



Skyscanner Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

Registered Number: 04217916



Skyscanner Limited

Annual report and financial statements

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Skyscanner Limited

Annual report and financial statements

Company information

Directors

Gareth Williams
James Jianzhang Liang
Jane Jie Sun
Xiaofan Wang Xiong Xing

Secretary

Carolyn Jameson

Registered Number

04217916

Registered Office

Suite 7-001
1 Fore Street
London
EC2Y 5EJ

Bankers

Barclays
2nd Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

MS Bank S.A.
Banco de Câmbio
Rua Bispo Dom José, 2095
Sala 306, Bairro Batel
CEP: 80.440-080,
Curitiba/PR

Royal Bank of Scotland
The Gemini Building
2nd Floor, 24 St Andrew Square
Edinburgh
EH2 1AF

Silicon Valley Bank
Alphabeta,
14-18 Finsbury Square
London EC2A 1BR

Solicitors

Pinsent Masons LLP
139 Fountainbridge
Edinburgh
EH3 9QG

Auditor

Deloitte LLP
Statutory Auditor
Glasgow
United Kingdom

Skyscanner Limited

Strategic report

The Directors present their Strategic Report for Skyscanner Limited ('the Company') for the financial year ended 31 December 2016.

Business model

The Company owns and operates an integrated online travel metasearch service connecting users wishing to book travel 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 Company reported revenue in 2016 of £158,343k (2015: £109,948k), up 44% year on year. Profit after tax for the year was £24,979k (2015: £10,559k). This includes a significant credit in relation to tax of £17,658k. During the year, exceptional items of £9,649k were incurred, mainly being one off items associated with the sale of the Company as noted below. Operating profit before tax and before exceptional items was £16,970k.

Flight metasearch continues to be the Company's largest revenue channel. However, in 2016, revenue from the Company's Hotel and Car Hire products has grown to contribute more than 9% (2015: 6%) of overall revenue in the financial year. The Company's Business to Business ('B2B') partnerships have also attracted additional Unique Monthly Visitors (UMVs) to the website, which has had an accelerative impact on revenue.

The Company's long term strategy is centred on owning a greater part of the travel journey from destination selection through to post travel engagement. We have made significant strides towards achieving this objective and have reached some extremely exciting milestones in 2016 as is demonstrated in some of our key operating metrics; Total Ticket Value ('TTV') in relation to flights¹ reached an estimated \$12.8bn which is equivalent to an estimated 20.7m bookings.

In executing our strategy, the Company has continued to invest in headcount, particularly product and engineering talent, and the development of its core travel products. While this investment has supported another year of growth in the volume of UMVs to the website and mobile applications, the real benefits will be seen over the longer term.

On the 9th of December 2016 Ctrip.com International Ltd ('Ctrip') acquired the majority of shares in Skyscanner Holdings Limited, the Company's immediate parent. The acquisition represents a significant milestone in our growth as a Company and we are very proud to be working in partnership with one of the most successful online travel businesses in the world. Whilst we will seek to leverage Ctrip's extensive experience in travel and booking technology, our strategy remains unchanged. We will continue to operate the Company independently with the core mission of becoming the most trusted and most used online travel brand in the world.

¹ The gross value of flight related bookings made via the Skyscanner website and app

Skyscanner Limited

Strategic report

Key performance indicators

The Directors use Key Performance Indicators ('KPIs') to monitor and assess Company performance. The principal KPIs used during the year ended 31 December 2016 were as follows

	2016	2015
Revenue (£'000)	158,343	109,948
EBITDA (£'000)	12,643	14,308
Funnel Sessions ('000) ²	1,141,062	838,841

² Being the number of sessions (user interactions on our website) that reach one of our travel funnels (flights, hotel or car hire).

Skyscanner Limited

Strategic report (continued)

Taxation

The Company's tax credit for the year is £17,658k (2015 – tax charge £436k). Note 9 to these financial statements provides further detail on the composition of the tax credit. The tax credit was primarily driven by share based payment deductions that are one off in nature following the sale of the Company and we do not expect such a magnitude of credit to occur again. We hold ourselves to a high standard in relation to paying a fair rate of tax in all of the jurisdictions in which we operate. We believe the Company and its employees should be contributors to the funding of public services and infrastructure of the country in which they are located and that this is integral to us operating sustainably and building a core value of trust with our users.

