

Holiday Lettings Limited

Annual Report and Financial Statements

31 December 2015

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Holiday Lettings Limited

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Holiday Lettings Limited

COMPANY INFORMATION

Directors

S Kaufer

S Kalvert

J Bradley (resigned 20 November 2015)

M Charron (resigned 26 August 2015)

Secretary

Kemp Little LLP

Auditor

KPMG LLP

Arlington Business Park

Theale

Reading RG7 4SD

Registered Office

7 Soho Square

London W1D 3QB

Holiday Lettings Limited

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The principal activity of the company is the advertising of holiday rental properties on the internet on behalf of private home owners and agencies. Main product lines are advertising subscriptions and "Free to List", where owners pay a commission on bookings made through the Holiday Lettings site. As part of this product line, holidaymaker payments for vacation rentals are received and held on behalf of the home owner by Holiday Lettings until the holiday has started.

Financial key performance indicators

	2015	2014 (restated)
Revenue growth	+59%	+36%
Gross margin	78%	73%
Increase in administrative expenses	+27%	+26%
Net profit margin	8%	-8%
Current ratio	1.03	0.94

Business review

Holiday Lettings continued to experience strong growth in revenue and properties advertised through its website in 2015. The company has continued to invest in product innovation and development particularly in relation to the "Free to List" product. Operating profits have risen from a loss of (£2,286,000) in 2014 to a profit of £2,910,000 in 2015 as a result of revenue growth.

Principal risks and uncertainties

The company is one of the leading companies operating in the holiday home lettings industry and in conjunction with its close ties to the TripAdvisor group, trades from a position of relative strength; with new entrants finding it difficult to grow website traffic levels to sufficient volumes such that they could become a threat. Whilst we cannot rule out the appearance of further new entrants or business models, we believe that our market position and the quality of our product offering enable us to respond effectively to any such threat. The company is committed to the continued development of its product offering in order to strengthen its market share.

The directors believe that there are limited risks relating to operational failures, to financial and legal exposures, due to fraud or embezzlement. The business has few tangible assets and the major intellectual assets are in the design of the website and in the company's brand identity, recognition and reputation. The company endeavours to follow best practice with regards to the security of its website, and continues to invest in site resilience enhancements on an ongoing basis.

The company experiences some currency risk associated with changes in US dollar exchange rates in respect of services supplied and invoiced in USD. Invoices are accrued into the accounts in GBP at the month end exchange rate and settled in USD within the subsequent month.

Cash balances held in foreign currencies on behalf of home owners are always paid out in the currency in which they are received so that there is no exchange risk arising between the date of receiving funds from holidaymakers and paying those funds over to home owners.

The foreign exchange loss for the year (shown in note 4) consists of an unrealised gain on retranslation of cash balances held on behalf of owners at the year end and a realised loss arising from the transfer to GBP of commission earned by the company in foreign currencies.

The company works closely with the TripAdvisor corporate treasury team to assess the necessity and suitability of any potential hedging tools.

This report was approved by the board and signed on its behalf on 29 Sept 2016


Seth Kalvert
Director

Holiday Lettings Limited

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Registered No. 05282912

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Results and dividends

The profit for the year after taxation amounted to £2,288,000 (2014 – loss of £1,564,000). The directors do not recommend a final dividend (2014 – £nil).

Directors

The directors who served the company during the year were as follows:

S Kaufer

S Kalvert

J Bradley (resigned 20 November 2015)

M Charron (resigned 26 August 2015)

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Holiday Lettings Limited

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Registered No. 05282912

Research and development activities

The Company undertakes research and development expenditure in view of developing new products and improving the existing website. Further details are set out in note 1 to the financial statements.

Reappointment of Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Political and charitable contributions

During the year, the company made no political contributions.

As part of the company's commitment to the community in which it operates the company has strong associations with Helen and Douglas House, a charity which provides care for children and young adults with life limiting illnesses. The company donates time by allowing each member of staff to take two days per calendar year to spend as volunteer workers either for this or other charities within the TripAdvisor volunteering network. The company also actively encourages and supports payroll giving, by matching charitable donations made via this payment method.

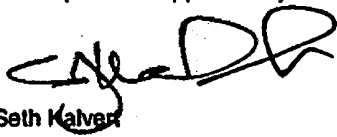
Disclosure of information to the auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the auditor is unaware.
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the auditor is aware of that information.

