Which? Limited

Registration number 00677665

Strategic report, Directors' report

and audited financial statements

for the year ended 30 June 2018

Which? Limited
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Which? Limited
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Strategic report
for the year ended 30 June 2018

The directors present their Strategic report on Which? Limited ('the Company') for the year ended 30 June 2018.

Financial review
Which? Limited is responsible for delivering most of the commercial products and services within the Which? Group. This primarily reflects subscription offerings, including magazines, online tools and helpline services and also includes the Which? Trusted Traders endorsement scheme. Taxable profits generated within the business are transferred through gift aid to the charitable parent company - Consumers' Association.

Total Company turnover for the year was down 2% to £93.1m. This was largely down to us pausing our 'Direct Response TV' (DRTV) marketing campaigns in order to review our offer around attracting new subscribers to Which? as this route was becoming more expensive and inefficient in generating sufficiently high volumes of new customers. This work is currently in progress and once complete, we expect to return our marketing spend back towards previous levels. At the year-end there were 683,000 paid up customers of our subscription products (2017: 734,000), with the reduction largely reflecting the lower number of new trialists, of which a significant number were previously generated from DRTV.

We have continued to rigorously test and review products allowing us to produce engaging and useful magazine and online content for our members. As a result, Which? Magazine remains the UK's best selling monthly magazine. Every one of our Best Buys or Don't Buy recommendations is the product of months of work, digging deeper, going further and doing more for consumers than anyone else and this year we published 4,083 new product reviews. We have taken steps to reach a broader audience by utilising our magazine content on our online channels, as well as publishing digital editions of Which? Gardening, Which? Computing and Which? Travel on the Which? Magazine app.

Our Trusted Traders business continued to build on previous years and for the first time made an annual operating profit. At June 2018 we had nearly 9,000 traders on our books and around 130,000 moderated reviews on our website. Trader retention also improved year-on-year to reach 88%. We expect that Trusted Traders will continue to grow organically and deliver further operational efficiencies.

This year we saw nearly 2 million visits to the Which? Switch website with users making an average annual saving bill of £272 on their energy bills.

Our legal business has performed well in an increasingly competitive and fragmented legal market, although we have not grown the business in-year as much as we originally hoped for. Legal advice revenues have grown year-on-year and the popular live chat function on our consumer rights website was utilised over 20,000 times, allowing us to direct visitors quickly and easily to the information and service they required. During the course of the upcoming year there will be work to improve the online journeys, making it easier for consumers to find relevant legal content and products. The wills market has become increasingly competitive and although it still performed well, a more challenging marketing environment meant overall revenue from wills was down on expectations.

Which? Limited's wholly owned subsidiary, Which? Financial Services Limited, primarily offers an impartial mortgage advice service, providing solutions for customers from over 65 mortgage providers with our advisers being paid a salary rather than a commission. In the year, the business also launched an insurance advice service, helping customers with their protection needs, including life assurance, critical illness and income protection. Although performance improved year-on-year, the business fell short of delivering the operational profitability that was required for at the start of the year, primarily through issues around generating anticipated volumes of new customer leads in an increasingly competitive market. Following a review of expected future discounted cash flows for the business, underpinned by robust and reasonable assumptions, the total £24.5m investment in Which? Financial Services Limited was impaired by £2.8m, resulting in a new carrying value of £21.7m.

The total operating profit of £11.4m for Which? Limited was £0.6m lower than the previous year primarily due to the £2.8m impairment in the wholly owned subsidiary, Which? Financial Services Limited. The adverse impact of the impairment more than offset the reduced marketing spend and Which? Trusted Traders moving into profitability.

Delivering profits within Which? Limited is essential in furthering the wider group goals of expanding charitable activity through funding via gift aid to Which? Limited's charitable parent company – Consumers' Association. We expect that as performance of our products and services continues to improve, they will generate increased profits that will enable us to further expand our charitable work for all consumers. During the year £10.0m of gift aid payments were made.

At 30 June 2018 the Company had total net assets of £15.7m (2017: £14.3m); reflecting the net increase in profits over the gift aid payments.

