing a statement of cash flows, on the basis that it is a qualifying entity and the information is provided in the consolidated group financial statements; and
- From the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.16 to 12.19, as the information is provided in the consolidated financial statement disclosures.

Intangible assets and amortisation

Intangible assets are stated on the Statement of financial position at cost less accumulated amortisation and any provision for impairment. Amortisation is calculated on the assets in order to write off their cost less residual value in equal instalments over their estimated useful lives. Intangible assets are capitalised if the cost exceeds £10,000 and they are considered to have a useful life of more than one year. An impairment indicator assessment is conducted on an annual basis and any asset found to have a carrying value materially higher than its recoverable amount is written down accordingly.

Asset lives are estimated as follows:

Software	1-5 years
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Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected.

Tangible assets and depreciation

Tangible assets are stated on the Statement of financial position at cost less accumulated depreciation and provision for impairment. Depreciation is calculated on the assets in order to write off their cost less residual value in equal instalments over their estimated useful lives. Assets are capitalised if the cost exceeds £10,000 and they are considered to have a useful life of more than one year. An impairment indicator assessment is conducted on an annual basis and any asset found to have a carrying value materially higher than its recoverable amount is written down accordingly.

Asset lives are estimated as follows:

Fixtures, fittings and equipment	1-5 years
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Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected.

Notes to the financial statements for the year ended 30 June 2019 (continued)

1 Principal accounting policies (continued)

Turnover

Turnover represents the sales value of goods and services supplied net of Value Added Tax. Turnover is stated net of commission. The Directors are of the opinion that substantially all of the Company's turnover originates in the United Kingdom and from the same class of business and accordingly no segmental analysis has been presented.

Subscription revenue on magazines is recognised when the relating product is dispatched to the customer. Revenue on subscription services is recognised in relation to the time period to which the payment applies. Subscriptions received in advance of the product or service being received by the customer are treated as a current liability (subscriptions received in advance), while revenue relating to products or services received by the customer before payment is treated as accrued subscriptions within debtors.

Revenue relating to the Best Buy endorsement scheme and wills is recognised immediately upon payment. Revenue relating to Trusted Trader memberships is recognised in the time period to which the payment applies.

Investments in subsidiaries

Investments are carried at the lower of cost and estimated value. When a subsidiary undertaking is believed to have suffered an impairment, an appropriate provision is made against the value of the investment.

Provisions

A provision is recognised in the Statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Foreign exchange

i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

ii) Transactions and balances

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year-end date are retranslated at the rates ruling at that date. These translation differences are recognised within the Income statement.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Pension costs

The Company participates in a group pension scheme with two sections – a hybrid scheme that combines the features of a defined benefit and a defined contribution scheme and provides benefit based on the higher of a final salary pension and a money purchase pension, and a defined contribution only section. The hybrid scheme was closed to new entrants on 1 April 2004 and to future accrual on 31 March 2019.

As it is not possible for the Company to identify its share of the underlying assets and liabilities of the group scheme, therefore as allowed under FRS 102, the Company has accounted for the scheme as a defined contribution scheme.

For the defined contribution schemes, the amount charged to the Income statement in respect of pension costs and other post-retirement benefits is the total of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of financial position.

Notes to the financial statements for the year ended 30 June 2019 (continued)

1 Principal accounting policies (continued)

Taxation

No current tax liability arose because the Company makes qualifying charitable donations of gift aid payments in excess of its taxable profits within the allowable time frame post year-end. These payments are made to its parent undertaking, Consumers' Association, which is a registered charity.

Deferred taxation is provided in full on timing differences that result in an obligation at the year-end date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law enacted or substantially enacted at the year-end date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Going-concern

The Company's business activities, together with the factors likely to affect its future development performance and position are set out in the Directors' report. Although the Company has made a significant loss in the year and now has a negative reserve position, this was due to the one-off total impairment of the investment in its subsidiary, Which? Financial Services limited. Excluding this impairment, the underlying profitability of the company continues to be strong and we expect a return to a positive reserve position during 2019-20. The group is funded primarily by retained earnings and has significant cash reserves and liquid investments. The Company does not rely on external funding for day-to-day working capital requirements.

Management do not expect that it will be necessary to rely on external sources of debt finance in the foreseeable future.

After making enquiries and taking into account the letter of support from Consumers' Association, the directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the financial statements of the Company.

Financial Instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the transaction is measured at the present value of the future receipts at a market rate of interest. Such assets are subsequently carried at amortised cost, using the effective interest rate method.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financial transaction. In this case the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Share capital

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

Gift aid distributions to equity shareholders

Gift aid distributions to the parent company are recognised as a liability in the financial statements in the period in which the distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, and deposits held at call with banks.

