

**REGISTERED NUMBER: 04217916 (England and Wales)**

**Skyscanner Limited**  
**Annual Report and Financial Statements**  
**For the Year Ended 31 December 2018**



**COMPANIES HOUSE**  
**EDINBURGH**

**27 SEP 2019**

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**Skyscanner Limited**

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For the Year Ended 31 December 2018**

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**Company Information**  
**For the Year Ended 31 December 2018**

<b>Directors:</b>	Gareth Williams James Jianzhang Liang Jane Jie Sun Xiaofan Wang Xiong Xing Bryan Jason Dove (appointed 26 February 2019)	
<b>Registered office:</b>	Floor 6, The Avenue 1 Bedford Avenue London WC1B 3AU	
<b>Registered number:</b>	04217916 (England and Wales)	
<b>Independent Auditor:</b>	PricewaterhouseCoopers LLP 144 Morrison Street Edinburgh EH3 8EX	
<b>Bankers:</b>	Barclays 2nd Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG	Royal Bank of Scotland The Gemini Building 2nd Floor, 24 St Andrew Square Edinburgh EH2 1AF
	MS Bank S.A. Banco de Cambio Rua Bispo Dom Jose, 2095 Sala 306. Bairro Batel CEP: 80.440-080, Curitiba/PR	Silicon Valley Bank Alphabeta, 14-18 Finsbury Square London EC2A 1BR

**Strategic Report  
For the Year Ended 31 December 2018**

The Directors present their Strategic Report for Skyscanner Limited ('the Company') for the financial year ended 31 December 2018.

**BUSINESS MODEL**

The Company owns and operates an integrated online travel meta search service connecting travellers with travel service providers around the world. The Company derives substantially all of its revenue and gross profit from:

- Commissions earned from facilitating the booking of Flight, Hotel and Car Hire services;
- Commissions earned from facilitating click through of visitors to our Flight, Hotel and Car Hire partner websites; and
- Display advertising based on number of impressions.

**BUSINESS REVIEW**

The directors use Key Performance Indicators ('KPIs') to monitor and assess Company performance, these are reported as follows:

	2018	2017
Funnel sessions (£'000) <sup>1</sup>	1,784,337	1,410,270
Turnover (£'000)	261,481	214,203
EBITDA (£'000) <sup>2</sup>	50,492	26,897

The above constitute the Company's key financial metrics and KPIs. Growth during the financial year was primarily attributable to funnel session growth driven from both paid and unpaid traffic sources.

Flight meta search continues to be the Company's largest revenue channel. However, in 2018, revenue from the Company's Hotel, Car Hire and Advertising products has contributed 18% (2017: 20%) of overall revenue in the financial year. The Company's Business to Business ('B2B') partnerships have also attracted additional visitors to the website, which has had an accelerative impact on revenue.

The Company's long-term strategy is centred on owning a greater part of the travel journey from destination selection through to post travel engagement and our vision is to become the single travel app for all our traveller's needs. We have made strides towards achieving this objective in 2018 as is evidenced in the growth of some of our key operating metrics. Funnel sessions reached 1,784,337k (2017: 1,410,270k) while turnover was £261,481k (2017 : £214,203k).

During the year, the Company acquired Skipjaq Inc ('Skipjaq'), a business specialising in website optimisation, via a subsidiary and with the objective of driving forward enhancements to the speed of our global products.

In executing our strategy, the Company has continued to invest in headcount, particularly product and engineering talent, and the development of its core products. This investment has supported another year of growth and has driven our development of internal technological assets as reflected in the increase of our intangible assets in note 9. We are confident that the real impact will be seen over the longer term.

**TAXATION**

The Company's tax charge for the year is £7,313k (2017 - tax charge £5,362k), our effective tax rate during the year was 17%. Note 8 to these financial statements provides further detail on the composition of the tax charge. We pay the taxes we are due to pay in the jurisdictions in which we operate in and avail ourselves of allowances we are entitled to.

We are committed to acting with integrity in all tax matters. We always seek to operate under a policy of full transparency and co-operation with the tax authorities - exhibiting transparent compliance in all countries in which we operate, disclosing all relevant facts in full, while seeking to build open and honest relationships in our day-to-day interactions.

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<sup>1</sup>Being the number of sessions (user interactions on our website) that reach one of our travel funnels (flights, hotels or car hire).

<sup>2</sup>Earnings before interest, taxes, depreciation and amortisation.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company actively manages the business risks it is exposed to as part of its internal risk management and control framework. The key business risks relevant to the Company are set out below:

### *Industry trends*

*The Company's performance is linked to the health of the worldwide travel industry.*

The Company's business and financial performance is linked to the health of the worldwide travel industry. Travel expenditure is sensitive to personal and business discretionary spending levels and tends to decline or grow more slowly during economic downturns. The general economic climate and/or unforeseen events, such as political instability, terrorist events, regional hostilities, travel-related accidents and unusual weather patterns also may adversely affect the travel industry. Any future downturn in the industry could have a material adverse effect on the Company's business, prospects, results of operations and financial position.

In particular, the Company's revenue is highly dependent on transaction volumes in the global travel industry, particularly air travel transaction volumes. Changes to the air travel industry in general, and the airline industry in particular could materially adversely impact the business, prospects, results of operations and financial position of the Company.

Our primary strategy for mitigation of this risk is the expansion of our global operations and product base, reducing our reliance on any one market or product and increasing our ability to withstand macroeconomic volatility.

### *Competition*

The global travel & tourism industry contributed US\$8.8 trillion to world GDP<sup>3</sup> in 2017, representing 4% of global GDP<sup>3</sup>. Inevitably the market is extremely competitive. The travel meta search industry specifically has a number of large global businesses competing for market share, with no one company currently dominating the space globally. If new entrants continue to enter the market with services which directly compete with those provided by Skyscanner this may have an adverse effect on our financial results. However, one of Skyscanner's differentiators is that it has over 2,200 direct connections with online travel partners. This has taken over 10 years to establish and means Skyscanner is not as reliant on Global Distribution System (GDS) data in the same way as most of our competitors. This represents a significant barrier to new entrants. In addition, we believe we offer a quality product, focused on the traveller. We aim to hire the best people and strive to remain ahead of the marketplace in terms of innovation in order to ensure that we remain competitive and continue to grow.

