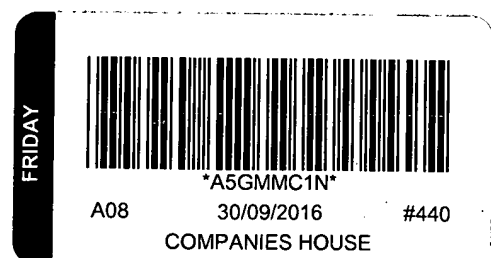


CHANCELLORS ASSOCIATES LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



CHANCELLORS ASSOCIATES LIMITED

COMPANY INFORMATION

Directors

R Jennings
M Oliver (Appointed 17 April 2015)
A Castleton (Appointed 22 July 2016)

Secretary

S Bedi Fitzgerald

Company number

05856303

Registered office

Lahnstein House
Gold Street
Kettering
NN16 8AP

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

Barclays Bank Plc
Midlands Business Banking Centre
PO Box 333
15 Colmore Row
Birmingham
B3 2BH

CHANCELLORS ASSOCIATES LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Statement of Comprehensive Income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 – 16

CHANCELLORS ASSOCIATES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

Review of the business

The company made an operating profit of £138,000 against an operating loss in 2014 of £117,000. The company's key financial and other performance indicators during the year were as follows:-

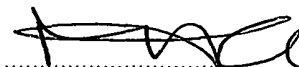
	2015	2014
	£'000	£'000
Operating profit / (loss)	138	(117)
Profit / (Loss) after tax	2,686	(7,933)
Net liabilities	(5,047)	(7,733)

Future Developments

With effect from 31 March 2011 the company transferred most of its trade and assets to e.surv Limited and now only continues to cover its liability to professional indemnity insurance and claims. The directors consider that the company will become dormant once the remaining third party liabilities have been settled.

Since the Balance Sheet date the company has reached an agreement on a settlement figure of a material PI claim and as such has recognised an exceptional benefit of £2,553,000 due to a provision release.

As announced in the LSL Property Services trading update on 22 July 2016, the EU referendum has impacted UK consumer confidence. Whilst these are uncertain times in the residential housing market, the Group has strong fundamentals with a robust balance sheet and relatively low levels of gearing. The business will adapt quickly as it has in the past and is well positioned to navigate the current market conditions.



M Oliver
Director

Date 29th September 2016

CHANCELLORS ASSOCIATES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the company, prior to the transfer of its trade and assets during 2011 to e.surv Limited, was the provision of surveying and valuation services on residential property.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company is that the future results could be adversely affected by claims arising from inaccurate surveys and valuations.

Treasury operations, financial instruments and liquidity risk

Despite no longer trading, the Company has various financial assets and liabilities such as trade receivables, cash and short-term deposits and trade payables, which arise directly from discontinued operations. The Treasury Department in the ultimate parent undertaking manages the liquidity risk in the group, including by monitoring the cash flow position of the Company to prevent shortage of funds to meet liabilities when they fall due.

Going Concern

The company participates in the group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. The company has net current liabilities and net liabilities, and the ability to continue as a going concern is dependent on financial support from the parent company. The parent company, e.surv Limited, has confirmed that it will continue to provide support for the foreseeable future.

Results and dividends

The results for the year are set out on page 6.

The profit for the year, after taxation, amounted to £2,686,000 (2014 loss £7,933,000).

The profit figure includes an exceptional benefit due to a PI provision release regarding a material PI claim. This has been recognised as an exceptional benefit due to the provision originally being created as an exceptional cost.

No dividend was paid during the year and the directors do not recommend the payment of a final dividend (2014: £nil)

Directors

The following directors have held office since 1 January 2015:

R Jennings

M Oliver (Appointed 17 April 2015)

A Castleton (Appointed 22 July 2016)

Resolutions

On 27 June 2007, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings, the laying of directors' reports, financial statements and auditors' reports before the members in general meeting and the obligation to appoint auditors annually.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Post Balance Sheet Event

Since the Balance Sheet date the company has reached an agreement on a settlement figure of a material PI claim and as such has recognised an exceptional benefit of £2,553,000 due to a provision release.

CHANCELLORS ASSOCIATES LIMITED
DIRECTORS' REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

The directors 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.