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:

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

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

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

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

Competition

The global travel & tourism industry contributed US\$7.2 trillion to world GDP in 2015, representing 9.8% of global GDP³. Inevitably the market is extremely competitive. The travel metasearch 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 1,200 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 competitors are and represents a significant barrier to new entrants. In addition, we believe we offer a quality product, focused on the user. 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 2015

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Strategic report (continued)

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.

Website disruption

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

Global expansion

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

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

Changing user habits

Users are changing the way in which they use technology products at an increasingly fast rate. Staying ahead of user trends and avoiding the risk of the Company's product offerings becoming obsolete is critical to the future success of the Company. For example, users are moving away from desktop computers and laptops and increasing the use of their mobile devices so it is important that the Company ensures that its websites, applications and other platforms are accessible and easy to use on such devices. Furthermore, with the shift to mobile, users may use the Company's platforms on mobile devices to access travel information but may be reluctant to click through to the websites of travel providers to make a booking due to the increased difficulty of inputting information on smaller screen sizes or because of security concerns. There is also an added risk that the mobile platforms of the Company's partners may have low functionality or are difficult to use, 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 users.

Any failure of the Company to evolve to meet the needs, expectations and likes of users 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 to 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 with a focus on lead indicators.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Changing user habits (continued)

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.

The Company may suffer losses if its reputation and brand are damaged

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

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

Regulatory environment

Our metasearch services are subject to various laws and regulations in the jurisdictions in which we operate. The competition authorities in some of our operating regions have begun investigations into competitive practices within the online travel industry and we may be involved in or affected by such investigations and their results.

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.

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.

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.

Sources of funding

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.

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Strategic report (continued)

Strategy and future outlook

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

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



Gareth Williams

Director

8 June 2017

Skyscanner Limited

Directors' report

The Directors present their report and the financial statements of the Company for the financial year ended 31 December 2016.

Results and dividends

The Company's audited financial statements for the year ended 31 December 2016 are set out on pages 14 to 40. The Company made a profit after tax for the financial year of £24,979 (2015: £10,559k) and had net assets of £27,703k at 31 December 2016 (2015: £59,478k).

The Board declared a dividend of £4,000k on 31st January 2016 and a further dividend of £57,000k on 1st November 2016 to the parent company, Skyscanner Holdings Limited, as the sole shareholder from distributable reserves.

Share capital and control

The issued share capital of the Company comprises a single class of 1,609,146 ordinary shares of £0.01p each. As at 31 December 2016, the entire issued share capital of the Company is owned by Skyscanner Holdings Limited, the immediate parent company. The ultimate holding company is Ctrip.com International Limited, incorporated in the Cayman Islands.

Going concern

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

Corporate governance and Directors

The Company's governance structure includes accountability to key stakeholders as well as policies and management systems that contribute to efficient and effective operations. Improvements in good corporate governance have been continually focused upon and the Company aims to incorporate standards universally practiced.

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 2016 to address key decision-making issues and review reports from designated committees and management.

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

Gareth Williams

James Jianzhang Liang (appointed 9th December 2016)

Jane Jie Sun (appointed 9th December 2016)

Xiaofan Wang (appointed 9th December 2016)

Xiong Xing (appointed 9th December 2016)

Barry Smith (resigned 9th December 2016)

Julian Pancholi (resigned 9th December 2016)

Calum Paterson (resigned 9th December 2016)

Sir Michael Moritz (resigned 9th December 2016)

Mark Logan (resigned 9th December 2016)

Margaret Rice-Jones (resigned 31st May 2016)

Shane Corstorphine resigned as company secretary on 23rd March 2016 and was replaced on the same date by Carolyn Jameson.

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Directors' report (continued)

Financial instruments

The Company finances its activities with a combination of third party finance lease arrangements, cash and short term deposits. 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.

