

Company Registration No. 4051797

Opodo Limited

Financial Statements

For the Year Ended 31 March 2016

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Opodo Limited
Report and financial statements 2016

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Opodo Limited
Report and financial statements 2016

Officers and professional advisers

Directors

D Dunne
D Elizaga
P Vimard (appointed 17 December 2015)
S Uhlig (resigned 13 January 2016)

Registered Office

Waterfront Building
Hammersmith Embankment
Chancellors Road
London
W6 9RU

Bankers

Barclays Bank PLC
Deutsche Bank AG

Auditor

Deloitte LLP
London

Opodo Limited

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 March 2016, along with comparative information for the year ended 31 March 2015.

Financial position

The balance sheet, on page 13 of the financial statements, shows the Company's financial position at the end of the period. The net asset position of the Company has improved from €255.5 million at 31 March 2015 to €275.2 million at 31 March 2016 due to positive trading results in a difficult economic climate, allowing the company to invest further in its subsidiaries.

Current assets have risen from €184.9 million to €267.3 million, due primarily to an increase in trade and other receivables. Non-current assets have increased from €399.1 million at 31 March 2015 to €399.4 million at 31 March 2016 due to additional loans granted to fellow group companies in combination with further investments in subsidiaries.

Current liabilities have increased from €166.6 million at 31 March 2015 to €234.8 million at 31 March 2016. This increase in trade and other payables can be attributed to the increase in trading activity. This increase has been partially offset by the continued synergies achieved across the group in combination with the negotiation of better trading terms with our existing supplier base.

The Company had net unrestricted cash of €60.0 million at 31 March 2016 (2015: €41.0 million). The Company continues to manage its working capital by way of its existing cash resources.

Based on the information set out above the directors have a reasonable expectation 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. Please refer to note 1 for further details.

Subsequent events

The Group, through its subsidiary Geo Debt Finance S.C.A., has repurchased €30 million of the 2018 Notes on April 14 2016 at a clearing price of 97% (€29.1 million). All the repurchased Notes have been cancelled.

The tender offer was made as part of eDreams' liability management, to decrease its overall level of debt and was financed out of the company's cash flows.

On May 10, 2016, the Group has approved a new Long Term Incentive Plan for Managers that will be offered to currently employed managers as an alternative to the existing plan. The new scheme will be based on operational performance, measured with stringent financial and strategic objectives. It will have the benefit of generating long-term company value, being simple to administer and align management and shareholder interest (see note 20).

Future developments

The future developments of the company are included on the strategic report on page 6.

Capital structure

Details of the authorised and issued share capital are shown in note 15. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

During the prior year the Company issued 504,403,140 additional shares at a par value of €0.10 per share.

The Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Financial risk management policies and objectives

Opodo Limited

Directors' report (continued)

Use of financial instruments

The Company's policy is to have no speculative trading in financial instruments. During the year, the Company has not entered into any derivative financial instruments for hedging purposes.

The other main risks faced by the Company are interest rate risk, liquidity risk and foreign exchange risk.

(a) Interest rate risk

The Company's deposits attract interest at floating rates. The Company does not hedge against the risk of movements in interest rates.

(b) Liquidity risk

The Company's policy is to maintain flexibility with respect to its liquidity position through the use of short-term or overnight deposits of its surplus cash balance. The directors' assessment of going concern, which has been applied in the preparation of the accompanying financial statements, is provided in note 1 to the financial statements.

(c) Foreign exchange risk

The Company's UK operations receive income and pay certain expenses in sterling and United States dollars. As a result, the Company is subject to translation risk on these transactions and translation of resulting monetary assets and liabilities.

The Company's principal transaction currency is the euro through its branch operations in France and Germany, with sterling also an important currency as a result of the UK's operations. Whilst the uncertainty in the Eurozone regarding the future of the euro appears to have diminished compared to the prior period, it does present additional risks to the Company, both operational and financial. In the event of a major devaluation of the euro against other currencies, the cost to the Company of settling non-euro denominated liabilities and expenses would increase and the Company may suffer translation losses if its own foreign currency denominated assets were insufficient to cover such foreign currency liabilities. Information in respect of the foreign currency denominated assets and liabilities of the Company held at the balance sheet date are provided in note 10.

The Company does not enter into any hedging transactions in respect of such foreign exchange risks.

Research and development activities

The Company's research and development activities principally relate to the development of its website operating platform and related back office systems.

At 31 March 2016, the Company had €5.4 million of capitalised software development costs (31 March 2015: €5.4 million), associated with a number of initiatives to both enhance and add to the Company's existing product offering.

Donations

The Company made no charitable or political donations during the year ended 31 March 2016 (31 March 2015: €nil).

Directors and their interests

The directors during the year were as follows:

D Dunne	appointed 4 April 2014
S Uhlig	appointed 4 April 2014, resigned 13 January 2016
D Elizaga	appointed 11 February 2015
P Vimard	appointed 17 December 2015

None of the directors have any direct interest in the shares of the Company that are required to be disclosed in accordance with the Companies Act 2006.

Opodo Limited

Directors' report (continued)

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Employees

The Company values highly the contribution made to its business by its employees across all areas of its operations.

The average number of persons employed by the Company during the period was 153 (2015: 181)

In considering applications for employment from disabled people, the Company seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration, and where possible equal opportunities for training, career development and promotions are given to disabled persons.

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Company and are of interest and concern to them as employees. The Company also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

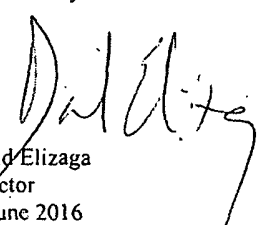
Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board of Directors and signed on behalf of the Board



David Elizaga
Director
15 June 2016

Opodo Limited

Strategic report

The directors present their strategic report for the year ended 31 March 2016, along with comparative information for the year ended 31 March 2015. The directors, in preparing the Strategic report, have complied with s414 of the Companies Act 2006.