On behalf of the board



M Oliver
Director

Date: 29th September 2016

CHANCELLORS ASSOCIATES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHANCELLORS ASSOCIATES LIMITED

We have audited the financial statements of Chancellors Associates Limited for the year ended 31st December 2015 which comprise the Statement of Comprehensive Income, Balance Sheet and the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- (i) give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- (ii) have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- (iii) have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

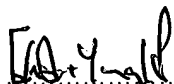
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF CHANCELLORS ASSOCIATES LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



.....
Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

1 Bridgewater Place
Water Lane
Leeds
LS11 5QR


.....

CHANCELLORS ASSOCIATES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
	Notes	£000	£000
Revenue		-	-
Administrative expenses		138	(117)
Operating Profit / (Loss)		138	(117)
Exceptional items	3	2,553	(7,803)
Profit / (loss) before taxation		2,691	(7,920)
Income tax expense	6	(5)	(13)
Profit / (loss) for the year		2,686	(7,933)
Other Comprehensive Income		-	-
Total Comprehensive Income / (Loss)		2,686	(7,933)

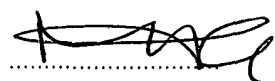
All of the company's operations were discontinued in a prior period.

CHANCELLORS ASSOCIATES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2015

		2015	2014
	Notes	£000	£000
Current assets			
Trade and other receivables	7	720	1,470
Cash and cash equivalents		4	1
		<u>724</u>	<u>1,471</u>
Current liabilities			
Trade and other payables	8	(2,266)	(2,128)
Provisions	9	(3,207)	(2,695)
		<u>(5,473)</u>	<u>(4,823)</u>
Non-current liabilities			
Provisions		(298)	(4,381)
Total non-current liabilities		<u>-</u>	<u>(4,381)</u>
Total liabilities		<u>(5,771)</u>	<u>(9,204)</u>
Net liabilities		<u>(5,047)</u>	<u>(7,733)</u>
Shareholder's equity			
Called up share capital	10	-	-
Profit and loss account		(5,047)	(7,733)
		<u>(5,047)</u>	<u>(7,733)</u>
Total shareholder's deficit		<u>(5,047)</u>	<u>(7,733)</u>

Approved by the Board and authorised for issue on 29th September 2016



M Oliver
Director

Company Registration No. 05856303

CHANCELLORS ASSOCIATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital £000	Retained earnings £000	Total shareholders' equity £000
At 1 January 2014	-	200	200
Loss for the year	-	(7,933)	(7,933)
Total comprehensive loss for the year	-	(7,933)	(7,933)
At 31 December 2014	-	(7,733)	(7,733)
Profit for the year	-	2,686	2,686
Total comprehensive income for the year	-	2,686	2,686
At 31 December 2015	-	(5,047)	(5,047)

CHANCELLORS ASSOCIATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Corporate Information

The financial statements of Chancellors Associates Limited for the year ended 31st December 2015 were authorized for issue by the board of directors on 29th September 2016 and the balance sheet was signed on the board's behalf by Martin Oliver. Chancellors Associates Limited is a private limited company incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared under the historical cost convention.
The company's financial statements are presented in Sterling, which is also the company's functional currency, and all values are rounded to the nearest Thousand (£'000) except when otherwise indicated.

The company's financial statements are individual entity financial statements.

2 Accounting policies

2.1 Basis of preparation

The Company has chosen to adopt early the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 and has prepared primary statements in accordance with IAS 1 Presentation of Financial Statements.

The company applied for the first time for certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the financial statements of the company.

The Company transitioned from UK GAAP to FRS 101 for all periods presented, refer to note 14 for details.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

CHANCELLORS ASSOCIATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2.2 Significant accounting policies

Going concern

The company participates in the group's centralised treasury management and so shares banking arrangements with its fellow subsidiaries. The company has net current liabilities and net liabilities, and the ability to continue as a going concern is dependent on financial support from the parent company. The parent company, e.surv Limited, has confirmed that it will continue to provide support for the foreseeable future.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. The subsequent measurement of financial assets depends on their classification.

Cash

Cash in the balance sheet comprises cash at bank and in hand.