### *Website disruption*

If the Company's systems are not expanded to handle increased demand from users of its websites and app, or should such systems fail to perform, the Company's websites and app may experience unanticipated disruptions in service, slower response times or decreased customer service. Any of these issues could impair the Company's reputation, damage the Company's brand and have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

Our dedicated Engineering team operate with the mission of building world class engineering at scale and ensure our systems are secure, efficient and robust. We are increasingly utilising cloud based hosting products as an alternative way to manage our system infrastructure and further reduce risk. We set stringent KPIs relating to availability of Skyscanner's services which are continually monitored.

### *Global expansion*

The Company continues to experience growth in headcount and operations globally. Rapid international growth can place extreme demands on the management and operational infrastructure of a business. If our growth is not appropriately managed to mitigate this risk, the quality of our product and efficiency of our operations could be negatively impacted.

Our Finance and Legal teams are central to managing the primary risks associated with global expansion. We actively monitor cash flow and review the internal control structures of our subsidiary companies in order to ensure the probability of this risk having an impact on our business is mitigated.

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<sup>3</sup>World Travel & Tourism Council - Economic Impact of Tourism 2018.

**Strategic Report - continued**  
**For the Year Ended 31 December 2018**

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

*Changing user habits*

Users are changing the way in which they use technology products at an increasingly fast rate. Staying ahead of user trends and avoiding the risk of the Company's product offerings becoming obsolete is critical to the future success of the Company. For example, internet usage is increasingly on mobile devices so it is important that the Company ensures that its websites, applications and other platforms are accessible and easy to use on such devices. Furthermore, with the shift to mobile, users may use the Company's platforms on mobile devices to access travel information but may be reluctant to click through to the websites of travel providers to make a booking due to the increased difficulty of inputting information on smaller screen sizes or because of security concerns. There is also an added risk that the platforms of the Company's partners may not be optimised for mobile devices, causing the number of bookings made with such partners following a referral from the Company to decrease, resulting in a consequential decrease in the referral fees the Company might have otherwise received from its partners had such bookings been made. This is an industry wide challenge and one which Skyscanner is making significant progress to resolve for our travellers.

Any failure of the Company to evolve to meet the needs, expectations and likes of travellers or any failure to do so in a cost-effective way could have a material adverse effect on the Company's business, prospects, results of operations and financial conditions.

We are not complacent about these challenges: we know the future of our businesses rests on our ability to be ever more useful to travellers. We aim to mitigate this risk through continual analysis of user data to develop our products.

We invest in the recruitment of high quality talent who are responsive to the needs of our users and we devolve product responsibility through our organisational squad model which allows for rapid testing and release. In addition, we have been investing resources to develop the direct booking capabilities on our product to further improve the experience for travellers.

*Brand image and reputation*

The Company's success and results are dependent in part on the strength and reputation of the Company and its brand. The Company and its brand are exposed to the risks of litigation, misconduct by employees and others, significant adverse publicity attaching to the Company's business, operational failures, allegations or determinations that the Company has failed to comply with regulatory or legislative requirements, the outcome of regulatory or other investigations or actions, market forces, and negative press speculation or social media comment, whether or not founded, that could damage its brand and reputation. Any damage to the Company's brand and reputation could cause existing customers, users, partners or intermediaries to withdraw their business from, or restrict their business with, the Company. Such damage to the Company's brand or reputation could cause disproportionate damage to the Company's business, even if the negative publicity is factually inaccurate or unfounded. Furthermore, negative publicity could result in greater regulatory scrutiny and could influence market perception of the Company.

The occurrence of any of these events could have a material adverse effect on the Company's business, prospects, results of operations and financial position.

We are acutely aware of the trust travellers place in our platform and we do not take this lightly. In order to manage the associated risk our finance and legal teams work together to ensure that we comply with laws and regulations in all of the jurisdictions in which we operate. Above all, we strive to maintain a culture which promotes doing the right thing by the traveller.

*Regulatory environment*

Our meta search services are subject to various laws and regulations in the jurisdictions in which we operate. The competition authorities in some of our operating regions have begun investigations into competitive practices within the online travel industry and we may be involved in or affected by such investigations and their results. Our belief is that we provide valuable choice to consumers and therefore contribute positively to competition in the markets we operate in.

In addition, our strategy involves geographic expansion which will increasingly expose the Company to vastly different regulatory environments and tax laws. In this context we may experience unforeseen legal, regulatory or tax consequences which may have both favourable and adverse effects on our business in the future. Furthermore, the proposals announced by numerous countries to introduce Digital Services Taxes are expected to create additional tax compliance challenges and costs.

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

*Regulatory environment (continued)*

In order to manage the associated risks our Finance and Legal teams actively monitor and react to the changing legal, regulatory and tax compliance challenges arising across the Company. We pride ourselves on transparency and maintaining an open dialogue with regulators of the localities in which we operate. In year ended 31.12.18, Skyscanner Holdings Ltd is in the scope of the Senior Accounting Officer legislation. We are working with Tax advisers to develop a Tax control framework to comply with the legislation.

Privacy is an area that continues to grow in importance and significance following the coming into force of the General Data Protection Regulation ("GDPR") in May 2018. EU authorities continue to interpret and apply the GDPR in practice leading to an ever-shifting landscape and as national regulators move from a compliance focus to enforcement, we anticipate a greater need to prepare for and react to developments to ensure on going compliance and that we continue to maintain travellers' trust.

The impact of Brexit is particularly topical at the present time. We are monitoring developments closely, however given the global nature of our business and operations, we do not expect that this will have a material impact on our business or people.

*Our business could be negatively affected by changes in internet search engine algorithms*

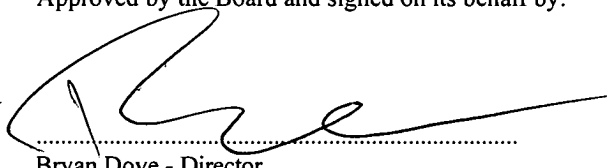
We use certain internet search engines to generate a significant portion of the traffic to our website. The pricing and operating dynamics on these search engines can experience rapid change commercially, technically and competitively such that the placement of links to our websites can be negatively affected and our costs to improve or maintain our placement in search results can increase.