Critical accounting judgments and estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas where judgment and estimates are disclosed are in the following notes:

Allocation of staff time: note 4
Useful life of assets: notes 6 and 7
Recoverability of investments: note 8

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

2 Gift aid distribution

	2018-19 £'000	2017-18 £'000
Gift aid payment made to parent undertaking	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

3 Operating (loss)/profit

	2018-19 £'000	2017-18 £'000
Operating (loss)/profit is stated after charging:		
Amortisation of intangible assets	69	26
Depreciation of tangible assets	210	50
Impairment of investment	25,140	2,800
Operating lease charges	92	94

The analysis of auditors' remuneration is as follows:

Fees payable to the Company's auditors for the audit of the Company's annual financial statements

Total audit fees	<u>34</u>	<u>32</u>
Non-audit fees	<u>34</u>	<u>32</u>
Tax services	10	5
Total non-audit fees	<u>10</u>	<u>5</u>

4 Directors and employees

a) The average monthly number of employees during the year to 30 June 2019 was:

	2018-19 Number	2017-18 Number
Administration	45	47
Trading activities	362	343
	<u>407</u>	<u>390</u>

b) Employee costs during the year amounted to:

	2018-19 £'000	2017-18 £'000
Wages and salaries	18,953	17,285
Social security costs	2,189	1,995
Other pension costs	1,558	1,383
Compensation for closure of LTIP	43	134
Compensation for loss of office	997	1,332
Benefits in kind	258	421
	<u>23,998</u>	<u>22,550</u>

c) Directors' remuneration

	2018-19 £'000	2017-18 £'000
Emoluments	761	793
Compensation for closure of LTIP	118	-
Compensation for loss of office	76	-
	<u>955</u>	<u>793</u>

The remuneration of the highest paid director in relation to services to Which? Limited was £481,957 (2017-18: £307,507). This was made up of emoluments of £363,957 (2017-18: £307,507), money receivable under the Long-Term Incentive Plan of £84,000 (2017-18: £nil) and compensation for loss of office of £34,000 (2017-18: £nil).

Notes to the Financial Statements for the year ended 30 June 2019 (continued)
Which? Limited

4 Directors and employees (continued)

d) Key employees	2018-19 £'000	2017-18 £'000
Key employee costs during the year amounted to:		
Wages and salaries	1,654	1,923
Other pension costs	80	80
Compensation for closure of LTIP	43	85
Compensation for loss of office	262	326
Benefits in kind	11	63
	<u>2,050</u>	<u>2,477</u>

Members of the group Leadership Team who spend time on Which? Limited business are captured within the key employees total above.

5 Tax on (loss)/profit

	2018-19 £'000	2017-18 £'000
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UK corporation tax at 19.00% (2017-18: 19.00%)

Factors affecting tax charge for the current year

The tax assessed for both years differs from that resulting from applying the effective rate of corporation tax in the UK: 19.00% (2017-18: 19.00%)

	2018-19 £'000	2017-18 £'000
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The differences are explained below:

(Loss)/profit before tax	<u>(9,836)</u>	<u>11,420</u>
Tax charge at 19.00% (2017-18: 19.00%) thereon:	<u>(1,869)</u>	<u>2,170</u>

Effects of:

Gift aid distribution paid in the current year	(1,900)	(1,900)
Gift aid distribution utilised in prior tax year	-	870
Expenses not deductible for tax purposes	4,778	534
Capital allowances in excess of depreciation	(149)	(114)
Movement in short term timing differences	200	(18)
Group relief not paid for	(647)	(523)
Expected qualifying charitable donations	(413)	(1,019)
Total tax charge	<u>-</u>	<u>-</u>

A deferred tax asset of £263,915 (2018: £320,541) relating to fixed assets and short term timing differences has not been recognised due to uncertainty over future recoverability. The asset would be recovered if sufficient future tax-adjusted profits were to arise against which it could be offset, but as the Company pays its profits up to the Consumers' Association under gift aid, it is considered unlikely that taxable profits would arise.

The standard rate of corporation tax in the UK from 1st April 2019 was 19.00%, (from 1st April 2018: 19.00%). Therefore the Company's loss for this year is taxed at an effective rate of 19.00%. Further changes to the UK Corporation tax rates were announced in 2016. These changes included reductions to the main rates to 17% from 1 April 2020. As these changes had not been substantively enacted at the year-end date, their effects are not included in these financial statements.

