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

# Skyscanner Limited

## Annual Report and Financial Statements

## For the Year Ended 31 December 2020

**Skyscanner Limited**

**Contents of the Annual Report and Financial Statements**
**For the Year Ended 31 December 2020**

**Skyscanner Limited**

**Company Information**
**For the Year Ended 31 December 2020**

| | |
|---|---|
| **Directors:** | James Jianzhang Liang<br>Jane Jie Sun<br>Xiaofan Wang<br>Xing Xiong<br>Moshe Rafiah<br>John Mangelaars |
| **Secretary:** | Martin Nolan |
| **Registered office:** | Floor 11, Regent's Place<br>338 Euston Road<br>London<br>NW1 3BT<br>United Kingdom |
| **Registered number:** | 04217916 (England and Wales) |
| **Independent auditor:** | PricewaterhouseCoopers LLP<br>144 Morrison Street<br>Edinburgh<br>EH3 8EX<br>United Kingdom |
| **Bankers:** | Barclays<br>2 Churchill Place,<br>Canary Wharf,<br>London<br>E14 5RB<br>United Kingdom<br><br>Royal Bank of Scotland<br>Edinburgh Corporate Banking team:<br>6-8 George Street,<br>Edinburgh<br>EH2 2PF |

**Skyscanner Limited**

**Strategic Report**
**For the Year Ended 31 December 2020**

The directors present their Strategic Report for Skyscanner Limited ('the Company') for the financial year ended 31 December 2020.

**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:

Funnel Sessions have dropped by around 50% while Turnover is down over 67%.

| | 2020 | 2019 |
|---|---|---|
| Funnel sessions ('000)[1] | 942,253 | 2,155,233 |
| Turnover (£'000) | 102,652 | 311,398 |
| EBITDA (£'000)[2] | (51,172) | 66,958 |
| Net Assets (£'000) | 103,451 | 179,778 |

The above constitute the Company's key financial metrics and KPIs.

The Covid-19 pandemic has had a significant impact on our business and results. Significant global travel restrictions, has impacted the Company's ability to fully deliver and operate its core products. The Company's directors continue to monitor the situation closely, to mitigate the impact of the operational risks where possible. As a result of the pandemic the directors took 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 severe, but 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 at least 2-4 years. Despite the expected reduction in volume, the Company's liquidity position is very healthy with cash in the bank and a large deposit held 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.

Flight meta search continues to be the Company's largest revenue channel. In 2020, revenue from the Company's Hotel, Car Hire and Advertising products has contributed 19% (2019: 19%) of overall revenue in the financial year. The Company's Business to Business ('B2B') partnerships have also attracted additional visitors to the website.

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 a single travel app for all our traveller's needs.

[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.

## TAXATION

The Company tax charge is (£20,429k) (2019 – tax charge £1,449k), our effective tax rate during the year was (19%) (2019 – 3%). 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, result of operations and financial position in the longer term.

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$4.7 trillion to world GDP[3] in 2020, representing 5.5% 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 2020.*

**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. Furthermore, with the shift to mobile, users may use the Company's platforms on respective desktop 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 respective desktop 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.

**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 monitor competitive practices within the online travel industry and have previously conducted investigations relating to our competitors. 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 2020, the parent company of Skyscanner Limited, Skyscanner Holdings Ltd is in the scope of the Senior Accounting Officer legislations. 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.

*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.

**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 At 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 $CO_2$ 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 Travelist 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.

**Skyscanner Limited**

**Strategic Report - continued**
**For the Year Ended 31 December 2020**

**SECTION 172 STATEMENT - continued**
**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.

The directors, both individually and together as a board, consider that the decisions taken during the year ending 31 December 2020 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 of Directors and signed on behalf of the Board:**

DocuSigned by:
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.............................................
John Mangelaars - Director

Date: 22-Sep-2021

Floor 11, Regent's Place
338 Euston Road
London
NW1 3BT
United Kingdom

**Skyscanner Limited**

**Directors' Report**
**For the Year Ended 31 December 2020**

The directors present their Annual Report on the affairs of the Company, together with the audited financial statements and independent auditors report, for the financial year ended 31 December 2020.

**RESULTS AND DIVIDENDS**
The Company's audited financial statements for the year ended 31 December 2020 are set out on pages 15 to 51. The Company made a loss after tax for the financial year of £84,512k (2019: profit £47,175k) and had net assets of £103,451k at 31 December 2020 (2019: £179,778k). No dividend was paid or proposed during the year (2019: £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 24 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 2020, the entire issued share capital of the Company is owned by Skyscanner Holdings Limited, the immediate parent company. The ultimate parent 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 by the end of 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 takes longer to fully recover back to 2019 levels, assuming a 2-4 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 2020 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
Moshe Rafiah
John Mangelaars (appointed on 15 March 2021)
Bryan Jason Dove (resigned 17 June 2020)

**SECRETARY**
The company secretary who held office during the year, and up to the date of this report, were as follows:

Robert Simon Miller (resigned 1 July 2021)
Martin Gerard Nolan (appointed 1 July 2021)

**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 transactions;
• 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. All employees are invited to participate in an the employee engagement survey in order to help assess the overall engagement levels of employees; results are analysed and initiatives implemented to address matters identified in the survey.