Principal activity

The principal activity of Opodo Limited ("the Company") continues to be the operation of online travel websites, providing travel agency services including the marketing and distribution of airline seats, hotel bookings, car hire and travel insurance. The Company operates websites in the United Kingdom, France, Germany, Austria, Portugal and Spain.

Review of developments

On April 14, 2016 eDreams ODIGEO, through its subsidiary Geo Debt Finance S.C.A., repurchased €30 million of the 2018 Notes at a clearing price of 97% (€29.1 million). All the repurchased Notes have been cancelled.

The tender offer was made as part of eDreams' liability management, to decrease its overall level of debt and was financed out of the Company's cash flows.

In the prior year, on 18 March 2014 the Board of Directors of eDreams ODIGEO, the Company's ultimate parent, approved starting the process of the admission to trading process for the eDreams ODIGEO shares on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the "Spanish Stock Exchanges") for the quotation on the Automated Quotation System ("AQS") of the Spanish Stock Exchanges.

On April 8, 2014 eDreams ODIGEO completed its IPO on the Spanish Stock Exchange at a price of €10.25 per share. The over-allotment option to purchase additional offer shares was exercised at the level of 3,370,690 shares.

Results

The Company has performed well in an increasingly competitive market place under tough economic conditions. It is expected to improve performance and also be a proponent to gain additional market share. The Company prepares its results in euros.

The Company uses, amongst others, Gross Bookings, EDITDA and Profit attributable to equity holders as Key Performance Indicators. These represent the total transaction value of all products sold. Under IFRS, net revenue recognisable represents only the revenue directly attributable to the Company. Like-for-like Booked Gross Bookings for the year to 31 March 2016 for all products has increased by 12.5%. The Company's EBITDA has increased from €30.5 million in the year to 31 March 2015 to €32.0 million in the year to 31 March 2016. The Company's Profit attributable to equity holders has also increased in the year to 31 March 2016 to €19.5 million (2014: €16.1 million).

Company revenue was €131.6 million (31 March 2015: €127.5 million) and generated a profit before tax for the year of €24.4 million. The Company generated a profit from continuing operations of €19.5 million (2015: profit of €16.1 million). This shows an increase in profits for the current year €3.4 million. This increase is primarily due to an increase in flight bookings driven by both regular flight Bookings and low cost Bookings, and to an optimisation of our traffic sources. Management have taken steps to ensure that the company remains a strong performer within the markets in which it operates.

Opodo Limited

Strategic report (continued)

Principal risks and uncertainties

The following factors may affect the Company's operating results, financial condition and the value of the Company's shares. The risk factors described below are those which the directors believe are potentially significant, but this should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Trading risks

The trading performance of the Company may be affected by a number of factors outside its control, including:

- wars or international unrest;
- political instability or conflict or other events whereby travellers become concerned about safety issues
- acts of terrorism in key tourist destinations or epidemics; such as swine flu or the threat of either which may materially restrict international travel;
- earthquakes or other natural disasters in key tourist destinations;
- potential outbreaks of epidemics or pandemics.
- disruption to air travel caused by natural disasters or industrial action by employees in the aviation sector;
- unusual weather conditions, both in places where the Company's customers live and in key tourist destinations;
- occurrence of travel-related accidents, such as airplane crashes (whether caused by human or technical defaults or otherwise)
- rising aviation fuel costs and increasing government taxes on air travel may increase the costs of air travel, affecting consumer demand;
- general economic conditions in the Company's key markets of the United Kingdom, France and Germany;
- slowing of growth of internet penetration within the online travel industry;
- additional security requirements affecting travel; and
- airline bankruptcies.

These factors may affect the Company by reducing demand, as its potential customers choose not to, or become unable to, travel. Reductions in demand in an industry with capacity, that in the short term is fixed, leads to overcapacity with associated pressure on margins.

These factors may also affect booking patterns, as increased political and economic uncertainty may lead to an increased propensity for customers to book closer to departure, which as a result of relative inflexibility of capacity, increases the risk that unsold holidays will have to be sold at significantly reduced margins or at a loss.

There are a number of potential trading risks that could potentially affect the Company that are largely within our control, management have implemented procedures and taken steps to mitigate these factors where applicable, however such risks may including:

- failure of continued innovation of products and trading platforms (including mobile and tablet) to keep providing customers with what they want;
- we are heavily reliant on information technology, a failure within this environment could adversely affect the Company;
- failure to continue to adapt to changes within the travel industry, for example a potential shift from short haul flights to high speed rail within Europe, could adversely affect the Company;
- A decline in product availability through key suppliers may adversely affect the product offering of the Company;
- An inability to sign or renew contracts with suppliers supporting the existing and/or future product offerings;
- Failure to maintain and enhance awareness of our brands may result decreased booking volumes; and
- Exposure to payment fraud.

Opodo Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Competition

In its principal markets, the Company faces competition from many sources including, but not limited to, other online travel agents, traditional offline travel agents, tour operators, meta search companies, online portals, search engines and travel suppliers, such as airlines, hotel companies and rental car companies, many of which have their own branded websites, in addition to their physical boutiques. Competitive pressures could affect the ability of the Company to achieve bookings at satisfactory margins.

Regulatory risks

Throughout its operations, the Company requires regulatory licences and approvals. These regulatory requirements vary depending on the area of operation and the specific activity. Failure to continue to satisfy the necessary regulatory criteria (whether financial or operational) could result in the suspension, revocation or non-renewal of one or more necessary licence(s) which, in certain cases, depending on the particular licence or approval concerned, could result in the cessation of that operation.

Operational risks

Operational risks, which are inherent in all business activities, include those which mainly result from a potential breakdown in individual business units of the Company's control of its human, physical and operating resources. The potential financial or reputational loss arising from failures in internal controls, flaws or malfunctions in computer systems and poor product design or delivery all fall within this category. In particular, the Company's ability to generate revenue is dependent upon the continued availability of its websites to customers and any interruption to service may lead to lost revenues.

