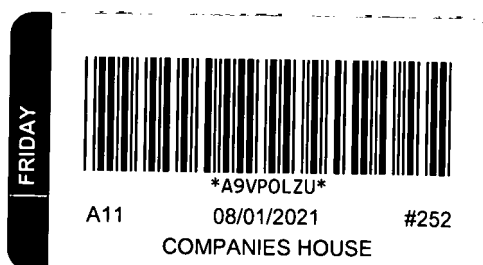


REGISTERED NUMBER: 04217916 (England and Wales)

Skyscanner Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2019



Skyscanner Limited

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For the Year Ended 31 December 2019**

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Skyscanner Limited

Company Information
For the Year Ended 31 December 2019

Directors:

James Jianzhang Liang
Jane Jie Sun
Xiaofan Wang
Xing Xiong
Moshe Rafiah

Secretary:

Robert Miller

Registered office:

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

Registered number:

04217916 (England and Wales)

Independent Auditor:

PricewaterhouseCoopers LLP
144 Morrison Street
Edinburgh
EH3 8EX

Bankers:

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

Skyscanner Limited**Strategic Report****For the Year Ended 31 December 2019**

The Directors present their Strategic Report for Skyscanner Limited ('the Company') for the financial year ended 31 December 2019.

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:

	2019	2018
Funnel sessions (£'000) ¹	2,155,233	1,784,337
Turnover (£'000)	311,398	261,481
EBITDA (£'000) ²	66,958	50,492
Net Assets (£'000)	179,777	121,201

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 2019, revenue from the Company's Hotel, Car Hire and Advertising products has contributed 19% (2018: 18%) 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 2019 as is evidenced in the growth of some of our key operating metrics. Funnel sessions reached 2,155,233k (2018: 1,784,337k) while turnover was £311,398k (2018: £261,481k).

In executing our strategy, the Company has continued to invest in 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 10. We are confident that the real impact will be seen over the longer term.

COVID-19

Subsequent to the year end and up to the date of signing these financial statements, the rapid escalation of the Covid-19 coronavirus from February 2020 resulting in significant global travel restrictions, has impacted the Company's ability to fully deliver and operate its core products. The Company's directors are monitoring the situation closely, drawing up and implementing plans to mitigate the impact of the operational risks where possible together with numerous cost reduction actions, with the intention of reducing losses and cash outflows subsequently arising. The Company has plans in place for a recovery and return to growth after the impact of the virus but there will be significant impact on trading and results while global travel restrictions are in place and likely in the immediate period thereafter.

As part of their assessment of going concern, the directors of the Company have considered the current environment, the funding and liquidity position of the Company in order to determine the appropriateness of preparing the financial statements on a going concern basis.

Management has produced forecasts using a range of scenarios including a plausible downside scenario, where we have assumed that the travel industry will continue to be affected for several years and that it will not return to 2019 levels for 3-5 years. Despite the expected reduction in volume, the company's liquidity position is strong with positive cash balances and a significant deposit of funds with the parent company. The forecasts prepared and the company's current liquidity position confirm that the company is able to operate with no cash inflows for a period of at least 12 months from the date of signing these financial statements.

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

² Earnings before interest, taxes, depreciation and amortisation.

Skyscanner Limited

Strategic Report - continued For the Year Ended 31 December 2019

TAXATION

The Company's tax charge for the year is £1,449k (2018 - tax charge £7,313k), our effective tax rate during the year was 3% (2018 - 17%). Note 9 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.

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 health epidemics, 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.

The current global travel restrictions as a result of COVID-19 coronavirus have impacted the Company's ability to operate and deliver its core products and thus generate revenue. While the duration of such restrictions is currently unknown, by taking mitigating actions the Company's scenario modelling demonstrates that it has sufficient liquidity to endure an extended period of travel restriction and that the Company can continue as a going concern for at least the next 12 months from the date of signing these financial statements. There is a risk that if traveller demand does not recover this will have a material adverse impact on the Company's business, prospects, results of operations and financial position.

Our primary strategy for mitigation of this risk is the continual development of our product offering, capturing market share and reducing our reliance on any one market or product, combined with significant cost control measures, increasing our ability to withstand macroeconomic volatility.

Competition

The global travel & tourism industry contributed US\$8.9 trillion to world GDP³ in 2019, representing 10% of global GDP³. 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.

³ World Travel & Tourism Council - Economic Impact of Tourism 2019.

Skyscanner Limited

**Strategic Report - continued
For the Year Ended 31 December 2019**

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Website disruption

If the Company's systems are not expanded to handle increased demand from users of its websites, or should such systems fail to perform, the Company's websites 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

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.

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.

Skyscanner Limited

**Strategic Report - continued
For the Year Ended 31 December 2019**

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Brand image and reputation - continued

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.

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 December 2019, Skyscanner Holdings Ltd is in the scope of the Senior Accounting Officer legislation Skyscanner Holdings Limited is the parent company of Skyscanner Limited.. 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.

Skyscanner Limited

Strategic Report - continued For the Year Ended 31 December 2019

SECTION 172 STATEMENT

The Companies (Miscellaneous) Reporting Regulations 2018 introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of Skyscanner Limited are required to give a statement which describes how the directors have had regard to the matters set out in section 172 (1) of the Companies Act 2006 when discharging their duty under that section.

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in a way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with partners, travellers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the company.

