

**Company Registration No. 04217916**

**Skyscanner Limited**

**Report and Financial Statements**

**31 December 2014**



# **Skyscanner Limited**

## **Report and financial statements 2014**

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# **Skyscanner Limited**

## **Report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

Gareth Williams  
Barry Smith  
Julian Pancholi  
Calum Paterson  
Mark Logan  
Margaret Rice-Jones

#### **Secretary**

Shane Corstorphine

#### **Registered Office**

Pinsent Masons LLP  
5 Old Bailey  
London  
EC4M 7BA

#### **Bankers**

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

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21 Collyer Quay  
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Clydesdale Bank PLC  
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Glasgow  
G2 6DB

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

#### **Solicitors**

Pinsent Masons LLP  
139 Fountainbridge  
Edinburgh  
EH3 9QG

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Edinburgh, United Kingdom

# Skyscanner Limited

## Strategic report

The Directors present their Strategic Report for the Company for the financial year ended 31 December 2014.

### 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;
- Display advertising based on number of impressions; and
- Subscription agreements for Analytics products.

### Business review

The Company reported record revenue in 2014 of £88,557k (2013 - £64,758k) up 37% year on year. Profit after tax for the year was £9,782k (2013 - £19,261k).

As with previous years the Company has continued to invest in headcount and the development of its core travel products. This investment has supported another year of growth in the volume of unique monthly visitors ('UMVs') to the website and mobile applications<sup>1</sup>. The investment has inevitably manifested itself in the financial result and has driven the decrease in profitability noted above. However, the Directors are confident that the strategy of continued investment will be hugely beneficial to the future success and growth of the Group.

The Company also made three strategic acquisitions during the financial year, acquiring the share capital of the following entities:

- Reacher Holdings Limited, a Hong Kong based holding company with Chinese trading subsidiaries, in July 2014;
- Distinction Kft, a mobile application developer based in Budapest, in October 2014; and
- Edinburgh Digital Limited, an Edinburgh based travel management software company, in October 2014.

The acquisitions were made in furtherance of the Company's geographical expansion and product development objectives.

Flight metasearch continues to be the Company's largest revenue channel. However, in 2014, revenue from the Company's Hotel and Car Hire products has grown to contribute more than 6%<sup>2</sup> of overall revenue in the financial year. The Company's Business to Business ('B2B') partnerships have also attracted additional UMVs to the website which has had a positive impact on revenue.

The Company continued its international expansion in 2014 and now has offices in Barcelona, Beijing, Budapest, Edinburgh, Glasgow, Miami, Shenzhen, Singapore and Sofia. A fifth data centre, situated in Amsterdam, was also added during the financial year to supplement capacity at the existing centres in London (x2), Singapore and Hong Kong. Going forward the Company's infrastructure strategy will increasingly focus on cloud based hosting solutions.

The Company also redesigned its internal operating structure during the year, moving from a linear hierarchical model to a decentralised squad based model. The new structure distributes decision making throughout the business to small teams of skilled employees, breaking down key man and technological dependencies whilst ensuring the business continues to be product led. The reorganisation has had the impact of significantly increasing the frequency of new product releases.

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<sup>1</sup> UMVs represent the number of unique individual users visiting Skyscanner each month irrespective of device used.

<sup>2</sup> Calculated at a consolidated Skyscanner Holdings Group ("Skyscanner Group") level.

# Skyscanner Limited

## Strategic report (continued)

### Business review (continued)

During 2014 there was an increasing trend of users using Skyscanner on mobile devices (smartphone and tablet). Alongside the aforementioned organisation restructure to squads, the Company undertook to transform our approach to mobile (both applications and web) and as a result saw mobile conversion dramatically increase and mobile device UMVs grow by 77%. Growth in desktop UMVs has also continued in 2014, albeit not on the same trajectory, with 19% growth year on year.

The Company's success in 2014 was only possible because of the continued dedication and commitment of the global team which totalled 583<sup>3</sup> staff, of more than 50 nationalities, across 9 global offices by the end of 2014.

### 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 2014 were as follows:

	2014	2013
Revenue (£'000)	88,557	64,758
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (£'000)	15,997	24,053
Average UMVs ('000) <sup>4</sup>	20,446	14,613

### Principal risks and uncertainties

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

#### *Industry stability*

Our 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. Any future downturn in the industry may have a negative impact on the results of our operations.