Trade receivables

Trade receivables do not carry any interest and are stated at their original invoiced value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables generally have four to seven day payment terms in the estate agency business. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade payables

Trade payables do not carry any interest and are stated at their original invoice value.

Impairment of assets

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

CHANCELLORS ASSOCIATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The Management Team periodically evaluates positions taken in the tax returns with respect to the situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment. Income tax is charged or credited directly to other comprehensive income or equity, if it relates to items that are charged or credited in the current or prior periods to other comprehensive income or equity respectively. Otherwise income tax is recognised in the income statement.

Exceptional items

The company presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Provisions

A provision is recognised in the balance sheet 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 benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

CHANCELLORS ASSOCIATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements 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. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes.

Professional indemnity claims

Significant judgment is required when provisioning for professional indemnity claims. Details of key assumptions in these areas are disclosed in Notes 3 and 9 to these Financial Statements. A sensitivity calculation which illustrates the impact of different assumptions on the required PI provision is included in Note 9.

3 Exceptional items

	2015 £000	2014 £000
Exceptional costs:		
Provision for professional indemnity claims/notifications	2,553	(7,803)

Provision for professional indemnity (PI) claims/notifications

Since early 2012 the company has experienced a high level of claims relating to the 2004 to 2008 period, which was a period of relatively high risk lending characterised by higher house prices, high loan-to-value ratios and considerable levels of buy-to-let and sub-prime lending.

As a result of the above the group provision was increased by £17.3m in June 2012, by £12.0m in November 2013 and again by £24.6m in December 2014. The company's £7.8m share of this additional reserve was included as an exceptional item in the 2014 financial statements.

Since the Balance Sheet date the company has reached an agreement on a settlement figure of a material PI claim and as such has recognised an exceptional benefit of £2,553k due to a provision release.

The PI Costs provision at 31st December 2015 was made up of a 'Specific Provision' and 'Incurred But Not Reported' (IBNR). The Specific Provision was based on the Company's review of notifications or claims that had been made against the Company as at 31st December 2015, where a loss has been quantified and where activity is current. The main factors considered in quantifying the Specific Provision were the likelihood that a claim would be successful; an assessment of the likely cost for each claim, including any associated interest legal costs, and whether any reduction in the claim is considered likely due to contributory negligence of the lender.

The IBNR provision was based on the Directors estimates of the number of notifications and claims which would be received in the future with regard to work completed before 31st December 2015. The Directors have then applied an average cost per case, based on historical averages, to estimate the IBNR provision.

This provision represents our current best estimate of likely claims costs but the process of resolving open claims and estimating future claims is on-going.

4 Auditors' remuneration

The audit fee of £2,875 for the year has been borne on behalf of the Company by a related group company, e.surv Limited

CHANCELLORS ASSOCIATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5 Directors' remuneration

The directors of the Company were paid by the ultimate holding company, a fellow subsidiary.

The directors received total remuneration for the year of £442,269 (2014 - £225,122). The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and the services as directors of the holding and fellow subsidiary companies.

The remuneration of the highest paid director who is employed by the Company amounted to £228,764 excluding pension costs (2014 - £224,851). Company contributions to money purchase pension schemes for that director amounted to £364 (2014 - £241).

The number of directors who exercised share options during the year was nil (2014 - nil).

6 Taxation

	2015	2014
	£000	£000
Current income tax:		
UK corporation tax charge on profit for the year	5	-
Amounts payable for group relief	-	13
Adjustments in respect of prior periods	-	-
Total current income tax	<u>5</u>	<u>13</u>

Reconciliation of the total tax charge

The tax expense in profit or loss for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015	2014
	£000	£000
Accounting profit before income tax	<u>2,691</u>	<u>(7,920)</u>
Tax calculated at UK standard rate of corporation tax of 20.25% (2014: 21.5%)	545	(1,703)
Deferred tax not recognised	(652)	1,703
Transfer pricing	5	13
Change in tax laws and rate	<u>107</u>	<u>-</u>
Total tax expense reported in profit or loss	<u>5</u>	<u>13</u>

Change in corporation tax rates

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance (No.2) Act 2015 includes legislation which will reduce the rate further to 19%, from 1 April 2017, and to 18%, from 1 April 2020. The Finance (No.2) Act 2015 was substantively enacted on 26 October 2015. These reductions will reduce the company's future tax charge accordingly.