The directors actively encourage the participation of employees in the performance and success of the business, through company-wide initiatives including 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 one branch, as defined in section 1046(3) of the Companies Act 2006, in Dubai.

**POLITICAL CONTRIBUTIONS**
The Company made no political donations during the year (2019: £nil).

**Skyscanner Limited**

**Directors' Report - continued**
**For the Year Ended 31 December 2020**

**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 2020 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.

**FUTURE DEVELOPMENT**
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 the challenging environment that we operate in as a result of COVID-19, we can return to 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.

**GREENHOUSE GAS EMISSIONS AND ENERGY USE DATA FOR THE PERIOD 1 JAN 2020 TO 31 DEC 2020**

| | **2020** |
|---|---|
| Energy consumption used to calculate emissions (kWh) | 5,155,456 |
| Energy consumption break-down (kWh) | |
| - Electricity | 632,993 |
| - Gas | 2,978,873 |
| - Company Air Travel (Short Haul) | 555,945 |
| - Company Air Travel (Long Haul) | 952,273 |
| - Company Land Travel (Train) | 35,372 |
| **Scope 1** emissions in metric tonnes CO2e - Gas | 606.92 |
| **Scope 2** emissions in metric tonnes CO2e - Purchased electricity | 147.58 |
| **Scope 3** emissions in metric tonnes CO2e | |
| Electricity T&D | 12.69 |
| Company Air Travel (Short Haul) | 145.02 |
| Company Air Travel (Long Haul) | 248.41 |
| Company Land Travel (Train) | 9.04 |
| Total gross emissions in metric tonnes CO2e | 1,169.66 |
| Intensity ratio (tCO2e/FTE) | 1 |
| Intensity ratio (tCO2e/£M Turnover) | 20 |

**GREENHOUSE GAS EMISSIONS AND ENERGY USE DATA FOR THE PERIOD 1 JAN 2020 TO 31 DEC 2020 - continued**

Methodology

We have followed the 2019 HM Government Reporting Guidelines and have used the 2020 UK Government's Conversion Factors for Company Reporting.

The chosen intensity measurement ratios are total gross emissions in tonnes CO2e per Full Time Employee (FTE) and £M Turnover.

Skyscanner Limited have to the best of their knowledge included 100% of all energy sources within this report. The communal electricity consumption for our UK offices has been excluded from SECR Reporting as is deemed immaterial.

Measures taken to improve energy efficiency

Skyscanner Limited continue to strive for energy and carbon reduction arising from their activities. During this financial period, we have tried to prevent all unnecessary power usage during lockdown, including turning off AC units, IT equipment and kitchen appliances.

Voluntary Emissions

Skyscanner Limited wish to voluntarily report their CO2e for the additional energy use captured for the financial year. The table details the tCO2e produced by Skyscanner Limited in their business activities involving the combustion of gas and fuels, the purchase of electricity, company travel and accommodation and company events. They also detail the total energy and emissions by scope and as a total.

**GREENHOUSE VOLUNTARY GAS EMISSIONS FOR THE PERIOD 1 JAN 2020 TO 31 DEC 2020**

| | **2020** |
|---|---|
| **Scope 1** emissions in metric tonnes CO2e - Gas | 606.92 |
| **Scope 2** emissions in metric tonnes CO2e - Purchased electricity | 147.58 |
| **Scope 3** emissions in metric tonnes CO2e | |
| Electricity T&D | 12.69 |
| Company Air Travel (Short Haul) | 145.02 |
| Company Air Travel (Long Haul) | 248.41 |
| Company Land Travel (Train) | 9.04 |
| Company Accommodation | 30.23 |
| Company Event Electricity | 0.23 |
| Company Event Natural Gas | 0.01 |
| Company Event Air Travel (Short Haul) | 86.17 |
| Company Event Air Travel (Long Haul) | 940.49 |
| Company Event Land Travel (Bus) | 9.91 |
| Company Event Land Travel (Train) | 23.35 |
| Company Event Sea Travel (Ferry) | 0.58 |
| Company Event Accommodation | 48.80 |
| Company Event General Waste | 2.82 |
| Company Event Food | 21.27 |
| Company Event Water | 0.18 |
| Total gross emissions in metric tonnes CO2e | 2,333.71 |
| Intensity ratio (tCO2e/FTE) | 3 |
| Intensity ratio (tCO2e/£M Turnover) | 39 |

**INDEPENDENT AUDITOR**

Each of the directors 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 to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**Approved by the Board of Directors and signed on behalf of the Board:**

DocuSigned by:

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John Mangelaars - Director

Date: 22-Sep-2021

Floor 11, Regent's Place
338 Euston Road
London
NW1 3BT
United Kingdom

**Skyscanner Limited**

**Directors' Responsibilities Statement**
**For the Year Ended 31 December 2020**

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 2020 and of its loss 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 2020; 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**
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**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 the Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 the Director's Report*
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Director's Report for the year ended 31 December 2020 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 the Director's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and tax legislation in each of the jurisdictions the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, impacting revenue and retained earnings.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

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

We have no exceptions to report arising from this responsibility.