Future developments
2017/18 was the first year of the Group's five-year strategic plan to double both our impact and commercial profitability. There are five strategic goals that need to be delivered within the plan.

- interweaving more our commercial and charitable activity to help solve consumers' problems;
- becoming a digital first organisation;
- super-serving and super-retaining our core customers;
- diversifying our income streams; and
- serving consumers at key life moments (from 16-80).

Considerable work has already been undertaken across these initiatives and we expect this to accelerate over the next year, particularly around enhancing our digital capability which underpins a lot of our goals. Over the next year we aim to go live with a new customer management system allowing us to far better understand our customers' needs. We are also aiming to deliver a new content management system, which will enable us to post new content online far more quickly and efficiently than we currently do. This increased investment into our digital functionality is expected to continue over the course of our strategic plan, delivering significant improvements in our customer, charitable and commercial capabilities.

Strategic report (continued)
for the year ended 30 June 2018

Earlier in the year we announced we will be closing our Hertford office and relocating the Member Service Centre to Cardiff and Which? Legal Service to Bristol. Our Member Service Centre is the hub of our customer activity and in 2017/18 received over 680,000 customer contacts, including calls, emails and letters. The Hertford office has been providing fantastic service to our members for more than 40 years, all of which has been possible due to the commitment shown by our people.

The combination of Which? Legal relocating to our Bristol office, and the opening of our new Cardiff Member Services Centre, are significant milestones in our ambitions to continue to deliver a fantastic service to our members. Throughout the year we have been working on a new onboarding programme, helping to improve how we welcome, upskill and train new staff to our organisation. We plan to roll this out over the coming year.

As we transition we will take the opportunity to re-focus on customer service and we are already in the process of building the team, skills and expertise required to offer the best possible member experience.

Principal risks and uncertainties
Protecting and strengthening the Which? brand is important to everyone in the organisation. As we grow and develop our business and enter new markets, protecting our reputation is increasingly important.

Our approach to risk management has continued to strengthen during the financial year with greater focus on our enhanced risk reporting. The Which? Limited Board continues to play an important role in risk management, closely monitoring the risks within the Company.

The following are considered to be the key risks within Which? Limited. These are subject to more regular monitoring to ensure that the agreed mitigating actions are sufficient to manage the risk.

- Business model: As the traditional publishing market undergoes change, we are working to identify new business activities and routes to market which will enable us to protect the business and diversify income streams;
- Digital transformation: Adapting our digital capabilities to meet our current and future digital needs;
- People and breadth of agenda: Availability of key resources, including people capabilities and skills, to enable us to deliver our challenging agenda;
- Governance: We are reviewing our governance arrangements to ensure we have the right structure to deliver our strategy and meet the expectations of our stakeholders; and
- Cyber crime: This risk is increasing because of external threats. In common with most similar organisations, we make extensive use of technology solutions for data management and communications, and are constantly aware of the need to ensure that our data and systems are adequately protected against misuse.

Approved by the Board and signed on its behalf by:

Judy Gibbons
Director
2 Marylebone Road
London
NW1 4DF

04 October 2018

Directors' report
for the year ended 30 June 2018

The directors present their report and the audited financial statements of Which? Limited ('the Company') for the year ended 30 June 2018.

Our people
We are committed to attracting and retaining the people we need to ensure we are best placed to deliver our ambitious strategy. We have carried out extensive work to improve our careers website, contributing to our efforts to strengthen our employee brand. This year, to welcome new employees to Which?, we launched the Ambassador Programme, a structured programme of activities designed to bring together everything that is so special about Which? - from our history and our culture, to our promise and our ways of working.

We know the importance and value of developing our people, and launched the Pathway to Leadership Excellence programme for all managers. This programme aims to build on existing skills and capabilities to ensure we are set up to deliver greater future success for our customers and consumers, while building and developing leadership talent for the future. We have continued to invest in everyone through our Grow and Learn programme, which provides a range of resources and other development activities, designed to help our people grow and develop their career with Which?. In addition, this year, we recognised those colleagues who best live the company values through an annual award.