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*

According to the World Travel and Tourism Council ('WTTC') the tourism industry will have global value of \$10.8 trillion by 2018<sup>5</sup>. 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. 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.

We believe we offer a quality product which sets us apart from the competition. 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.

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<sup>3</sup> Total Skyscanner Group employees at 31 December 2014. Employees of Skyscanner Limited entity are disclosed in note 5 in these financial statements.

<sup>4</sup> Average UMVs in the Europe, Middle East & Africa ("EMEA") market being the main operating market of Skyscanner Limited.

<sup>5</sup> <http://www.wttc.org/research/economic-impact-research/> 2014.

# Skyscanner Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### *Website disruption*

The Company continues to experience growth in UMVs. If our systems are not expanded to handle increased demand or should they fail to perform, the website may experience unanticipated disruptions in service, slower response times or decreased customer service. Such an event could impair our reputation, damage our brand and have a negative impact on the results of our operations.

Our dedicated Service Management team ensure our systems are secure, efficient and robust. We have invested in four new data centres at different sites in the last two years to minimise the impact that the loss of any one site would have on the operations of the Skyscanner website.

#### *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 team 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 our product offerings becoming obsolete is critical to the future success of the Company.

We aim to mitigate this risk through continual analysis of user data. We invest in the recruitment of high quality personnel who are responsive to the needs of our users and we devolve product responsibility through our organisational squad model.

#### *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 Group.

#### *Environmental*

As with all businesses in the sector our business and financial results may be negatively impacted by natural events which affect people's ability to travel, such as a repeat of the 2011 Icelandic ash cloud.

The probability of such an event having a sustained global, cross product impact is low. Our strategy for mitigating the impact this risk may have on the business is geographic and product base expansion, reducing our reliance on any one market or product.

# Skyscanner Limited

## 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, revenue and profitability in the coming year and beyond.

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



Gareth Williams  
Director

30TH APRIL 2015

# Skyscanner Limited

## Directors' report

The Directors present their report and the financial statements of Skyscanner Limited (the 'Company') for the financial year ended 31 December 2014.

### Results and dividends

The Company's audited financial statements for the year ended 31 December 2014 are set out on pages 10 to 29. The Company made a profit after tax for the financial year of £9,782k (2013 - £19,261k) and had net assets of £43,929k at 31 December 2014 (2013 - £32,612k).

The Board declared a dividend of £850k on 31 July 2014. This was paid to the parent company, Skyscanner Holdings Limited, as the sole shareholder.

### 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 2014, the entire issued share capital of the Company was owned by Skyscanner Holdings Limited, the immediate and ultimate parent company.

### 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.

### Directors

The Directors of the Company during the year, and up to the date of the report, were:

Gareth Williams  
Barry Smith  
Julian Pancholi  
Calum Paterson  
Mark Logan  
Margaret Rice-Jones

### Employees

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.



# Skyscanner Limited

## Directors' report (continued)

### Employment of disabled persons

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.

### Research and development

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

### 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 2014 the Company had no external debt as the wider Skyscanner Holdings Limited Company borrowings are transacted and managed by the ultimate 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 under which a percentage of forecast Euro 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 only extending credit terms to credit worthy counterparties as a means of mitigating risk of financial loss from default. The Company's exposure is continually monitored by the credit control team and credit insurance is used to mitigate exposure to risk.

### Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

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

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

Deloitte LLP have indicated their willingness to accept re-appointment as auditors of the Company. A resolution proposing their re-appointment will be put to the members at the forthcoming Annual General Meeting.

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



Gareth Williams  
Director

30TH APRIL 2015

# 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). 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 applicable UK Accounting Standards have been followed; 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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).

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**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on matters prescribed in the Companies Act 2006**

In our opinion the information 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.

## **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  
Chartered Accountants and Statutory Auditor  
Edinburgh, United Kingdom

3 May

2015

# Skyscanner Limited

## Profit and loss account For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Turnover</b>	2	88,557	64,758
Cost of sales		(29,233)	(14,662)
<b>Gross profit</b>		59,324	50,096
Administrative expenses		(46,761)	(28,097)
<b>Operating profit</b>	3	12,563	21,999
Interest receivable	6	23	20
<b>Profit on ordinary activities before taxation</b>		12,586	22,019
Tax on profit on ordinary activities	7	(2,804)	(2,758)
<b>Profit for the financial year</b>	16	9,782	19,261

The result for the current and previous year has been derived from continuing activities.