The delivery of Skyscanner's strategy requires the company to conduct business in a manner benefitting travellers while delivering shareholder value and protecting Skyscanner's performance and reputation by prudently managing risks inherent in the business. In setting and updating this strategy, the directors' duties under section 172 of the Companies Act 2006 have been considered.

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the company. Details of our key stakeholders and how we engage with them are as follows:

Travellers: Understanding our travellers changing needs and behaviours helps us to achieve our traveller first vision to lead the global transformation to modern and sustainable travel. Trust is important to our customers and we measure this and other customer engagement metrics with regular customer surveys, market research and interaction across our social media channels. Customers continue to place high importance on value for money and a seamless customer experience throughout the booking process. There is also a growing trend in ethical and sustainability concerns being a factor in customer choices.

Employees: We will only deliver our strategy if we recruit, skill and retain the best people and develop a flexible, motivated, efficient, diverse and engaged team. 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.

Communities and the Environment: We are committed to making a positive contribution to the communities within which we operate, including through payment of taxes, reducing our environmental impact and creating employment opportunities. Our "Greener choice" label on search results highlights flights that emit less CO₂ and we've already helped more than 10 million travellers select the lowest emissions flight for their route. Working with the Duke of Sussex and other industry leaders, we formed Travalyt with the aim of ensuring a positive future for destinations and local communities in every part of the world for generations to come. From conserving natural resources to helping relieve pressure on overcrowded destinations and finding more impactful ways to reduce and offset carbon emissions associated with trips.

Partners and Suppliers: We have established long term relationships with our partners and the Board actively fosters strong supplier relationships, ensuring they are treated fairly and ethically. We have an open, constructive and effective relationship with all and meet regularly with material suppliers to provide both parties the opportunity to give feedback on successes, challenges and the future roadmap. Payment policies, practice and performance are reported through the Governments Payment Practices Reporting portal.

Government and Regulators: Governments and regulators play a central role in shaping our industry. We engage with them directly, mainly through trade associations, responding to issues of concern and providing expertise to support policy development.

Skyscanner Limited

Strategic Report - continued
For the Year Ended 31 December 2019

SECTION 172 STATEMENT (continued)

Government and Regulators (continued)

The directors, both individually and together as a board, consider that the decisions taken during the year ending 31 December 2019 were in conformance with their duty under section 172 of the Companies Act 2006. We ensure the Board are assisted in considering key stakeholders as part of the decision making process by including stakeholder considerations in board papers as appropriate, and Board papers are carefully reviewed and considered by all directors.

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:

DocuSigned by:

38D47F89B5694CA.....
Moshe Rafiah - Director

22-Dec-2020

Date:

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

Skyscanner Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their annual report on the affairs of the Company, together with the audited financial statements and Auditor's Report, for the financial year ended 31 December 2019.

RESULTS AND DIVIDENDS

The Company's audited financial statements for the year ended 31 December 2019 are set out on pages 15 to 52. The Company made a profit after tax for the financial year of £47,175k (2018: £35,682k) and had net assets of £179,778k at 31 December 2019 (2018: £121,201k). No dividend was paid or proposed during the year (2018: £nil).

POST BALANCE SHEET EVENTS

Information about important events affecting the Company which have occurred since the end of the financial year can be found in Note 23 to the Financial Statements. This information is incorporated into the Directors' Report by reference.

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 2019, the entire issued share capital of the Company is owned by Skyscanner Holdings Limited, the immediate parent company. The ultimate holding company is Trip.com Group Limited, incorporated in the Cayman Islands.

GOING CONCERN

The Company's forecasts and projections, taking account of the financial impact of the COVID-19 pandemic as well as management assumptions around the speed of recovery, show that the Company should return to profitability and be cash generative from mid-2021 going forward. Sensitivity analysis have been performed on the forecasts to model a severe but plausible downside scenario where the recovery of the global travel market where the recovery takes longer to fully recover to 2019 level, assuming a 3-5 year recovery. The sensitivity analysis on the forecasts as well as the company's liquidity position, as discussed in the directors' report, confirm that the company is able to continue to operate and meet liabilities when they fall due.

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 2019 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:

James Jianzhang Liang

Jane Jie Sun

Xiaofan Wang

Xing Xiong

Bryan Dove (appointed 26 February 2019 and resigned 17 June 2020)

Gareth Williams (resigned 29 November 2019)

Moshe Rafiah (appointed 4 December 2019)

The Company secretary during the year was Carolyn Hay (resigned 26 February 2019) and subsequently Robert Miller (appointed 22 August 2019).

Skyscanner Limited

Directors' Report - continued For the Year Ended 31 December 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.

Additional information about the Company's financial instruments' policies and processes can be found in Note 2 to the Financial Statements. This information is incorporated into the Directors' Report by reference.

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 of 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.

OVERSEAS BRANCHES

The Company has a Dubai office.

POLITICAL CONTRIBUTIONS

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

Skyscanner Limited

**Directors' Report - continued
For the Year Ended 31 December 2019**

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 2019 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.

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 despite the challenging environment that we operate in as a result of COVID-19, we can continue growing headcount, unique visitors, sessions and revenue in the coming year and beyond.

DIRECTORS' LIABILITIES

The Company has maintained throughout the year directors' and officers' liability insurance for the benefit of the Company, the directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.


INDEPENDENT AUDITOR

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

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

This information 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:

DocuSigned by:

38D47F89B5894CA...