This report was approved by the board and signed on its behalf on

29 Sept 2016



Seth Kalver
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLIDAY LETTINGS LIMITED

We have audited the financial statements of Holiday Lettings Limited for the year ended 31 December 2015 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- 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 AUDITOR'S REPORT TO THE MEMBERS OF
HOLIDAY LETTINGS 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.



Jonathan Russell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

30th September 2016

Holiday Lettings Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Notes</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>(restated)</i> <i>£000</i>
Turnover	3	30,084	18,934
Cost of sales		<u>(6,743)</u>	<u>(5,055)</u>
Gross profit		23,341	13,879
Administrative expenses		(20,431)	(16,088)
Onerous lease and dilapidations charges		<u>–</u>	<u>(77)</u>
Total administrative expenses		(20,431)	(16,165)
Operating profit / (loss)	4	2,910	(2,286)
Interest receivable and similar income	7	<u>63</u>	<u>58</u>
Profit / (loss) on ordinary activities before taxation		2,973	(2,228)
Tax on profit/(loss) on ordinary activities	8	<u>(685)</u>	<u>664</u>
Profit / (loss) for the financial year		<u>2,288</u>	<u>(1,564)</u>

All amounts relate to continuing activities.

There were no recognised gains or losses for either financial period other than the results stated above.

The notes on pages 12 to 27 form an integral part of these financial statements.

Holiday Lettings Limited

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	£000	(restated)
		£000
<i>Profit / (Loss) for the financial year</i>	2,288	(1,564)
<i>Other comprehensive income</i>	-	-
<i>Total Comprehensive income for the year</i>	<u>2,288</u>	<u>(1,564)</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

Holiday Lettings Limited

BALANCE SHEET AT 31 DECEMBER 2015

	Notes	2015 £000	2014 (restated) £000
Fixed assets			
Intangible assets	9	3,511	5,265
Tangible assets	10	592	904
		<u>4,103</u>	<u>6,169</u>
Current assets			
Debtors	11	6,865	5,590
Cash at bank and in hand		27,673	16,487
		<u>34,538</u>	<u>22,077</u>
Creditors: amounts falling due within one year	12	<u>(33,687)</u>	<u>(23,481)</u>
Net current assets / (liabilities)		<u>851</u>	<u>(1,404)</u>
Total assets less current liabilities		<u>4,954</u>	<u>4,765</u>
Provisions for liabilities			
Other provisions	13	<u>(157)</u>	<u>(488)</u>
Net assets		<u>4,797</u>	<u>4,277</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account		<u>4,797</u>	<u>4,277</u>
Shareholders' funds		<u>4,797</u>	<u>4,277</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 Sept 2016 and were signed on its behalf by:


Seth Kalvert
Director

Holiday Lettings Limited

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015

	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total Equity</i> £000
At 1 January 2015 (restated)	-	4,277	4,277
Comprehensive income for the year			
Profit for the year	-	2,288	2,288
Reserve credit for share based payments	-	(1,768)	(1,768)
At 31 December 2015	-	<u>4,797</u>	<u>4,797</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

Holiday Lettings Limited

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total Equity</i> £000
At 1 January 2014	-	6,801	6,801
Comprehensive income for the year			
(Loss) for the year	-	(1,564)	(1,564)
Contributions by and distributions to owners			
Equity-settled share based payment transactions	-	(960)	(960)
At 31 December 2014 (restated)	-	4,277	4,277

The notes on pages 12 to 27 form an integral part of these financial statements.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first time adoption of FRS 102 is given in note 22.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of TripAdvisor, Inc. as at 31 December 2015 and these financial statements may be obtained from www.tripadvisor.com.

Revenue recognition

Turnover comprises revenue recognised by the company in respect of holiday property advertisements on the website, exclusive of Value Added Tax and trade discounts.

Subscription revenue is principally billed in advance. The revenue is spread equally over the advert period, with any deferred income held on the balance sheet. The first tranche of revenue is recognised at point of activation of the advert.

Free to List revenue is billed at time of booking, and then deferred and held on the balance sheet until the holiday has started.