We are committed to ensuring that all employees are fairly paid and we continue to be members of the Living Wage Foundation. Diversity and inclusion at Which? means respecting and celebrating difference and encouraging a culture and environment where everyone can thrive. 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 all employment and working practices for our employees. At the heart of our reward philosophy is the attraction, retention and motivation of employees to enable us to perform.

We adopt a total remuneration approach, (ie. the total of base salary, variable pay and benefits) and aim to be around the median of the relevant market. As a commercial trading company, we need to recruit people from a competitive commercial landscape. With the assistance of external independent experts, we benchmark our roles using a variety of established and robust market data sources that enable us to select the right comparator group for our range of roles.

On the 1st October 2018, Anabel Hoult joined the organisation as the new Group Chief Executive, replacing Peter Vicary-Smith, who departed the business after 14 years. In the upcoming year, we will continue our work under her leadership to ensure our remuneration arrangements are right for all employees.

Going-concern
After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the financial statements of the Company. Further details regarding the adoption of the going-concern basis can be found in the statement of principal accounting policies in the financial statements.

Political and charitable contributions
There were no donations made to political organisations during the year (2016-17: nil). Payments to charities through gift aid distributions of £10.0m (2016-17: £20.0m) were made during the year.

Gift aid distributions
Gift aid distributions of £10.0m were made during the year (2016-17: £20.0m) 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, recycling and reducing energy consumption.

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 1.

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			
Deborah Davis			
Julie Harris			
Anabel Hoult		1st October 2018	
Ian Hudson			
Jonathan Thompson		1st November 2017	
Peter Vicary-Smith			30th September 2018
Kevin Wall			30th September 2017
Tony Ward OBE			

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

(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

An external audit tender process commenced was completed in March 2018. After considering all submissions which included two tenders from outside of the Big Four accountancy firms, the panel, which comprised of representatives from Council (the trustee Board of Consumers' Association - the parent company of Which? Limited), the Which? Limited Board, Group Audit & Risk Committee (GARC) and the Executive, unanimously agreed that PricewaterhouseCoopers LLP should be reappointed as Group auditors. Their proven capability to cover the range of issues, provide robust challenge, and operate cost effectively, led the panel to agree that they remained the most appropriate choice and are pleased that PricewaterhouseCoopers LLP agreed to continue to act as auditor.

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

Directors' responsibilities statement

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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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.

Approved by the board and signed on its behalf by:

Judy Gibbons
Director
2 Marylebone Road
London
NW1 4DF
04 October 2018

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 2018 and of its profit 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 2018;
- 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

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

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

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

Reporting on other information

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

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

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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, 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
04 October 2018

Which? Limited
Registration number 00677665

Income statement
for the year ended 30 June 2018

	Note	2017-18 £'000	2016-17 £'000
Turnover	1	93,120	95,210
Cost of sales		(33,868)	(33,479)
Gross profit		59,252	61,731
Distribution costs		(7,272)	(7,810)
Impairment of investment	8	(2,800)	-
Administrative expenses		(37,760)	(41,920)
Operating profit	3	11,420	12,001
Interest receivable and similar income		-	-
Profit before taxation		11,420	12,001
Taxation on profit	5	-	-
Profit for the financial year		11,420	12,001

There is no difference between the profit before taxation and the profit for the financial year stated above, and their historical cost equivalents, for the current and preceding year.

The figures in the current and preceding 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.

Which? Limited
Registration number 00677665

Statement of financial position as at 30 June 2018

	Note	£'000	2018 £'000	£'000	2017 £'000
Fixed assets					
Intangible assets	6		156		51
Tangible assets	7		574		423
Investments	8		21,700		22,000
			22,430		22,474
Current assets					
Debtors	9	7,407		6,851	
Short term deposits		2,500		-	
Cash at bank and in hand		5,982		7,732	
		15,889		14,583	
Creditors: amounts falling due within one year	10	(22,499)		(22,603)	
Net current liabilities			(6,610)		(8,020)
Total assets less current liabilities			15,820		14,454
Creditors: Amounts falling due after more than one year	11		(95)		(149)
Net assets			15,725		14,305
Capital and reserves					
Called-up share capital	13		1,000		1,000
Retained earnings			14,725		13,305
Total shareholders' funds			15,725		14,305

The notes on pages 11 to 19 are an integral part of these financial statements.