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

Date: 22 September 2021

**Skyscanner Limited**

**Statement of Comprehensive Income**
**For the Year Ended 31 December 2020**

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Turnover** | 3 | 102,652 | 311,398 |
| Cost of sales | | (66,417) | (160,727) |
| **Gross profit** | | 36,235 | 150,671 |
| Administrative expenses | | (144,658) | (146,043) |
| Other operating income | 8 | 5,868 | 51,924 |
| **Operating (loss)/profit** | | (102,555) | 56,552 |
| Interest receivable and similar income | 5 | 1,380 | 2,381 |
| Interest payable and similar expenses | 6 | (3,766) | (10,309) |
| **(Loss)/profit before taxation** | 7 | (104,941) | 48,624 |
| Tax on (loss)/profit | 9 | 20,429 | (1,449) |
| **(Loss)/profit for the financial year** | | (84,512) | 47,175 |

All amounts relate to continuing activities.

**Skyscanner Limited**

**Statement of Other Comprehensive Income**
**For the Year Ended 31 December 2020**

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **(Loss)/Profit for the financial year** | (84,512) | 47,175 |
| Exchange (loss)/gain on translation of foreign operations | (1,288) | 1,288 |
| **Other comprehensive (expense)/income for the year net of tax** | (1,288) | 1,288 |
| **Total comprehensive (expense)/income for the year** | (85,800) | 48,463 |
| **Total comprehensive (expense)/income attributable to:** | | |
| Owners of the Company | (85,800) | 48,463 |

**Skyscanner Limited**

**Balance Sheet**
**As at 31 December 2020**

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | 9,842 | 15,941 |
| Tangible assets | 11 | 4,082 | 5,881 |
| Investments | 12 | 38,334 | 38,334 |
| Deferred tax | 18 | 21,141 | 12,405 |
| Right-of-use assets | 21 | 19,251 | 41,139 |
| | | 92,650 | 113,700 |
| **Current assets** | | | |
| Debtors | 13 | 185,915 | 262,487 |
| Cash at bank and in hand | | 38,860 | 58,333 |
| | | 224,775 | 320,820 |
| **Total assets** | | 317,425 | 434,520 |
| Creditors: amounts falling due within one year | 14 | (153,905) | (163,813) |
| Lease liabilities | 21 | (11,450) | (10,554) |
| **Net current assets** | | 59,420 | 146,453 |
| **Total assets less current liabilities** | | 152,070 | 260,153 |
| Creditors: amounts falling due after more than one year | 15 | (34,739) | (42,520) |
| Lease liabilities | 21 | (11,324) | (32,399) |
| **Provisions for liabilities** | 16 | (2,556) | (5,456) |
| **Net assets** | | 103,451 | 179,778 |
| **Capital and reserves** | | | |
| Called-up share capital | 19 | 16 | 16 |
| Share premium account | | 4,396 | 4,396 |
| Merger reserves | | 302 | 302 |
| Translation reserves | | - | 1,288 |
| Profit and loss account | | 98,737 | 173,776 |
| **Total Shareholder's Funds** | | 103,451 | 179,778 |

The notes on pages 22 to 53 form part of these financial statements.

The financial statements from page 17 to 53 of Skyscanner Limited (Registered number: 04217916) were approved and authorised for issue by the Board of Directors on 22-Sep-2021.............. and were signed on its behalf by:

DocuSigned by:

AA4F7713456B341F...............................................
John Mangelaars - Director

**Skyscanner Limited**

**Statement of Changes in Equity**
**For the Year Ended 31 December 2020**

| | Called-up share capital £'000 | Share premium £'000 | Merger reserves £'000 | Translation reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | 16 | 4,396 | 302 | - | 116,487 | 121,201 |
| Effect of changes in accounting policy for initial application of IFRS 16 | - | - | - | - | - | - |
| **Balance at 1 January 2019 - revised** | 16 | 4,396 | 302 | - | 116,487 | 121,201 |
| Profit for the financial year | - | - | - | - | 47,175 | 47,175 |
| Gain on translation of foreign operations | - | - | - | 1,288 | - | 1,288 |
| **Total comprehensive income** | - | - | - | 1,288 | 47,175 | 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 | 4,396 | 302 | 1,288 | 173,776 | 179,778 |
| Loss for the financial year | - | - | - | - | (84,512) | (84,512) |
| Loss on translation of foreign operations | - | - | - | (1,288) | - | (1,288) |
| **Total comprehensive expense** | - | - | - | (1,288) | (84,512) | (85,800) |
| Credit to equity for equity-settled share based payments (Note 20) | - | - | - | - | 9,473 | 9,473 |
| **Balance at 31 December 2020** | 16 | 4,396 | 302 | - | 98,737 | 103,451 |

**Skyscanner Limited**

**Statement of Changes in Equity - continued**
**For the Year Ended 31 December 2020**

**Called-up share capital**
The balance classified as Called-up share capital includes the nominal value on issue of the Company's Called-up 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**
No dividends were proposed during the year.

## 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**
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 in accordance with the Companies Act 2006 as applicable to companies using FRS 101 and not to disclose transactions with fellow wholly owned subsidiaries.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

**Adoption of new and revised Standards**

**Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7**
In September 2019, the IASB issued Interest Rate Benchmark Reform, (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7) Financial Instruments: Disclosures. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company given that it does not applies hedge accounting to its benchmark interest rate exposures.