We aim to mitigate this risk through continual analysis of data with a focus on lead indicators. We invest in the recruitment of specialist talent who are responsive to changes in the internet search environment and we devolve product responsibility through our organisational structure which allows for rapid response to any threats to our online marketing model. We also invest resources in expanding our growth channels to reduce reliance on any one source of traffic.

**SOURCES OF TRADING**

The Company finances its activities through cash and working capital and through lending from its immediate parent Company. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Company's operating activities.

Approved by the Board and signed on its behalf by:



Bryan Dove - Director

Date: 26 August 2019

Floor 6, The Avenue  
1 Bedford Avenue  
London  
WC1B 3AU

**Directors' Report  
For the Year Ended 31 December 2018**

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the financial year ended 31 December 2018.

**RESULTS AND DIVIDENDS**

The Company's audited financial statements for the year ended 31 December 2018 are set out on pages 12 to 41. The Company made a profit after tax for the financial year of £35,682k (2017: £18,739k) and had net assets of £121,201k at 31 December 2018 (2017: £62,027k). No dividends were declared during the year.

**SHARE CAPITAL AND CONTROL**

The issued share capital of the Company comprises a single class of ordinary shares of £0.01p each. As at 31 December 2018, the entire issued share capital of the Company is owned by Skyscanner Holdings Limited, the immediate parent company. The ultimate holding company is Ctrip.com International Limited, incorporated in the Cayman Islands.

**GOING CONCERN**

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to continue to be profitable and cash generative going forward. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

**CORPORATE GOVERNANCE AND DIRECTORS**

The Company's governance structure includes accountability to key stakeholders as well as policies and management systems that contribute to efficient and effective operations. Improvements in good corporate governance have been continually focused upon and the Company aims to incorporate standards universally practiced. In 2017 we embarked on a phased company wide initiative to become compliant with the requirements of the Sarbanes Oxley Act 2002 section 404 and in doing so further strengthened our business processes and governance framework.

The Board has oversight responsibilities in preserving and enhancing the Company's long-term value for the stakeholders and oversees the Company's overall performance objectives, key organisational initiatives, financial plans and annual budget, major investments, financial performance reviews, risk management and corporate governance practices. In order to discharge its responsibilities, the Board of the Company have met regularly during 2018 to address key decision-making issues and review reports from designated committees and management.

**DIRECTORS**

The Directors who held office during the year, and up to the date of this report, were as follows:

Gareth Williams  
James Jianzhang Liang  
Jane Jie Sun  
Xiaofan Wang  
Xiong Xing  
Bryan Jason Dove (appointed 26 February 2019)

The company secretary during the year was Carolyn Hay (resigned 26 February 2019).

**FINANCIAL INSTRUMENTS**

The Company finances its activities through cash and working capital and through lending from its immediate parent Company. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to foreign currency, credit and liquidity risk. Information on how these risks arise is set out below, as are the policies and processes for their management.



**Directors' Report - continued**  
**For the Year Ended 31 December 2018**

**POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

In respect of all its suppliers, it is the Company's policy:

- to settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- to ensure that the suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues. As far as it is possible the training, career development and promotion of disabled employees at Skyscanner does not differ from that of other employees.

**EMPLOYEE INVOLVEMENT**

A great deal of effort is devoted to engaging with employees on matters that impact them and the performance of the Company. This includes regular business and performance updates by members of the management team for all employees, frequent internal briefings and team meetings, and the circulation to employees of company announcements and developments.

The Directors actively encourage the participation of employees in the performance and success of the business through company-wide employee bonus and share schemes.

**EQUAL OPPORTUNITIES**

The Company is committed to providing equality of opportunity to all employees without discrimination and applies fair and equitable employment policies which seek to promote entry into and progression within the Company. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency. We recently published our gender pay information and initiatives to support inclusion and diversity and this information is available on our website.

**RESEARCH AND DEVELOPMENT**

The Company undertook research and development work during the year. This included but was not limited to development of employee enablement tools, mobile applications, general product enhancement and optimisation of the site for mobile devices.

**POLITICAL CONTRIBUTIONS**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

**FINANCIAL RISK MANAGEMENT**

The Company manages financial risk so as to minimise non-operational volatility in profitability and cash flow. The key financial risks relevant to the Company and the policies for managing them effectively are set out below.

*Liquidity risk*

The Company manages liquidity risk by closely monitoring cash flow performance and forecasting cash flow for future periods. Adequate cash reserves are maintained in order to support the future growth of the business.

As at 31 December 2018 the Skyscanner group has no external debt. It is anticipated that any group borrowings will be transacted and managed by the immediate parent company, Skyscanner Holdings Limited.

*Foreign exchange risk*

The Company operates in many different geographies and as a result is subject to the risks associated with dealing in foreign currency. The Company manages foreign exchange exposure through a mixture of natural cost hedging and spot trading.

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of assessing the credit worthiness for each partner it works with. The Company's exposure is continually monitored by the credit control team and credit insurance is used to mitigate exposure to risk.

**Skyscanner Limited**

**Directors' Report - continued  
For the Year Ended 31 December 2018**

**STRATEGY AND OUTLOOK**

Our mission is to become the most trusted and most used online travel brand in the world. We are confident in the global strategy underpinning this objective and believe that we can continue growing headcount, unique visitors, sessions and revenue in the coming year and beyond.

**DIRECTORS' LIABILITIES**

At the date of signing these financial statements, the Company does not have any indemnity provisions to or in favour of one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

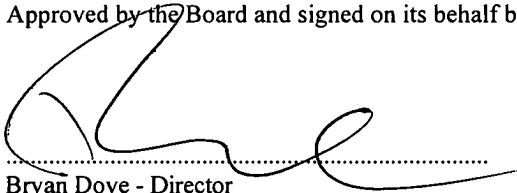
**AUDITOR**

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

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

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

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Bryan Dove', is written over a horizontal dotted line.