Moshe Rafiah - Director

22-Dec-2020

Date:

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

Skyscanner Limited

**Directors' Responsibilities Statement
For the Year Ended 31 December 2019**

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 Auditor's Report to the Members of Skyscanner Limited

Report on the audit of the financial statements

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 2019 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 2019, the statement of comprehensive income, the statement of other comprehensive income and 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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.

Independent Auditor's Report to the Members of Skyscanner Limited - continued

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 2019 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 Directors' Responsibilities Statement, 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.

Independent Auditor's Report to the Members of Skyscanner Limited - continued



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

Date: ...22 December 2020.....

Skyscanner Limited**Statement of Comprehensive Income
For the Year Ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Turnover	3	311,398	261,481
Cost of sales		(160,727)	(137,607)
Gross profit		150,671	123,874
Administrative expenses		(146,043)	(106,509)
Other operating income	8	51,924	29,436
Operating profit		56,552	46,801
Interest receivable and similar income	5	2,381	73
Interest payable and similar expenses	6	(10,309)	(3,879)
Profit before taxation	7	48,624	42,995
Tax on profit	9	(1,449)	(7,313)
Profit for the financial year		47,175	35,682

All amounts relate to continuing activities.

Skyscanner Limited

**Statement of Other Comprehensive Income
For the Year Ended 31 December 2019**

	2019 £'000	2018 £'000
Profit for the year	47,175	35,682
Exchange gain on translation of foreign operations	<u>1,288</u>	<u>-</u>
Other comprehensive income for the year net of tax	<u>1,288</u>	<u>-</u>
Total comprehensive income for the year	<u><u>48,463</u></u>	<u><u>35,682</u></u>
Total comprehensive income attributable to: Owners of the Company	<u><u>48,463</u></u>	<u><u>35,682</u></u>

Skyscanner Limited**Balance Sheet
As at 31 December 2019**

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	10	15,941	14,574
Tangible assets	11	5,881	4,624
Right-of-use assets	21	41,139	-
Investments	12	38,334	11,065
Deferred tax	18	12,405	9,133
		<u>113,700</u>	<u>39,396</u>
Current assets			
Debtors	13	262,488	55,584
Cash at bank and in hand		58,333	127,453
		<u>320,820</u>	<u>183,037</u>
Total assets		<u>434,520</u>	<u>222,433</u>
Creditors: amounts falling due within one year	14	(163,813)	(70,263)
Lease liabilities	21	(10,554)	-
Net current assets		<u>146,453</u>	<u>112,774</u>
Total assets less current liabilities		<u>260,153</u>	<u>152,170</u>
Creditors: amounts falling due after more than one year	15	(42,520)	(27,322)
Lease liabilities	21	(32,399)	-
Provision for liabilities	16	<u>(5,456)</u>	<u>(3,647)</u>
Net assets		<u><u>179,778</u></u>	<u><u>121,201</u></u>
Capital and reserves			
Called-up share capital	19	16	16
Share premium account		4,396	4,396
Merger reserves		302	302
Translation reserve		1,288	-
Profit and loss account		173,776	116,487
Total Shareholder's Funds		<u><u>179,778</u></u>	<u><u>121,201</u></u>

The notes on pages 20 to 51 form part of these financial statements.

The financial statements from page 15 to 51 of Skyscanner Limited (Registered number: 04217916) were approved and authorised for issue by the Board of Directors on 22-Dec-2020 and were signed on its behalf by:

DocuSigned by:

Moshe Rafiah

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Moshe Rafiah - Director

Skyscanner Limited

Statement of Changes in Equity
For the Year Ended 31 December 2019

	Called-up share capital £'000	Profit and loss account £'000	Share premium £'000	Merger reserves £'000	Translation reserve £'000	Total £'000
Balance at 31 December 2017	16	57,313	4,396	302	-	62,027
IFRS 9 transition adjustment	-	(72)	-	-	-	(72)
Revised balance at 1 January 2018	16	57,241	4,396	302	-	61,955
Profit for the financial year	-	35,682	-	-	-	35,682
Other comprehensive income for the year net of tax	-	-	-	-	-	-
Total comprehensive income	-	35,682	-	-	-	35,682
Credit to equity for equity-settled share based payments (Note 20)	-	10,864	-	-	-	10,864
Capital contribution from ultimate parent company	-	12,700	-	-	-	12,700
Balance at 31 December 2018	16	116,487	4,396	302	-	121,201
Revised balance at 1 January 2019	16	116,487	4,396	302	-	121,201
Effect of changes in accounting policy for initial application of IFRS 16	-	-	-	-	-	-
Balance at 1 January 2019 - revised	16	116,487	4,396	302	-	121,201
Profit for the financial year	-	19,906	-	-	-	19,906
Other comprehensive income for the year net of tax	-	27,269	-	-	-	27,269
Gain on translation of foreign operations	-	-	-	-	1,288	1,288
Total comprehensive income	-	47,175	-	-	1,288	48,463
Credit to equity for equity-settled share based payments (Note 20)	-	10,054	-	-	-	10,054
Capital contribution from ultimate parent company	-	60	-	-	-	60
Balance at 31 December 2019	16	173,776	4,396	302	1,288	179,778

Skyscanner Limited

Statement of Changes in Equity - continued
For the Year Ended 31 December 2019

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 Trip.com Group Limited International Limited in settlement of certain benefits for Skyscanner employees agreed at the point in time Skyscanner was acquired by Trip.com. No dividends were proposed during the year.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

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 7.