**2. Accounting policies - continued**

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

**Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16**
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due in on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

*Impact on accounting for changes in lease payments applying the exemption*
As the Company has no COVID-19 related rent concessions in either year, the application of amendment to IFRS 16 has had no impact on the financial position, financial performance or disclosures of the Company.

**Impact of initial application of other amendments to IFRS Standards and Interpretations**
In the current year, the Group 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

• Amendments to References to the Conceptual Framework in IFRS Standards
• Amendments to IAS 1 and IAS 8 Definition of material

**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 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 2-4 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 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.

**2. Accounting policies - continued**

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

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

Depreciation is charged to the Statement of Comprehensive Income 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 Statement of Comprehensive Income in the period of the change and future periods. An increase in the residual value of an asset will decrease the depreciation charge for the period and future periods and vice versa.

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

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.

**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.

2. **Accounting policies - continued**

**Financial instruments - continued**

*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.

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.

2. **Accounting policies - continued**

**Recognition of measurement - continued**

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

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

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

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

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

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

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

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

2. **Accounting policies - continued**

**Recognition of measurement - continued**

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

*(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.

2. **Accounting policies - continued**

**Recognition of measurement - continued**

*(iv) Write-off policy*
The Company writes off a financial asset when there is information indicating that the debtor is in sever 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.

***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.

2. **Accounting policies - continued**

***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 Balance Sheet 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.

**Leases**
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.

2. **Accounting policies - continued**

**Leases - continued**

**Lease liability**

*Initial recognition and measurement*

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.

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 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.

2. **Accounting policies - continued**

**Lease liability - continued**
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.

**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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

**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.

**Taxation**
***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 Statement of Comprehensive Income 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.

2. **Accounting policies - continued**

**Taxation - continued**
***ii. Deferred tax -continued***

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

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

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

**Internally-generated intangible assets - research and development expenditure**
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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 Statement of Comprehensive Income 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.

## 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.

### Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

The Company received funding under Coronavirus Job Retention Scheme in respect of a number of employees who were furloughed during the year. This grant funding is included in other operating income with Statement of Comprehensive Income and is further detailed in note 8.

### 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 Statement of Comprehensive Income 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 expenders 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.

2. **Accounting policies - continued**

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

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

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

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

**Impairment of tangible and intangible assets**
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company establishes the recoverable amount of the smallest identifiable 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.

2. **Accounting policies - continued**

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

Milestone bonus:
When the Company was acquired by Trip.com Group Limited a milestone bonus was offered to employees of the Company. This bonus is dependent on the financial performance of the Company and meeting certain targets in relation to revenue and profitability within a set time period. Due to the impact of Covid-19 there is an increased uncertainty around the ability of the Company to meet targets within the prescribed time period. This is a key difference from prior years where the Company was forecast to meet all the targets within the time period.

Management have estimated the future revenue and profitability of the Company based on a number of possible scenarios. These include returning to pre-pandemic revenues over a number of years ranging from 1 to 4 years. It is management's assessment that the most likely outcome is that the targets will be met within the time period and therefore they have recognised the full provision. The key assumptions used in this estimate are the speed of recovery of revenue following the Covid-19 pandemic to revenues prior to the pandemic. If the recovery from the pandemic became expected to last longer than 3 years then the impact would be that the milestone bonus would not be paid

Break Clause:
In December 2020, Skyscanner decided to exercise the break clause in the Bedford Avenue lease and formally notified the landlord on the 5 January 2021 that Skyscanner intended to exercise the 5 year break clause on 15 February 2022. This resulted in a right-of-use asset being impaired to £nil and the lease liability being re-measured to the value of lease payments due up to 15 February 2022. In May 2021 the deal was completed and Skyscanner exited the lease. As at 31st December 2020 there was not yet confirmation that the lease would be exited, on this basis we recorded the outstanding liability and impaired the ROUA. The lease was fully exited in May 2021 and no liabilities were outstanding post this date.

**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 £21,141k (2019: £12,405k). 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 period.

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

*New subsidiary*
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.

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

## 3. Turnover

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Flight commission | 79,614 | 251,542 |
| Hotel and car hire commission | 6,146 | 18,740 |
| Advertisement | 13,609 | 38,003 |
| Other services | 3,283 | 3,113 |
| | 102,652 | 311,398 |

Turnover relates to activities in the following regions:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| UK and Ireland | 20,386 | 57,360 |
| Europe | 40,790 | 110,414 |
| Rest of the world | 41,476 | 143,624 |
| | 102,652 | 311,398 |

## 4. Staff costs and directors' remuneration

**Staff costs:**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Wages and salaries | 60,311 | 70,964 |
| Other pension costs | 2,512 | 2,125 |
| Cash settled share based payments and cash payments in relation to share plans | 25 | 555 |
| Social security costs | 8,532 | 9,502 |
| | 71,380 | 83,146 |

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £2,512k (2019: £2,125k).

