

Registration number: 03880175 (England and Wales)

Travelfusion Limited

Strategic and Directors' Reports and Financial Statements

For the Year Ended 31 December 2018



Travelfusion Limited

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Company Information

Directors

M Rafiah
Y Feng (resigned on 10 Apr 2019)
X Xiong
X F Wang
K Reddy
C T Ooi
LI, Xuan (appointed 10 Apr 2019)

Company secretary

M Rafiah

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
WC2N 6RH
London

Registered office

Level 11
10 Exchange Square Primrose Street
London
EC2A 2EN

Bankers

HSBC PLC
Barclays Bank PLC
Wirecard Bank AG
Bank of America Merrill Lynch

Travelfusion Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Principal activities and review of the business

The principal activity of the Company is that of a travel technology company. Travelfusion Limited is a leading 'direct connect' distribution system for airlines, rail travel and hotels, facilitating bookings and payment solutions for agents and other users.

In January 2016, 70% of the shares of the Company were acquired by CTrip Investment Holding Ltd, a company incorporated and trading in China. There were no significant changes in the Company's operations in the year as it continued to facilitate booking solutions for agents and other users. The base of operations is set to continue from its premises in London.

Financial performance review

The Company's key financial and other performance indicators during the year were as follows:

| | 2018 | 2017 | Change % |
|--|--------|--------|-------------|
| Turnover (£000's) | 43,206 | 32,201 | 34 |
| Gross profit (£000's) | 42,602 | 31,652 | 35 |
| Gross profit margin (%) | 99% | 98% | |
| Operating Profits before Phantom share option scheme provision | 37,089 | 25,440 | 46 |
| Profit for the financial year (£000's) | 25,810 | 13,715 | 88 |
| Total shareholders' funds (£000's) | 59,247 | 33,437 | 77 |
| Current assets as % of current liabilities (quick ratio %) | 299% | 286% | |
| Average number of employees | 81 | 66 | 23 |

Turnover has continued to increase due to a general increase in the LCC (low cost carrier) market share. This is a continuation of the trend from prior years and reflects the gains from the company's marketing efforts.

The Shareholders' funds have increased by 77% due to retained earnings.

The average number of employees is increased by 23% during the year. This was due to an increase number of employees utilized in the technology services department.

Future developments

The Company remains focused on its content aggregation and distribution activities and further developing its payment and settlement solution - TF.Pay.

Strategic Report for the Year Ended 31 December 2018 (continued)

Principal risks and uncertainties

The principal risks the Company is exposed to are:

Competitive risks

- Competition from other travel aggregators or from traditional players entering the LCC distribution space;
- A decline or slow down in LCC market share and growth, and
- New distribution technologies.

Political and legislative risks

The Company is subject to regulation relating to data protection and data licensing as well as others such as business and customer compliance and health and safety requirements. All risks are identified and managed.

Certain factors are beyond the control of the Company, such as fluctuations in the movement of the Euro against Sterling or regulatory industry changes. However, the Company, where possible is acting to mitigate against the impact of such events.

Financial risks

The Company's principal financial risk is the non-payment of receivables by customers. Trade receivables are carefully monitored on a regular basis, with a tight credit control policy to reduce the exposure to bad debts. Cash balances are only placed with financial institutions with a strong credit rating and are regularly monitored.

Our approach to Brexit

We believe that Brexit will not have a material impact on our business but as details emerge on the any agreement, we will review how the business will need to change.

On behalf of the board



M Rafiah
Director

25 September 2019

Directors' Report for the Year Ended 31 December 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Directors of the Company

The directors who held office during the year and thereafter were as follows:

M Rafiah
Y Feng (resigned on 10 Apr 2019)
X Xiong
X F Wang
K Reddy
C T Ooi

Mr M Rafiah has a direct holding of 1,000 shares, and an indirect holding of 27,160 shares via a company, Pailex Securities International Inc., which is controlled by him. This represents 23.87% of the issued share capital.