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 financial statements of Trip.com Group Limited ("Trip.com"). The Group financial statements of Trip.com are available to the public and can be obtained online at investors.trip.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 in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and investment property 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.

Skyscanner Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Accounting policies - continued

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 year 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.

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The company has applied IFRS 16 using the modified retrospective approach, with the right-of-use asset recognised as the date of initial application as an amount equal to the lease liability, discounted using the company's incremental borrowing rate, adjusted for any accruals or rental prepayments. There is no impact on equity at the date of initial application.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

IFRS 16 changes how the Company financial statements for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

(b) Impact on lessee accounting - continued

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within the administrative expenses line item.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 is 3.86%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Skyscanner Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Accounting policies - continued

(c) Financial impact of initial application of IFRS 16 - continued

	£
Operating lease commitments at 31 December 2018	31,969,209
Short-term leases and leases of low-value assets	(106,950)
Effect of discounting the above amounts	(4,695,272)
	<hr/>
Lease liabilities recognised at 1 January 2019	27,166,987
	<hr/>

The Company has recognised £25,611,923 of right-of-use assets and £27,166,987 of lease liabilities upon transition to IFRS 16. Further, on transition the Company released prepaid rent assets of £782,049 and deferred rent liabilities of £1,494,901. There was no impact on retained earnings as a result of the adjustments.

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 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9
*Prepayment Features with
Negative Compensation*

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Annual Improvements to IFRS
Standards 2015–2017 Cycle *IAS*
12 Income Taxes and *IAS 23*
Borrowing Costs

The Company has adopted the amendments included in the *Annual Improvements to IFRS Standards 2015–2017 Cycle* for the first time in the current year. The *Annual Improvements* include amendments to four Standards, two of which in respect of IFRS 3 and IFRS 11 are not applicable to the Company.

IAS 12 Income Taxes

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

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

*IFRIC 23 Uncertainty over
Income Tax Treatments*

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Going concern

The Strategic Report (pages 2 to 7) and Directors Report (pages 8 to 10) set out the business review of the company along with the principal risks and uncertainties that the company face.

Sensitivity analysis have been performed on the forecasts to model a serve but plausible downside scenario where the recovery of the global travel market where the recovery takes longer to fully recover to 2019 level, assuming a 3-5 year recovery.

In addition to the above factors, the directors of the Company have considered the current environment, the funding and liquidity position of the Company in assessing the appropriateness of preparing the financial statements on a going concern basis.

The directors have, at the time of approving the financial statement, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis of accounting in preparing the financial statements.

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

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 are equity holdings in subsidiaries and are measured 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.

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.

Skyscanner Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Accounting policies - continued

Recognition and measurement - continued

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).

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

Recognition of measurement - continued

(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 debt or 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.

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

Recognition of measurement - continued

(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.

(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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

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.

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.

Derivative financial instruments

Derivative financial instruments are contracts, the values of which are derived from an underlying financial instrument and include FX forwards. The company use derivative instruments to hedge its risk associated with foreign exchange movements. All derivative hedging instruments are recorded in the statement of financial position at fair value. The fair value of the FX forwards will be recorded at each reporting date and compared to the mark-to-market value of the derivatives supplied by the derivative counterparties. To the extent that a hedging relationship is effective, hedging gains/losses relating to the included component of the hedging instrument will be recognised in other comprehensive income and deferred in the cash flow hedge reserve in equity.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

Initial recognition and measurement

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

Subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the years presented.

Right-of-use assets

The right-of-use assets is initially measured at the amount of the lease liability, adjusted for lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Skyscanner Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Accounting policies - continued

Leases - continued

Policies applicable from 1 January 2019 - continued

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and financial statements for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the administrative expenses line item.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies applicable prior to 1 January 2019

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

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.

Goodwill

Goodwill arising on the acquisition of a business is carried at cost, as established at the date of acquisition less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to one group cash-generating unit ('CGU') that is expected to benefit from the combination. Annually the CGU is tested for impairment, or when an indicator of impairment arises. If the recoverable amount of the CGU is less than its carrying value, an impairment loss is recognised to profit and loss. An impairment loss recognised for goodwill is not reversible in subsequent periods.

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.

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

Taxes - continued

ii. Deferred tax - continued

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.

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

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.

Advertisement

Revenue from display is recognised on the date the impression is delivered to the end user. This occurs when an end user makes a click on native-in-line displays or makes an impression on standard banner displays.

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 undisguised 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.

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.

Skyscanner Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Accounting policies - continued

Share-based payments - continued

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.

Skyscanner Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

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.

The Company has held 51 per cent ownership in Skyscanner Japan KK, since July 2015 the date of the Joint Venture Agreement with Yahoo Japan Corporation, this investment was accounted for a Joint Venture.

On 1 November 2019, the JV Agreement was amended such that certain Reserved Matters, which were restrictive to Skyscanner ultimately controlling the JV, were removed. As a result of the revision of the JV agreement, the directors of the Company assessed whether or not the Group has control over Skyscanner Japan KK based on whether the Group has the practical ability to direct the relevant activities of Skyscanner Japan KK unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in Skyscanner Japan KK as well as the additional operational control Skyscanner had following the revision in the agreement. After assessment, the directors concluded that the amendment to certain Reserved Matters in the JV agreement has resulted in Skyscanner gaining control over Skyscanner Japan KK. The Company has accounted for the effective disposal of its joint venture in Skyscanner Japan KK, and acquisition of a subsidiary, refer to note 12.