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

| | 2020 No. | 2019 No. |
|---|---|---|
| Development, operations and commercial | 777 | 692 |
| Administrative | 164 | 120 |
| | 941 | 812 |

**4. Staff costs and directors' remuneration - continued**

**Directors' remuneration:**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Directors' remuneration | 1,687 | 850 |
| Share based payments | 3,984 | - |
| Contributions to defined contribution plans | 5 | 7 |
| Social security costs | 884 | 117 |
| | 6,560 | 974 |

The number of directors accruing benefits under money purchase schemes is 1 (2019: 1).

The number of directors who exercised share options in the year was 1 (2019: nil).

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Directors' remuneration | 6,420 | 958 |

**5. Interest receivable and similar income**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Bank deposits | 84 | 588 |
| Gain on financial instruments (including all derivatives - note 17) | - | 1,204 |
| Interest due from parent company | 1,296 | 589 |
| | 1,380 | 2,381 |

**6. Interest payable and similar expenses**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Other fees and charges | 1,115 | 6,832 |
| Interest due to parent company | 1,369 | 1,350 |
| Net foreign exchange differences | (194) | 2,127 |
| Loss on financial instruments (including all derivatives - note 17) | 1,347 | - |
| Bank deposits | 129 | - |
| | 3,766 | 10,309 |

## 7. (Loss)/profit before taxation

This is stated after charging:

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Depreciation of tangible assets (note 11) | 2,254 | 2,000 |
| Depreciation of right-of-use assets (note 21) | 10,816 | 4,666 |
| Amortisation of intangible assets (note 10) | 2,254 | 9,216 |
| Loss on disposal of fixed assets | - | 116 |
| Research and development costs | (6,837) | 4,588 |
| Impairment loss recognised as an operating expense | - | 656 |
| Gain on foreign exchange transactions | (194) | - |

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Audit services** | | |
| Statutory audit | | |
| - Company | 220 | 200 |

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

## 8. Other operating income

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Licensing fees | 4,926 | 24,655 |
| Fair value adjustment | - | 27,269 |
| Grant income | 942 | - |
| | 5,868 | 51,924 |

In the prior year, a fair value gain of £27,269k was recognised following the revision of the Joint Venture agreement with Skyscanner Japan KK, that resulted in the Company gaining control over the joint venture. As a result of the change in control, the investment in the joint venture was effectively disposed of and reacquired at the fair value on the acquisition date.

In 2020, government grants of £942,000 were received as part of the Coronavirus Job Retention Scheme, a government initiative to provide immediate financial support to cover furloughed employees wages as a result of coronavirus ('Covid-19). There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

## 9. Tax on (loss)/profit

(a) Tax (credited)/charged in the Statement of Comprehensive Income and other comprehensive income

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax | (1,800) | 4,399 |
| Adjustments in respect of prior year | (9,893) | 322 |
| Total current income tax (credit)/charge | (11,693) | 4,721 |
| | | |
| Deferred tax: | | |
| Origination and reversal of timing difference | (4,871) | 3,314 |
| Credit arising from previously unrecognised tax loss, tax credit or temporary differences | (2,152) | (7,237) |
| Impact of change in tax law and rates | (1,713) | 651 |
| Total deferred tax | (8,736) | (3,272) |
| **Total current income tax (credited)/charged** | (20,429) | 1,449 |

(b) Reconciliation of the total tax charge (credit)/charge
Reconciliation between tax (credit)/expense and the accounting (loss)/ profit before income tax multiplied by the UK standard rate of corporation tax is as follows:

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| (Loss)/profit before taxation | (104,941) | 48,624 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%) | (19,939) | 9,239 |
| *Effects of:* | | |
| Non-deductible expenses /(non-taxable income) | 43 | (647) |
| Difference between capital allowances and depreciation | - | - |
| R&D relief | (1,458) | (3,177) |
| Group relief | 34 | (63) |
| Loss utilisation | - | - |
| Changes in tax rates | (1,713) | 651 |
| Tax over provided in previous years | (2,641) | (6,089) |
| Employee share options | 5,245 | 1,535 |
| **Total tax expense (credit)/expense reported in the Statement Of Comprehensive Income** | (20,429) | 1,449 |

9. **Tax on (loss)/profit - continued**

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%.

10. **Intangible assets**

| | Goodwill £'000 | Development costs £'000 | Computer software £'000 | Total £'000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2020 | 5,474 | 21,283 | 509 | 27,266 |
| Additions | - | 6,837 | 11 | 6,848 |
| Impairment | - | (6,073) | - | (6,073) |
| At 31 December 2020 | 5,474 | 22,047 | 520 | 28,041 |
| **ACCUMULATED AMORTISATION** | | | | |
| At 1 January 2020 | 5,474 | 5,351 | 500 | 11,325 |
| Amortisation for year | - | 8,449 | 2 | 8,451 |
| Impairment | - | (1,583) | 6 | (1,577) |
| At 31 December 2020 | 5,474 | 12,217 | 508 | 18,199 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2020 | - | 9,830 | 12 | 9,842 |
| At 31 December 2019 | - | 15,932 | 9 | 15,941 |

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. Goodwill has been fully amortised during the year.

Amortisation of intangible assets is included in administrative expenses.

An impairment was recognised in the year in relation to a number of internally generated intangible assets for Development Cost. This impairment arose as the Company no longer anticipated to receive any future economic benefit from these assets.