Revenue recognition – Prior year adjustment

In order to align revenue recognition policy with other booking businesses within the parent organisation, and to recognise revenue at time of stay, the profit and loss account and balance sheet for the year includes an adjustment to revenue and deferred revenue respectively. For the current period the adjustment has resulted in a decrease in revenue of £1,911k, and an increase of £3,392k in the deferred revenue balance as at 31 December 2015. There was a £1,481k decrease in the opening reserves to reflect the change in accounting policy on the revenues for the year ended 31 December 2014. The effect of this adjustment has been reflected in the restatement of the profit and loss account and balance sheet for 2014.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	20% straight line per annum or over the remaining lease term
Fixtures and fittings	-	20% straight line per annum
Office equipment	-	33% straight line per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. Amortisation is provided on a straight line basis over the estimated useful life of the asset up to a maximum of 3 years.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is Pounds Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction, and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

Research and development

The company undertakes research and development expenditure with a view of developing new products and improving the existing holiday homes website. Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the profit or loss as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of a new product or substantially enhanced website, is capitalised if the new product or the enhanced website is technically and commercially feasible and the company has sufficient resources to complete development.

The expenditure capitalised includes subcontractors and direct labour. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed when incurred.

Deferred research and development costs are periodically reviewed and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the estimated amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share based payments

The company participates in the TripAdvisor Inc. 2011 Stock Annual Incentive Plan. Pursuant to the plan, employees can receive remuneration in the form of Stock Options, Restricted Stock Units ("RSUs") and other stock-based awards from TripAdvisor Inc. ("TripAdvisor"), the ultimate parent and controlling company, as set out in note 18. The Company accounts for share based payments in accordance with FRS 102 section 26 Share Based Payments, which requires all employee share awards to be expensed in the profit and loss statement with the expense measured at fair value at the date of grant and amortised over the vesting period.

Restricted Stock Units

Restricted stock units (RSU) are stock awards that are granted to employees entitling the holder to shares in common stock as the award vests, typically over a four-year period. RSUs are measured at estimated fair value on the number of shares granted and the quoted market price of TripAdvisor common stock at the date of the grant.

Stock Options

Stock options are measured at their estimated fair value on the grant date by TripAdvisor. The estimated fair value of stock options is calculated using a Black-Scholes Merton option-pricing model (Black-Scholes model). The Black-Scholes model incorporates TripAdvisor assumptions to value stock-based awards, which include the risk free rate of return, expected volatility, expected term and expected dividend yield.

The estimated fair value of both stock options and RSUs, net of estimated forfeitures, are amortised over the respective vesting terms and the annual share based payment expense, is calculated by TripAdvisor, Inc.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Depreciation, amortisation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

Impairment

The Directors have considered the valuation of investments in intangible fixed assets, tangible fixed assets and group undertakings. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Due to their nature, evaluating whether an asset is impaired or not requires a significant degree of judgement and may to a large extent depend on the assumptions made in its evaluation. The Directors have concluded that the valuation of assets as at the year-end are appropriate.

Deferred taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate.

Valuation of share based payments

The Directors estimate the expected value of equity settled share based payments and this is charged to the profit and loss over the vesting periods of the relevant payments. The cost is estimated using the Black-Scholes valuation model. The Black-Scholes model is based on a number of assumptions, and are amended to take account of estimated levels of share vesting and exercise. This method of estimating the value of the share based payments is intended to ensure that the actual value transferred to employees is provided in share based payment reserve, disclosed within other reserves, by the time the payments are made.

3. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

The analysis of turnover by geographical market has been omitted as the directors consider that disclosure would be prejudicial to the interests of the company.

The directors consider that all turnover is attributable to the one continuing principal activity of the business.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

4. Operating Profit / (Loss)

	2015	2014
	£000	(restated) £000
<i>This is stated after charging:</i>		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	30	23
Depreciation of tangible fixed assets	349	251
Amortisation of intangible assets	2,865	2,567
Onerous lease and dilapidations net charges	–	77
Loss on foreign exchange	657	144
Loss on disposal of fixed assets	93	157
Operating lease rentals – land and buildings	–	84

5. Directors' remuneration

The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended 31 December 2015 (2014 - £nil).

