OnTheMarket plc - OTMP
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Final Results to 31 January 2018

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OnTheMarket plc
("OTM", the "Company" or the "Group")

FINAL RESULTS TO 31 JANUARY 2018

A transformative year of strategic review and preparation for Admission to AIM alongside significant capital raise

OnTheMarket plc (AIM: OTMP), the agent-backed company which operates the OnTheMarket.com property portal, today announces its audited results for the year ended 31 January 2018.

Financial highlights and KPIs

- Group revenue £16.0m[1] (2017: £17.8m).
- Adjusted operating profit[2] £3.9m (2017: £2.3m).
- Operating loss of £10.8m (2017: £1.2m) which includes £14.7m (2017: £3.5m) of exceptional items.
- Loss after tax attributable to shareholders £12.1m (2017: £4.0m).
- Cash of £3.2m as at 31 January 2018 (£2.3m at 31 January 2017).
- ARPA[3] £235 (2017: £235), average branch numbers listed at OnTheMarket.com 5,694 (2017: 6,306), visits[4] 77.3m (2017: 85.0m).

Operational and strategic highlights

- In February 2017, the hearing of Agents' Mutual and Gascoigne Halman Limited took place before the Competition Appeal Tribunal (see "Litigation" below).
- In July 2017, the Competition Appeal Tribunal ruled in favour of Agents' Mutual against Gascoigne Halman Limited on all competition issues:
    - the One Other Portal rule[5] was upheld as lawful and enforceable; and
    - Agents' Mutual was awarded £1.2m as an interim payment towards litigation costs.
- New Board members were appointed in preparation for admission to AIM alongside a capital raise.

Post period end highlights

- On 9 February 2018, OTM was admitted to trading on AIM and raised £30m of capital to support the launch of a transformational growth strategy.

- The majority of Agents' Mutual members committed to new 5-year listing agreements from Admission and to enter lock-in arrangements to retain the majority of their shares for 5 years.
- As of 25 May 2018, OTM had signed listing agreements with UK estate and letting agents with more than 8,500 offices - up by more than 54% since admission to AIM.
- Traffic to the portal in the current financial year to end May was 42.2m visits, compared with 21.9m in the same period in 2017.
- National TV advertising ran on prime time channels in May 2018.
- The Company rolled-out its first outdoor advertising campaign with over 1,500 sites in London in May 2018.
- By 31 May 2018 the field sales team had more than doubled to 32 since Admission and the IT team had grown from 21 to 40.
- Many agents are choosing to advertise their new-to-market listings at OnTheMarket.com before releasing them to other portals.

Ian Springett, Chief Executive Officer of OnTheMarket plc, commented:

"We are in the midst of a transformational year for OnTheMarket. After listing on AIM in February, we are continuing on our journey to create a genuine alternative to the leading incumbent portals. In addition to accelerating growth in the numbers of agents, property listings and portal visitors, we also remain focused on developing new consumer and agent products and services, targeting revenues from new segments of the property market and developing new strategic partnerships.

"In less than four months, we have grown the number of estate agent offices that we have listing agreements with by over 54% to more than 8,500. Our traffic to the portal in the current financial year to end May was 42.2m visits, compared to 21.9m in the same period in 2017. We are strongly encouraged by the growing agent and customer support and feedback to our proposition, and I look forward to carrying this momentum forward in our first financial year as a listed company."

1) *Revenues include an amount of £2.5m in respect of bad debts which are charged as an expense within administrative expenses (2017: £2.2m).*
2) *Adjusted operating profit is defined as operating profit before finance costs, taxation, share based payments and exceptional or non-recurring items. This is an alternative performance measure and should not be considered an alternative to IFRS measures, such as revenue or operating profit. Please see the Chief Executive Officer's Report below for a reconciliation of operating loss to adjusted operating profit.*
3) *Average revenue per property advertiser, being revenues due from property advertisers for a period divided by the average number of property advertisers for that period. ARPA presented herein is the average of the monthly ARPAs for the year.*
4) *Visits comprise individual sessions on OnTheMarket.com's web based portal or mobile applications by users for the period indicated as measured by Google Analytics.*
5) *The One Other Portal rule is a provision included in Agents' Mutual's original listing agreements whereby agents committed to list their properties on OnTheMarket.com and contractually agreed to using a maximum of one other competing portal.*

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Background on OnTheMarket:

Launched in January 2015, the OnTheMarket.com property portal was created by Agents' Mutual Limited, a company limited by guarantee and founded in January 2013 by a small group of agent firms, with the objective of creating a new portal to challenge the dominance of Rightmove and Zoopla. Both groups were felt to be using their strong positions relative to their agent customers to impose significant price increases for their portal services.