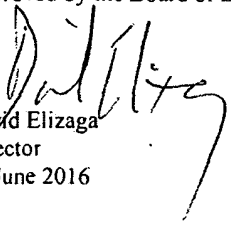
Working capital management

The Company's working capital requires careful management. This involves the management of the timing and amount of significant payments and receipts. The Company has limited ability to influence the timing of these cash flows. Payments generally arise from commitments which are contracted in advance or which are necessary to enable the business to continue operating. Receipts are dependent on the quantum and timing of sales to customers. The Company manages this risk by managing existing cash resources.

Future developments

The Company expects to continue to benefit from its growing presence in multiple international markets. The Company expects its Revenue Margin to grow steadily with higher volumes on Low Cost and Regular flights that will compensate a slight decrease in revenue margin per booking. Diversification will remain an important area with double digit growth expected on Non Flight (primarily Vacation Products). The company expects further synergies deriving from rationalisation of platforms and systems, and improvements in Channel Optimisation as well as Conversion Ratios as a result of a continuous refinement of the trading platforms on which the group operates.

Approved by the Board of Directors and signed on behalf of the Board


David Elizaga
Director
15 June 2016

Opodo Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opodo Limited

Independent auditor's report to the members of Opodo Limited

We have audited the financial statements of Opodo Limited for the year ended 31 March 2016 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. 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 FRS 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, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report and the Strategic Report.

Opodo Limited

Independent auditor's report to the members of Opodo Limited (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



James Bates (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, United Kingdom

21 June 2016

Opodo Limited

Profit and loss account Year ended 31 March 2016

	Notes	31 Mar 2016 €'000	31 Mar 2015 €'000
Revenue	3	131,640	127,464
Cost of sales		<u>-</u>	<u>-</u>
Gross profit		131,640	127,464
Selling, general and administrative expenses		<u>(99,562)</u>	<u>(96,967)</u>
Operating profit	4	32,078	30,497
Finance income	5	5,749	5,791
Finance costs	5	<u>(13,471)</u>	<u>(16,509)</u>
Profit before taxation		24,356	19,779
Taxation	6	<u>(4,841)</u>	<u>(3,674)</u>
Profit attributable to equity holders of the parent		<u>19,515</u>	<u>16,105</u>

All profits arise from continuing operations of the Company.

There are no items of other comprehensive income and therefore no separate statement of comprehensive income has been prepared.

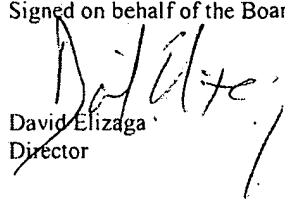
Opodo Limited

Balance sheet As at 31 March 2016

	Notes	31 Mar 2016 €'000	31 Mar 2015 €'000
Non-current assets			
Investments	9	317,095	312,325
Financial assets	10	55,556	55,763
Intangible assets	7	5,487	5,405
Property, plant and equipment	8	458	681
Deferred tax asset	6	20,132	24,918
Other debtors	10	664	-
		<u>399,392</u>	<u>399,093</u>
Current assets			
Trade and other debtors	10	207,088	143,126
Cash and cash equivalents		60,010	40,950
Restricted cash deposits		177	841
		<u>267,275</u>	<u>184,917</u>
Total assets		<u>666,667</u>	<u>584,010</u>
Non-current liabilities			
Financial loans	12	(156,598)	(161,930)
Current liabilities			
Trade and other payables	11	(233,239)	(162,012)
Financial loans	12	(1,607)	(4,556)
Total liabilities		<u>(391,444)</u>	<u>(328,498)</u>
Net current assets		<u>32,430</u>	<u>18,349</u>
		<u>275,224</u>	<u>255,513</u>
Equity			
Share capital	15	216,018	216,018
Share-based payment reserve	16	248	52
Retained profits	17	58,958	39,443
Total equity		<u>275,224</u>	<u>255,513</u>

The financial statements of Opodo Limited, registered number 4051797, were approved by the Board of Directors and authorised for issue on 15 June 2016.

Signed on behalf of the Board of Directors:


David Elizaga
Director

Opodo Limited

Statement of changes in equity Year ended 31 March 2016

	Notes	Share capital €'000	Retained profits €'000	Share-based payment reserve €'000	Total €'000
Balance as at 31 March 2014		165,578	23,338	43	188,959
Increase in share capital	15	50,440	-	-	50,440
Credit to equity for equity-settled share-based payments	16	-	-	9	9
Total comprehensive income for the year		-	16,105	-	16,105
Balance as at 31 March 2015		216,018	39,443	52	255,513
Increase in share capital	15	-	-	-	-
Credit to equity for equity-settled share-based payments	16	-	-	196	196
Total comprehensive income for the year		-	19,515	-	19,515
Balance as at 31 March 2016		216,018	58,958	248	275,224

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

1. Statement of compliance and going concern

Opodo Limited is a private limited company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office is given on page 2, and its principal activities are listed within the Strategic Report.

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

The financial statements at 31 March 2016 show that the Company generated a profit of €19.5 million for the year ended 31 March 2016 (31 March 2015: profit of €16.1 million). At 31 March 2016, the Company was in a net asset position of €275.2 million (31 March 2015: €255.5 million) with net current assets of €32.4 million (31 March 2015: €18.3 million).

Based on the information set out above the directors have a reasonable expectation 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.

2. Significant accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101, having previously been prepared under IFRS. This transition does not mark a GAAP change, with the only impact being reduced disclosure requirements, and therefore this transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities which are measured at fair value in accordance with applicable IFRS. The principal accounting policies adopted are set out below.