## 11. Tangible assets

| | Furniture, fixture and fittings £'000 | Construction in progress £'000 | Total £'000 |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2020 | 13,893 | 1,285 | 15,178 |
| Additions | 266 | 205 | 471 |
| Disposals | (71) | (18) | (89) |
| Reclassification | 1,464 | (1,464) | - |
| At 31 December 2020 | 15,552 | 8 | 15,560 |
| **ACCUMULATED DEPRECIATION** | | | |
| At 1 January 2020 | 9,297 | - | 9,297 |
| Charge for year | 2,227 | - | 2,227 |
| Eliminated on disposal | (46) | - | (46) |
| At 31 December 2020 | 11,478 | - | 11,478 |
| **NET BOOK VALUE** | | | |
| At 31 December 2020 | 4,074 | 8 | 4,082 |
| At 31 December 2019 | 4,596 | 1,285 | 5,881 |

## 12. Investments

| | Investment in subsidiaries £'000 | Total £'000 |
|---|---|---|
| **COST** | | |
| At 1 January 2020 | 38,334 | 38,334 |
| At 31 December 2020 | 38,334 | 38,334 |
| **NET BOOK VALUE** | | |
| At 31 December 2020 | 38,334 | 38,334 |
| At 31 December 2019 | 38,334 | 38,334 |

In the prior year, 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). As a result, the Interest in joint ventures has decreased to nil.

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

**Skyscanner Limited**

**Notes to the Financial Statements - continued**
**For the Year Ended 31 December 2020**

12. **Investments - continued**

**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 AnAvenue, 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 Ciyoda-ku, Tokyo100-0004 | 51% |

**Indirect holding**

| Entity name / country of information | Principle activity | Registered address | Holding / Held by |
|---|---|---|---|
| Youbibi Technology (Shenzhen) Limited / China | Engineering | Room 2201A, Century Place,3018 Shennan Middle Road, Futian District, Shenzhen, Guangdong, P.R. China | 100% / Twizoo Investments Limited |
| Shenzhen Zhuanbi Internet Limited / China | Engineering | Room 2201A, Century Place, 3018 Shennan Middle Road, Futian District, Shenzhan, Guangdong, P.R. China | Variable Interest Entity('VIE') controlled by Youbibi Technology (Shenzhen) Limited |

12. **Investments - continued**

**Indirect holding - continued**

| Entity name / country of information | Principle activity | Registered address | Holding / Held by |
|---|---|---|---|
| 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 Strum, 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 | PT. Szczepanski 5/104, Krakow, 31-011 | 100% / Skyscanner Holdings Inc |

13. **Debtors**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade debtors | 7,067 | 26,714 |
| Allowance for doubtful debts | (4,451) | (5,624) |
| Other debtors | 847 | 3,853 |
| Amounts owed by Group undertakings | 165,827 | 217,256 |
| Prepayments | 5,519 | 8,176 |
| Accrued income and other receivables | 1,938 | 9,043 |
| Current tax asset | 9,168 | 3,069 |
| | 185,915 | 262,487 |

The recoverability of debtor balances is 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 uncollectable. Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand, with the exception of £147m relating to cash on deposit with the parent company that is interest bearing.

## 13. Debtors - continued

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance at the beginning of the year | (5,624) | (1,064) |
| Additional provision during the year | (2,216) | (5,016) |
| Provision utilised in the year due to write off | 1,478 | 287 |
| Provision released in the year due to recovery of debt | 1,911 | 169 |
| Closing balance | (4,451) | (5,624) |

## 14. Creditors: amounts falling due within one year

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade creditors | 2,607 | 10,509 |
| Amounts owed to Group undertakings | 137,740 | 139,632 |
| Other taxation and social security | 2,288 | 6,235 |
| Accruals and deferred income | 3,139 | 6,196 |
| Other creditors | 8,131 | 1,241 |
| | 153,905 | 163,813 |

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

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Other long-term employee benefits | 34,739 | 42,520 |

## 16. Provisions for liabilities

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Acquisition related employee benefit provision | 690 | 634 |
| Share option plan social security provision | - | 3,276 |
| Other provisions | 1,866 | 1,546 |
| | 2,556 | 5,456 |

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.

## 16. Provisions for liabilities - continued

| | Provision £'000 |
|---|---|
| **Balance at 1 January 2020** | 5,456 |
| Utilised in the year | (2,900) |
| **Balance at 31 December 2020** | 2,556 |

## 17. Derivative financial instruments

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Foreign currency forward contracts | (147) | 2,492 |
| | (147) | 2,492 |

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance at 1 January 2020 | 1,204 | - |
| Fair value movement recognised in the Statement of Other Comprehensive Income (Note 6) | (1,351) | 1,204 |
| | (147) | 1,204 |

**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:

| | Nominal Value | | Fair value | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Foreign currency forward contracts | (147) | 2,492 | (147) | 2,492 |
| | (147) | 2,492 | (147) | 2,492 |

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).

## 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 2019 | 104 | - | 53 | 8,976 | 9,133 |
| (Charge) / credit 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 |
| Credit/(charge) to profit or loss | 1,041 | (4,698) | (1,512) | 13,905 | 8,736 |
| At 31 December 2020 | (792) | - | 6,753 | 15,180 | 21,141 |

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 19%. The impact of restating the deferred tax figures at a tax rate of 25% is an increase of £6,676,161.