The Agents' Mutual proposition of an agent-backed portal offering a premier search service to property-seeking consumers whilst charging fair prices to agents quickly found support among a very wide group of leading independent agents across the UK. These firms funded the venture by way of loan note subscriptions and committed to list with the portal once it went live.

OnTheMarket is the third biggest UK residential property portal provider in terms of traffic and has, with backing from its agent owners, developed unique sources of competitive advantage such as the "New and Exclusive" property listings.

OnTheMarket plc was admitted to AIM on Friday 9 February 2018 alongside a capital raise of £30 million to support a new growth strategy for the business.

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Chairman's Statement

I am pleased to be making my inaugural statement as Non-Executive Chairman following our successful AIM listing and fundraising on 9 February 2018.

During 2017 we completed our strategic review, concluding that a successful fund raise and listing on AIM would enable the Company to accelerate its growth and enhance its position as a serious challenger to the duopoly UK property portals Zoopla and Rightmove by offering a more responsive and better value option to agents and property-seeking consumers alike.

The Board is grateful for all the resolute support from Agents' Mutual's members, provided from launch and through the strategic review, including the conversion of all member interests and loan notes into shareholdings of the Company.

Our £30m AIM fundraising is already being put to good work by our team and is enabling us to achieve early success against our own internal key performance targets:

- agent offices under listing contracts up by more than 3,000 since Admission, with over 8,500 as at 25 May 2018;
- traffic to the portal in the current financial year to end May was 42.2m visits, compared with 21.9m in the same period in 2017; and
- key sales-force and IT recruitment ahead of plan, with team numbers increased since Admission from 15 to 32 and 21 to 40 respectively by 31 May 2018.

2017 was a year spent reviewing our strategic direction which resulted post year end in a successful fundraising and listing on AIM.

Consequently 2017 proved to be a year of consolidation and preparation in order to have a strong springboard to challenge the UK digital property portal market during 2018, enabling us to accelerate growth and positioning us to deliver shareholder value thereafter.

Current trading

Our start to the year following our listing, whilst covering a short period of time, has proven to be encouraging with agent customer recruitment, visits to our site and conversion of traffic to positive property leads for our agent customers being all ahead of our own internal expectations.

Our team of colleagues are highly focused to continue to build upon our strong start to life as a listed company.

I would also like to thank all of my colleagues, team members and shareholders for their continued hard work and support.

Christopher Bell
Non-Executive Chairman

Chief Executive Officer's Report

I am pleased to report on OTM's first year end results. The demutualisation of Agents' Mutual and the formation of OTM as its holding company represented a transformational step in the development of the OnTheMarket.com portal, preparing the Group for admission to AIM and securing new capital. A great deal of work had been done by Agents' Mutual in developing the portal and my thanks go to the Agents' Mutual directors who stood down after Admission for their dedication and support.

I am also grateful to the Agents' Mutual members who provided the funding and support to develop OnTheMarket.com from scratch and who also supported the new strategy for the next phase of the portal's development. Ongoing agent support for OnTheMarket.com remains a key pillar of our strategy. As well as voting overwhelmingly in support of the new strategy, including dropping the One Other Portal rule for new contracts, relaxing rules restricting the Group's target markets and converting the loan note holdings into equity on Admission, we are delighted to have had the majority of the members commit to entering new five year listing agreements and lock-in arrangements to retain the majority of their shares for five years. My fellow directors and I look forward to serving them as both customers and shareholders of the Group and greatly value their continued support.

The Group delivered revenue of £16.0m in the year ended 31 January 2018, reflecting a 10% decrease compared to 2017, and adjusted operating profit of £3.9m (2017: £2.3m), an increase of 67%. The reported operating loss of the Group was £10.8m (2017: £1.2m) and is further analysed as follows:

	2018 £'000	**2017 £'000**
Reconciliation of operating loss to adjusted operating profit:		
Operating loss	(10,839)	(1,182)
Adjustments for:		
Exceptional and non-recurring items (note 5)	1,436	3,506
Share based payment charge and related social security (note 9)	13,290	-
Adjusted operating profit	3,887	2,324

This reflected a busy corporate agenda and extremely limited resources. We ended the year with cash of £3.2m.