Bryan Dove - Director

Date: 26 August 2019

Floor 6, The Avenue  
1 Bedford Avenue  
London  
WC1B 3AU

**Directors' Responsibilities Statement  
For the Year Ended 31 December 2018**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

# ***Independent auditors' report to the members of Skyscanner Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Skyscanner Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

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

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
26 August 2019

**Skyscanner Limited****Statement of Comprehensive Income  
For the Year Ended 31 December 2018**

	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	3	261,481	214,203
Cost of sales		<u>(137,607)</u>	<u>(100,858)</u>
<b>Gross profit</b>		123,874	113,345
Administrative expenses		(106,509)	(99,628)
Other operating income		<u>29,436</u>	<u>10,594</u>
<b>Operating profit</b>		46,801	24,311
Interest receivable and similar income	5	73	1,497
Interest payable and similar expenses	6	<u>(3,879)</u>	<u>(1,739)</u>
<b>Profit before taxation</b>	7	42,995	24,069
Tax on profit	8	<u>(7,313)</u>	<u>(5,362)</u>
<b>Profit for the financial year</b>		35,682	18,707
<b>Other comprehensive income</b>		<u>-</u>	<u>32</u>
<b>Total comprehensive income for the year</b>		<u><u>35,682</u></u>	<u><u>18,739</u></u>

All amounts relate to continuing activities.

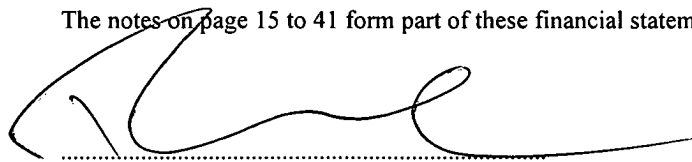
Skyscanner Limited

Balance Sheet  
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Intangible assets	9	14,574	4,271
Tangible assets	10	4,624	4,593
Investments	11	11,065	13,959
Deferred tax	17	9,133	11,459
		<u>39,396</u>	<u>34,282</u>
<b>Current assets</b>			
Debtors	12	53,370	50,028
Current tax assets		2,214	2,530
Cash at bank and in hand		127,453	88,406
		<u>183,037</u>	<u>140,964</u>
<b>Total assets</b>		<u>222,433</u>	<u>175,246</u>
Creditors: amounts falling due within one year	13	(70,263)	(93,794)
<b>Net current assets</b>		<u>112,774</u>	<u>47,710</u>
<b>Total assets less current liabilities</b>		152,170	81,452
Creditors: amounts falling due after more than one year	14	(27,322)	(18,668)
<b>Provisions for liabilities</b>	16	(3,647)	(757)
<b>Net assets</b>		<u>121,201</u>	<u>62,027</u>
<b>Capital and reserves</b>			
Called up share capital	18	16	16
Share premium account		4,396	4,396
Merger reserves		302	302
Profit and loss account		116,487	57,313
<b>Shareholders' funds</b>		<u>121,201</u>	<u>62,027</u>

The financial statements from page 12 to 41 of Skyscanner Limited (Registered number: 04217916) were approved and authorised for issue by the Board of Directors on 26 Aug 2019 and were signed on its behalf by:

The notes on page 15 to 41 form part of these financial statements.



Bryan Dove - Director

**Skyscanner Limited**

**Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Share premium £'000</b>	<b>Merger reserves £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2017</b>	16	22,989	4,396	302	27,703
Profit for the financial year	-	18,739	-	-	18,739
Other comprehensive income for the year	-	32	-	-	32
<b>Total comprehensive income</b>	-	18,771	-	-	18,771
Credit to equity for equity-settled share based payments (Note 19)	-	6,404	-	-	6,404
Capital contribution from ultimate parent company	-	9,181	-	-	9,181
<b>Balance at 31 December 2017</b>	16	57,313	4,396	302	62,027
IFRS 9 transition adjustment	-	(72)	-	-	(72)
<b>Revised balance at 31 December 2017</b>	16	57,241	4,396	302	61,955
Profit for the year	-	35,682	-	-	35,682
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income</b>	-	35,682	-	-	35,682
Credit to equity for equity-settled share based payments (Note 19)	-	10,864	-	-	10,864
Capital contribution from ultimate parent company	-	12,700	-	-	12,700
<b>Balance at 31 December 2018</b>	16	116,487	4,396	302	121,201

**Equity share capital**

The balance classified as equity share capital includes the nominal value on issue of the Company's equity share capital, comprising 1,609,146 £0.01p ordinary shares.

**Share premium**

The balance classified as share premium includes the difference between the value of shares issued and their nominal value.

**Merger reserve**

The balance classified as merger reserve arose during the financial year ending 31 December 2018 when the Company acquired the share capital of Skyscanner Private Limited.

**Profit and loss account**

Capital contributions from the parent Company represents cash received from Ctrip.com International Limited in settlement of certain benefits for Skyscanner employees agreed at the point in time Skyscanner was acquired by Ctrip. No dividends were proposed during the year.



**Notes to the Financial Statements  
For the Year Ended 31 December 2018**

**1. General information**

Skyscanner Limited (the Company) is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 5.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt under section 401 of the Companies Act from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Ctrip.com International Ltd ("Ctrip.com"). The Group accounts of Ctrip.com are available to the public and can be obtained online at [ir.ctrip.com](http://ir.ctrip.com).

**2. Accounting policies**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The accounting policies have been consistently applied, other than where new policies have been adopted.

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) Cash Flow Statement and related notes;
- (b) Comparative period reconciliations for share capital and tangible fixed assets;
- (c) Disclosures in respect of transactions with wholly owned subsidiaries;
- (d) Disclosures in respect of capital management;
- (e) Disclosures in respect of financial instruments and fair value measurement.

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Adoption of new and revised Standards**

**Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year**

***Impact of initial application of IFRS 9 Financial Instruments***

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

***(a) Classification and measurement of financial assets***

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

None of the reclassifications of financial assets have had any material impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

***(b) Impairment of financial assets***

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost; and,
2. Trade debtors and contract assets.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade debtors and contract assets in certain circumstances.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Adoption of new and revised Standards - continued**

*(b) Impairment of financial assets - continued*

The directors have elected not to adopt IFRS 9 retrospectively.

*(c) Classification and measurement of financial liabilities*

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The application of IFRS 9 had no impact on the classification and measurement of the Company's financial liabilities.

Because the Company has elected not to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

The result of the assessment is as follows:

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	Note	Credit risk attributes at 01/01/17 01/01/18	Cumulative additional loss allowance recognised on:	
			01/01/17	01/01/18
Debtors	12	The Company applies the simplified approach and recognises lifetime ECL for these assets	-	(72)
			-	(72)

The application of IFRS 9 impairment requirements has resulted in the additional credit loss allowance of £72k as at 1 January 2018 and £nil as at 1 January 2017. It has been recognised against the opening reserve and charged against the respective asset.