Policy and practice on payment of creditors

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

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

At the year end, there were 29 (2015: 45) day's purchases in trade payables.

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 and that appropriate training is arranged.

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 quarterly business and performance updates by members of the management team for all employees, regular internal briefings and team meetings, and the circulation to employees of company announcements and developments.

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

Equal opportunities

The Company is committed to providing equality of opportunity to all employees without discrimination and applies fair and equitable employment policies which seek to promote entry into and progression within the Company. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency.

Research and development

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

Political contributions

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

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Directors' report (continued)

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 2016 the Company had no external debt as the wider Skyscanner Holdings Limited group borrowings are transacted and managed by the immediate parent company.

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 has an established currency hedging policy and as deemed appropriate a percentage of forecast net Euro and US dollar exposure is hedged by way of forward contracts each month.

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.

Directors' liabilities

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

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



Gareth Williams
Director

8 June 2017

Skyscanner Limited

Directors' responsibilities statement

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

We have audited the financial statements of Skyscanner Limited for the year ended 31 December 2016 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended; and
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Independent auditor's report to the members of Skyscanner Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Colin Gibson CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

8 June 2017

Skyscanner Limited

Statement of comprehensive income For the year ended 31 December 2016

	Notes	Before Exceptional items 2016 £'000	Exceptional items 2016 (Note 5) £'000	Total 2016 £'000	2015 £'000
Turnover	3	158,343	-	158,343	109,948
Cost of sales		(76,242)	-	(76,242)	(46,182)
Gross profit		82,101	-	82,101	63,766
Administrative expenses		(63,298)	(9,649)	(72,947)	(53,239)
Other income		620	-	620	-
Operating profit	4	19,423	(9,649)	9,774	10,527
Interest receivable and similar income	7	288	-	288	1,143
Interest payable and similar expenses	8	(2,741)	-	(2,741)	(675)
Profit before taxation		16,970	(9,649)	7,321	10,995
Tax on profit	9	17,658	-	17,658	(436)
Profit for the financial year		34,628	(9,649)	24,979	10,559
Other comprehensive income		-	-	-	-
Profit for the financial year		34,628	(9,649)	24,979	10,559

All amounts relate to continuing activities.

Skyscanner Limited

Balance sheet At 31 December 2016

Assets	Notes	2016 £'000	2015 £'000
Non-current assets			
Tangible fixed assets	10	3,171	5,205
Intangible assets	11	1,520	534
Investments in subsidiaries	12	7,722	8,079
Interests in joint ventures	13	781	781
Deferred tax	18	15,110	6,147
		<u>28,304</u>	<u>20,746</u>
Current assets			
Debtors: amounts falling due within one year	14	40,978	20,826
Cash at bank and in hand		26,869	44,261
		<u>67,847</u>	<u>65,087</u>
Total assets		<u>96,151</u>	<u>85,833</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(67,250)	(25,809)
Derivative financial instruments	15	(134)	(383)
Total current liabilities		<u>(67,384)</u>	<u>(26,192)</u>
Net current assets		<u>463</u>	<u>38,895</u>
Total assets less current liabilities		<u>28,767</u>	<u>59,641</u>
Creditors: amounts falling due after more than one year	17	<u>(1,064)</u>	<u>(163)</u>
Net assets		<u>27,703</u>	<u>59,478</u>
Capital and reserves			
Called up share capital	19	16	16
Share premium		4,396	4,396
Merger reserve		302	302
Profit and loss account		22,989	54,764
Shareholders' funds		<u>27,703</u>	<u>59,478</u>

These financial statements were approved and authorised for issue by the Board of Directors on June 2017 and were signed on its behalf by:

Gareth Williams
Director

8 June 2017



Company registered number: 04217916

Skyscanner Limited

Statement of changes in equity For the year ended 31 December 2016

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total £000
At 31 December 2014		16	4,396	302	41,569	46,283
Profit for the year		-	-	-	10,559	10,559
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		16	4,396	302	52,128	56,842
Credit to equity for equity-settled share based payments		-	-	-	3,284	3,284
Deferred tax on share-based payment transactions	18	-	-	-	3,352	3,352
Dividends		-	-	-	(4,000)	(4,000)
At 31 December 2015		16	4,396	302	54,764	59,478
Profit for the year		-	-	-	24,979	24,979
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		16	4,396	302	79,743	84,457
Credit to equity for equity-settled share based payments		-	-	-	10,129	10,129
Deferred tax on share-based payment transactions	18	-	-	-	(5,883)	(5,883)
Dividends		-	-	-	(61,000)	(61,000)
At 31 December 2016		16	4,396	302	22,989	27,703

Equity share capital

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

Share premium

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

Merger reserve

The balance classified as merger reserve arose during the financial year ending 31 December 2013 when the Company acquired the share capital of Skyscanner Pte.

Skyscanner Limited

Notes to the financial statements For the year ended 31 December 2016

1. General Information

The financial statements of Skyscanner Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on June 2017 and the balance sheet was signed on the board's behalf by Gareth Williams.

Skyscanner Limited, a private company limited by shares, registered in England and Wales, (registered number 04217916) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given 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 6.

The Company is a subsidiary undertaking of Skyscanner Holdings Limited, incorporated in the United Kingdom. The ultimate holding company is Ctrip.com International Limited, incorporated in the Cayman Islands.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies and statement of compliance with FRS 101

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value 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. The financial statements are presented in GBP Sterling (£) and all values are rounded to the nearest thousand pounds (£000) except when otherwise stated.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Basis of preparation (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company is exempt from the preparation of consolidated financial statements, as it is included in the consolidated financial statements of its ultimate parent company Ctrip.com International Ltd ("Ctrip.com") which are prepared in accordance with the Generally Accepted Accounting Principles of the United States of America ("US GAAP"). The consolidated financial statements of Ctrip.com International Ltd are publicly available online at ir.ctrip.com.

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- (a) Cash Flow Statement and related notes;
- (b) Comparative period reconciliations for share capital and tangible fixed assets;
- (c) Disclosures in respect of transactions with wholly owned subsidiaries;
- (d) Disclosures in respect of share based payments;
- (e) Disclosures in respect of capital management;
- (f) The effects of new but not yet effective IFRSs; and
- (g) Disclosures in respect of financial instruments and fair value measurement.

The directors, having assessed the responses of the directors of the Company's parent Ctrip.com International Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position, including the expected cash flows, and of the enquiries made of the directors of Ctrip.com International Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Foreign currency translation

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

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

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

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

Tangible fixed 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 a finance lease is also included within property, plant and equipment.

Depreciation is charged to the profit and loss account on a straight-line basis 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 equipment 3 years
- furniture, fittings and equipment 3 - 5 years

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

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

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

Investments in subsidiaries

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

Interests in joint ventures

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

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses (excluding goodwill), the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Non-derivative 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 initially measured 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 and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest rate ('EIR') method, less impairment. The EIR amortisation is included in interest income in the profit and loss account. The losses arising from impairment are recognised in operating expenses.

This category generally applies to the Company's trade and other receivables. For more information on debtors, refer to note 14.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

For certain categories of financial asset, such as trade receivables, assets assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Financial Assets (continued)

Loans and receivables (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Financial Liabilities

Loans

These financial liabilities are recognised initially at fair value plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Fair values

The Company measures non-financial assets at fair value at each balance sheet date.

Derecognition of financial instruments

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. The Company does not hold or issue derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in note 15.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Leases

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

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

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

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

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

Provisions for liabilities

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

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

Taxes

i. Current tax

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

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

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Taxes (continued)

ii. Deferred tax

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

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

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

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

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

iii. Recovery of deferred tax assets

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

Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from the Company's website development 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.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Internally-generated intangible assets – research and development expenditure (continued)

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.

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. This is typically 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. This is typically 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.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit and loss account.

Employee Benefits

Defined contribution plans

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

Short-term benefits

Employee benefits are classified as short-term if they are expected to be settled wholly within 12 months from the reporting date. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Employee Benefits (continued)

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.