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 £12,405k (2018: £9,133k). This asset has been recognised based on management's judgment that there is currently reasonably 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 year.

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.

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****3. Turnover**

Revenue recognised in the Statement Of Comprehensive Income is analysed as follows:

	2019	2018
	£'000	£'000
Flight commission	251,542	211,920
Hotel and car hire commission	18,740	19,764
Advertisement	38,003	27,362
Other services	3,113	2,435
	<u>311,398</u>	<u>261,481</u>

Revenue relates to activities in the following regions:

	2019	2018
	£'000	£'000
UK & Ireland	57,360	60,808
Europe	110,414	94,060
Rest of the world	143,624	106,613
	<u>311,398</u>	<u>261,481</u>

4. Staff costs directors' remuneration**Staff costs:**

	2019	2018
	£'000	£'000
Wages and salaries	70,964	51,977
Other pension costs	2,125	3,810
Cash settled share based payments and cash payments in relation to share plans	555	735
Social security costs	9,502	5,990
	<u>83,146</u>	<u>62,512</u>

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £2,125k (2018: £3,810k).

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

	2019	2018
	No.	No.
Development, operations and commercial	692	585
Administrative	120	90
	<u>812</u>	<u>675</u>

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****4. Staff costs directors' remuneration****Directors' remuneration:**

	2019	2018
	£'000	£'000
Directors' remuneration	850	15
Contributions to defined contribution plans	7	-
Social security costs	117	1
	<u>974</u>	<u>16</u>

The number of directors accruing benefits under money purchase schemes is 1 (2018: 1).

The number of directors who exercised share options in the year was 1 (2018: nil).

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

	2019	2018
	£'000	£'000
Directors' remuneration	<u>958</u>	<u>16</u>

5. Interest receivable and similar income

	2019	2018
	£'000	£'000
Bank deposits	1,177	73
Gain on financial instruments (including all derivatives)	1,204	-
	<u>2,381</u>	<u>73</u>

6. Interest payable and similar expenses

	2019	2018
	£'000	£'000
Other fees and charges	6,832	2,673
Interest due to parent company	1,350	899
Net foreign exchange differences	2,127	307
	<u>10,309</u>	<u>3,879</u>

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****7. Profit before taxation**

This is stated after charging:

	2019	2018
	£'000	£'000
Depreciation of tangible fixed assets - owned assets	2,000	1,983
Depreciation of tangible fixed assets - leased assets	-	103
Depreciation of right-of-use assets	4,666	-
Amortisation of intangible assets	9,216	1,590
Loss on disposal of fixed assets	16	6
Research & development	4,588	3,963
Impairment loss recognised on debtors	656	2,533
Lease payments recognised as an operating expense	-	3,197
Gain/(loss) on foreign exchange transactions	-	-
	<u>200</u>	<u>200</u>
	2019	2018
	£'000	£'000
Audit services		
Statutory audit		
- Company	200	200
	<u>200</u>	<u>200</u>

There were no non-audit services provided by the auditor.

8. Other operating income

	2019	2018
	£'000	£'000
Licencing fees	24,655	29,436
Fair value adjustment	27,269	-
	<u>51,924</u>	<u>29,436</u>

During the year, a revision of the Joint Venture Agreement for Skyscanner Japan KK resulted in Skyscanner Limited gaining control over Skyscanner KK (as defined by IFRS 10). As a result of the change in control, the investment in joint venture is effectively disposed of and reacquired at the fair value on the acquisition date. This has resulted in a fair value gain of £27,269k

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****9. Tax on profit**

(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 2019 and 2018 are:

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax	4,399	5,888
Adjustments in respect of prior periods	322	(901)
	<u>4,721</u>	<u>4,987</u>
Total current income tax charge		
Deferred tax:		
Origination and reversal of timing difference	3,314	1,551
Credit arising from previously unrecognised tax loss, tax credit or temporary differences	(7,237)	529
Impact of change in tax law and rates	651	246
	<u>(3,272)</u>	<u>2,326</u>
Total deferred tax		
Tax on profit	<u><u>1,449</u></u>	<u><u>7,313</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:

	2019	2018
	£'000	£'000
Accounting profit before income tax	<u>48,627</u>	<u>42,995</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	9,239	8,169
<i>Effects of:</i>		
Other non-deductible expenses / non-taxable income	(4,347)	(1,940)
Difference between capital allowances and depreciation	2,099	138
R&D relief	(3,177)	(1,045)
Group relief	(63)	-
Loss utilisation	(4,663)	
Impact of rate change	651	246
Prior year adjustments	(6,915)	(491)
Employee share options	2,361	2,318
Short term timing differences	6,264	(82)
	<u>1,449</u>	<u>7,313</u>
Total tax expense reported in the Statement Of Comprehensive Income		

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****9. Taxation - continued****(c) Reconciliation of the total tax charge**

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The rate of change will affect the size of the Company's deferred tax assets and liabilities in the future. The impact of restating the deferred tax figures at a tax rate of 19% is an increase of £1,459,373.

Removing the impact of prior year adjustments, share based payment deductions, R&D relief and deferred tax, our normalised rate of tax is 19%. In addition, we hold corporate tax credits of £4,765k (2018: £2,214k) in other debtors (see note 13) which relate to corporate tax repayments for 2015, 2018 and 2019. These balances are pending HMRC agreement, and will be utilised against future corporate tax liabilities.