**Impact of application of IFRS 15 Revenue from Contracts with Customers**

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c).

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the balance sheet.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

2. Accounting policies - continued

**Impact of initial application of other amendments to IFRS Standards and Interpretations**

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

*IFRS 2 (amendments)  
Classification and  
Measurement of Share-based  
Payment Transactions*

The Company has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- the original liability is derecognised;
- the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

*Annual Improvements to IFRS  
Standards 2014 – 2016 Cycle*

*Amendments to IAS 28  
Investments in Associates and  
Joint Ventures*

The Company has adopted the amendments to IAS 28 included in the Annual Improvements to IFRS Standards 2014–2016 Cycle for the first time in the current year. The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Adoption of new and revised Standards - continued**

**Impact of initial application of other amendments to IFRS Standards and Interpretations - continued**

*IFRIC 22 Foreign Currency  
Transactions and Advance  
Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

**Foreign currency translation**

The Company's functional currency and presentation currency is GBP Sterling, which is the currency of the primary economic environment in which the Company operates. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognised in the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Company does not apply hedge accounting of foreign exchange risks in the Company financial statements.

**Going concern**

As discussed in the Directors' Report on page 6 the financial statements have been prepared using the going concern basis of accounting.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Tangible assets**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, plus any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of finance leases are also included within property, plant and equipment.

Depreciation is charged to the profit and loss account on a straight-line basis from the date that the asset was brought into use over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- plant and machinery 3 years
- furniture, fixtures and fittings 5 years
- construction in progress non-depreciable

The residual value and useful life of each asset is reviewed at each financial year end and, if expectations differ from previous estimates, the changes are accounted for prospectively in the profit and loss account in the period of the change and future periods. An increase in the residual value of an asset will decrease the depreciation charge for the period and future periods and vice versa.

The carrying value of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds less cost of sale with the carrying amount and are recognised in the profit and loss account.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

**Investment in subsidiaries**

Investments in subsidiaries are accounted for at cost less any provision for impairment.

**Interests in joint ventures**

A joint venture is an entity over which the Company holds a long-term interest and shares control under a contractual agreement. Interests in joint ventures are accounted for as an investment at cost with any dividend or return from being disclosed in the profit and loss account when the right to receive the dividend is established.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Financial instruments - continued**

Financial assets held by the Company are classified as 'loans and trade debtors'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

**Recognition and measurement**

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item (note 5).

## Skyscanner Limited

### Notes to the Financial Statements - continued For the Year Ended 31 December 2018

#### 2. Accounting policies - continued

##### Financial instruments - continued

###### *Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

###### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.



**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Financial instruments - continued**

*(i) Significant increase in credit risk - continued*

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

*(iv) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Financial instruments - continued**

*(v) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

***Derecognition of financial assets***

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

***Financial liabilities and equity***

***Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

***Financial liabilities***

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

***Financial liabilities measured subsequently at amortised cost***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

2. Accounting policies - continued

**Financial instruments - continued**

***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit and loss account. A leased asset is depreciated over the useful economic life of the asset.

However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful economic life of the asset and the lease term.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

**Provisions**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the profit and loss account.

**Taxes**

**i. Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Taxes - continued**

**ii. Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**iii. Recovery of deferred tax assets**

Judgement is required to determine whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable income are based on forecasted cash flows from operations and judgement about the application of existing tax laws.

**Internally-generated intangible assets - research and development expenditure**

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

An internally-generated intangible asset arising from the Company's development work is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In practice it is stretching to demonstrate that all of the above criteria fully met for ongoing projects where a degree of uncertainty exists. Therefore, the majority of development expenditure is expensed as it is incurred.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Internally-generated intangible assets - research and development expenditure - continued**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is charged to the profit and loss account on a straight-line basis from the date that the asset was brought into use over the estimated useful life of the intangible asset. The estimated useful life for intangible assets is typically 4 years or less.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding taxes or duty. The Company assesses its turnover arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as agent in the majority of its turnover arrangements.

The following specific recognition criteria must be met before revenue is recognised.

*Flight commission*

Revenues from flight commission are recognised at the point the Company has performed its obligations under the contract. Depending on the terms of the contract, this would either be at the point of redirect or at the point of booking. Accrued revenue is recognised for all flight commission to the end of the financial reporting period in respect of commission due but not yet invoiced.

*Hotel and car hire commission*

Revenues from hotel and car hire commission are recognised at the point the Company has performed its obligations under the contract. Depending on the individual contract, this is either at the point of redirect or at the point of stay or hire. Accrued revenue is recognised for all hotel and car hire commission to the end of the financial reporting period in respect of commission due but not yet invoiced.

*Other services revenue*

Revenue from other services rendered is recognised at the point the contractual service is provided to the end customer.

**Employee Benefits**

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Short-term benefits*

Employee benefits are classified as short-term if they are expected to be settled wholly within 12 months from the reporting date. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The same approach is applied for longer term benefit plans except in those cases the liability is subject to discounting dependent on expected payment date.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Share-based payments**

Where the Company's parent company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions.

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

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

**Impairment of tangible and intangible assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company establishes the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve.

**Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**2. Accounting policies - continued**

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**a. Critical judgements in applying the Company's accounting policies**

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

*Recognition of deferred tax asset*

The Company has recognised a deferred tax asset of £9,133k (2017: £11,459k). This asset has been recognised based on management's judgment that there is currently reasonable certainty around the future profitability of the Company. The Directors have considered the Company's current five year forecasts, which demonstrate utilisation of this deferred tax asset within this period.

If the level of taxable profit forecast by the Directors were to reduce in future periods, the amount of deferred tax asset recognised could be reduced by a material amount, ranging from zero to the full amount recognised. Given the Company's past track record of profitability, the Directors view the likelihood of this asset being reduced to the lower end of the scale as low.

**b. Estimates and assumptions**

The Directors have considered the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Whilst there are a number of estimates made at the balance sheet date, the Directors have not identified any estimate where there is a high probability of material adjustment in the next financial reporting period.