Results and dividends

The results of the Company for the year ended 31 December 2018 are set out in the Income Statement and Statement of Comprehensive Income and a commentary on the results is included in the Strategic Report. There were no dividends proposed in the year ended 31 December 2018 (2017: £ nil)

The company made a profit for the financial year of £ 25,809,993 (2017: £13,715,147).

Employee involvement

The Company has a policy of providing opportunities for training, career development and promotion to all employees in accordance with their skills and abilities. The Company supports the recruitment of disabled persons, where possible. Priority is given to those who become disabled during their employment. The Company endeavors to keep all employees informed on matters affecting them and takes into account the views of employees, wherever possible.

Going concern

The Company has sufficient financial resources together with long standing relationships with key clients and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Financial Risk Management

Information relating to the Company's financial risk management is set out in the Strategic Report.

Charitable and political contributions

There were no charitable or political contributions made in the year ended 31 December 2018 (2017: £ nil).

Directors' indemnity provisions

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions were in force during the financial year and remains in force as at the date of approving the Directors' report.

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

Directors' Report for the Year Ended 31 December 2018 (continued)

Statement of directors responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



M Rafiah
Director

25 September 2019

Independent auditors' report to the members of Travelfusion Limited

Report on the audit of the financial statements

Opinion

In our opinion, Travelfusion 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Strategic and Directors' Reports and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Income Statement, 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.

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.

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.

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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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. 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.

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.



Emily Greybrook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 September 2019

Travelfusion Limited

Income Statement for the Year Ended 31 December 2018

| | <i>Note</i> | <i>2018</i> £ | <i>2017</i> £ |
|---|-------------|--------------------------|--------------------------|
| Turnover | 3 | 43,205,643 | 32,201,056 |
| Cost of sales | | <u>(603,484)</u> | <u>(549,427)</u> |
| Gross Profit | | 42,602,159 | 31,651,629 |
| Administrative expenses | 4 | <u>(5,513,538)</u> | <u>(6,211,563)</u> |
| Operating Profit before Phantom Share Scheme provision | | 37,088,621 | 25,440,066 |
| Phantom Share Scheme provision | 20 | <u>(5,550,806)</u> | <u>(6,946,650)</u> |
| Operating Profit after Phantom Share Scheme provision | 4 | 31,537,815 | 18,493,416 |
| Interest receivable and similar income | 5 | 50,389 | 21,125 |
| Interest payable and similar expenses | 6 | <u>(830,413)</u> | <u>(608,252)</u> |
| Profit before taxation | | 30,757,791 | 17,906,289 |
| Tax on profit | 9 | (4,947,798) | (4,191,142) |
| Profit for the financial year | | <u>25,809,993</u> | <u>13,715,147</u> |

The above results were derived from continuing operations.

Travelfusion Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Profit for the financial year | 25,809,993 | 13,715,147 |
| Total comprehensive income for the year | <u>25,809,993</u> | <u>13,715,147</u> |

Travelfusion Limited

(Registration number: 03880175)
Statement of Financial Position as at 31 December 2018

| | Note | 2018 £ | 2017 £ |
|--|------|--------------|--------------|
| Fixed assets | | | |
| Tangible assets | 10 | 192,548 | 181,091 |
| Investments | 11 | 1 | 1 |
| | | 192,549 | 181,092 |
| Current assets | | | |
| Debtors - amounts falling due within one year | 12 | 28,546,876 | 19,277,307 |
| Cash at bank and in hand | | 84,495,468 | 48,675,167 |
| | | 113,042,344 | 67,952,474 |
| Creditors: Amounts falling due within one year | 13 | (37,833,729) | (23,719,733) |
| Net current assets | | 75,208,615 | 44,232,741 |
| Total assets less current liabilities | | 75,401,164 | 44,413,833 |
| Creditors: Amounts falling due after more than one year | 20 | (16,154,067) | (10,976,728) |
| Net assets | | 59,247,098 | 33,437,105 |
| Capital and reserves | | | |
| Called up share capital | 15 | 118 | 118 |
| Share premium account | | 1,206,422 | 1,206,422 |
| Capital redemption reserve | | 19,813 | 19,813 |
| Profit and loss account | | 58,020,745 | 32,210,752 |
| Total shareholders' funds | | 59,247,098 | 33,437,105 |