These financial statements present information solely on the Company and not its group. The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 as it is a wholly-owned subsidiary of eDreams OdigeO which publishes audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted for use in European Union, which are up to the same date.

eDreams OdigeO is a limited liability company, publicly traded on the Madrid stock exchange, which is the sole shareholder of the Company's immediate parent company LuxGEO S.à r.l.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

2. Significant accounting policies (continued)

(a) Critical accounting judgements and key sources of estimation and uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below) that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The Company recognises revenue when (i) the group has evidence of a contractual agreement in respect of products and services to be provided, (ii) such products are delivered or such services have been rendered and (iii) the revenue is determinable and collectability is reasonably assured. The Company has evidence of a contractual agreement when we enter into a legally enforceable agreement with the customer with terms and conditions that describe the product to be delivered or the service to be rendered and the related payment terms. The Company considers revenue to be determinable when the product or service has been delivered or rendered in accordance with the said agreement.

Where the Company's role in a transaction is that of principal, revenue is recognised on a gross basis. The revenue comprises the gross value of the transaction billed to the customer, net of VAT, cancellations and other associated taxes, with any related expenditure charged as a cost of sale.

Where the Company's role in a transaction is that of a disclosed agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Estimation of useful economic lives of fixed assets

The economic life used to amortise intangible fixed assets and depreciate property, plant and equipment relates to the future performance of the assets in question and management's judgement of the period over which the economic benefit will be derived from the asset.

As at 31 March 2016, the amount of property, plant and equipment included in the Company balance sheet was €0.5 million (2015: €0.7 million). These assets are depreciated over periods ranging between four and five years.

As at 31 March 2016, the amount of intangible fixed assets included in the Company balance sheet was €5.5 million (2015: €5.4 million). These assets are amortised over periods ranging between two and five years.

Key sources of estimation and uncertainty

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of investments in subsidiaries

Determining the recoverability of investments in subsidiaries requires estimation as to whether the investment could be realised for consideration at or in excess of the carrying value. In making such estimations, management has regard to the value in use calculations of those investments. As at 31 March 2016, the investments in the Company balance sheet totalled €317.1 million (2015: €312.3 million).

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

2. Significant accounting policies (continued)

(a) Critical accounting judgements and key sources of estimation and uncertainty (continued)

Key sources of estimation and uncertainty (continued)

Deferred tax

The recognition of deferred tax assets requires judgement as to the probability of taxable profits being available in the future and the quantum and location of taxable profits that are forecast to arise. This requires the directors to exercise judgement in forecasting future results, including assumptions and estimates of growth in revenue and changes in operating margins. Changing the assumptions selected by the directors could significantly affect the Company's forecast results and the amount of deferred taxation included in the Company's results.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT, cancellations and other associated taxes.

Product sales

Where the Company acts as principal in the transaction with the customer, revenue is recognised when (i) there is evidence of a contractual relationship in respect of services provided, (ii) such services have been supplied and (iii) the revenue is determinable and collectability is reasonably assured., which is taken to be the booking date for flight-only sales and the departure date for non-flight related products including dynamic packages. The Group has evidence of a contractual relationship when the customer has acknowledged and accepted the Group's terms and conditions that describe the service rendered as well as the related payment terms. In determining whether the Company acts as principal, judgement is required. Where the Company has latitude in determining the price of the dynamic package and has responsibility for ensuring the dynamic package holiday is supplied as described, revenue represents the consideration earned for the holiday sold to the customer.

Commission

Where the Company acts as an agent and does not take ownership of the products being sold, revenue represents commissions earned. Such revenue comprises passenger ticket sales in respect of flights, hotels, car hire, package holidays and insurance. Revenue is recognised on the date of booking for all products with the exception of package tours.

Booking fees

Where the Company acts as an agent and issues or amends tickets to customers, revenues represent fees earned. Such revenue comprises fees on ticket sales of flights. Revenue is recognised at the date of ticketing.

Incentive income

Where the Company acts as a disclosed agent, additional income (over-commissions) may accrue based on the achievement of certain sales target during a certain agreed period. The Group therefore accrues for such income where it is considered probable that the sales targets will be met and the amount to be received is quantifiable. Where it is probable that the sales target will be met, revenue is recognised based on the percentage of total agreed over-commissions achieved at reporting date.

Advertising

Revenue from advertising is recognised over the period to which it relates.

Opodo Limited

Notes to the financial statements

Year ended ended 31 March 2016

2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Finance income

Finance income is recognised on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(c) Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(d) Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the financial statements, the results and financial position of the Company are expressed in euro, which is the functional currency of the Company, and the presentation currency for these financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency of the Euro (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are converted at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are converted at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(e) Retirement benefit costs

Contributions are recognised as employee benefits when they accrue. Benefits paid in advance are recognised as an asset to the extent that there are a cash refund or a reduction in future payments.

(f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

2. Significant accounting policies (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from a transaction that affects neither the taxable profit nor the accounting profit.

(f) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the amounts recognised and the Group Company intends to settle the net figure, or realise the asset and settle the liability simultaneously.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fixtures and fittings	20% per annum
Computer equipment	25% per annum

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Tangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a tangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(h) Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Company's development of its website operating platform and related back office systems is recognised if, and only if, all of the following have been demonstrated:

- an asset is created that can be identified (such as software and new processes)
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

The revenue associated with the capitalisation of internally-generated intangible assets is classified in the profit and loss statement according to the nature of the development cost of the asset.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

2. Significant accounting policies (continued)

(i) Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Software licences	33% per annum
Software development	33% per annum

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(j) Impairment of long-lived assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

All of the Company's financial assets are classified as 'loans and receivables', reflecting the nature and purpose of the financial assets, determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

2. Significant accounting policies (continued)

(k) Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only where the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially recognised at fair value of the consideration received. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

2. Significant accounting policies (continued)

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(m) Related parties

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

(n) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

(o) Capital contribution

Contributions received in cash or other assets from shareholders without any obligation to make repayment and for which the Company has not issued share capital are credited directly to equity and recorded in the profit and loss reserve.