10. Intangible assets

	Goodwill	Development	Computer	
	£'000	costs	software	Total
	£'000	£'000	£'000	£'000
COST				
At 1 January 2019	5,474	10,922	763	17,159
Addition	-	11,223	-	11,223
Disposal	-	(862)	(254)	(1,116)
At 31 December 2019	<u>5,474</u>	<u>21,283</u>	<u>509</u>	<u>27,266</u>
ACCUMULATED AMORTISATION				
At 1 January 2019	-	1,852	733	2,585
Amortisation for the year	-	3,721	21	3,742
Disposal	-	(222)	(254)	(476)
Impairment	5,474	-	-	5,474
At 31 December 2019	<u>5,474</u>	<u>5,351</u>	<u>500</u>	<u>11,325</u>
NET BOOK VALUE				
At 31 December 2019	<u>-</u>	<u>15,932</u>	<u>9</u>	<u>15,941</u>
At 31 December 2018	<u>5,474</u>	<u>9,070</u>	<u>30</u>	<u>14,574</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 2019. Additions to goodwill in the prior year, relate to the hive up of a subsidiary into the Company. Goodwill has been fully amortised during the year.

Amortisation of intangible assets is included in administrative expenses.

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****11. Tangible assets**

	Plant and machinery £'000	Furniture, fixtures and fittings £'000	Construction in progress £'000	Total £'000
COST				
At 1 January 2019	5,445	14,431	634	20,510
Additions	-	2,090	1,283	3,373
Disposals	(5,445)	(3,245)	(15)	(8,705)
Reclassification	-	617	(617)	-
	<u>-</u>	<u>13,893</u>	<u>1,285</u>	<u>15,178</u>
At 31 December 2019	-	13,893	1,285	15,178
ACCUMULATED DEPRECIATION				
At 1 January 2019	5,403	10,483	-	15,886
Charge for year	23	1,977	-	2,000
Eliminated on disposals	(5,426)	(3,163)	-	(8,589)
	<u>-</u>	<u>9,297</u>	<u>-</u>	<u>9,297</u>
At 31 December 2019	-	9,297	-	9,297
NET BOOK VALUE				
At 31 December 2019	-	4,596	1,285	5,881
	<u>-</u>	<u>4,596</u>	<u>1,285</u>	<u>5,881</u>
At 31 December 2018	42	3,948	634	4,624
	<u>42</u>	<u>3,948</u>	<u>634</u>	<u>4,624</u>

12. Investments

	Interest in joint ventures £'000	Investment in subsidiaries £'000	Total £'000
COST			
At 1 January 2019	781	10,284	11,065
Additions	-	28,050	28,050
Disposals	(781)	-	(781)
	<u>-</u>	<u>38,334</u>	<u>38,334</u>
At 31 December 2019	-	38,334	38,334
NET BOOK VALUE			
At 31 December 2019	-	38,334	38,334
	<u>-</u>	<u>38,334</u>	<u>38,334</u>
At 31 December 2018	781	10,284	11,065
	<u>781</u>	<u>10,284</u>	<u>11,065</u>

During the year ending 31 December 2019, a revision of the Joint Venture Agreement for Skyscanner Japan K.K. resulted in Skyscanner Limited gaining control over Skyscanner KK (as defined by IFRS 10) and the entity will now be accounted for as a subsidiary. As a result, the Interest in joint ventures has decreased to nil.

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****12. Investments - continued**

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

Direct holdings:

Entity name / country of information	Principle activity	Registered address	Holding
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/F Hollywood Plaza 610 Hollywood Road, Mongkok	100%
Distinction Kft./ Hungary	Engineering	H - 1068 Budapest	100%
Skyscanner (Bulgaria) EOOD / Bulgaria	Engineering	Varosligetifasor 24 Sofia Municipality Triaditza 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	Non-trading	Floor 6, The Avenue, 1 Bedford Avenue, London, England, WC1B 3AU	100%
Skyscanner Japan K.K./Japan	Commercial and engineering	19F Grand Cube, 1-9-2, Otemachi Chiyoda-ku, Tokyo 100-0004	51%

Indirect holdings:

Entity name / country of information	Principle activity	Registered address	Holding / Held by
		Corporation Trust Center, 1209 Orange Street, Wiillington, 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

Skyscanner Limited**Notes to the Financial Statements - continued**
For the Year Ended 31 December 2019**12. Investments - continued****Indirect holdings - continued**

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

13. Debtors

	2019	2018
	£'000	£'000
Trade debtors	26,714	26,063
Other debtors	3,853	-
Amounts owed by Group undertakings	217,256	12,521
Allowance for doubtful debts	(5,624)	(1,064)
Prepayments	8,176	6,391
Accrued income and other receivables	9,043	9,459
Current tax asset	3,069	2,214
	<u>262,487</u>	<u>55,584</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, with the exception of £198m relating to cash on deposit with the parent company that is interest bearing.

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****13. Debtors - continued**

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

	2019	2018
	£'000	£'000
Balance at the beginning of the year	(1,064)	(554)
Additional provision during the year	(5,016)	(2,533)
Provision utilised in the year due to write off	287	2,023
Provision released in the year due to recovery of debt	169	-
	<u>(5,624)</u>	<u>(1,064)</u>
Closing balance	<u>(5,624)</u>	<u>(1,064)</u>

14. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	10,509	10,334
Amounts owed to Group undertakings	139,632	47,331
Other taxation and social security	6,235	4
Accruals and deferred income	6,196	12,594
Other creditors	1,241	-
	<u>163,813</u>	<u>70,263</u>

Amounts owed to Group undertakings are unsecured, non-interest bearing and repayable on demand, with the exception of £198m relating to cash on deposit with the parent company that is interest bearing.

15. Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Other long-term employee benefits	42,520	26,575
Acquisition related deferred consideration	-	747
	<u>42,520</u>	<u>27,322</u>

16. Provisions for liabilities

	2019	2018
	£'000	£'000
Acquisition related employee benefit provision	634	1,096
Share option plan social security provision	3,276	1,277
Other provisions	1,546	1,274
	<u>5,456</u>	<u>3,647</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.

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****16. Provisions for liabilities - continued**

	Provision £'000
Balance at 1 January 2019	3,647
Provided for in the year	1,809
Balance at 31 December 2019	<u>5,456</u>

17. Derivative financial instruments

Derivatives that are designated and effective as hedging instruments carried at fair value:

	2019 £'000	2018 £'000
Foreign currency forward contracts	2,492	-
	<u>2,492</u>	<u>-</u>

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

	2019 £'000	2018 £'000
Balance at 1 January 2019	-	-
Fair value movement recognised in the Statement of Other Comprehensive Income (Note 5)	1,204	-
As at 31 December 2019	<u>1,204</u>	<u>-</u>

Foreign currency forward contracts

The Company uses foreign currency forward contracts to hedge against fluctuations in foreign currency exchange rates. The notional value and the fair value of outstanding contracts at the balance sheet date are as follows:

	Notional Value		Fair Value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Foreign currency forward contracts	2,492	-	2,492	-
	<u>2,492</u>	<u>-</u>	<u>2,492</u>	<u>-</u>

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****18. 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	Share based payments £'000	Short term timing differences £'000	Losses £'000	Total £'000
At 1 January 2018	104	-	53	11,302	11,459
(Charge) / credit to profit or loss	-	-	-	(2,326)	(2,326)
At 31 December 2018	104	-	53	8,976	9,133
Credit/(charge) to profit or loss	(1,937)	4,698	8,212	(7,701)	3,272
At 31 December 2019	(1,833)	4,698	8,265	1,275	12,405

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets because it is probable that there will be future taxable profits available.

Deferred tax has been calculated in full on temporary timing differences at a tax rate of 17%. The impact of restating the deferred tax figures at a tax rate of 19% is an increase of £1,459,373.

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:

	2019 £'000	2018 £'000
Deferred tax liabilities	-	-
Deferred tax assets	12,405	9,133
	<u>12,405</u>	<u>9,133</u>

19. Called-up share capital**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
1,609,146	Ordinary shares	£0.01	<u>16</u>	<u>16</u>

There was no issuance of ordinary shares in 2019 or 2018.

20. 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.

Skyscanner Limited**Notes to the Financial Statements - continued**
For the Year Ended 31 December 2019**20. Share based payments - continued***Equity-settled share option scheme - continued*

The options issued to employees (73,299,995 at the balance sheet date) vest on the following profile:

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

The remaining options (8,940,000 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 and the shares were granted in 2019 at the end of the accumulation period (1,525,102 outstanding at balance sheet date). 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 the number of shares issued. The partnership shares, 754,551(at the balance sheet date) vested during FY2019 when the accumulation period ended (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 average exercise price of £1.37. Out of the 83,765,097 outstanding options (2018: 142,174,886 options), 29,741,084 options (2018: 11,818,975) were exercisable.

	2019	Weighted average exercise price (£)	2018	Weighted average exercise price (£)
	Number of Share options		Number of share options	
Outstanding at beginning of the year	142,174,886	1.33	116,830,589	1.25
Granted during the year	13,299,400	1.60	33,915,292	1.43
Forfeited during the year	(69,151,189)	0.25	(3,927,060)	1.28
Exercised during the year	(2,470,000)	1.25	(1,859,435)	0.11
Net transfers out of Skyscanner Limited	(88,000)	1.38	(2,784,500)	1.25
Outstanding at the end of the year	<u>83,765,097</u>	<u>1.37</u>	<u>142,174,886</u>	<u>1.33</u>

The options outstanding at 31 December 2019 had a weighted average exercise price of £1.37 and a weighted average remaining contractual life of 7.52 years.

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was £0.59 per option (2018: £0.60). The significant inputs into the Black-Scholes model were:

	2019	2018
Weighted average share price	£1.60	£1.39
Volatility	37%	34%
Expected option life	5 years	5.7 years
Annual risk-free interest rate	0.6%	1.0%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of comparable companies' listed share prices over a period equal to the expected life of the options.

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****20. Share based payments - continued**

The share based payment charges arising were as follows:

	2019 £'000	2018 £'000
Equity settled payments:		
Charge for post-acquisition equity settled share based payments	10,054	10,864
Total equity settled payments	<u>10,054</u>	<u>10,864</u>

Cash-settled share option scheme

The parent company, Skyscanner Holdings Limited, granted bonus units to employees. Bonus units are exercisable on a cash bonus from the parent company at a price equal to the estimated fair value of the parent company's shares on the date of grant.

The bonus units issued to employees (1,339,845 at the balance sheet date) vest on the following profile:

- 10% of the bonus units vest on the first anniversary of vesting start date.
- a further 30% of the bonus units vest on each of the second and third anniversaries of the vesting start date; and
- the balance of the bonus units vest on the fourth anniversary of the vesting start date.