The financial statements of Which? Limited (registered number 677665) on pages 8 to 19 were approved by the Board of Directors and authorised for issue on 04 October 2018 They were signed on its behalf by:

Judy Gibbons

Judy Gibbons
Director

Which? Limited
Registration number 00677665

Statement of changes in equity for the year ended 30 June 2018

	Called-up share capital 2017-18 £'000	Retained earnings 2017-18 £'000	Total shareholders' funds 2017-18 £'000	Total shareholders' funds 2016-17 £'000
At 1 July	1,000	13,305	14,305	22,304
Profit for the financial year	-	11,420	11,420	12,001
Gift aid distribution	-	(10,000)	(10,000)	(20,000)
At 30 June	1,000	14,725	15,725	14,305

Notes to the financial statements for the year ended 30 June 2018

1 General information

The principal activities of Which? Limited included the sale of subscription products and services (magazines, 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

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

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 2018 (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.

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 2018 (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. The Group is funded primarily by retained earnings and has significant cash reserves and liquid investments. The Company and Group generate the majority of their cash in the form of subscription income. 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.

The directors have a reasonable expectation that the Company and Group have 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.

2 Gift aid distribution

	2017-18 £'000	2016-17 £'000
Gift aid payment made to parent undertaking	10,000	20,000
	10,000	20,000

3 Operating profit

	2017-18 £'000	2016-17 £'000
Operating profit is stated after charging:		
Amortisation of intangible assets	26	560
Depreciation of tangible assets	50	92
Impairment of intangible assets	-	218
Impairment of tangible assets	-	54
Loss on disposal of intangible assets	-	150
Impairment of investment	2,800	-
Operating lease charges	94	100
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	32	32
Total audit fees	32	32
Non-audit fees		
Tax services	5	5
Total non-audit fees	5	5

4 Directors and employees

a) The average monthly number of employees during the year to 30 June 2018 was:

	2017-18 Number	2016-17 Number
Administration	47	45
Trading activities	343	319
	390	364

b) Employee costs during the year amounted to:

	2017-18 £'000	2016-17 £'000
Wages and salaries	17,285	15,324
Social security costs	1,995	1,664
Other pension costs	1,383	1,217
Long-term incentive plan	-	(18)
Compensation for closure of LTIP	134	131
Compensation for loss of office	1,332	549
Benefits in kind	421	240
	22,550	19,107

Compensation for loss of office in the year primarily reflects the provision of closure costs of the Hertford office.

c) Directors' remuneration

	2017-18 £'000	2016-17 £'000
Emoluments	793	906
Long-Term Incentive Plan	-	850
Compensation for loss of office	-	29
	793	1,785

The remuneration of the highest paid director in relation to services to Which? Limited was £307,507 (2016-17: £585,000). This was made up of emoluments of £307,507 (2016-17: £284,000), and money receivable under the Long-Term Incentive Plan of £nil (2016-17: £301,000).

Which? Limited

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

4 Directors and employees (continued)

d) Key employees	2017-18 £'000	2016-17 £'000
Key employee costs during the year amounted to:		
Wages and salaries	1,923	1,182
Other pension costs	80	37
Long-Term Incentive Plan	-	(18)
Compensation for closure of LTIP	85	131
Compensation for loss of office	326	29
Benefits in kind	63	25
	2,477	1,386

Members of the Group Corporate Leadership Team who spend time on Which? Limited business are captured within the key employees total above. The increase year-on-year largely represents an increase in the average size in the Corporate Leadership Team during 2017/18 combined with an uplift in compensation for loss of office for members of the team.