**3. Turnover**

Revenue recognised in the statement of other comprehensive income is analysed as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Flight commission	211,920	168,556
Hotel and car hire commission	19,764	19,913
Advertising	27,362	21,876
Other services	2,435	3,858
	<u>261,481</u>	<u>214,203</u>

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**3. Turnover - continued**

Revenue relates to activities in the following regions:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
UK & Ireland	60,808	55,314
Europe	94,060	80,449
Rest of the world	106,613	78,440
	<u>261,481</u>	<u>214,203</u>

**4. Staff cost and directors' remuneration**

**Staff costs:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	51,977	57,339
Other pension costs	3,810	2,837
Cash settled share based payments and cash payments in relation to share plans	735	157
Social security costs	5,990	4,796
	<u>62,512</u>	<u>65,129</u>

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current period was £3,810k (2017: £2,837k).

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Development, operations and commercial	585	488
Administrative	90	91
	<u>675</u>	<u>579</u>

**Directors' remuneration:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration	15	78
Contributions to defined contribution plans	-	2
Social security costs	1	10
	<u>16</u>	<u>90</u>

The number of directors accruing benefits under money purchase schemes is 1 (2017: 1).

The number of directors who exercised share options in the year was nil (2017: nil).

The above amounts for remuneration include the following in respect of the highest paid director:



Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

4. Staff cost and directors' remuneration - continued

	2018 £'000	2017 £'000
Directors' remuneration	16	78

5. Interest receivable and similar income

	2018 £'000	2017 £'000
Bank deposits	380	241
Net foreign exchange differences	(307)	1,122
Gain on financial instruments (including all derivatives)	-	134
	<u>73</u>	<u>1,497</u>

6. Interest payable and similar expenses

	2018 £'000	2017 £'000
Other fees and charges	2,980	892
Interest due to parent company	899	847
	<u>3,879</u>	<u>1,739</u>

7. Operating profit

This is stated after charging:

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets - owned assets	1,983	1,784
Depreciation of tangible fixed assets - leased assets	103	328
Amortisation of intangible assets	1,590	474
Loss on disposal of fixed assets	6	35
Research & development	3,963	2,948
Impairment loss recognised on debtors	2,533	945
Auditor's remuneration - audit of the financial statements	200	56
Lease payments recognised as an operating expense	3,197	4,920

**Skyscanner Limited**

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**8. Taxation**

(a) Tax charged in the profit and loss account and other comprehensive income

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
UK corporation tax	5,888	1,691
Adjustments in respect of prior periods	(901)	20
<b>Total current income tax charge</b>	<u>4,987</u>	<u>1,711</u>
Deferred tax:		
Origination and reversal of timing differences	1,551	4,174
(Charge)/credit arising from previously unrecognised tax loss, tax credit or temporary differences	529	(523)
Impact of change in tax law and rates	246	-
<b>Total deferred tax</b>	<u>2,326</u>	<u>3,651</u>
<b>Tax on profit</b>	<u><u>7,313</u></u>	<u><u>5,362</u></u>

(b) Reconciliation of the total tax charge

Reconciliation between tax expense and the accounting profit multiplied by the UK standard rate of corporation tax is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Accounting Profit before income tax	<u>42,995</u>	<u>24,069</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	8,169	4,633
Effects of:		
Other non-deductible expenses / non-taxable income	(1,940)	1,467
Difference between capital allowances and depreciation	138	394
R&D relief	(1,045)	(577)
Impact of rate change	246	(52)
Prior year adjustments	(491)	(503)
Employee share options	2,318	-
Short term timing differences	(82)	-
<b>Total tax expense reported in the statement of comprehensive income</b>	<u><u>7,313</u></u>	<u><u>5,362</u></u>

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**8. Taxation - continued**

*(c) Reconciliation of the total tax charge*

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates enacted now standing at 19% from 1 April 2017. The closing deferred tax assets and liabilities have been calculated at the current rate of 19%. The tax rate used for tax on profit is the effective standard rate for UK corporation tax for the year ended 31 December 2018 of 19% (2017: 19.25%).

In the Budget on 16 March 2016, the UK Government proposed, amongst other things, to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Existing temporary differences on which deferred tax has been provided may therefore unwind in periods subject to this reduced rate. The rate change was substantively enacted on in the Finance Bill on 6 September 2016.

Removing the impact of prior year adjustments, share based payment deductions and deferred tax, our normalised rate of tax is 22%. In addition, we hold corporate tax credits of £2,214k (2017: £2,530k) in other debtors (see note 12) which relate to corporate tax payments for 2016 and 2017. These balances are pending agreement with UK tax authorities and will be utilised against future corporate tax liabilities.

**9. Intangible assets**

	<b>Goodwill</b>	<b>Development</b>	<b>Computer</b>	<b>Total</b>
	<b>£'000</b>	<b>costs</b>	<b>software</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	
<b>COST</b>				
At 1 January 2018	-	4,503	763	5,266
Additions	5,474	6,486	-	11,960
Disposals	-	(67)	-	(67)
	<u>5,474</u>	<u>10,922</u>	<u>763</u>	<u>17,159</u>
At 31 December 2018	5,474	10,922	763	17,159
<b>ACCUMULATED AMORTISATION</b>				
At 1 January 2018	-	345	650	995
Amortisation for year	-	1,507	83	1,590
Disposals	-	-	-	-
	<u>-</u>	<u>1,852</u>	<u>733</u>	<u>2,585</u>
At 31 December 2018	-	1,852	733	2,585
<b>NET BOOK VALUE</b>				
At 31 December 2018	<u>5,474</u>	<u>9,070</u>	<u>30</u>	<u>14,574</u>
At 31 December 2017	<u>-</u>	<u>4,158</u>	<u>113</u>	<u>4,271</u>

Development costs capitalised in the year relate to internally generated intangible assets which meet the criteria for capitalisation defined in note 2 and will be amortised over a period of 4 years commencing January 2018. Additions to goodwill in the year relate to the hive up of a subsidiary into the company.