Other than the profit for the year of £9,782,000 (2013: £19,261,000), no other recognised gains or losses have occurred. Accordingly no Statement of Total Recognised Gains and Losses is presented.

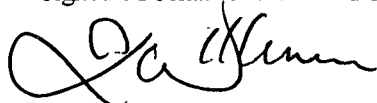
# Skyscanner Limited

## Balance sheet at 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Intangible assets	9	-	233
Tangible assets	10	7,398	7,220
Investments	11	7,799	3,407
		<u>15,197</u>	<u>10,860</u>
<b>Current assets</b>			
Debtors	12	37,260	22,138
Cash at bank and in hand		4,461	9,331
		<u>41,721</u>	<u>31,469</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(12,731)</u>	<u>(9,385)</u>
<b>Net current assets</b>		<u>28,990</u>	<u>22,084</u>
<b>Total assets less current liabilities</b>		<u>44,187</u>	<u>32,944</u>
<b>Creditors: amounts falling due after one year</b>	14	<u>(258)</u>	<u>(332)</u>
<b>Net assets</b>		<u><u>43,929</u></u>	<u><u>32,612</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	16	16
Share premium account	16	4,396	4,396
Profit and loss account	16	39,215	27,898
Merger reserve	16	302	302
		<u>43,929</u>	<u>32,612</u>
<b>Shareholders' funds</b>	17	<u><u>43,929</u></u>	<u><u>32,612</u></u>

The financial statements of Skyscanner Limited, registered number 04217916 were approved by the Board of Directors on ~~30TH~~ APRIL 2015.

Signed on behalf of the Board of Directors



Gareth Williams  
Director

# Skyscanner Limited

## Notes to the financial statements Year ended 31 December 2014

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year except where noted.

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

#### **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.

#### **Consolidation**

The Company has taken advantage of Section 400 of the Companies Act 2006 taking an exemption from preparing Group financial statements on the basis that Group financial statements are prepared by the ultimate parent Company Skyscanner Holdings Limited.

#### **Cash flow statement**

In accordance with the exemption contained in FRS 1, no cash flow statement has been prepared as the Company is part of a Group. The cash flows of the Company are incorporated in the consolidated financial statements of Skyscanner Holdings Limited, which are publicly available.

#### **Intangible fixed assets and amortisation**

Intangible fixed assets purchased separately by the business are capitalised at their cost. Concessions, patents, licences and trademarks purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives which is 4 years.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost less the estimated residual value of tangible fixed assets, over their estimated useful economic lives as follows:

Furniture, fittings and equipment	Between 3 and 5 years straight line
Plant and equipment	3 years straight line

Plant and equipment comprises the Group's and Company's data centre assets.

In 2014 the Company estimate of useful life was updated from 5 to 3 years for computer equipment and from 3 to 5 years for fixtures and fittings. The change in estimate has been applied consistently throughout the year but has not been applied retrospectively.

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 1. Accounting policies (continued)

#### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

#### Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### Research and development expenditure

Expenditure on research and development, other than expenditure on internal software development and associated licences, is written off to the profit and loss account in the year in which it is incurred.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### Pension

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### Turnover

Turnover comprises revenue recognised by the Company in respect of services supplied, exclusive of value added tax and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.



# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 1. Accounting policies (continued)

#### Turnover (continued)

Turnover is recognised at the point the Company has performed its obligations under contract. For flights revenue, this is typically at point of booking. For other products this is at the point of stay or hire.

#### Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

#### Share based payments

The Company has applied the requirements of FRS 20 *Share Based Payments*. Since 19 December 2011, the ultimate parent, Skyscanner Holdings Limited, has operated a share based incentive scheme. Under this scheme the parent company issues equity settled share based payments to certain employees.

FRS 20 requires that where the ultimate parent's shares or options over the Company's shares are granted to a subsidiary undertaking's employees, an expense should be recorded in the profit and loss account, with a corresponding credit to reserves. This charge is measured at the fair value of the share or share option at the date of grant and is expensed on a straight line basis over the vesting period. The fair value is measured using either the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted or the fair value of the shares at the grant date.