(p) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

3. Turnover

An analysis of the Company's revenue is as follows:

	31 Mar 2016	31 Mar 2015
	€'000	€'000
Product sales	724	1,834
Agency turnover	89,269	81,719
Incentive income	24,182	23,691
Other turnover	17,464	20,220
Turnover	<u>131,639</u>	<u>127,464</u>
Finance income	<u>5,749</u>	<u>5,791</u>
	<u>137,388</u>	<u>133,255</u>

All sales are within Europe and the directors do not consider the markets in Europe in which the Company operates to be significantly different. Consequently no geographical segmentation has been provided.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

4. Operating profit

Selling, general and administrative expenses ("SG & A") comprise infrastructure costs, marketing and business development and general and administrative costs. Infrastructure costs include IT expenses incurred by the Company to manage and operate the online travel websites. Costs incurred in developing the websites and internal use software, which meet the criteria for recognition under IFRS are capitalised as intangible assets as detailed in note 7. Costs incurred that do not meet the recognition criteria are expensed as incurred.

Marketing and promotional costs include all brand, sales and site activity and are expensed at the time the cost is incurred.

Profit is stated after charging/(crediting):

	Year ended 31 Mar 2016 €'000	Year ended 31 Mar 2015 €'000
Net foreign exchange losses/(gains)	598	(332)
Depreciation (Note 8)	261	297
Write off & Impairment loss on intangible assets	89	364
Impairment loss on trade and other receivables	412	47
Impairment loss on loans receivable from group companies	-	41
Amortisation of intangible assets (Note 7):		
Internally generated assets - included in SG & A expenses	1,052	1,334
Purchased software - included in SG & A expenses	584	485
Redundancy and reorganisation costs	58	415
Research and development costs expensed	-	1,265
Staff costs (excluding directors remuneration)	6,589	6,023
Operating lease rentals - land and buildings	603	626
Onerous lease provision	101	177
Staff costs (excluding directors remuneration)		
Wages and salaries	5,446	5,182
Social security costs	833	730
Pension costs	115	102
	6,394	6,014

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

4. Operating profit (continued)

Employees

The average monthly number of employees (including executive directors) of the continuing operations of the Company during the period was as follows:

	Year ended 31 Mar 2016 No.	Year ended 31 Mar 2015 No.
Staff numbers		
Managers	1	1
Staff	152	180
	<u>153</u>	<u>181</u>

Directors' remuneration

In the current year one of the directors was remunerated through the company. In the prior period, the directors were remunerated by other companies in the OdigeO group. Not all key management are on the payroll of the company and are remunerated by fellow group companies. It is impracticable to have these costs split and recharged to the company.

One of the directors is a member of the Company's defined contribution pension scheme, any applicable non cash benefits are disclosed below. No company contributions were made to money purchase schemes for directors. The directors receive reimbursement for reasonable expenses.

	Year ended 31 Mar 2016 €'000	Year ended 31 Mar 2015 €'000
Cash compensation	146	155
Compensation in kind	1	1
Contributions to Pension Plan and collective Life Insurance Policies	5	7
Total	<u>151</u>	<u>162</u>

Auditor's remuneration

	Year ended 31 Mar 2016 €'000	Year ended 31 Mar 2015 €'000
Fees payable to the company's auditor:		
Audit of the Company's annual accounts	187	206
Other regulatory assurance services	13	13
Other audit-related services including half year review	65	73
Non-audit services	38	51
	<u>303</u>	<u>343</u>

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

5. Finance income and finance costs

	Year ended 31 Mar 2016 €'000	Year ended 31 Mar 2015 €'000
Bank interest and similar income	-	3
Interest receivable from group companies	5,749	5,788
Total finance income: loans and receivables at amortised cost	5,749	5,791
Bonding and guarantee costs	(1,244)	(4,011)
Interest on loans from other group companies	(12,227)	(12,497)
Total finance costs: financial liabilities at amortised cost	(13,471)	(16,509)

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

6. Tax

Tax on profit on ordinary activities

Tax charged in the income statement:

	31 Mar 2016 €'000	31 Mar 2015 €'000
Current tax:		
Foreign tax	54	51
Deferred tax:		
Deferred tax	4,787	3,623
	<u>4,841</u>	<u>3,674</u>

Reconciliation of the total tax charge

The effective tax rate for the year was 20%. Factors affecting the tax charge/(credit) for the year, are as follows:

	Year ended 31 Mar 2016 €'000	Year ended 31 Mar 2015 €'000
Profit before tax	<u>24,356</u>	<u>19,778</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	4,871	4,153
Foreign taxes paid	54	51
Unrecognised temporary differences	1,234	1,303
Benefit of utilisation of previously unrecognised asset	(1,571)	(2,023)
Effect of change in tax rate on deferred tax asset	658	345
Adjustments in respect of prior periods	(405)	(156)
Tax charge	<u>4,841</u>	<u>3,674</u>

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015: 21%). The applicable tax rate changed to 20% from 1 April 2015.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

6. Tax (continued)

Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current period and prior year:

	Tax losses €'000
At 1 April 2015	24,918
Charge to income	(4,129)
Effect of change in tax rate in income statement	(658)
At 31 March 2015	<u>20,132</u>

The following is the provision of the deferred tax balances for financial reporting purposes:

	31 Mar 2016 €'000	31 Mar 2015 €'000
Non-current:		
Tax losses	<u>20,132</u>	<u>24,918</u>

The directors have assessed that it is sufficiently probable that future taxable profits will arise in order to give recognition to a deferred tax asset of €20,132,000 at 31 March 2016 (2015: €24,918,000).