Amortisation of intangible assets is included in administrative expenses.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**10. Tangible assets**

	Plant and machinery £'000	Furniture, fixtures and fittings £'000	Construction in progress £'000	Total £'000
<b>COST</b>				
At 1 January 2018	5,379	13,014	-	18,393
Additions	66	1,460	634	2,160
Disposals	-	(43)	-	(43)
	<u>5,445</u>	<u>14,431</u>	<u>634</u>	<u>20,510</u>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2018	5,270	8,530	-	13,800
Charge for year	133	1,953	-	2,086
Disposal	-	-	-	-
	<u>5,403</u>	<u>10,483</u>	<u>-</u>	<u>15,886</u>
<b>NET BOOK VALUE</b>				
At 31 December 2018	<u>42</u>	<u>3,948</u>	<u>634</u>	<u>4,624</u>
At 31 December 2017	<u>109</u>	<u>4,484</u>	<u>-</u>	<u>4,593</u>

The Company has assets with costs of £12,230k (2017: £9,512k) that are fully depreciated but still in use as at the period end. This is primarily assets relating to our data centres which are being maintained as we work to migrate our infrastructure model toward cloud based hosting.

**11. Investments**

	Interest in joint ventures £'000	Investment in subsidiaries £'000	Total £'000
<b>COST</b>			
At 1 January 2018	781	13,178	13,959
Additions	-	2,580	2,580
Disposals	-	(5,474)	(5,474)
	<u>781</u>	<u>10,284</u>	<u>11,065</u>
<b>NET BOOK VALUE</b>			
At 31 December 2018	<u>781</u>	<u>10,284</u>	<u>11,065</u>
At 31 December 2017	<u>781</u>	<u>13,178</u>	<u>13,959</u>

Disposals during the year relate to the hive up of a subsidiary into the company (per note 9).

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**11. Investments - continued**

The Company has investments in the following direct and indirect subsidiary undertakings, associates and other investments.

**Direct holdings:**

<b>Entity name / country of information</b>	<b>Principle activity</b>	<b>Registered address</b>	<b>Holding</b>
Skyscanner Private Limited / Singapore	Commercial and engineering	39 Robinson Road, #08-01, Singapore - 068911	100%
Experience On Ventures S.L (Fogg)/Spain	Engineering	C/Esteve Terradas 21, Despacho Bajos 3, Barcelona	100%
Skyscanner Holdings Inc / USA	Commercial	1111 Brickell Ave, Suite 2250, Miami FL33131	100%
Reacher Investments Limited / Hong Kong	Holding company	Room 1318 - 2, 13/FHollywood Plaza 610Hollywood Road, Mongkok	100%
Distinction Kft./ Hungary	Engineering	H - 1068 Budapest	100%
Skyscanner (Bulgaria) EOOD / Bulgaria	Engineering	Varosligetifasor 24 Sofia MunicipalityTriaditza Region	100%
Beijing Skyscanner Technology Co. Limited / China	Commercial	Room 1201, Tower W2, Oriental Plaza, 1, East Chang An Avenue, Dong Cheng District, Beijing 100738	100%
Twizoo Limited / UK	Engineering	Floor 6, The Avenue, 1 Bedford Avenue, London, England, WC1B3AU	100%

**Indirect holdings**

<b>Entity name / country of information</b>	<b>Principle activity</b>	<b>Registered address</b>	<b>Holding / Held by</b>
		Corporation Trust Center, 1209 Orange Street, Willington, Delaware	100% / Twizoo
Youbibi Technology (Shenzhen) Limited / China	Engineering	Room 2201A, Century Place, 3018 Shennan Middle Road, Futian District, Shenzhen, Guangdong, P.R. China	100% / Reacher Investments Limited
Shenzhen Zhuanbi Internet Limited / China	Engineering	Room 2201A, Century Place, 3018 Shennan Middle Road, Futian District, Shenzhen, Guangdong, P.R. China	Variable Interest Entity ('VIE') controlled by Youbibi Technology (Shenzhen) Limited
Gogobot Inc / USA	Engineering	Corpotation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801	100% / Skyscanner Holdings Inc

Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

11. Investments - continued

Indirect holdings - continued

Entity name / country of information	Principle activity	Registered address	Holding / Held by
Skyscanner Inc / USA	Commercial	1111 Brickell Ave, Suite 2250, Miami FL3313	100% / Skyscanner Holdings Inc
Skyscanner Optimisation Inc / USA	Holding company	Corporation Trust Centre, USA 1209 Orange Street, Wilmington, Delaware, 19801	100% / Skyscanner Holdings Inc
Skipjaq Limited / UK	Engineering	Stapleton House Block A, 2nd Floor 110 Clifton Street, London, United Kingdom, EC2A 4HT	100% / Skyscanner Holdings Inc
Skipjaq Sp Z.o.o / Poland	Engineering	Pl. Szczepanski 5/104, Krakow, 31-011	100% / Skyscanner Holdings Inc

Other significant investment

Entity name / country of information	Principle activity	Registered address	Holding
Skyscanner Japan K.K/Japan	Commercial and engineering	19F Grand Cube, 1-9-2, OtemachiChiyoda-ku, Tokyo 100-0004	51%

12. Debtors

	2018 £'000	2017 £'000
Trade debtors	26,063	22,847
Amounts owed by Group undertakings	12,521	15,416
Allowance for doubtful debts	(1,064)	(554)
Prepayments	6,391	5,112
Accrued income and other receivables	9,459	7,207
Corporation tax assets	2,455	2,530
	<u>55,825</u>	<u>52,558</u>

The recoverability of debtor balances are reviewed each month and the Company considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. During the year, the provision was utilised to write off debts that are deemed uncollectible. Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**12. Debtors - continued**

Movement in the allowance of doubtful debts is summarised as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Balance at the beginning of the year	(554)	(991)
Additional provision during the year	(2,533)	(945)
Provision utilised in the year due to write off	2,023	945
Provision released in the year due to recovery of debt	-	437
	<u>          </u>	<u>          </u>
Closing balance	<u>(1,064)</u>	<u>(554)</u>

**13. Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	10,334	8,937
Amounts owed to subsidiaries	47,331	70,006
Other taxation and social security	4	295
Accruals and other creditors	12,594	14,556
	<u>          </u>	<u>          </u>
	<u>70,263</u>	<u>93,794</u>

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

**14. Creditors: amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Other long-term employee benefits	26,575	17,313
Acquisition related deferred consideration	747	1,355
	<u>          </u>	<u>          </u>
	<u>27,322</u>	<u>18,668</u>

**15. Derivative financial instruments**

The foreign currency forward contracts outstanding at the reporting dates are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January	-	(134)
Fair value movement recognised in the statement of comprehensive income (Note 5)	-	134
	<u>          </u>	<u>          </u>
As at 31 December	<u>-</u>	<u>-</u>

Derivative financial instruments are classified as liabilities in the statement of financial position as follows:

Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

16. Provisions for liabilities

	2018 £'000	2017 £'000
Acquisition related employee benefit provision	1,096	73
Share option plan social security provision	1,277	684
Other provisions	1,274	-
	<u>3,647</u>	<u>757</u>

Provisions were made during the year for acquisition related forward remuneration tied to continued employment and for social security costs that the company expects to incur at the point employees exercise certain share options. The provisions represent management's best estimate of the Company's future liability.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting year.