Share-based payments

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

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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.

Equity instruments

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

Exceptional items

Exceptional items have been disclosed separately because of their quantum or incidence so as to give a clearer understanding of the Company's financial performance. In the current year these relate to material charges in relation to share based payments, the majority of which have been recognised in the current year as they were triggered by the sale of the Company, therefore the quantum of charge is significantly higher than the expected recurring expense, which continues to be booked in profit before exceptional items.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

In particular the Company has identified the following areas where significant judgement, estimates and assumptions are required.

a. Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Recognition of deferred tax asset

The Company has recognised a deferred tax asset of £15,108k (2015: £6,147k). 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 £15,108k recognised. Given the Company's past track record of profitability and the fact that this asset was mainly created by the significant number of share option exercises on the sale of the Company, the Directors view the likelihood of this asset being reduced to the lower end of the scale as unlikely.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

2. Accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

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 given rise to any which indicate a material adjustment in future periods, other than the recognition of the deferred tax asset described above, which has both judgment and estimation attached.

3. Turnover

Revenue recognised in the profit and loss account is analysed as follows:

	2016 £'000	2015 £'000
Flight commissions	117,670	82,227
Hotel and car hire commissions	12,923	7,062
Other services	27,750	20,659
	<u>158,343</u>	<u>109,948</u>

Revenue relates to activities in the following regions:

	2016 £'000	2015 £'000
UK & Ireland	45,131	31,338
Europe	62,524	47,813
Rest of World	50,688	30,797
	<u>158,343</u>	<u>109,948</u>

4. Operating profit

This is stated after charging/(crediting):

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets – owned assets	1,937	2,396
Depreciation of tangible fixed assets – leased assets	748	1,248
Amortisation of intangible assets	183	137
Gain on disposal of fixed assets	(8)	-
Research & development	3,546	4,299
Impairment loss recognised on debtors	351	80
Auditor's remuneration – audit of the financial statements	56	59
Auditor's remuneration – non audit services	182	61
Lease payments recognised as an operating expense	<u>2,037</u>	<u>1,415</u>

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

5. Exceptional items

Exceptional items have been disclosed separately because of their quantum or incidence so as to give a clearer understanding of the Company's financial performance and are charged to the Statement of comprehensive income as follows:

	2016 £'000	2015 £'000
Accelerated equity share based payment charge	8,163	-
Cash settled share based payment charge	1,486	-
	<u>9,649</u>	<u>-</u>

As a direct result of the acquisition of the Company's immediate parent Skyscanner Holdings Limited by Ctrip.com International Limited, the existing Company equity and cash option plans forward vested and the related share based payment charge was accelerated. The resulting charge to the profit and loss account is one off in nature and is not expected to be recurring. It has therefore been identified an exceptional item in the profit and loss account for the year ending 31 December 2016.

6. Staff cost and directors' remuneration

(a) Staff Costs:

	2016 £'000	2015 £'000
Wages and salaries	28,016	24,073
Contributions to defined contribution pension schemes	2,372	1,049
Cash payments in relation to shares	16,211	3,284
Social security costs	3,166	2,385
	<u>49,765</u>	<u>30,791</u>

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current period was £2,372k (2015: £1,049k).

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

	2016 No.	2015 No.
Development, operations and commercial	427	386
Administrative	84	60
	<u>511</u>	<u>446</u>

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

6. Staff cost and directors' remuneration (continued)

(b) Directors' remuneration

	2016 £'000	2015 £'000
Directors' remuneration	988	422
Contributions to defined contribution plans	32	32
Social security costs	128	44
Amounts paid to third parties in respect of directors' services	29	37
	<u>1,177</u>	<u>535</u>

The number of directors accruing benefits under money purchase schemes is 2 (2015: 2).

The number of directors who exercised share options in the year was 2 (2015: 1).