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:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Deferred tax liabilities | - | - |
| Deferred tax assets | 21,141 | 12,405 |
| | 21,141 | 12.405 |

## 19. Called-up share capital

**Allotted, issued and fully paid:**

| **Number:** | **Class:** | **Nominal value:** | **2020 £'000** | **2019 £'000** |
|---|---|---|---|---|
| 1,609,146 | Ordinary shares | £0.01 | 16 | 16 |

There was no issuance of ordinary shares in 2020 or 2019.

## 20. Share based payments

*Equity-settled share scheme*
*LTIP*
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 latest share price of the parent company which is internally announced bi-annually.

The options issued to employees (59,605,248 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 (5,460,000 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.

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.

*SIP*
A SIP scheme was introduced in FY2018 and the shares were granted in 2019 at the end of the accumulation period (1,126,182 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, 551,966 (at the balance sheet date) vested during FY2019 when the accumulation period ended (1 year from the grant date).

A SIP scheme was also introduced in FY2020 (828,478 granted at balance sheet date) however, the shares are still within the accumulation period and have not yet been issued. The SIP shares are split between partnership and matching shares with the matching shares vesting 4 years from the grant date. The share based payment charges for these shares have been recognised based on estimates of number of shares to be issued. For the partnership shares, 413,239 (at the balance sheet date) vest after the accumulation period (1 year from the grant date).

*RSU*
The parent group of the Skyscanner Group, Trip.com Group Limited, granted restricted stock units (RSUs) to employees. Vested RSUs will be settled in shares of the parent group with the par value deemed paid by the employee's past services rendered.

A portion of RSUs issues to employees (84,560 at balance sheet date) vest on the following profiles:

- 12.5% of the RSUs vest on each anniversary of the vesting date with a balance of 50% of RSUs vested on the fourth anniversary of the vesting date
- The remaining 50% of the RSUs vest based on specific performance-based vesting conditions.

The remaining RSUs (292,936 at the balance sheet date) 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.

## 20. Share based payments - continued

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **LTIP** | **SIP** | **RSU** | **Weighted average exercise price (£)** | **LTIP** | **SIP** | **RSU** | **Weighted average exercise price (£)** |
| Outstanding at beginning of the period | 82,239,995 | 1,525,102 | - | 1.37 | 140,367,594 | 1,807,292 | - | 1.33 |
| Granted during the period | 18,819,640 | 828,478 | 295,888 | 1.52 | 13,299,400 | - | | 1.60 |
| Forfeited during the period | (19,849,500) | (398,920) | (2,952) | 1.42 | (68,868,999) | (282,190) | - | 0.25 |
| Exercised during the period | (16,564,687) | - | - | 1.27 | (2,470,000) | - | - | 1.25 |
| Net transfers out of Skyscanner Limited | 419,800 | - | - | 1.34 | (88,000) | - | - | 1.37 |
| Outstanding at the end of the period | 65,065,248 | 1,954,660 | 292,936 | 1.37 | 82,239,995 | 1,525,102 | - | 1.37 |
| Exercisable at the end of the period | 24,067,513 | - | 14,780 | - | 29,741,084 | - | - | - |

The options outstanding at 31 December 2020 had a weighted average exercise price of £1.37 (2019: £1.37) and a weighted average remaining contractual life of 7.76 (2019: 7.52 years).

The weighted average fair value of options granted during the period, determined using the Black-Scholes valuation model, was £0.75 per option (2019: £0.59). The significant inputs into the Black-Scholes model were:

| | **2020** | **2019** |
|---|---|---|
| Weighted average share price | £1.52 | £1.60 |
| Volatility | 38% | 37% |
| Expected option life | 4.7 years | 5 years |
| Annual risk-free interest rate | 0.3% | 0.6% |

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.

## 20. Share based payments - continued

The share based payment charges arising were as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Equity settled payments: | | |
| Charge for pre-acquisition equity settled share based payments | 9,473 | 10,054 |
| Total equity settled payments | 9,473 | 10,054 |

*Cash-settled bonus unit scheme*
*LTIP*
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 (2,285,250 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 (641,504 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.

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 £1.27. Out of the 3,184,754 outstanding bonus units (2019: 2,173,849 bonus units), 453,810 bonus units (2019: 483,480) were exercisable.

*SIP*
A SIP scheme was introduced in FY2018 and the bonus units were granted in 2019 at the end of the accumulation period (82,000 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.

A new SIP scheme was introduced in FY2020 (176,000 granted 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. For the partnership shares, 88,000 (at the balance sheet date) vest after the accumulation period (1 year from the grant date).

## 20. Share based payments - continued

*Cash-settled share scheme - continued*

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | LTIP | SIP | Weighted average excercise price (£) | LTIP | SIP | Weighted average exercise price (£) |
| Outstanding at beginning of the period | 2,075,849 | 98,000 | 1.38 | 3,597,780 | 1,50,000 | 1.27 |
| Granted during the period | 1,156,400 | 184,000 | 1.09 | 501,900 | - | 1.60 |
| Forfeited during the period | (262,085) | (24,000) | 1.25 | (1,981,191) | (52,000) | 1.24 |
| Exercised during the period | (43,410) | - | 1.30 | - | - | - |
| Net transfers out of Skyscanner Limited | - | - | 1.60 | (38,000) | - | - |
| Outstanding at the end of the period | 2,926,754 | 258,000 | 1.27 | 2,074,489 | 98,000 | 1.38 |

The bonus units outstanding at 31 December 2020 had a weighted average exercise price of £1.27 and a weighted average remaining contractual life of 6.92 years.