In addition, at the balance sheet date the Company has unrecognised deferred tax assets of €7.6 million (2015: €11.1 million) in respect of accelerated capital allowances and other timing differences arising in the United Kingdom that are available indefinitely for offset against future taxable profits.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

7. Intangible assets

	Finite life intangible assets		
	Software development €'000	Purchased software €'000	Total €'000
Cost			
At 31 March 2015	9,446	2,519	11,965
Additions: purchased separately	-	204	204
Additions: internal development	(5,426)	-	(5,426)
Disposals	3,426	-	3,426
At 31 March 2016	7,446	2,723	10,170
Accumulated amortisation and impairment			
At 31 March 2015	(5,129)	(1,431)	(6,560)
Charge for the year	(1,052)	(584)	(1,637)
Disposals	3,426	-	3,426
Impairment write-off	89	-	89
At 31 March 2016	(2,667)	(2,015)	(4,682)
Net Book Value			
At 31 March 2016	4,779	708	5,488
At 31 March 2015	4,317	1,088	5,405

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

8. Property, plant and equipment

	Computer Equipment €'000	Fixtures and Fittings €'000	Total €'000
Cost			
At 31 March 2015	1,786	721	2,507
Additions	38	-	38
At 31 March 2016	<u>1,824</u>	<u>721</u>	<u>2,545</u>
Accumulated depreciation			
At 31 March 2015	(1,123)	(703)	(1,826)
Charge for the year	(255)	(6)	(261)
At 31 March 2016	<u>(1,378)</u>	<u>(709)</u>	<u>(2,087)</u>
Net Book Value			
At 31 March 2016	<u>446</u>	<u>12</u>	<u>458</u>
At 31 March 2015	<u>663</u>	<u>18</u>	<u>681</u>

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

9. Investments

Details of the Company's subsidiaries at 31 March 2016 are as follows:

Subsidiary	Percentage holding of share capital	Registered Address	Principal activity	Share Class	Country of incorporation
Opodo GmbH	100%	Büschstraße 12 20354 (Hamburg)	Marketing	Ordinary	Germany
Opodo SL	100%	Calle Vilanueva 29 28001 (Madrid)	Development	Ordinary	Spain
Go Voyages SAS (formerly Ly Euro)	100%	9, Rue Rougemont, 75009 (Paris)	Travel services	Ordinary	France
eDreams Corporate Travel SRL	100%	Via Boscovich 14, 20124 (Milan)	Corporate travel	Ordinary	Italy
eDreams Business Travel SL	100%	Carrer Bailén, 67-69, 08009 (Barcelona)	Corporate travel	Ordinary	Spain
Online Travel Portal Ltd	100%	Waterfront Hammersmith Embankment, Chancellors Road, W6 9RU (London)	Travel services	Ordinary	UK
GEO Travel Ventures SA	100%	Carrer Bailén, 67-69, 08009 (Barcelona)	Travel services	Ordinary	Spain
GEO Travel Pacific Pty Ltd	100%	Level 5, Plaza Building, Australia Square, 95 Pitt Street, NSW 2000 (Sydney)	Travel services	Ordinary	Australia
Travellink AB	100%	Hemvärsgatan 9, 171 54 Solna (Stockholm)	Travel services	Ordinary	Sweden
Opodo Italia SRL	100%	Via Boscovich 14, 20124 (Milan)	Travel services	Ordinary	Italy
eDreams Inc.	100%	1209 Orange Street, City of Wilmington, County of New Castle, 19801 (State of Delaware)	Holding Company	Ordinary	USA
Vacaciones eDreams, S.L.U	100%	Passeig de la Zona Franca, 191-205, 08038 (Barcelona)	Travel services	Ordinary	Spain
eDreams International Network, S.I	100%	Carrer Bailén, 67-69, 08009 (Barcelona)	Admin & IT Services	Ordinary	Spain
eDreams, S.r.L	100%	Via Boscovich 14, 20124 (Milan)	Travel services	Ordinary	Italy
Viagens eDreams Portugal LDA	100%	Avda. Fontes Pereira de Melo, 7 (Lisbon)	Travel services	Ordinary	Portugal
eDreams do Brasil Viagens e Turismo	100%	Rua James Watt, 84, 9th floor, Room 2, Brooklin Novo, 04576-050 (São Paulo)	Travel services	Ordinary	Brazil
eDreams LLC	100%	160 Greentree Drive Suite 101 (City of Dover) Delaware	Travel services	Ordinary	USA
Go Voyages Trade	100%	9, Rue Rougemont, 75009 (Paris)	Travel services	Ordinary	France
Liligo Metasearch Technologies	100%	9, Rue Rougemont, 75009 (Paris)	Metasearch	Ordinary	France
ODIGEO Hungary Kft	100%	Weiner Leó utca 16. 6. em, 1066 (Budapest)	Admin & IT Services	Ordinary	France
Findworks Technologies Bt	100%	Sashegyi út 9. 1124 (Budapest)	Travel services	Ordinary	France
IIPIR Software Development S.L.	25%	Calle Catalina 11, 3.º B Majadahonda (Madrid)	Development Software	Ordinary	Spain

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

9. Investments (continued)

	Shares in subsidiary undertakings €'000	Other Investments €'000	Total Investments €'000
Cost			
At 31 March 2015	312,325	200	312,525
Additions	5,000	-	5,000
At 31 March 2016	317,325	200	317,525
Provision for impairment			
At 31 March 2015	-	200	200
Charged in the year	230	-	230
At 31 March 2016	230	200	430
Net Book Value			
At 31 March 2016	317,095	-	317,095
At 31 March 2015	312,325	-	312,325

Additional investments in the current year are represented by additional contributions to GoVoyages SAS €5m and eDreams LLC for €1. The investment in Really Late Bookings was fully impaired during the year.