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

	2016 £'000	2015 £'000
Directors' remuneration	<u>793</u>	<u>245</u>

7. Interest receivable and similar income

	2016 £'000	2015 £'000
Bank deposits	39	40
Net foreign exchange differences	-	1,103
Gain on financial instruments (including all derivatives)	249	-
Total other interest receivable and similar income	<u>288</u>	<u>1,143</u>

8. Interest payable and similar expenses

	2016 £'000	2015 £'000
Other fees and charges	563	212
Loss on financial instruments (including all derivatives)	-	463
Net foreign exchange differences	1,930	-
Interest due to parent company	248	-
Total interest payable and similar charges	<u>2,741</u>	<u>675</u>

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

9. Taxation

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

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	2016 £'000	2015 £'000
Current income tax:		
UK corporation tax	-	1,953
Adjustments in respect of prior periods	(2,812)	(1,497)
Total current income tax charge	(2,812)	456
Deferred tax:		
Origination/reversal of timing differences	(17,006)	(388)
Charge arising from previously unrecognised tax loss, tax credit or temporary difference of a prior period	2,160	368
Impact of change in tax laws and rates	-	-
Total deferred tax	(14,846)	(20)
Tax on profit on ordinary activities	(17,658)	436

(b) Reconciliation of the total tax charge

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

	2016 £'000	2015 £'000
Accounting profit before income tax	7,321	10,995
Tax calculated at UK standard rate of corporation tax of 20% (2015: 20.25 %)	1,464	2,226
Effects of:		
Other non-deductible expenses	137	20
Difference between capital allowances and depreciation	128	(449)
Short term timing differences	935	178
R&D relief	(150)	(506)
Employee share options	(19,507)	97
Tax over provided in previous years	(665)	(1,130)
Total tax expense reported in the statement of profit or loss and other comprehensive income	(17,658)	436

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

9. Taxation (continued)

(c) Reconciliation of the total tax charge (continued)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates enacted now standing at 19% from 1 April 2017. The closing deferred tax assets and liabilities have been calculated at the current rate of 17%. The tax rate used for tax on profit on ordinary activities is the effective standard rate for UK corporation tax for the year ended 31 December 2016 of 20% (2015: 20.25%).

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

The tax on ordinary activities charge has reduced since 2014 as a direct result of an increase in the accounting deferred tax asset as well as certain prior year adjustments relating primarily to tax credits associated with research and development. Removing the impact of prior year adjustments, share based payment deductions and deferred tax, our normalised rate is 20%, in line with the standard rate of corporation tax in the UK of 20%.

10. Tangible fixed asset

	Plant and equipment £000	Furniture, fittings and equipment £000	Total £000
Cost			
At 1 January 2016	5,428	9,411	14,839
Additions	-	733	733
Disposals	(49)	(507)	(556)
At 31 December 2016	5,379	9,637	15,016
Depreciation			
At 1 January 2016	3,897	5,737	9,634
Charge for the period	1,049	1,636	2,685
Disposals	(9)	(465)	(474)
At 31 December 2016	4,937	6,908	11,845
Net book value			
At 1 January 2016	1,531	3,674	5,205
At 31 December 2016	442	2,729	3,171

The Company has assets with an accumulated cost of £5,405,801 (2015: £593,034) that are fully depreciated but still in use as at the period end. This is primarily assets relating to our data centres which are being maintained as we work to migrate our infrastructure model toward cloud based hosting.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

11. Intangible assets

	Development costs £000	Computer software £000	Total £000
Cost			
At 1 January 2016	114	758	872
Additions	1,164	5	1,169
At 31 December 2016	1,278	763	2,041
Amortisation			
At 1 January 2016	-	338	338
Charge for the period	26	157	183
At 31 December 2016	26	495	521
Net book value			
At 31 December 2015	114	420	534
At 31 December 2016	1,252	268	1,520

Development costs capitalised in the year relate to cost incurred in the development of internal enablement and data analysis tooling projects which meet the criteria for capitalisation defined in note 2 and will be amortised over a period of 4 years commencing January 2017.

12. Investments in subsidiaries

	2016 £'000	2015 £'000
Investments in subsidiaries	7,722	8,079
Total Investments	7,722	8,079

Investments worth £357k were deemed to be impaired at the balance sheet date and a charge to the profit and loss account was recorded accordingly.