6. Staff costs

	2015	2014
	£000	£000
Wages and salaries	5,716	6,839
Social security costs	781	941
Cost of defined contribution pension scheme	171	168
	<u>6,668</u>	<u>7,948</u>

Included in wages and salaries is a total expense of share-based payments of £845,005 (2014: £1,190,001) arising from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	2015	2014
	No.	No.
Administration	154	153
Management	3	4
	<u>157</u>	<u>157</u>

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

7. Interest receivable and similar income

	2015 £000	2014 £000
Interest receivable from group companies	37	37
Other interest receivable	26	21
	<u>63</u>	<u>58</u>

8. Tax

(a) Tax on profit / (loss) on ordinary activities

The tax charge / (credit) is made up as follows:

	2015 £000	2014 (restated) £000
Current tax:		
UK corporation tax on the profit / (loss) for the year	419	–
Total current tax	<u>419</u>	<u>–</u>
Deferred tax:		
Origination and reversal of timing differences	266	(664)
Adjustments in respect of prior periods	3	–
Adjustments in respect of tax rates	(3)	–
Total deferred tax (note 8(c))	<u>266</u>	<u>(664)</u>
Tax on profit / (loss) on ordinary activities (note 8(b))	<u>685</u>	<u>(664)</u>

(b) Factors affecting current tax charge for the year

The tax assessed on the profit/loss on ordinary activities for the year is higher than the standard blended rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are reconciled below:

	2015 £000	2014 (restated) £000
Profit / (Loss) on ordinary activities before tax	<u>2,973</u>	<u>(2,228)</u>
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax	602	(479)
Effects of:		
Expenses not deductible	4	2
Impact of share options – timing differences between distribution and charge to profit and loss account	87	(467)
Adjustments in respect of tax rate changes	(3)	54
Effects of Group relief	(8)	226
Adjustments in respect of prior periods	3	–
Total tax for the year (note 8(a))	<u>685</u>	<u>(664)</u>

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. Tax (continued)

(c) Deferred tax asset

	2015	2014 (restated)
	£000	£000
At 1 January	1,047	383
Adjustment in respect of prior years	(3)	—
(Charge) / credit to profit and loss account (note 8(a))	(263)	664
At 31 December	<u>781</u>	<u>1,047</u>

The deferred taxation balance is made up as follows:

	2015	2014 (restated)
	£000	£000
Fixed asset timing differences	337	188
Short-term timing differences	444	859
Total recoverable within 12 months	<u>781</u>	<u>1,047</u>

(d) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly, and reduce the deferred tax asset at 31 December 2015 by £168k.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

9. Intangible assets

	<i>Intellectual Property £000</i>	<i>Website development £000</i>	<i>Costs in progress £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2015	5,002	3,326	7	8,335
Additions	–	1,107	89	1,196
Transfers	–	71	(71)	–
Disposals	–	(158)	(1)	(159)
At 31 December 2015	<u>5,002</u>	<u>4,346</u>	<u>24</u>	<u>9,372</u>
Amortisation:				
At 1 January 2015	1,667	1,403	–	3,070
Charge for the year	1,668	1,197	–	2,865
On disposals	–	(74)	–	(74)
At 31 December 2015	<u>3,335</u>	<u>2,526</u>	<u>–</u>	<u>5,861</u>
Net book value:				
At 31 December 2015	<u>1,667</u>	<u>1,820</u>	<u>24</u>	<u>3,511</u>
At 31 December 2014	<u>3,335</u>	<u>1,923</u>	<u>7</u>	<u>5,265</u>

Website development

Website development costs were shown as tangible assets in the 2014 financial statements. These have been reclassified as intangible assets and are shown within that asset class in the 2015 financial statements.

Costs in progress

The Company incurred website development costs on developments which were not yet released onto the live website. Costs falling into this category are capitalised using the same principles as live website development, and transferred into the website development asset category as the development goes live. Cancelled projects are shown as disposals and charged back to the profit and loss account.

Intellectual property

On 3rd May 2013, TripAdvisor UK Holdco Limited, a subsidiary of TripAdvisor Inc, acquired 100% of the share capital of Guia De Apartamentos Niumba SLU ("Niumba"). Niumba operates a holiday rental business primarily in Spain.