Strategy and current trading

The Group's growth strategy remains the same as that detailed in our Admission Document, namely to increase support for an agent-backed portal further through competitive pricing for property advertisers, a premier search experience for property-seeking consumers and the targeted use of equity incentivisation to recruit key agents as customers on long term contracts. In addition, the Directors believe that the funds raised will allow for significant marketing spend to raise brand awareness as well as team expansion to provide enhanced sales, sales support, customer engagement and IT development and support functions.

Following Admission, the Group no longer requires the One Other Portal rule in new listing agreements. The Directors believe that by offering listing agreements which do not include this rule the Group will be able to attract a number of agents who want to list on all three portals.

To diversify the Group's customer base, it will also expand the offering to the new home developer and online agent markets and commercial and overseas property advertisers. Additionally, it will look to develop and offer value added products to property advertisers and to target revenues from third party advertisers seeking to promote their goods and services to the property-seeking consumers viewing properties at OnTheMarket.com.

The Directors believe it is in the best interests of the Company, its shareholders and property-seekers that the Group seeks a broader coverage of the property market and benefits from these additional revenue streams by providing products our customers want.

Building the agency branch base

A key part of the Group's growth strategy involves the rapid building of its agency branch base. As of 25 May 2018, OTM has signed listing agreements with UK estate and letting agents with more than 8,500 offices, up by more than 54% since admission to AIM.

The growth in our agency branch base to date has been predominantly from offering free listings under short term introductory trial offers, with a view to converting these to full tariff contracts when the value of our offering has been demonstrated. Hereafter, the Group intends to use more equity incentivisation to encourage agents to join as shareholders in return for committing to long term paying contracts. At Admission, OTM had authority to issue 36.3 million shares for this purpose, of which substantially all remain available to deploy.

Increasing the marketing spend

With the capital raised at Admission, the Group has been able to deploy significant funds to marketing.

In addition to spend on digital marketing channels, the Group has been able to conduct its heaviest national TV advertising in May 2018 since the launch period in 2015. A trial of out of home poster advertising in London was also initiated. A key theme of these advertising campaigns is the "New & exclusive" properties, whereby many agents choose to list their new instructions on OnTheMarket.com in advance of listing on other portals. The Directors believe this gives OTM a competitive advantage as this has been shown to hold a significant appeal to active property-seeking consumers, who are the key target group as they in turn provide listing agents with high quality leads.

Building the team

The greater resources available to the Group have also been deployed in expanding the team, in particular the sales and customer relations team and the IT team.

At admission on 9 February 2018, the field sales team numbered 15 employees. As at 31 May 2018 this had been increased to 32. This significant expansion in sales and customer relations support enables us to rapidly and effectively recruit new agents whilst implementing and maintaining the expected levels of service for existing customer agents during the period of rapid growth.

Likewise, as at 31 May 2018, the IT team had been increased from 21 to 40. The enlarged team is initially focused on technical support for on-boarding agents and property data, specifying and delivering new products for consumers and customers and the continuous improvement of existing products.

Market developments

The Directors believe that the UK agency market is under pressure from a number of factors. Reduced transaction volumes and slower house price growth, whilst not leading to a noticeable reduction in agent office numbers, has, the Directors believe, led to a reduction in agent commissions.

This has been exacerbated by the growth in online agents operating an upfront fixed fee business model which has had a detrimental impact on commissions as well as market share for traditional agents.

Against this backdrop, independent agents' portal costs have continued to rise significantly. Some portals are competing with their agent customers for cross-sell revenues. The Directors believe that these market developments provide a strong rationale for agents to support OnTheMarket.com, which provides a competitively priced service and increasing value as we deliver on our strategy, including increasing website traffic amongst the property-seeking public and growing the volume of quality enquiries from these property-seekers to the agents listing at OnTheMarket.com.

Litigation

In July 2017, judgment was handed down by the Competition Appeal Tribunal in favour of Agents' Mutual and against Gascoigne Halman Limited on all competition issues: the One Other Portal rule was upheld as lawful and enforceable and Agents' Mutual was awarded £1.2m as an interim payment towards its litigation costs.

In December 2017, having had an application to appeal to the Competition Appeal Tribunal refused, Gascoigne Halman Ltd was granted leave to appeal the judgment of the Competition Appeal Tribunal at the Court of Appeal. Should an appeal proceed, and having taken appropriate legal advice, the Directors remain confident that the judgment of the Competition Appeal Tribunal will be upheld.