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

Subsidiary undertakings:	Registered office address	Holding
Skyscanner Private Limited	39 Robinson Road, #08-01, Singapore 068911	100%
ExeperienceOn Ventures S.L (Fogg)	C/Esteve Terradas 21, Despacho Bajos 3, Barcelona	100%
Skyscanner Inc	1201 Hays Street Tallahassee Florida, 32301-2525 Miami	100%

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

12. Investments in subsidiaries (continued)

Subsidiary undertakings:	Registered office address	Holding
	Room 1318-20, 13/F Hollywood Plaza 610 Hollywood Road Mongkok	
Reacher Investments Limited	Kowloon, Hong Kong	100%
Distinction Kft.	H-1068 Budapest Városligeti fasor 24 Sofia Municipality	100%
Skyscanner (Bulgaria) EOOD	Triaditza Region 82 Patriarh Evtimii Blvd	100%
Other significant investments:		
Skyscanner Japan K.K.	c/o EGG Japan, Shin-Marunouchi Building 9F, 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	51%

13. Interests in joint ventures

	2016 £'000	2015 £'000
Interests in joint ventures	781	781
<i>Total investments</i>	<u>781</u>	<u>781</u>

Details of the joint ventures in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2016:

Name of company	Class of shares held	Proportion of voting rights and shares held	Nature of business	Country of incorporation
<i>Subsidiary undertakings:</i> Skyscanner KK	Ordinary	51%	Trading entity	Japan

The interests in associates are stated at cost less provision for impairment.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

14. Debtors

	2016 £'000	2015 £'000
Trade debtors	18,754	11,608
Allowance for doubtful debts	(991)	(490)
Amounts owed by Group undertakings	7,706	3,403
Prepayments	4,200	2,681
Accrued income and other receivables	5,855	2,357
Corporation tax assets	5,454	1,267
	<u>40,978</u>	<u>20,826</u>

15. Derivative financial instruments

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

	2016 £'000	2015 £'000
Balance at 1 January 2016	(383)	80
Fair value movement recognised in the statement of comprehensive income (Note 7 and 8)	249	(463)
As at 31 December 2016	<u>(134)</u>	<u>(383)</u>

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

	2016 £'000	2015 £'000
Current liability	(134)	(383)
	<u>(134)</u>	<u>(383)</u>

Foreign currency forward contracts

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

	Average		Notional Value		Fair Value	
	2016 Rate	2015 Rate	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Sell USD	1.439	1.518	183	579	31	14
Sell EUR	1.213	1.381	2,491	19,108	103	369
			<u>2,674</u>	<u>19,687</u>	<u>134</u>	<u>383</u>

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

15. Derivative financial instruments (continued)

Foreign currency forward contracts (continued)

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).

16. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Obligations under finance leases and hire purchase contracts (note 21)	164	476
Trade creditors	7,057	7,416
Amounts owed to Group undertakings	45,771	11,824
Other taxation and social security	6,476	1,398
Accruals and other creditors	7,782	4,695
	<u>67,250</u>	<u>25,809</u>

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

	2016 £'000	2015 £'000
Obligations under finance leases and hire purchase contracts (note 21)	-	163
Other long term employee benefits	1,064	-
	<u>1,064</u>	<u>163</u>

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

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 period.

	Accelerated capital allowances £000	Share based payments £000	Short term timing differences £000	Losses £000	Total £000
At 1 January 2015	20	2,569	186	-	2,775
Credit/(charge) to profit or loss	192	(17)	(155)	-	20
Credit direct to equity	-	3,352	-	-	3,352
At 31 December 2015	212	5,904	31	-	6,147
Credit/(charge) to profit or loss	216	(21)	11	14,640	14,846
Debit direct to equity	-	(5,883)	-	-	(5,883)
At 31 December 2016	428	-	42	14,640	15,110

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

	2016 £'000	2015 £'000
Deferred tax liabilities	(19)	-
Deferred tax assets	15,129	6,147
	<u>15,110</u>	<u>6,147</u>