	Accelerated capital allowances £'000	Sharebased payments £'000	Short term timing differences £'000	Losses £'000	Total £'000
At 1 January 2017	428	-	42	14,640	15,110
(Charge) / credit to profit or loss	(324)	-	11	(3,338)	(3,651)
Debit direct to equity	-	-	-	-	-
At 31 December 2017	<u>104</u>	<u>-</u>	<u>53</u>	<u>11,302</u>	<u>11,459</u>
Credit/(charge) to profit or loss	-	-	-	(2,326)	(2,326)
Debit direct to equity	-	-	-	-	-
At 31 December 2018	<u>104</u>	<u>-</u>	<u>53</u>	<u>8,976</u>	<u>9,133</u>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of deferred tax balances (after offset) for financial reporting purposes:

	2018 £'000	2017 £'000
Deferred tax liabilities	-	(21)
Deferred tax assets	9,133	11,480
	<u>9,133</u>	<u>11,459</u>



Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

18. Called up share capital

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£'000	£'000
1,609,146	Ordinary shares	£0.01	16	16

There was no issuance of ordinary shares in 2018 or 2017.

19. Share based payments

*Equity-settled share option scheme*

The parent company, Skyscanner Holdings Limited, granted share options to employees. Options are exercisable on the shares of the parent company at a price equal to the estimated fair value of the parent company's shares on the date of grant.

The options issued to employees (71,931,690 at the balance sheet date) vest on the following profile:

- 10% of the options vest on the first anniversary of grant date.
- a further 30% of the options vest on each of the second and third anniversaries of the grant date; and
- the balance of the options vest on the fourth anniversary of the grant date.

The remaining options (68,435,904 at the balance sheet date) were issued to senior management and have specific performance based vesting conditions. The share based payment charges for these options have been recognised based on our assumptions as to whether these performance conditions will be achieved.

A new SIP scheme was introduced in FY2018 (1,807,292 granted at balance sheet date) however, the shares are still within the accumulation period and have not yet been issued. The SIP shares are split between partnership and matching shares with the matching shares vesting 4 years from the grant date. The share based payment charges for these options have been recognised based on estimates of number of shares to be issued. For the partnership shares, 900,896 (at the balance sheet date) vest after the accumulation period (1 year from the grant date).

If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest. The options have an exercise price of £1.25. Out of the 142,174,886 outstanding options (2017: 116,830,589 options), 11,818,975 options (2017: 2,495,185) were exercisable.

	2018		2017	
	Number of Share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of the period	116,830,589	1.25	84,409,889	1.25
Granted during the period	33,915,292	1.43	34,173,150	1.25
Forfeited during the period	(3,927,060)	1.28	(1,752,450)	1.25
Exercised during the period	(1,859,435)	0.11	-	-
Net transfers out of Skyscanner Limited	(2,784,500)	1.25	-	-
	<u>142,174,886</u>	<u>1.33</u>	<u>116,830,589</u>	<u>1.25</u>

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**19. Share based payments - continued**

The options outstanding at 31 December 2018 had a weighted average exercise price of £1.32, and a weighted average remaining contractual life of 8.15 years.

The weighted average fair value of options granted during the period, determined using the Black-Scholes valuation model, was £0.60 per option (2017: £0.51). The significant inputs into the Black-Scholes model were:

	<b>2018</b>	<b>2017</b>
Weighted average share price	£1.39	£1.31
Volatility	34%	36%
Expected option life	5.7 years	7 years
Annual risk-free interest rate	1.0%	0.8%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of comparable companies' listed share prices over the last 7 years.

The share based payment charges arising were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Equity settled payments:		
Charge for post-acquisition equity settled share based payments	10,864	6,404
Total equity settled payments	10,864	6,404
Cash settled payments:		
Cash bonus equivalent scheme	735	158
Total share based payment charge	<u>11,599</u>	<u>6,562</u>

**20. Obligations under leases**

**Obligations under operating leases**

The Company has entered into commercial leases on certain properties. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee.

These leases have an average duration of between 2 and 5 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Future minimum lease payments due:		
Not later than one year	4,930	3,973
After one year but not more than five years	16,712	13,697
After five years	10,328	740
	<u>31,970</u>	<u>18,410</u>

The Company does not have finance lease related to plant and equipment.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**21. Related party disclosures**

During the year, the Company entered into the following trading transactions with related parties:

	Sale of services		Purchase of services	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Skyscanner KK	3,492	1,676	13,814	8,944

	Amounts owed by related parties		Amounts owed to related parties	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Skyscanner KK	-	-	7,321	5,396

Skyscanner KK is a related party of the Company because it holds 51% of the equity share capital.

Sales of services to Skyscanner KK represent costs paid on that entity's behalf which were passed through by way of intercompany billing and invoices from the Company to Skyscanner KK for use of Skyscanner intellectual property under a licence agreement. Purchases represent revenue recharges from Skyscanner KK for revenue earned by that entity billed by Skyscanner Limited.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**22. Commitments**

**Capital commitments**

At 31 December 2018 there were no capital commitments (2017: none).

**Contingent liabilities**

At 31 December 2018 there were no contingent liabilities (2017: none).

**23. Subsequent events**

There are no significant subsequent events relating to the Company.

**24. Ultimate parent undertaking and controlling party**

The Company's immediate parent undertaking and controlling party is Skyscanner Holdings Limited, a company registered in England. The ultimate holding company is Ctrip.com International Limited, incorporated in the Cayman Islands. The only group to consolidate these results is Ctrip.com International Limited. The financial statements of Ctrip.com International Limited may be obtained from <http://ir.ctrip.com>.