In addition, during the year ended 31 January 2017 a further deposit of £450,000 was required to be made to court in respect of litigation between Agents' Mutual and Moginie James Ltd. Following the settlement of this case this deposit was repaid to Agents' Mutual in February 2017.

Outlook

The Group has benefitted from growing agent support since Admission and is well positioned to continue its growth in agent offices listing. The investment in marketing has led to a substantial increase in visitor traffic to OnTheMarket.com, generating greater value to our customers through more high quality leads. The investment in team expansion has provided the Group with a workforce with the capability, motivation and capacity to deliver a first class product and service to both property-advertising agent customers and property-seeking consumers. The Group's outlook is therefore positive with continued significant growth expected in agent offices under listing agreements and in traffic to OnTheMarket.com.

Finally, I thank my colleagues for all their hard work and commitment to date and I welcome all those new employees who have recently joined us.

Ian Springett
Chief Executive Officer

Financial Review and Key Performance Indicators

During the year ended 31 January 2018 a number of factors meant that it was difficult to make progress prior to admission to AIM, which occurred post year end on 9 February 2018. These factors included:

- a lack of financial resources;
- a diversion of resource to the litigation with Gascoigne Halman Limited; and
- a focus on the Group restructuring and investment of time in planning for Admission.

These factors, and the publicity around them, meant the ability to recruit new agents effectively ceased until Admission and the associated capital raise, which together marked the beginning of a new chapter in the development of OnTheMarket.com.

As a result, throughout the year we saw a small decline in agents listing as those on shorter term contracts did not re-join, and new agents could not be recruited, pending Admission. Together with other market factors, this led to a reduction in revenues to £16.0m compared to the prior year (£17.8m).

Group operational KPIs were as follows:

- ARPA £235 (2017: £235);
- average branches listing 5,694 (2017: 6,306); and
- visits 77.3m (2017: 85.0m).

At 31 January the Group had net cash of £3.2m (2017: £2.3m).

The Group's financial performance is presented in the Consolidated Income Statement below. Adjusted operating profit for the year was £3.9m (2017: £2.3m). The loss for the year attributable to the owners of the Group was £12.1m (2017: £4.0m).

The Group has a number of customers who are not paying their contractually committed listing fees. The majority of these chose to breach the One Other Portal rule in their listing agreements and left the portal some time ago. In 2018 a bad debt expense of £2.5m (2017: £2.2m) was recognised and included within administrative expenses. It is the intention of the Company to engage with these customers in due course, to seek either payment of both fees outstanding and further fees as they fall due or to reach a compromise position such that historic debts are held in abeyance and potentially waived in the future in return for entering, and honouring, a new long term listing agreement with the Company. As at 31 January 2018, should all arrears have been recovered, this would have amounted to approximately £5.9m.

Administrative expenses in 2018 fell to £12.2m (2017: £15.5m), with a reduction in marketing spend due to limited resources the primary factor.

The loss for the year includes finance costs of £1.2m (2017: £1.4m). Finance expense arose from interest on loan notes issued by the Group. The loan notes were converted to ordinary shares in the Company post year end upon admission of the Company to AIM on 9 February 2018. Accrued interest owed to loan note holders was paid in full in cash immediately following Admission.

Exceptional costs of £1.4m (net of costs of £1.2m awarded) were incurred in the year (2017: £3.5m). These related to the litigation with Gascoigne Halman Limited, the demutualisation and the admission to AIM.

During the year there arose a non-cash charge of £13.3m in relation to share option awards made to employees. Under the terms of a management agreement with Agents' Mutual that was first established in 2013 and revised in 2016, the founding management team were entitled to 18% of the fully diluted share capital of the Company at the point of the restructuring in September 2017. This entitlement was fulfilled by the issue of 7,799,327 nil cost share options. A further 763,008 nil cost options were issued to other Group employees, of which 7,272 were forfeited in the period.

At the end of the year, the Statement of Financial Position showed total assets of £7.4m (2017: £9.6m) and total equity of £(9.7)m (2017: £(9.0)m). The negative reserves as at 31 January 2018 were extinguished post year end, on 9 February 2018, through a £30m capital raise by way of a placing of ordinary shares in the Company, together with the conversion of loan notes into ordinary shares in the Company, on Admission.