The weighted average fair value of bonus units granted during the period, determined using the Black-Scholes valuation model, was £0.44 per bonus unit (2018: £0.72). The significant inputs into the Black-Scholes model were:

| | 2020 | 2019 |
|---|---|---|
| Weighted average share price | 1.09 | £1.60 |
| Volatility | 40% | 37% |
| Expected bonus unit life | 3.9 years | 4.5 years |
| Annual risk-free interest rate | - | 0.6% |

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:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Cash settled payments: | | |
| Cash bonus equivalent scheme | (822) | 2,400 |
| Total share based payment charge | (822) | 2,400 |
| Carrying amount of liability for schemes | 1,541 | 4,639 |
| of which relates to vested assets | 1,181 | 2,423 |
| Total carrying amount of liability for cash bonus equivalent scheme | 465 | 4,639 |

## 21. Leases

| **Right-of-use assets** | **Buildings £'000** | **Total £'000** |
|---|---|---|
| **Cost** | | |
| At January 2019 | 25,612 | 25,612 |
| Additions | 20,193 | 20,193 |
| At 31 December 2019 | 45,805 | 45,805 |
| Addition | - | - |
| Impairment (note 24) | (15,052) | (15,052) |
| At 31 December 2020 | 30,753 | 30,753 |
| **Accumulated depreciation** | | |
| At January 2019 | - | - |
| Charge for year | 4,666 | 4,666 |
| At 31 December 2019 | 4,666 | 4,666 |
| Charge for year | 6,836 | 6,836 |
| At 31 December 2020 | 11,502 | 11,502 |
| **Carrying amount** | | |
| At 31 December 2020 | 19,251 | 19,251 |
| At 31 December 2019 | 41,139 | 41,139 |

The Company leases several assets including buildings, plants, IT equipment. The average lease term is 7 years (2019: 7 years).

| **Amounts recognised in profit and loss** | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Depreciation expenses on right-of-use assets | 10,816 | 4,666 |
| Interest expenses on lease liabilities | 533 | 1,102 |
| Expense relating to short-term leases | 112 | 869 |
| Expense relating to leases of low value assets | - | 1 |

At 31 December 2020, the Company is committed to £nil (2019: £107k) for short-term leases.

The total cash outflow for leases amount to £11.8 million.

## 21. Leases - continued

**Lease liabilities**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Analysed as: | | |
| Non-current | 11,324 | 32,399 |
| Current | 11,450 | 10,554 |
| | 22,774 | 42,953 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Year 1 | 11,450 | 10,554 |
| Year 2 | 7,452 | 10,997 |
| Year 3 | 623 | 9,381 |
| Year 4 | 608 | 2,625 |
| Year 5 | 632 | 2,689 |
| Year 6+ | 2,009 | 6,707 |
| Total | 22,774 | 42,953 |

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.

## 22. Related party transactions

| | Sale of services | | Purchase of Services | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Skyscanner KK | 2,693 | 8,665 | 5,192 | 21,117 |
| | 2,693 | 8,665 | 5,192 | 21,117 |

| | Amount owed by related party | | Amount owed to related party | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Skyscanner KK | - | - | 10,503 | 12,006 |
| | - | - | 10,503 | 12,006 |

Skyscanner Limited holds 51% of the equity share capital in Skyscanner KK, as such it is considered a related party.

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

Purchases represent revenue recharges from Skyscanner KK for revenue earned by that entity billed by Skyscanner Limited.

The amounts outstanding are unsecured and will be settled in cash.

## 23. Commitments

*Capital commitments*
The Company has no capital commitments at 31 December 2020 (2019: none).

*Contingent liabilities*
The Company has no contingent liabilities at 31 December 2020 (2019: none).

## 24. Post balance sheet events

On the 19 February 2021, Skyscanner Limited acquired the remaining 49% of the issued share capital of Skyscanner Japan KK from Yahoo Japan Corporation for £6.2 million. From this date onwards Skyscanner Japan KK will be treated as a 100% wholly owned subsidiary of Skyscanner Limited.

In December 2020 Skyscanner decided to exercise the break clause in the Bedford Avenue lease and formally notified the landlord on the 5 January 2021 that Skyscanner intended to exercise the 5 year break clause on 15 February 2022. This resulted in a right-of-use asset being impaired to £nil and the lease liability being re-measured to the value of lease payments due up to 15 February 2022. In May 2021 the deal was completed and Skyscanner exited the lease. This has been disclosed in note 21 of the financial statements.

## 25. Ultimate parent undertaking and controlling party

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Trip.com Group Limited, a company incorporated in the Cayman Islands. The parent undertaking of the largest and smallest Group, which includes the Company and for which Group accounts are prepared, is Trip.com Group Limited, the financial statements may be obtained from http://investors.trip.com.