On 8th July 2014 TripAdvisor UK Holdco and Holiday Lettings Limited executed a business transfer agreement, effective 1st January 2014 and for consideration of £5,001,644, to transfer the intellectual property of Niumba to Holiday Lettings Limited.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

10. Tangible fixed assets

	<i>Leasehold improvements</i> £000	<i>Fixtures and fittings</i> £000	<i>Office equipment</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2015	195	561	783	1,539
Additions	–	–	49	49
Disposals	(90)	(6)	(4)	(100)
At 31 December 2015	105	555	828	1,488
Depreciation:				
At 1 January 2015	88	78	469	635
Charge for the year	24	117	208	349
On disposals	(85)	(3)	–	(88)
At 31 December 2015	27	192	677	896
Net book value:				
At 31 December 2015	78	363	151	592
At 31 December 2014	107	483	314	904

11. Debtors

	<i>2015</i> £000	<i>2014 (restated)</i> £000
Trade debtors	37	133
Amounts owed by group undertakings	5,150	3,881
Other debtors	8	3
Prepayments and accrued income	366	347
Deferred tax asset (note 8(c))	781	1,047
Corporation tax	523	179
	6,865	5,590

Amounts owed by group undertakings, includes an interest bearing loan. On 9 March 2009 the company entered into a loan agreement with its immediate parent Holiday Lettings (Holdings) Limited of up to £20,000,000. The loan is repayable on demand and interest is calculated quarterly at the Bank of England Base rate plus 50 basis points. The interest can either be settled in cash or capitalised to the loan account thereby increasing the outstanding loan balance.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

12. Creditors: amounts falling due within one year

	2015	2014 (restated)
	£000	£000
Trade creditors	109	208
Social security costs and other taxes	549	468
Other creditors	17,483	11,868
Accruals	1,265	1,094
Deferred income	7,404	5,337
Amount owed to group undertakings	6,877	4,506
	<u>33,687</u>	<u>23,481</u>

13. Provisions for liabilities

	<i>Property provisions</i> £000
At 1 January 2015	488
Arising during the year	72
Released to profit and loss account	(191)
Utilised	(212)
At 31 December 2015	<u>157</u>

Property provisions

Property provisions in respect of lease dilapidations and onerous lease commitments were held in relation to the premises occupied by the company until April 2014, when the company fully vacated the premises. Operating costs for the remainder of the lease term had been fully provided for. The lease was terminated by agreement in August 2015 and the unutilised provision released to the profit and loss account.

The company moved office to a new, larger site in April 2014. Further dilapidations provisions are being made in respect of the new premises and these are included above.

14. Issued share capital

		2015		2014
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary 'A' shares of £0.00002 each	66,670	1	66,670	1
Ordinary 'B' shares of £0.00002 each	33,330	1	33,330	1
		<u>2</u>		<u>2</u>

Significant differences in the rights attached to 'A' and 'B' shareholders are outlined below:

- any transfer of shares will not be registered without the written consent of the 'A' shareholders;
- the compulsory transfer of 'B' shares is triggered when a 'B' shareholder ceases to be an employee or director of the company;
- the holders of 'A' shares voting at any meeting shall be entitled to exercise 75% of the votes exercisable at any meeting of the company;
- dividends are payable only with the consent of the 'A' shareholders;

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. Issued share capital (continued)

- 'A' shareholders are required to approve all Directors' gratuities and pensions;
- 'A' shareholders are required to appoint the Chairman of the Board who will also be an 'A' shareholder;
- the holders of the majority in nominal value of the 'A' shares from time to time may appoint any persons as directors of the company.
- provided that 'B' shareholders hold an aggregate of 10% or more of the entire issued share capital of the company, the holders of the majority in nominal value of the 'B' shares from time to time may appoint any person to be a director of the company.

15. Pensions

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £171,000 (2014 – £168,000) Contributions totalling £27,600 (2014 – £27,000) were payable to the fund at the balance sheet date and are included in creditors.