Approved and authorised by the Board on 25 September 2019 and signed on its behalf by:


 M Rafiah
 Director

Travelfusion Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

| | <i>Called up share capital</i> | <i>Share premium account</i> | <i>Capital redemption reserve</i> | <i>Profit and loss account</i> | <i>Total Shareholders' funds</i> |
|-------------------------------|------------------------------------|--------------------------------------|---|------------------------------------|--|
| | £ | £ | £ | £ | £ |
| As At 1 January 2018 | 118 | 1,206,422 | 19,813 | 32,210,753 | 33,437,106 |
| Profit for the financial year | - | - | - | 25,809,993 | 25,809,993 |
| As At 31 December 2018 | 118 | 1,206,422 | 19,813 | 58,020,746 | 59,247,099 |

| | <i>Called up share capital</i> | <i>Share premium account</i> | <i>Capital redemption reserve</i> | <i>Profit and loss account</i> | <i>Total Shareholders' funds</i> |
|-------------------------------|------------------------------------|--------------------------------------|---|------------------------------------|--|
| | £ | £ | £ | £ | £ |
| As At 1 January 2017 | 118 | 1,206,422 | 19,813 | 18,495,606 | 19,721,959 |
| Profit for the financial year | - | - | - | 13,715,147 | 13,715,147 |
| As At 31 December 2017 | 118 | 1,206,422 | 19,813 | 32,210,753 | 33,437,106 |

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by shares capital incorporated in England. The registered office and principal place of business is Level 11, 10 Exchange Square Primrose Street, London, England, EC2A 2EN. The financial statements were authorised for issue by the Board of Directors' and signed on their behalf by Moshe Rafiah on 25 September 2019.

2 Accounting policies

Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements have been prepared using the historical cost convention. The financial statements are prepared in pounds sterling, which is the functional currency of the Company.

The financial statements contain information about Travelfusion Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option under Section 398 of the Companies Act 2006 not to prepare consolidated financial statements. The Company is a subsidiary of Ctrip.com International Ltd, which reports consolidated financial statements (see Note 18).

Financial Reporting Standard 102 reduced disclosure exemption.

The company has taken advantage of the following disclosure exemption in preparing the financial statements as permitted by FRS 102 for qualifying entities:

The requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d) and Section 7 Statement of Cash Flows to prepare a statement of cash flows.

Going concern

The Company has sufficient financial resources together with long standing relationships with key clients and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover represents the value of services provided, net of value added tax, and is derived from the company's principal activities.

Revenue represents the amounts received and receivable for goods and services provided for customers exclusive of value – added tax.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Corporation tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax is recognized in respect of all timing differences that have originated but not reserved at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the costs less estimated residual value over its expected useful life, as follow:

| | |
|----------------------------------|-------------------|
| Fixtures, fittings and equipment | 20% straight line |
|----------------------------------|-------------------|

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Interest income and expense

Interest income and expense is recognised on an accruals basis in the period to which is related.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charge to the profit and loss account in the year they are payable.

Derivative financial instruments – Forward contracts

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate.

Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) and key sources of estimation uncertainty that have the most significant effect on amounts recognised in the financial statements:

The value of the research and development credit is based on judgment made by management in relation to technical, commercial and financial viability on a project by project basis. Projects are only carried forward as an asset if in the opinion of management the above criteria are met.