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

6 Intangible assets

	Software	Total
	£'000	£'000
Cost		
At 1 July 2018	4,807	4,807
Additions	877	877
Disposals	(42)	(42)
At 30 June 2019	<u>5,642</u>	<u>5,642</u>
Accumulated amortisation		
At 1 July 2018	4,651	4,651
Amortisation charged	69	69
Disposals	(42)	(42)
At 30 June 2019	<u>4,678</u>	<u>4,678</u>
Net book value		
At 30 June 2018	<u>156</u>	<u>156</u>
At 30 June 2019	<u>964</u>	<u>964</u>

7 Tangible assets

	Fixtures fittings and equipment £'000	Total £'000
Cost		
At 1 July 2018	941	941
Additions	1,062	1,062
Transfers	85	85
Disposals	(292)	(292)
At 30 June 2019	<u>1,796</u>	<u>1,796</u>
Accumulated depreciation		
At 1 July 2018	367	367
Depreciation charged	210	210
Disposals	(292)	(292)
At 30 June 2019	<u>285</u>	<u>285</u>
Net book value		
At 30 June 2018	<u>574</u>	<u>574</u>
At 30 June 2019	<u>1,511</u>	<u>1,511</u>

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

8 Investments

Which? Limited held the following investments, which are registered in England and Wales:

	Principal activity	Holding	Percentage owned
Direct holdings of the Company:			
Which? Financial Services Limited	Mortgage broking	Ordinary Shares	100%
Which? Legal Limited	Not yet trading	Ordinary Shares	100%

The registered office for all subsidiary undertakings is 2 Marylebone Road, London, NW1 4DF.

Subsidiary undertakings

	£'000
Cost	
At 1 July 2018	24,500
Additions	3,440
At 30 June 2019	<u>27,940</u>
Provision for impairment	
At 1 July 2018	2,800
Impairment in year	25,140
At 30 June 2019	<u>27,940</u>
Net book value	
At 30 June 2018	<u>21,700</u>
At 30 June 2019	<u>-</u>

Following a review of strategy across the group and a consultation period that commenced during the year, it was announced that the Which? Mortgage Advice and Which? Insurance Advice business within Which? Financial Services Limited were to close. As a result the total outstanding net investment (£25,140,000), including the funding for relevant closure costs, held in Which? Financial Services Limited was impaired.

9 Debtors

	2019 £'000	2018 £'000
Trade debtors	965	856
Amounts owed by group undertakings	995	1,704
Other debtors	101	284
Accrued subscriptions	3,067	3,191
Prepayments and accrued income	1,504	1,372
Total debtors	<u>6,632</u>	<u>7,407</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

10 Creditors: amounts falling due within one year	2019	2018
	£'000	£'000
Trade creditors	3,460	3,370
Amounts owed to group undertakings	5,552	10,676
Taxation and social security	478	493
Other creditors	11	5
Subscriptions received in advance	3,047	3,222
Accruals and deferred income	3,838	4,733
Total creditors falling due within one year	16,386	22,499

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11 Creditors: amounts falling due after more than one year	2019	2018
	£'000	£'000
LTIP closure compensation	-	95
Total creditors falling due after more than one year	-	95

12 Financial commitments

At 30 June 2019 the Company had total commitments under non-cancellable operating leases as follows:

	2019	2018
	£'000	£'000
Not later than one year	284	132
Later than one year and not later than five years	2,442	1,718
Later than five years	925	2,038
Total lease commitments	3,651	3,888

This disclosure above reflects the total (rather than annual) commitment.

13 Called up share capital	2019	2018
	£'000	£'000
Allotted, called-up and fully-paid 1,000,000 (2018: 1,000,000) ordinary shares of £1 each	1,000	1,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

14 Staff pensions

Pension schemes

The hybrid section of the Consumers' Association pension scheme provides a pension which is the higher of a defined benefit based on a member's pensionable service and salary and the pension that can be provided by a money purchase account which builds up from part of the employer and employee contributions. The hybrid section was closed to new entrants from 1 April 2004 and to future accrual on 31 March 2019.

Pension contributions

Contributions were paid at the rate of 24.7% per annum of pensionable salaries under the hybrid contribution section of the scheme. Contributions for Which? Limited employees were paid at rates up to 11% per annum of pensionable salaries under the defined contribution section of the scheme. The total contributions to pension funds during the year was £1,558,000 (2017-18: £1,383,000).

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

14 Staff pensions (continued)

Accounting treatment

As set out previously, the Company participates in a group pension scheme. As it is not possible for the Company to identify its share of the underlying assets and liabilities of the group scheme, under FRS 102 the Company has accounted for the scheme as a defined contribution scheme. The amounts required to be disclosed under FRS 102 in respect of the group are set out in the financial statements of the parent company, Consumers' Association.

15 Ultimate parent company and ultimate controlling party

The ultimate parent undertaking and controlling party is Consumers' Association, a private company limited by guarantee, incorporated in Great Britain and registered in England and Wales. Consumers' Association is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 June 2019. The consolidated financial statements of Consumers' Association are available from the Company's registered office at 2 Marylebone Road, London, NW1 4DF.

16 Related party transactions

Which? Limited has taken advantage of the exemption in FRS 102 not to disclose any transactions or balances with related parties that are wholly-owned subsidiaries of the group, headed by Consumers' Association.