16. Other financial commitments

At 31 December 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
In less than two years	–	195
In two to five years	–	–

17. Related party transactions

The company is a wholly owned subsidiary undertaking of TripAdvisor Inc. The company has taken advantage of the exemption in FRS 102 S33 related party transactions, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

18. Share based payments

The expense recognised for employee services during the year, is reflected in Administrative Expenses on the Profit and Loss account. The expense arising from equity-settled share-based payment transactions for 2015 was £845k (2014 £1,190k)

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. Share based payments (continued)

Movements in Restricted Stock Units (RSUs)

The following table sets out the RSU activity and the related weighted average fair value of such movement for the period between December 31, 2014 and December 31, 2015

	Weighted average grant price £	Number	Weighted average grant price £	Number
	2015	2015	2014	2014
Outstanding at the beginning of the year	45.55	48,697	30.67	46,021
Granted during the year	54.82	21,788	60.58	29,389
Transfer ¹	61.89	(1,085)	–	–
Cancellations during the year	49.48	(8,191)	47.35	(12,497)
Exercised during the year	44.65	(13,277)	58.63	(14,216)
Outstanding at the end of the year	50.89	47,932	45.55	48,697

¹transfer of subsidiary by employee

Movements in Stock options

The following table sets out the stock option activity and the related weighted average fair value of such movement for the period between December 31, 2014 and December 31, 2015

	Weighted average exercise price £	Number	Weighted average exercise price £	Number
	2015	2015	2014	2014
Outstanding at the beginning of the year	30.38	42,839	25.72	107,116
Granted during the year	50.51	226	59.94	5,121
Transfer ¹	66.15	(64)	29.57	6,000
Cancellations during the year	39.24	(5,430)	30.74	(33,420)
Exercised during the year	29.32	(15,650)	24.70	(41,978)
Outstanding at the end of the year	31.48	21,921	30.38	42,839

¹transfer of subsidiary by employee

	2015	2014
Dividend yield (%)	0.00%	0.00%
Expected share price volatility (%)	41.83%	47.57%
Risk-free interest rate (%)	1.35%	1.91%
Expected life of option (years)	5.24	6.25
Weighted average share price for options granted	£50.51	£59.94
Weighted average fair value for options granted	£19.73	£28.86

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. Parent company, ultimate parent undertaking and controlling party

Holiday Lettings Limited's parent company is Holiday Lettings Holdings Limited. The ultimate parent undertaking and the largest group of undertakings of which the company is a member and for which group financial statements are prepared, is TripAdvisor Inc., a company incorporated in the United States of America. The directors consider TripAdvisor Inc., to be the ultimate controlling party.

The consolidated financial statements of TripAdvisor Inc. may be obtained from www.tripadvisor.com.

20. Legal form of entity and country of incorporation

Holiday Lettings Limited (the "Company") is a limited company limited by shares and incorporated and domiciled in the UK

21. Post balance sheet event

On 26th April 2016 the company acquired 100% of the share capital of HouseTrip SA, for a consideration of €6m. Following the acquisition, HouseTrip will continue to operate in the vacation rentals market under the HouseTrip brand although operations will be managed through the Holiday Lettings platform.

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. First time adoption of FRS102

	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 102(as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	As previously re-stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Fixed assets	2,085	–	2,085	6,169	6,169	–	6,169
Current assets	16,381	–	16,381	21,781	22,077	–	22,077
Creditors: amounts falling due within one year	(11,036)	–	(11,036)	(22,000)	(23,481)	–	(23,481)
Net current assets	5,345	–	5,345	(219)	(1,404)	–	(1,404)
Total assets less current liabilities	7,430	–	7,430	5,950	4,765	–	4,765
Creditors: amounts falling due after more than one year	(629)	–	(629)	(488)	(488)	–	(488)
Provision for liabilities							
Net assets	6,801	–	6,801	5,462	4,277	–	4,277
Capital and reserves	6,801	–	6,801	5,462	4,277	–	4,277

Holiday Lettings Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. First time adoption of FRS102 (continued)

	As previously stated 31 December 2014 £000	As previously re-stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Turnover	20,415	18,934	–	18,934
Cost of sales	(5,055)	(5,055)	–	(5,055)
Gross profit	15,360	13,879	–	13,879
Administrative expenses	(16,088)	(16,088)	–	(16,088)
Onerous lease and dilapidations charges	(77)	(77)	–	(77)
Total administrative expenses	(16,165)	(16,165)	–	(16,165)
Operating (loss)	(805)	(2,286)	–	(2,286)
Interest receivable and similar income	58	58	–	58
(Loss) on ordinary activities before taxation	(747)	(2,228)	–	(2,228)
Tax	368	664	–	664
(Loss) for the financial year	(379)	(1,564)	–	(1,564)