Group restructuring

On 27 July 2017, the Company was incorporated under the name On The Market (Europe) Limited. On 2 August 2017, the Company changed its name to On The Market Limited.

On 13 September 2017, the Group was restructured such that the Company became the holding company of Agents' Mutual, a company limited by guarantee, in exchange for 35,530,261 ordinary shares of £0.002 in the Company. The Company has accounted for this transaction using merger accounting, so these consolidated financial statements present the Group financial information for this reporting period and for the comparative reporting period as if the Group has always been in existence.

In December 2017, the Company re-registered as a public limited company under the name of OnTheMarket plc.

Consolidated Income Statement: year ended 31 January 2018

	Notes	2018 £'000	2017 £'000
Revenue		16,046	17,831
Administrative expenses	**4**	(12,159)	(15,507)
Operating profit before non-recurring items		3,887	2,324
Exceptional and non-recurring items:			
Share-based management incentive	**9**	(13,290)	-
Professional fees	**5**	(1,436)	(3,506)
Operating loss		(10,839)	(1,182)
Finance income		2	2
Finance expense		(1,233)	(1,353)
Loss before income tax		(12,070)	(2,533)
Income tax		(22)	(1,486)
Loss and total comprehensive income for the year attributable to owners of the parent		(12,092)	(4,019)

Loss per share from continuing operations	**Pence**	**Pence**
Basic and diluted	(34.03)	(11.31)

The operating loss arises from the Group's continuing operations.

There is no recognised income or expense for the year other than the loss shown above and therefore no separate statement of other comprehensive income has been presented.

Consolidated Statement of Financial Position: at 31 January 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Non-current assets			

	Note		
Property, plant and equipment		18	45
Intangible assets	7	3,654	3,556
		3,672	3,601
Current assets			
Trade and other receivables		553	3,709
Cash and cash equivalents		3,174	2,263
		3,727	5,972
TOTAL ASSETS		7,399	9,573
LIABILITIES			
Current liabilities			
Trade and other payables		(2,957)	(5,937)
Borrowings		(1,217)	(1,379)
Provisions		(1,258)	-
Current tax		(22)	-
		(5,454)	(7,316)
Non-current liabilities			
Borrowings		(11,256)	(11,256)
Provisions		(354)	-
		(11,610)	(11,256)
TOTAL LIABILITIES		(17,064)	(18,572)
NET LIABILITIES		(9,665)	(8,999)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	10	71	71
Merger reserve		(71)	(71)
Other reserve		(252)	-
Retained earnings		(9,413)	(8,999)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		(9,665)	(8,999)

Consolidated Statement of Changes in Equity: year ended 31 January 2018

	Share capital £'000	**Share-based payment reserve £'000**	**Merger reserve £'000**	**Other reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance as at 1 February 2016	71	-	(71)	-	(4,980)	(4,980)
Loss for the financial year		-	-	-	(4,019)	(4,019)
Total comprehensive						

expense for the year	-	-	-	-	(4,019)	(4,019)
Balance as at 31 January 2017	71	-	(71)	-	(8,999)	(8,999)
Loss for the financial year		-	-	-	(12,092)	(12,092)
Total comprehensive expense for the year	-	-	-	-	(12,092)	(12,092)
Transactions with owners:						
Share options issued	-	11,678	-	-	-	11,678
Transfer to retained earnings	-	(11,678)	-	-	11,678	-
Legal fees on after date share issue	-	-	-	(252)	-	(252)
Balance as at 31 January 2018	71	-	(71)	(252)	(9,413)	(9,665)

Share capital
Share capital represents the par value of ordinary shares issued by the Company.

Share-based payment reserve
Share-based payment reserve represents the cumulative share-based payment expense for the Group's share option schemes.

Merger reserve
Merger reserve represents the difference between the cost of the investment in a subsidiary undertaking and the equity of that subsidiary acquired, on consolidation.

Other reserve
Other reserve represents costs incurred for a share issue that took place after the year end (note 12). This reserve is expected to transfer to share premium on the after date share issue.

Retained earnings
Retained earnings represent the cumulative profit and loss net of distributions to owners.