### 2. Analysis of turnover

	2014 £'000	2013 £'000
UK & Ireland	23,963	19,112
Europe	42,229	32,411
Rest of World	22,365	13,235
	<u>88,557</u>	<u>64,758</u>

### 3. Operating profit

	2014 £'000	2013 £'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
Depreciation on tangible fixed assets - owned	2,440	1,632
Depreciation on tangible fixed assets – leased	994	399
Amortisation of intangible fixed assets	-	23
Research & development	4,696	1,444
Auditor's remuneration – audit services	45	35
Auditor's remuneration – non audit services	124	154
Foreign exchange (gain)/loss	(765)	334
Operating lease rentals – land and buildings	<u>1,393</u>	<u>1,985</u>

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 3. Operating profit (continued)

The analysis of auditor's remuneration is as follows:

	2014 £'000	2013 £'000
<b>Fees payable to the Company's auditor for the audit of the Company's annual accounts</b>	45	35
<b>Fees payable to the Company's auditor for other services to the Company</b>		
- Tax compliance services	18	10
- Other taxation advisory services	106	144
<b>Total fee payable to the Company's auditor</b>	<u>169</u>	<u>189</u>

All non-audit services were reviewed by the Audit Committee. The other tax services performed during the year relate to acquisition and share issue advice. The services were performed by individuals independent of the audit team and the Board of Directors is satisfied that adequate controls were in place to safeguard the independence of the audit process.

### 4. Remuneration of directors

	2014 £'000	2013 £'000
Directors' emoluments	287	395
Company contributions to money purchase pension schemes	26	12
Amounts paid to third parties in respect of directors' services	26	60
	<u>339</u>	<u>467</u>

The aggregate emoluments of the highest paid director were £175,625 (2013: £206,626) and Company pension contributions of £11,550 (2013: £9,736) were made to a money purchase scheme on their behalf.

The number of directors who exercised share options in the year was nil (2013: 3).

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 4. Remuneration of directors (continued)

	Number of directors	
	2014 Number	2013 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>3</u>

### 5. Staff numbers and costs

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

	2014 Number	2013 Number
Development, operations and commercial	331	205
Administration	<u>58</u>	<u>41</u>
	<u>389</u>	<u>246</u>

The aggregate payroll costs of these persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	17,191	12,538
Social security costs	1,887	1,191
Other pension costs	662	331
Share based payments (note 20)	<u>2,385</u>	<u>428</u>
	<u>22,125</u>	<u>14,488</u>

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 6. Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest receivable	23	20

### 7. Taxation

#### Analysis of charge in year

	2014 £'000	2013 £'000
UK corporation tax		
Current tax for the period	3,430	2,990
Adjustments in respect of prior periods	(358)	(225)
Total current tax	3,072	2,765
Deferred tax (note 12)		
Current year	(255)	(17)
Change in tax rate	-	(7)
Adjustment in respect of prior periods	(13)	17
Total deferred tax	(268)	(7)
Tax on profit on ordinary activities	2,804	2,758

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 7. Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2013: lower) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below.

	2014 £'000	2013 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	12,586	22,019
Current tax at 21.5% (2013: 23.25%)	2,706	5,119
Effects of:		
Expenses not deductible for tax purposes	126	511
Difference between capital allowances and depreciation	206	(21)
Depreciation on ineligible assets	106	-
Short term timing differences	65	(1)
Adjustments in respect of prior periods	(358)	(225)
R&D Relief	(129)	(748)
Company Relief Claimed – Skyscanner Holdings	(80)	(307)
Employee share options	430	(1,563)
Total current tax charge	3,072	2,765

Reductions in the UK corporation tax rate from 21% (effective from 1 April 2014) to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

### 8. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	2014 £'000	2013 £'000
Interim dividend for the year ended 31 December 2014 of 52.82p per ordinary share	850	4,000

The dividend was approved by the Board of Directors on 31 July 2014.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 9. Intangible fixed assets

#### Company

	<b>Licences and software £'000</b>
<b>Cost</b>	
On 1 January 2014	344
Reclassified to tangible fixed assets	(344)
	<hr/>
At 31 December 2014	-
	<hr/>
<b>Amortisation</b>	
On 1 January 2014	111
Reclassified to tangible fixed assets	(111)
	<hr/>
At 31 December 2014	-
	<hr/>
<b>Net book value</b>	
At 31 December 2014	-
	<hr/>
At 31 December 2013	233
	<hr/>

At the start of the year, software previously categorised as an intangible asset has been reclassified to tangible fixed assets (note 10). This had no impact on the profit and loss account in either the current or prior year.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 10. Tangible fixed assets