19. Authorised and issued share capital

	2016 No.	2015 No.	2016 £000	2015 £000
Allotted, called up and fully paid				
1,609,146 ordinary shares of £0.01 each	1,609,146	1,609,146	16	16
At 31 December	<u>1,609,146</u>	<u>1,609,146</u>	<u>16</u>	<u>16</u>

There was no issuance of ordinary shares in 2016 or 2015.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

20. Share based payments

Equity-settled share option scheme

The parent company, Skyscanner Holdings Limited, granted share options to employees. Options are exercisable on the shares of the parent company at a price equal to the estimated fair value of the parent company's shares on the date of grant. The exercise price for options exercised during the financial year ranged from £0.12 to £4.62. As a result of the acquisition of Skyscanner Holdings Limited by Ctrip.com International Ltd, all Skyscanner option plans forward vested on 9th December 2016 giving rise to an accelerated charge to the Company profit and loss account of £8,163k (note 5).

On the same date a new option scheme was created under which the parent company grants share options to employees of the Company. A total of 30,368,550 options were in issue at the balance sheet date, 25,866,350 of which were issued to employees of the Company and the remainder being issued to employees of subsidiary entities. All issued options vest on the following profile:

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

If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options may be forfeited if the employee leaves the Company before the options vest. The options have an exercise price of £1.25.

Equity-settled share option scheme (continued)

The share based payment charges arising were as follows:

	2016 £'000	2015 £'000
Equity settled payments:		
Charge for pre-acquisition equity settled share based payments	1,675	3,284
Charge for accelerated vesting of pre-acquisition equity settled share based payments	8,163	-
Charge for post-acquisition equity settled share based payments	291	-
Total equity settled payments	10,129	3,284
Cash settled payments:		
Cash bonus equivalent scheme	1,486	-
Total share based payment charge	11,615	3,284

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

21. Obligations under leases

Obligations under operating leases

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

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

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

	2016 £'000	2015 £'000
Future minimum lease payments due:		
Not later than one year	2,170	2,555
After one year but not more than five years	997	2,307
	<u>3,167</u>	<u>4,862</u>

Obligations under finance leases

The Company uses finance leases to acquire plant and equipment. Future minimum lease payments under finance leases are as follows:

	2016 £'000	2015 £'000
Future minimum lease payments due:		
Not later than one year	164	476
After one year but not more than five years	-	163
	<u>164</u>	<u>639</u>
Present value of minimum lease payments	<u>164</u>	<u>639</u>

The finance leases entered into by the Company do not attract finance charges given the short-term nature of the deals and the commercial relationship in place with the provider of the finance, therefore there are no finance charges to be allocated to future periods.

The present value of minimum lease payments is analysed as follows:

	2016 £'000	2015 £'000
Not later than one year	164	476
After one year but not more than five years	-	163
	<u>164</u>	<u>639</u>

Skyscanner Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

22. Related party disclosures

During the year, the Company paid Nitro Ventures Limited £19,375 (2015: £25,000) in respect of non-executive services and £nil (2015: £35,295) in respect of consultancy services. Nitro Ventures Limited is partly owned by Julian Pancholi who, prior to the acquisition by Ctrip.com, was a director of Skyscanner Limited.

During the year £10,000 (2015: £12,000) was paid to Scottish Equity Partners in respect of monitoring fees. Prior to the acquisition by Ctrip.com, Scottish Equity Partners owned a proportion of the share capital of Skyscanner Holdings Limited, the Company's immediate and ultimate parent undertaking, and were represented on the Board of Skyscanner Limited by Calum Paterson.

Trading transactions

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

	Sale of services		Purchase of services	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Skyscanner KK	1,094	419	5,592	1,797

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Skyscanner KK	-	-	2,112	1,378

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

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

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

23. Commitments

Capital commitments

At 31 December 2016 there were no capital commitments (2015: none).

Contingent liabilities

At 31 December 2016 there were no contingent liabilities (2015: none).

24. Subsequent events

There are no significant subsequent events relating to the Company.

Skyscanner Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

25. Ultimate parent undertaking and controlling party

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