Consolidated Statement of Cash Flows: year ended 31 January 2018

	2018 **£'000**	**2017** **£'000**
Cash flows from operating activities		
Loss for the year after income tax	(12,092)	(4,019)
Adjustments for:		
Income tax	22	1,486
Finance income	(2)	(2)
Finance expense	1,233	1,353
Amortisation	1,440	939
Depreciation	27	29
Impairment of investment	-	1
Share based payment	11,678	-
Operating cash flows before movements in working capital	2,306	(213)
Decrease/(increase) in trade and other receivables	3,156	(3,071)
(Decrease)/increase in trade and other payables	(2,980)	3,029
Increase in provisions	1,612	-

Net cash generated from/(used in) operating activities	4,094	(255)
Cash flows from investing activities		
Acquisition of intangible assets	(1,538)	(1,621)
Acquisition of property, plant and equipment	(1)	(2)
Proceeds from disposal of property, plant and equipment	1	-
Net cash used in investing activities	(1,538)	(1,623)
Cash flows from financing activities		
Finance income received	2	2
Finance expense paid	(1,395)	(939)
Issue of loan notes	-	1,516
Expenses incurred for share listing	(252)	-
Net cash (used in)/generated from financing activities	(1,645)	579
Net movement in cash and cash equivalents	911	(1,299)
Cash and cash equivalents at the beginning of the year	2,263	3,562
Cash and cash equivalents at the end of the year	3,174	2,263

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. This is consistent with the presentation in the Statement of Financial Position.

Selected notes to the Consolidated Financial Statements: year ended 31 January 2018

1. General information

The principal activity of the Company is that of a holding company. The principal activity for the Group continued to be that of providing online property portal services to businesses in the estate and lettings agency industry under the trading name of OnTheMarket.com.

The Company is a public company limited by shares and it is incorporated and domiciled in the UK. The address of its registered office is PO Box 450, 155-157 High Street, Aldershot, GU11 9FZ.

On 27 July 2017, the Company was incorporated under the name On The Market (Europe) Limited. On 2 August 2017, the Company changed its name to On The Market Limited. In December 2017, the Company re-registered as a public limited company under the name of OnTheMarket plc.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. They have, unless otherwise stated, been applied consistently to all periods presented.

2.1. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

While the financial information included in this results announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2018.

Measurement bases

The consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates and judgements have been made and their effect is disclosed in note 3.

2.2. Basis of consolidation

The consolidated financial statements incorporate those of OnTheMarket plc and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). These are adjusted, where appropriate, to conform to Group accounting policies.

The acquisition of Agents' Mutual Limited and On The Market (Europe) Limited (formerly On The Market Limited) (the "subsidiary undertakings") occurred as a group reconstruction on 13 September 2017. As this business combination is a combination of entities under common control, it therefore falls outside of the scope of IFRS 3. In this context, the Directors have elected to account for the acquisition using the approach to merger accounting set out in UK GAAP, FRS 102 Section 19.

The consolidated financial statements merge the financial statements of the subsidiary undertakings as if they had been combined throughout the current and comparative accounting period. Assets and liabilities have not been fair valued on acquisition and the difference between the nominal value of the new shares issued by the Company for the acquisition of Agents' Mutual Limited has been reflected in the merger reserve in the consolidated financial statements. Where necessary, adjustments have been made to the accounting policies of Agents' Mutual Limited in order to achieve uniformity of accounting policies in the combining entities.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3. Going concern

The Group made a loss after tax for the year of £12,092k (2017: £4,019k), and as at 31 January 2018 the Group had a net cash balance of £3,174k (2017: £2,263k).

On 9 February 2018, the Company's entire issued share capital was admitted to trading on AIM at the London Stock Exchange. By way of a placing associated with Admission to AIM, the Company raised £30m (gross) through the issue of 18,181,818 ordinary shares of £0.002 at £1.65 each.

In the light of this, the Directors consider the going concern basis to be appropriate to the preparation on these financial statements.

2.4. Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding increase to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

The number of vested options ultimately exercised by holders does not impact the expense recorded in any period. Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself and the charge will be treated as a cash-settled transaction.

2.5. Exceptional items

Exceptional items are disclosed separately in the financial statements, where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material, either because of their size or their nature, or that are non-recurring, and are presented within the line items to which they best relate.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions concerning the future which impact the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The accounting estimates resulting from these judgements and assumptions seldom equal the actual results but are based on historical experiences and future expectations.

Bad debt provisions
Provisions are made relating to all overdue receivable balances save for those which from experience are expected to be recovered in the short term. The overdue receivables that the Company provides for arise primarily from agent customers under contract but in arrears.