Opodo Limited

Notes to the financial statements. Year ended ended 31 March 2016

10. Debtors

	31 Mar 2016 €'000	31 Mar 2015 €'000
Amount falling due within one year		
Trade debtors	6,059	3,683
Allowance for doubtful debts	(406)	(61)
	<u>5,653</u>	<u>3,623</u>
Amounts due from other Odigeo group companies	191,754	131,824
VAT and other tax receivable	965	724
Prepayments and accrued income	8,676	6,899
Other debtors	<u>40</u>	<u>56</u>
	<u>207,088</u>	<u>143,126</u>
 Amount falling due after more than one year		
Amounts due from other Odigeo group companies	55,556	55,763
Other debtors	<u>664</u>	<u>-</u>
	<u>56,220</u>	<u>55,763</u>
	 31 Mar 2016 €'000	 31 Mar 2015 €'000
Movement in the allowance for doubtful debts:		
Balance at beginning of period	61	238
Increase/(Decrease) in provision	<u>345</u>	<u>(178)</u>
Balance at the end of the period	<u>406</u>	<u>61</u>

The Company has provided for trade debtors based on estimated irrecoverable amounts, determined by reference to past default experience. During the current year the provision for impairment has increased as a result of the reassessing the recoverability of trade debtors aged greater than 90 days. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe there is no further credit provision required in excess of the allowance for doubtful debts. Other debtors have also been assessed in terms of creditworthiness and are considered to be recoverable. No allowance for doubtful debts has been made on these balances.

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

10. Debtors (continued)

Entity	Date of Repayment	Currency	31 Mar 2016 €'000	31 Mar 2015 €'000
Go Voyages SAS	27-Oct-26	Euro	-	-
Axa Europe SAS	27-Oct-26	Euro	152	152
LuxGoal SAS	27-Oct-26	Euro	186	186
Vacaciones eDreams SLU	31-Aug-18	Euro	55,000	55,000
Odigeo Group employees	27-Oct-26	Euro	1,122	1,122
less: Impairment			(1,456)	(1,456)
			55,003	55,003
Capitalised finance costs			553	761
			55,556	55,763

11. Trade and other payables

	31 Mar 2016 €'000	31 Mar 2015 €'000
Trade payables	94,110	75,475
Employee related accruals	515	162
Other taxes and social security cost payable	201	227
Amounts owed to OdigeO group companies	120,897	69,955
Accruals and deferred income	12,515	11,173
Other payables	240	474
	228,478	157,467
Financial liabilities due to OdigeO group companies	2,032	2,031
Other financial liabilities	2,729	2,514
	233,239	162,012

The Company has been assessed by the UK tax authorities for an amount of €0.4 million. This concerns a dispute re the qualification for VAT purposes of the contractual relationship between the Company and a UK bed bank. The Company disputes the UK tax authorities' view that the UK entity should have paid UK VAT on the margin which it has generated in respect of this contractual relationship relating to hotel accommodation which is located outside the UK. The Company has appealed against the assessment with the UK First tier Tribunal, where it is currently pending, and takes the view that it has sufficient arguments to successfully defend its case. As the risk is considered only possible, no liability has been recognised in the balance sheet.

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Notes to the financial statements Year ended ended 31 March 2016

11. Trade and other payables (continued)

The Company has changed the VAT treatment of its mediation services to German customers, following the change of the VAT rules regarding the supply of so-called 'electronic services' in combination with the interpretation of the scope of 'electronic services' as from 1 January 2015. The Company has informed the German tax authorities about this change. Since the German tax authorities in the past have expressly accepted the previous VAT treatment, whereas the new VAT treatment is based on the German tax authorities' own interpretation of 'electronic services', the Company considers that a contingency no longer exists.

12. Borrowings

	31 Mar 2016 €'000	31 Mar 2015 €'000
Unsecured borrowing at amortised cost		
Interest bearing loans with Group company	(154,820)	(160,927)
Capitalised finance costs	1,822	2,504
Other	(3,599)	(3,507)
Amounts due to OdigeO group companies	(1,607)	(4,556)
	<u>(158,205)</u>	<u>(166,486)</u>
Total borrowings		
Amount due for settlement within 12 months	<u>(1,607)</u>	<u>(4,556)</u>
Amount due for settlement after 12 months	<u>(156,598)</u>	<u>(161,930)</u>
	31 Mar 2016 €'000	31 Mar 2015 €'000
Borrowings are repayable as follows:		
Between one and two years	<u>-</u>	<u>-</u>
Between two and five years	<u>(156,598)</u>	<u>(161,930)</u>

The non-current interest bearing loans with Group companies comprise €16.4 million and a second loan of €138.4 million. Both of the tranches mentioned above bear interest at the rate of Euribor plus 4% and have a fixed date of repayment of 31 March 2018. The second loan of €138.4 million, mentioned above, bears interest at an effective rate of 7.77% per annum and is repayable in full on 1 August 2018.

The current interest bearing loan with Group companies is made up of a single loan of SEK 14.8 million (2015: SEK 42.5 million) which accrues interest at 1 month STIBOR plus 2.5%.

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Notes to the financial statements Year ended ended 31 March 2016

13. Operating lease arrangements

The Company had total commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	31 Mar 2016 €'000	31 Mar 2015 €'000
Company		
Operating leases:		
Within one year	324	423
In two to five years	53	526
	<u>378</u>	<u>949</u>
	31 Mar 2016	31 Mar 2015
	€'000	€'000
Minimum lease payments under operating leases charged to the income statement for the year	<u>603</u>	<u>626</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties. Other than as set out above, leases are negotiated for an average term of five years and rentals are fixed for an average of three years. The above figures include the lease payments associated with the Leicester office. This office was closed in November 2014. The company has been unable to find a compromise with the landlord and has therefore accounted for an onerous lease with a total outstanding value of €101k at 31 March 2016. This provision is included in Accruals and deferred income. This onerous lease accrual represents discounted future lease payments associated with the lease which expires in July 2017. The discount rate applied is the weighted average cost of capital for the Group.