The company has tax losses arising in the UK of £5,708,000 (2014 - £8,398,000) that are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as there is insufficient evidence that the asset is recoverable. The unrecognised asset amounts to £1,027,000 (2014 - £1,680,000).

CHANCELLORS ASSOCIATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

7 Trade and other receivables

	2015	2014
	£000	£000
Trade debtors	5	25
Amounts owed by parent and fellow subsidiary undertakings	660	1,383
Prepayments and accrued income	55	62
	<u>720</u>	<u>1,470</u>

8 Trade and other payables

	2015	2014
	£000	£000
Trade creditors	13	2
Amounts owed to parent and fellow subsidiary undertakings	1,874	1,739
Corporation tax	18	12
Group relief payable	357	370
Accruals and deferred income	4	5
	<u>2,266</u>	<u>2,128</u>

9 Provisions for liabilities

	Professional Indemnity claims £000
At 1 January 2015	
Current	2,695
Non current	<u>4,381</u>
	7,076
Arising during the year	
Amounts used	(779)
Reversal of unused amounts	<u>(2,792)</u>
At 31 December 2015	<u>3,505</u>
Analysed as:	
Current	3,207
Non current	<u>298</u>
	<u>3,505</u>

Professional Indemnity claims

Since the Balance Sheet date the company has reached an agreement on a settlement figure of a material PI claim and as such has recognised an exceptional benefit of £2,553,000 due to a provision release.

The PI Cost provision is to cover the costs of claims relating to valuation services for clients which are not covered by PI insurance. The PI Cost provision includes amounts for claims already received from clients, claims yet to be received and any other amounts which may be payable as a result of legal disputes associated with provision of valuation services.

The provision is the Directors' best estimate of the likely outcome of such claims, taking account of the incidence of claims and the size of the loss that may be borne by the claimant, after taking account of actions that can be taken to mitigate losses. The provision will be utilised as individual claims are settled and the settlement amount may vary from the amount provided depending on the outcome of each claim. It is not possible to estimate the timing of payment of all claims and therefore a significant portion of the provision has been classified as non-current.

CHANCELLORS ASSOCIATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

At 31st December 2015 the total provision for PI Costs was £3.5m. The Directors have considered sensitivity analysis on the key risks and uncertainties discussed above.

Cost per claim

A substantial element of the provision relates to specific claims where disputes are on-going. These specific cases have been separately assessed and specific provisions have been made. The average cost per claim has been used to calculate the required IBNR. Should the costs to settle and resolve these claims and future claims increase by 10%, an additional provision of £0.35m would be required.

Rate of claim

The IBNR assumes that the rate of claim for the high risk lending period in particular reduces over time with the expiry of the primary limitation period as well as the expectation that fewer claims will arise through the passing of time. Should the rate of reduction be lower than anticipated and the duration extend, further costs may arise. An increase of 30% in notifications in excess of that assumed in the IBNR calculations would increase the required provision by £0.07m.

Notifications

The company has received a number of notifications which have not deteriorated into claims or loss. Should the rate of deterioration increase by 50%, an additional provision of £0.03m would be required.

10 Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

11 Contingent liabilities

The Company is party to a bank overdraft and revolving credit facility totalling £100m (2014: £100m) which are secured by a debenture dated 20 June 2013 over the Company's assets together with the assets of a number of the Company's fellow subsidiaries and the Company's parent undertaking. As at 31 December 2015 the amount drawn down under these facilities was £45.5m (2014: £34.7m).

12 Post Balance Sheet Event

Since the Balance Sheet date the company has reached an agreement on a settlement figure of a material PI claim and as such has recognised an exceptional benefit of £2,553,000 due to a provision release.

13 Immediate and ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is LSL Property Services plc, a company registered in England. Its group financial statements are available on application to the Group Company Secretary, LSL Property Services plc, Newcastle House, Albany Court, Newcastle Business Park, Newcastle upon Tyne, NE4 7YB. No other group financial statements include the results of the company.

CHANCELLORS ASSOCIATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14 Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

There have been no adjustments applied on transition to FRS101 for the periods beginning on or after 1 January 2014.