The remaining bonus units (736,004 at the balance sheet date) have specific performance based vesting conditions. The share based payment charges for these bonus units have been recognised based on our assumptions as to whether these performance conditions will be achieved.

A new SIP scheme was introduced in FY2018 and the bonus units were granted in 2019 at the end of the accumulation period (98,000 outstanding at balance sheet date). The SIP bonus units are split between partnership and matching bonus units with the matching bonus units vesting 4 years from the grant date. The share based payment charges for these bonus units have been recognised based on the number of bonus units issued.

If the bonus units remain unexercised after a period of ten years from the date of grant, the bonus units expire. Bonus units are forfeited if the employee leaves the Company before the bonus units vest. The bonus units have an average exercise price of £1.38. Out of the 2,173,849 outstanding bonus units (2018: 3,747,780 bonus units), 483,480 bonus units (2018: 339,080) were exercisable.

	2019	Weighted average exercise price (£)	2018	Weighted average exercise price (£)
	Number of bonus options		Number of bonus units	
Outstanding at beginning of the year	3,747,780	1.27	2,963,900	1.25
Granted during the year	650,100	1.60	804,000	1.43
Forfeited during the year	(2,039,191)	1.24	(20,120)	1.26
Exercised during the year	-	-	-	-
Net transfers out of Skyscanner Limited	(38,000)	1.58	-	-
Outstanding at the end of the year	<u>2,320,689</u>	<u>1.38</u>	<u>3,747,780</u>	<u>1.27</u>

Skyscanner Limited**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019****20. Share based payments - continued***Cash-settled share option scheme - continued*

The bonus units outstanding at 31 December 2019 had a weighted average exercise price of £1.38 and a weighted average remaining contractual life of 6.08 years.

The weighted average fair value of bonus units granted during the year, determined using the Black-Scholes valuation model, was £0.72 per bonus unit (2018: £0.59). The significant inputs into the Black-Scholes model were:

	2019	2018
Weighted average share price	£1.60	£1.37
Volatility	37%	29%
Expected bonus unit life	4.5 years	4.2 years
Annual risk-free interest rate	0.6%	1.0%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of comparable companies' listed share prices over a period equal to the expected life of the bonus units.

The share based payment charges arising were as follows:

	2019	2018
	£'000	£'000
Cash settled payments:		
Cash bonus equivalent scheme	2,400	735
Total share based payment charge	2,400	735
Carrying amount of liability for schemes	4,639	2,084
<i>of which relates to vested assets</i>	2,423	542
Total carrying amount of liability for cash bonus equivalent scheme	4,639	2,084

21. Leases**Right-of-use assets****Cost**

At 1 January 2019

Addition

At 31 December 2019

Accumulated depreciation

At 1 January 2019

Charge for year

At 31 December 2019

Carrying amount

At 31 December 2019

Buildings	Total
£'000	£'000
25,612	25,612
20,193	20,193
45,805	45,805
-	-
4,666	4,666
4,666	4,666
41,139	41,139

The Company leases several assets including buildings. The average lease term is 7 years (2018: 10 years).

Skyscanner Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

21. Leases - continued

	2019
	£'000
Amounts recognised in profit and loss	
Depreciation expenses on right-of-use assets	4,666
Interest expenses on lease liabilities	1,102
Expense relating to short-term leases	869
Expense relating to leases of low value assets	1

At 31 December 2019, the Company is committed to £107k for short-term leases.

The total cash outflow for leases amount to £5,127k.

Lease liabilities

	2019
	£'000
Analysed as:	
Non-current	32,399
Current	10,554
	<u>42,953</u>

	2019
	£'000
Year 1	10,554
Year 2	10,997
Year 3	9,381
Year 4	2,625
Year 5	2,689
Year 6+	6,707
Total	<u>42,953</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Skyscanner Limited**Notes to the Financial Statements - continued**
For the Year Ended 31 December 2019**21. Leases - continued****Operating lease arrangements****The Company as a lessee***Disclosure required by IAS 17*

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018
	£
Within one year	4,930
In the second to fifth years inclusive	16,712
After five years	10,328
	<hr/>
	31,970
	<hr/>

22. Commitments**Capital commitments**

At 31 December 2019 there were no capital commitments (2018: none).

Contingent liabilities

At 31 December 2019 there were no contingent liabilities (2018: none).

23. Post balance sheet events

The spread of COVID-19 represents a material challenge for the global travel industry and in particular the global aviation industry. The pandemic has had a material impact on the Company's operations and the 2020 financial performance will be significantly impacted. In response to COVID-19 the Company has taken steps to ensure Skyscanner's financial resilience including the closure of some offices, a reduction in global headcount, freezing recruitment and removing all non-essential costs. The Company's ability to operate and the speed of recovery will be dependent on a number of factors, including government travel restrictions, customers willingness to travel and the ability of suppliers to provide the required services. The Company has plans in place for a recovery and return to growth after the impact of the virus but there will be significant impact on trading and results while global travel restrictions are in place and likely in the immediate period thereafter. As part of their assessment of going concern, the directors of the Company have considered the funding and liquidity position of the Company to determine the appropriateness of preparing the financial statements on a going concern basis. Following this assessment, the directors are confident that the Company can continue as a going concern and have concluded it is appropriate to prepare these financial statements on a going concern basis.

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 Trip.com Group Limited, incorporated in the Cayman Islands. The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is Trip.com Group Limited. The financial statements of Trip.com Group Limited may be obtained from <http://investors.trip.com>.