The phantom share option scheme is accounted for as a profit sharing plan (see note 20 for details of the charge recognised). The expense recognised is calculated based on multiples of the most recently audited revenue and profit multiples of the wider Travelfusion group of companies as set out in the scheme documents and the number of options granted. Assumptions have been made in respect of employees' ongoing employment and the vesting of the options, which inherently involves management estimates, and may result in the actual cost of settling the scheme differing to the provision recognised.

Phantom share option scheme provision

The phantom share scheme is accounted for as a profit sharing plan, whereby each year the employees become entitled to a share of the current year's profit calculated under the scheme's rules. At the end of each year after the Group's annual results are published the employees have the right to cash in their options (to the extent they have vested) and the amount of payment is based on that year's profits. The current obligation recognised in the financial statements is calculated based on current year profits, and represents the best estimate of the amounts that the company may be required to pay as employees cash in their vested options.

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

| | 2018 £ | 2017 £ |
|------------------|------------|------------|
| Sale of services | 43,205,643 | 32,201,056 |

The geographical analysis of the company's turnover is as follows:

| | 2018 £ | 2017 £ |
|--------|------------|------------|
| UK | 6,658,739 | 4,962,741 |
| Europe | 17,306,613 | 12,898,575 |
| USA | 16,475,654 | 12,279,263 |
| Asia | 2,054,773 | 1,531,417 |
| Other | 709,864 | 529,060 |
| | 43,205,643 | 32,201,056 |

4 Operating profit

Arrived at after charging/(crediting)

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Depreciation expense of tangible assets | 59,368 | 39,576 |
| Foreign exchange (gain)/expense | (461,556) | 1,696,139 |
| Auditors' remuneration – fees payable for the statutory audit of the company's annual financial statements | 41,900 | 35,500 |
| Government grant - R&D (credit) | (36,750) | (35,000) |
| Operating lease expense | 314,298 | 213,569 |

5 Interest receivable and similar income

| | 2018 £ | 2017 £ |
|----------------------------------|-----------|-----------|
| Interest income on bank deposits | 50,389 | 21,125 |

6 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|------------------|-----------|-----------|
| Interest charges | 1,208 | 367 |
| Bank charges | 829,205 | 607,885 |
| | 830,413 | 608,252 |

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2018 £ | 2017 £ |
|--------------------------------|-----------|------------|
| Wages and salaries | 3,790,163 | 3,250,681 |
| Social security costs | 437,899 | 386,805 |
| Other pension costs | 102,162 | 81,583 |
| Phantom Share Scheme provision | 5,550,806 | 6,946,650 |
| | 9,881,030 | 10,665,719 |

The average number of employees (including directors), during the year, was as follows:

| | 2018 No. | 2017 No. |
|------------------------------------|-------------|-------------|
| Sales and marketing | 2 | 2 |
| Technology | 68 | 55 |
| Finance and administration support | 11 | 9 |
| | 81 | 66 |

8 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Aggregate emoluments in respect of qualifying services | 379,493 | 224,985 |
| Contributions paid to money purchase pension schemes | 9,300 | 4,500 |
| Phantom Share Scheme provision | 935,532 | 1,162,822 |
| | 1,324,325 | 1,392,307 |

The pension contributions are only for one director M Rafiah.

The highest paid director was remuneration as follows:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Aggregate emoluments in respect of qualifying services | 269,493 | 224,985 |
| Contributions paid to money purchase pension schemes | 6,000 | 4,500 |
| Phantom Share Scheme provision | 898,120 | 1,162,822 |
| | 1,173,613 | 1,392,307 |

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Tax on profit

Tax on profit

Tax charged in the income statement

| | 2018 | 2017 |
|-----------------------------------|-------------|-----------|
| | £ | £ |
| UK corporation tax – current year | 6,889,292 | 4,771,863 |
| Deferred tax (credit) / charge | (1,941,494) | (580,721) |
| Tax on profit | 4,947,798 | 4,191,142 |

Factors affecting tax charge for the year

The tax on profit before taxation for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2018 – 19%).