5 Taxation on profit

	2017-18 £'000	2016-17 £'000
UK corporation tax at 19.00% (2016-17: 19.75%)	-	-

Factors affecting tax charge for the current year
The tax assessed for both years differ from that resulting from applying the effective rate of corporation tax in the UK: 19.00% (2016-17: 19.75%)

The differences are explained below:	2017-18 £'000	2016-17 £'000
Profit before taxation	11,420	12,001
Tax charge at 19.00% (2016-17: 19.75%) thereon:	2,170	2,370
Effects of:		
Gift aid distribution paid in the current year	(1,900)	(3,950)
Gift aid distribution utilised in prior tax year	870	866
Expenses not deductible for tax purposes	534	162
Capital allowances in excess of depreciation	(114)	24
Movement in short term timing differences	(18)	(29)
Group relief not paid for	(523)	-
Excess gift aid donations	-	557
Expected qualifying charitable donations	(1,019)	-
Total tax charge	-	-

A deferred tax asset of £320,541 (2017: £381,313) 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 2018 was 19.00%, (from 1st April 2017: 19.00%). Therefore the Company's profit 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 2018 (continued)

6 Intangible assets

	Software	Total
	£'000	£'000
Cost		
At 1 July 2017	4,711	4,711
Additions	131	131
Disposals	(35)	(35)
At 30 June 2018	4,807	4,807
Accumulated amortisation		
At 1 July 2017	4,660	4,660
Amortisation charged	26	26
Disposals	(35)	(35)
At 30 June 2018	4,651	4,651
Net book value		
At 30 June 2017	51	51
At 30 June 2018	156	156

7 Tangible assets

	Fixtures fittings and equipment £'000	Total £'000
Cost		
At 1 July 2017	789	789
Additions	201	201
Disposals	(49)	(49)
At 30 June 2018	941	941
Accumulated depreciation		
At 1 July 2017	366	366
Depreciation charged	50	50
Disposals	(49)	(49)
At 30 June 2018	367	367
Net book value		
At 30 June 2017	423	423
At 30 June 2018	574	574

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.
Which? International Limited was closed in the year.

Subsidiary undertakings

	£'000
Cost	
At 1 July 2017	22,000
Additions	2,500
At 30 June 2018	24,500
Provision for impairment	
At 1 July 2017	-
Impairment in year	2,800
At 30 June 2018	2,800
Net book value	
At 30 June 2017	22,000
At 30 June 2018	21,700

In the year Which? Limited invested an additional £2.5m (2017: £4.0m), in Which? Financial Services Limited to support growth within its mortgage advice service.

At the year-end an impairment review was instigated to assess the carrying value of the £24.5m investment in Which? Financial Services Limited. This review tested the robustness of expected future cash flows for the business incorporating detailed analysis of the underlying assumptions. Following this review it was decided that a £2.8m impairment was required to reduce the carrying value to £21.7m.

9 Debtors

	2018 £'000	2017 £'000
Trade debtors	856	554
Amounts owed by group undertakings	1,704	1,280
Other debtors	284	200
Accrued subscriptions	3,191	3,435
Prepayments and accrued income	1,372	1,382
Total debtors	7,407	6,851

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 2018 (continued)

10 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	3,370	2,859
Amounts owed to group undertakings	10,676	12,244
Taxation and social security	493	651
Other creditors	5	15
Subscriptions received in advance	3,222	3,378
Accruals and deferred income	4,733	3,456
Total creditors falling due within one year	22,499	22,603

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

	2018 £'000	2017 £'000
LTIP Closure compensation	95	149
Total creditors falling due after more than one year	95	149

12 Financial commitments

At 30 June 2018 the Company had total commitments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Not later than one year	132	85
Later than one year and not later than five years	1,718	330
Later than five years	2,038	495
Total lease commitments	3,888	910

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

13 Called up share capital

	2018 £'000	2017 £'000
Allotted, called-up and fully-paid		
1,000,000 (2017: 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.

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 £1,383,000 (2016-17: £1,217,000).

Notes to the Financial Statements for the year ended 30 June 2018 (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 2018. 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.