Share based payment charge
In relation to equity-settled remuneration schemes, employee services received, and the corresponding increase in liabilities, are measured by reference to the fair value of the liability at the date of grant. Where there are vesting conditions that require ongoing service as an employee the charge is apportioned over the vesting period. The fair value of share options is estimated by using appropriate valuation models on the date of grant, which are based on certain assumptions. For options awarded with an exercise price of £nil, the fair value is deemed to be the share price at the date of grant. In the absence of a publicly quoted market price at the date of grant, this value is based upon the Directors' judgement of the appropriate share price, taking into account relevant factors both at, and arising after, the grant date (note 9).

4. Expenses by nature

Expenses are comprised of:

	2018	**2017**
	£'000	**£'000**
Depreciation	27	29
Amortisation	1,440	939
Staff costs (note 6)	3,416	3,264
Operating lease expense - property	397	392
Operating lease expense - other	113	118
Bad debt expense	2,492	2,219
Other administrative expenses	4,274	8,546

	12,159	15,507

5. Exceptional costs

	2018 £'000	2017 £'000
Professional fees	2,679	3,506
Compensation	(1,243)	-
	1,436	3,506

Professional fees incurred during the current and prior years were in relation to the Group's restructuring and preparation for admission to AIM and the capital raise by way of an associated placing, as well as to ongoing litigation. Compensation received during the current year was in respect of ongoing litigation. These costs relate to one off events that are not expected to be recurring, they have therefore been classified as exceptional.

6. Employees and Directors

Group Staff costs (including Directors) comprise:	2018 £'000	2017 £'000
Wages and salaries	3,999	3,889
Social security costs	497	464
Pension	11	-
	4,507	4,353

The amounts above include £1,092k (2017: £1,089k) of staff costs that have been capitalised to intangible assets.

The average monthly number of persons employed by the Group during the year was:	2018 Number	2017 Number
Non-Executive Directors	1	-
Marketing, sales and administration	40	42
IT	20	22
	61	64

7. Intangible assets

Group	Development costs £'000
Cost:	
At 1 February 2016	3,441
Additions - internally developed	1,621
At 31 January 2017	5,062
Amortisation:	
At 1 February 2016	567
Charge for the year	939
At 31 January 2017	1,506

Net book value:	
At 31 January 2017	**3,556**
Cost:	
At 1 February 2017	5,062
Additions - internally developed	1,538
At 31 January 2018	6,600
Amortisation:	
At 1 February 2017	1,506
Charge for the year	1,440
At 31 January 2018	2,946
Net book value:	
At 31 January 2018	**3,654**

Amortisation is included within administrative expenses in the income statement.

The development costs relate to those costs incurred in relation to the development of the Group's online property portal, OnTheMarket.com. The development costs capitalised above are amortised over a period of 4 years which represents the period over which the Directors expect the Group to consume the asset's future economic benefits. The development costs are amortised from the point at which the asset is ready for use within the business.

8. Financial assets

The following table shows an aged analysis of trade receivables for the Group.

	2018 £'000	2018 %	2017 £'000	2017 %
0 - 30 days	146	34%	150	36%
31 - 60 days	49	11%	48	12%
61 - 90 days	45	10%	48	12%
91 - 120 days	49	11%	44	11%
Over 120 days	144	33%	118	29%
	433		408	

The Group reviews trade receivables balances on a routine basis and makes provision for any amounts where it believes the receivable is likely to be uncollectable. In 2018, bad debt expense was £2,492k (2017: £2,219k) and the year-end bad debt provision was £1,616k (2017: £1,500k).

The following table shows a reconciliation of the bad debt provision for the Group:

	2018 £'000	2017 £'000
Bad debts provision at 1 February	1,500	868
Debts recovered so no longer requiring provision	(477)	(444)
Decrease in existing provision due to write off	(2,376)	(1,587)
Additional provision recognised for new bad debts	2,969	2,663
Bad debts provision at 31 January	1,616	1,500

The total value of debts past due but not impaired is £433k (2017: £408k). All overdue debt has been provided for subject to an estimated recovery amount, based on historical trends and knowledge of the customer.

9. Share based payments

The Group operates management and employee equity settled share schemes under which nil cost options over its shares were awarded to employees.