The differences are reconciled below:

| | 2018 | 2017 |
|---|-------------|------------|
| | £ | £ |
| Profit before taxation | 36,308,597 | 17,906,289 |
| Corporation tax at standard rate | 6,898,633 | 4,783,340 |
| Non-deductible expenses | 11,746 | 2,523 |
| Depreciation in deficit/ (excess) of capital allowances | (14,105) | (14,000) |
| R&D tax charge / (credit) | - | - |
| Other | (6,982) | - |
| Deferred tax (credit) / charge | (1,941,494) | (580,721) |
| | 4,947,797 | 4,191,142 |

Deferred tax

Movement on deferred tax assets / (liabilities) during the year comprised:

| | 2018 |
|---|-----------|
| | £ |
| At 1 January 2018 | 1,164,876 |
| Credited to the profit and loss account | 1,941,494 |
| At 31 December 2018 | 3,106,370 |

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Tax on profit (continued)

The elements of deferred tax are as follows:

| | As at 31 December 2018 £ | As at 31 December 2017 £ |
|--------------------------------|---|---|
| Accelerated capital allowances | (33,630) | (16,053) |
| Total deferred tax liability | <u>(31,581)</u> | <u>(16,053)</u> |
| Short term timing differences | 3,140,000 | 1,180,930 |
| Total deferred tax asset | <u>3,140,000</u> | <u>1,180,930</u> |

10 Tangible assets

| | Fixtures, fittings and equipment £ | Total £ |
|---------------------------------|---|--------------------|
| Cost | | |
| At 1 January 201 | 674,407 | 674,407 |
| Additions | 70,825 | 70,825 |
| At 31 December 2018 | <u>745,232</u> | <u>745,232</u> |
| Accumulated Depreciation | | |
| At 1 January 2018 | 493,316 | 493,316 |
| Charge for the year | 59,369 | 59,369 |
| At 31 December 2018 | <u>552,684</u> | <u>552,684</u> |
| Net book value | | |
| At 31 December 2018 | <u>192,548</u> | <u>192,548</u> |
| At 31 December 2017 | <u>181,091</u> | <u>181,091</u> |

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Investments

| | 2018 | 2017 |
|-----------------------------|------|------|
| | £ | £ |
| Investments in subsidiaries | 1 | 1 |

The investment represents a 100% shareholding of ordinary shares in Travelfusion China Ltd, a Company incorporated in Republic of China whose principal activity relates to technology services. It made a profit for the financial year of £330,003 (2017: £414,158) and had capital and reserves of £1,426,307 (2017: £1,192,110).

12 Debtors amounts falling due within one year

| | 2018 | 2017 |
|---|------------|------------|
| | £ | £ |
| Trade debtors | 3,706,941 | 3,039,745 |
| Other debtors | 20,774,851 | 14,338,937 |
| Deferred tax assets | 3,140,000 | 1,180,930 |
| Prepayments and accrued income | 623,686 | 441,540 |
| Amounts owned by other group undertakings | 301,398 | 276,155 |
| Total debtors | 28,546,876 | 19,277,307 |

Other debtors includes amount paid to tfPay suppliers £17,005,154 (2017: £10,896,611). Amounts due from other group undertakings are unsecured, interest free and repayable on demand.

13 Creditors : Amounts falling due within one year

| | 2018 | 2017 |
|--|------------|------------|
| | £ | £ |
| Amounts falling due within one year | | |
| Trade creditors | 91,692 | 736,871 |
| Amounts owed to other group undertakings | 11,174,955 | 4,831,606 |
| Corporation Tax | 3,570,880 | 2,505,821 |
| Other taxation and social security | 455,920 | 493,062 |
| Other creditors | 22,282,941 | 14,874,314 |
| Accruals and deferred income | 257,341 | 278,059 |
| | 37,833,729 | 23,719,733 |

Other creditors include tfPay customer balances £17,471,088 (2017: £12,798,804).