Onerous lease movements for the year:

	€'000
Opening balance at 1 April 2015	177
Provision booked during the year	-
Provision released during the year	<u>(76)</u>
Closing balance 31 March 2015	<u>101</u>

Opodo Limited

Notes to the financial statements Year ended ended 31 March 2016

14. Retirement benefit schemes

The Company participates in a defined contribution group scheme. The assets of the scheme are held separately from those of the Company in independently administered funds.

The total cost charged to income of €114,573 (2015: €102,251) represents contributions payable to the scheme by the Company at rates specified in the rules of the plans. As at 31 March 2016, outstanding contributions amounting to €7,151 (2015: €7,363) were due to the scheme as these contributions are settled monthly in arrears.

15. Share capital

	31 Mar 2016 €	31 Mar 2015 €
Authorised:		
3,030,000,000 ordinary shares of €0.1 each	303,000,000	303,000,000
30,000,000 redeemable convertible shares of €1 each	<u>30,000,000</u>	<u>30,000,000</u>
	<u>333,000,000</u>	<u>333,000,000</u>
		€
Issued and fully paid:		
At 31 March 2015: 2,160,184,753 ordinary shares of €0.1 each		216,018,475
Shares issued during the year		<u>-</u>
At 31 March 2016: 2,160,184,753 ordinary shares of €0.1 each		<u>216,018,475</u>

16. Share-based payment reserve

Other equity Instruments

	31 Mar 2015 €'000	31 Mar 2014 €'000
Vested share options	<u>248</u>	<u>52</u>

Details regarding the respective plans can be found in note 4.

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Notes to the financial statements Year ended ended 31 March 2016

16. Share-based payment reserve (continued)

Share-based payments

A Long Term Incentive Plan ("Incentive Plan") in which certain employees of the Company or any subsidiaries (the "Participants") may participate was granted on September 26, 2014. The purpose of this Incentive Plan was to enable the Participants to participate in the possible increase in value of the Company.

The total maximum number of shares that could be acquired by the Participants under the Incentive Plan represents 4.4% of the total issued share capital of the Company on a fully diluted basis.

The Incentive Plan basically concerns the granting of the right to acquire a certain number of shares in the Company (called Incentive Shares) to the Participants for a price equal to the local nominal value of the Incentive Shares (€0.01 per share), provided that certain conditions are met:

- Service condition: the Participants must be employed by the Company or any subsidiary during a certain period of time i.e. he must hold an active employment or services relationship until a certain future date.
- Market-performance condition: the target increase in value of the Company's shares must be reached.

The Incentive Plan refers to the ordinary shares issued by eDreams ODIGEO, S.A..

As at March 31, 2015, 43,642 Incentive Shares were granted under the Incentive Plan. The Fair value of the Incentive Plan was calculated, using the Black - Scholes pricing model.

Expected volatility was estimated based on an average of eDreams ODIGEO volatility together with the historical volatility of companies operating in the same industry.

During the second semester of the fiscal year ended at March 31, 2016, additional rights were granted under the same Plan, and as at March 31, 2016 225,410 Incentives Shares are granted under the Incentive Plan. The fair value of the Incentive Plan for the additional shares was calculated, using the Black - Scholes pricing model.

Expected volatility was estimated based on an average of eDreams ODIGEO volatility together with the historical volatility of companies operating in the same industry.

The cost regarding this new plan has been recorded in Personnel expenses in the Profit and loss (see below) and against Equity, amounting € 195,665 and €9,473 in March 31, 2016 and 2015 respectively.

17. Retained profits

	€'000
Balance at 1 April 2015	39,443
Net profit for the year	<u>19,515</u>
Balance at 31 March 2016	<u>58,958</u>

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Notes to the financial statements Year ended ended 31 March 2016

18. Commitments and contingencies

As required by industry regulators including IATA, the Company has trade bonds in place which are designed to protect consumers and airlines (IATA) in the event that an agent ceases trading. In the event that the Company ceased trading, the restricted cash deposits would not be returned to the Company, but would be utilised to cover any outstanding liabilities.

The level of bonding required is determined on an annual basis by the regulators with reference to historical and expected future trading.

At 31 March 2016, in order to maintain the Company's various travel agency licences the Company had bank guarantees in place to travel agency regulators in the total amount of €24,227,800 (2015: €32,735,037).

19. Ultimate parent company and controlling entity

The Company's immediate parent company and controlling entity is LuxGEO S.à.r.l., a company incorporated in Luxembourg.

The main holding company of LuxGEO S.à.r.l. and its parent GeoTravel Finance SCA, is eDreams OdigeO S.A.. eDreams OdigeO S.A. is the entity which is listed on the Spanish Stock Exchange. Two companies within the group prepare consolidated financial statements: Geo Travel Finance S.C.A. being the smallest and eDreams OdigeO being the largest.

20. Subsequent events

The Group, through its subsidiary Geo Debt Finance S.C.A., has repurchased €30 million of the 2018 Notes on April 14 2016 at a clearing price of 97% (€29.1 million). All the repurchased Notes have been cancelled.

The tender offer was made as part of eDreams' liability management, to decrease its overall level of debt and was financed out of the company's cash flows.

On May 10, 2016, the Group has approved a new Long Term Incentive Plan for Managers that will be offered to currently employed managers as an alternative to the existing plan. The new scheme will be based on operational performance, measured with stringent financial and strategic objectives. It will have the benefit of generating long-term company value, being simple to administer and align management and shareholder interest.

The settlement of the Performance Stock Rights ("PSRs") would represent 4.4% of the total issued share capital of the company on a fully diluted basis. The vesting of the rights is pushed out in time a maximum of one year vs currently scheduled vestings. The estimated accounting value of the new plan is €13.1 million, €6.8 million more than before the change. As of March 31, 2016 €4.6 million have been registered (see note 24) and the remaining €8.5 million will be accrued in the following two years.

The new LTIP will last for two years and is designed to vest around financial results publications between November 2016 and November 2017.