The Company generally considers the Black-Scholes method to value share options when issued. However, the options issued during the year were issued at a nil strike price. As a result, the Black-Scholes model is not appropriate. Accordingly, these options were fair valued by reference to the closing share price of the shares on the day of admission to AIM, which took place after the year end (note 12). The fair value is charged to the profit and loss account over the vesting period related to ongoing employment. Where there is no such vesting period the charge is recognised in full on grant.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the relevant period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity, unless an agreement has been made for the subsidiary undertaking to reimburse the Company for the fair value of options granted.

Employer's National Insurance Contributions are accrued, where applicable, at a rate of 13.8%. The amount accrued is based on the market value of the shares at the period end after deducting the exercise price of the share option, adjusted to account for any vesting period related to ongoing employment.

The Company has granted share options under its Management Incentive Plan and its employee share scheme. The unexercised options at the end of the year are stated below:

Grant date of option	**Expiry**	**Option exercise price per share £**	**2018 Number**	**2017 Number**
Granted 15 September 2017	2027	nil	7,950,842	-
Granted 19 September 2017	2027	nil	526,043	-
Granted 10 October 2017	2027	nil	78,178	-
Outstanding at 31 January			8,555,063	-

The estimated fair values of these share options is £1.48 per share. The value of employee services provided of £11,678k (2017: £nil) has been charged to the income statement.

Management Incentive Plan

Under the terms of a management agreement with Agents' Mutual that was first established in 2013 and revised in 2016, the founding management team were entitled to 18% of the fully diluted share capital of the Company at the point of the restructuring in September 2017. This entitlement was fulfilled by the issue of nil cost share options, details of which are as follows:

	2018 Number	**Weighted average exercise price £**
Granted in the period and outstanding at 31 January	7,799,327	0

Exercisable at 31 January	6,066,143	0

These share options expire 10 years after the date of grant. Share options granted under this scheme have a nil exercise price. 1,733,184 options are exercisable as to 10% after the first anniversary of Admission (as described in note 12), a further 10% after the second anniversary and the remainder after the fifth anniversary. The remaining 6,066,143 options are exercisable immediately, however any shares arising from exercise are subject to a restriction on sale such that shares deriving from up to 10% of the options are available to be sold after the first anniversary of the Admission, a further 10% after the second anniversary and the remainder after the fifth anniversary. The fair value of all these options is charged to the profit and loss account in full this year.

Employee share scheme

Further details of the employee share option plan are as follows:

	2018 Number	**Weighted average exercise price £**
Granted in the period	763,008	-
Forfeited in the period	7,272	-
Outstanding at 31 January	755,736	-
Exercisable at 31 January	-	-

These share options expire 10 years after the date of grant. Share options granted under this scheme have a nil exercise price and vest 3 years after the date of grant. The fair value of these share options is charged to the profit and loss account over the vesting period. The share options are forfeit should the employee leave.

National Insurance Contributions

National insurance contributions are payable by the Group in respect of share based payment schemes. A provision has been recognised at 13.8% for a total expense of £1,612k (2017: £nil).

The following have been expensed to the consolidated income statement:

	2018 £'000	**2017 £'000**
Share based payment charge	11,678	-
Employer's social security on share options	1,612	-
	13,290	-

10. Share capital

Share capital issued and fully paid	**2018 No.**	**2017 No.**
Ordinary shares of £0.002 each	35,530,263	35,530,263

	2018	**2017**
	£'000	**£'000**

Ordinary shares of £0.002 each	71	71

On incorporation, the Company issued 2 ordinary shares of £0.002 each at par.

In September 2017, the Company issued 35,530,261 ordinary shares of £0.002 each at par. This issue was in exchange for the member interests in the subsidiary undertaking, Agents' Mutual, as part of a group reconstruction.

Share option scheme
At the year end, there were a total of 8,555,063 (2017: nil) share options under the Company's share option plans (note 9), which on exercise can be settled either by the issue of ordinary shares or by market purchases of existing shares.

11. Controlling parties

The Directors do not consider there to be a single immediate or ultimate controlling party.

12. Post balance sheet events

On 9 February 2018, the Company's entire issued share capital was admitted to trading on AIM at the London Stock Exchange.

By way of a placing associated with admission to AIM, the Company raised £30m (gross) through the issue of 18,181,818 ordinary shares at £1.65 each.

In addition, effective on Admission, the Company issued 6,821,237 ordinary shares of £0.002 each at £1.65 per share to the loan note holders on a £ for £ basis equivalent to their loan note holdings. The loan notes were extinguished by this issue.

Accrued loan interest was settled in cash from the placing proceeds immediately following Admission.

END

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