Amounts owed to other group undertakings are unsecured, interest free and repayable on demand.

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Financial instruments

Derivative financial instruments – Forward contracts

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. The outstanding contracts mature on 13 November 2019, 14 November 2019 and 31 December 2019. The company is committed to buy GBP 8,056,748 and pay a fixed euro amount.

The derivative liability recognized in respect of these contracts at the balance sheet date is £ 47,753 (2017: £306,420 included in other creditors) with the same amount charged to profit and loss in the year.

15 Called up share capital

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|--------------------------------|---------|-----|---------|-----|
| | No. | £ | No. | £ |
| Ordinary shares of £0.001 each | 117,974 | 118 | 117,974 | 118 |
| | 117,974 | 118 | 117,974 | 118 |

16 Dividends

| | 2018 | 2017 |
|-------------------------------------|------|------|
| | £ | £ |
| Equity dividends on ordinary shares | - | - |

17 Related party transactions

At the year-end a balance of £ 11,174,955 was due to Shanghai Tuinn company (2017: £4,831,606).

A formal VIE (variable interest entity) structure was established between the subsidiary Travelfusion China and the agent Shanghai Tuinn which enabled Travelfusion UK to obtain effective control of Shanghai Tuinn and for Shanghai Tuinn to be included in the Travelfusion group. The documents for the VIE structure were signed on 17 December 2015. Transactions relate to TF.Pay and are settled on a monthly basis.

18 Parent and ultimate parent undertaking

The ultimate parent company, controlling party and the parent of the smallest and largest group in which the results are consolidated is Ctrip.com International, Ltd.

Ctrip.com International, Ltd is incorporated in the Cayman Islands and the registered office is situated at 99 Fu Quan Road, Shanghai, 200335, People's Republic of China. Ctrip International Ltd is listed on the NASDAQ.

The company's immediate parent undertaking is Ctrip Investment Holding Ltd, which acquired 70% of the shares of Travelfusion Limited in January 2016.

Ctrip Investment Holding Ltd is incorporated in China and the registered office is situated at Floor 4, Willow House, Square House. PO Box 2804, George Town, KY1-1112, Cayman Islands.

Travelfusion Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

19 Subsequent events

There have been no significant subsequent events since the reporting date.

20 Phantom Share Scheme

As at 31 December 2018 the company operated a phantom options scheme. Phantom options granted vest over a period of four years. Employees are required to remain in employment until the phantom shares are exercised. The current scheme makes annual grants over three years. Vested phantom options can be exercised annually from January 2018 onwards.

The value of phantom options is determined with reference to revenue and profit multiples of the wider Travelfusion group of companies as set out in the scheme documents and the number of options granted, and the options are to be cash-settled. As a result, the scheme has been deemed a profit sharing scheme.

The charge recognised in the year is calculated using the latest selling price (based on most recent results), and the resulting charge has been recognised in the income statement.

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------------|-------------------|
| Phantom Share Scheme Provision 2015 | 9,699,386 | 3,312,862 |
| Phantom Share Scheme Provision 2016 | 2,749,695 | 717,216 |
| Phantom Share Scheme Provision 2017 | 1,940,991 | 6,946,650 |
| Phantom Share Scheme Provision 2018 | 2,136,247 | - |
| | <u>16,526,319</u> | <u>10,976,728</u> |

The liability for this cash settled scheme is included in creditors due after more than one year of £16,526,319 (2017: £10,976,728).

21 Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund.

| | 2018 £ | 2017 £ |
|---|----------------|---------------|
| Contributions payable by the Company for the year | <u>102,162</u> | <u>81,583</u> |

Included within contributions payable by the Company is £ 8,000 (2017: £4,500) paid by the Company in respect of Directors' qualifying services.

22 Operating lease commitments

The company had the following future office building lease payments.

| | 2018 £ | 2017 £ |
|-------------------------|-----------|-----------|
| Not later than one year | <u>-</u> | <u>-</u> |