	<b>Furniture, fittings and equipment</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
On 1 January 2014	6,480	3,333	9,813
Reclassified from intangible assets (note 9)	344	-	344
Additions	2,289	1,149	3,438
Reclassification	(511)	511	-
Disposals	(6)	-	(6)
At 31 December 2014	<u>8,596</u>	<u>4,993</u>	<u>13,589</u>
<b>Depreciation</b>			
On 1 January 2014	2,130	463	2,593
Reclassified from intangible assets (note 9)	111	-	111
Charge for the year	1,908	1,526	3,434
Reclassification between categories	(149)	149	-
Write off	59	-	59
Disposals	(6)	-	(6)
At 31 December 2014	<u>4,053</u>	<u>2,138</u>	<u>6,191</u>
<b>Net book value</b>			
At 31 December 2014	<u>4,543</u>	<u>2,855</u>	<u>7,398</u>
At 31 December 2013	<u>4,350</u>	<u>2,870</u>	<u>7,220</u>

Included within tangible fixed assets is an amount of £2,023,000 (2013: £1,986,000) under finance leases. There are no legal charges in place in relation to these leases however in the event of default the entire amount of the leases will become payable. The depreciation charged to the financial statements in the year in respect of these assets amounted to £994,000 (2013: £399,000).

Data centre assets were reclassified from furniture, fittings and equipment to plant and equipment during the year in order to better reflect their nature in the financial statements.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 11. Fixed asset investments

	2014 £'000	2013 £'000
Subsidiary undertakings	7,799	3,407
Other investments and loans	-	-
	<u>7,799</u>	<u>3,407</u>

The Company made the following investments during the course of the financial year:

#### Subsidiary undertakings

	£'000
<b>Cost</b>	
At 1 January 2014	3,407
Investment in Reacher Investments Limited	1,514
Investment in Distinction Kft Limited	2,121
Investment in Edinburgh Digital Limited	357
Investment in Skyscanner Inc	106
Investment in Skyscanner Beijing	294
	<u>7,799</u>
At 31 December 2014	<u>7,799</u>

The Company has investments in the following subsidiary undertakings. To avoid a statement of excessive length, details of investments which are not significant have been omitted:

Name of Company	Country of incorporation	Proportion of nominal value of issued share capital held	Principal activity
Skyscanner Pte	Singapore	100%	Trading entity
Experience on Ventures LLC	Spain	100%	Trading entity
Skyscanner Inc	United States of America	100%	Sales office
Skyscanner Beijing	China	100%	Sales office
Reacher Investments Limited	Hong Kong	100%	Holding Company
Distinction Kft	Hungary	100%	Trading entity
Edinburgh Digital Limited	Scotland	100%	Non-trading entity



# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 12. Debtors

	2014 £'000	2013 £'000
Trade debtors	7,575	8,862
Prepayments and accrued income	4,082	2,815
Amounts due from subsidiary undertakings and parent company	25,212	10,344
Deferred tax	384	115
Other debtors	7	2
	<u>37,260</u>	<u>22,138</u>

All amounts are due within one year.

The elements of deferred taxation are as follows:

	2014 £'000	2013 £'000
Difference between accumulated depreciation and amortisation and capital allowances	198	(7)
Short term timing differences	186	122
	<u>384</u>	<u>115</u>

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

	2014 £'000	2013 £'000
Trade creditors	4,273	5,085
Taxation and social security	1,308	147
Corporation tax	2,008	1,057
Accruals and deferred income	4,089	1,943
Obligations under finance leases	903	1,099
Other creditors	150	54
	<u>12,731</u>	<u>9,385</u>

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

	2014 £'000	2013 £'000
Obligations under finance leases	<u>258</u>	<u>332</u>

Finance leases above are repayable between one and two years.

There are no legal charges in place in relation to these leases however in the event of default the entire amount of the leases will become payable. No interest is charged on the finance lease arrangements.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 15. Called up share capital

	2014 £'000	2013 £'000
<b>Allotted, called up and fully paid</b>		
1,609,146 Ordinary shares of £0.01 each	16	16
	<u>16</u>	<u>16</u>

All shares rank pari passu.

### 16. Reserves

	Merger reserve £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2014	302	4,396	27,898	32,596
Profit for the year	-	-	9,782	9,782
Credit in relation to share based payments (note 20)	-	-	2,385	2,385
Dividend paid on equity shares	-	-	(850)	(850)
<b>At 31 December 2014</b>	<u>302</u>	<u>4,396</u>	<u>39,215</u>	<u>43,913</u>

### 17. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial period	9,782	19,261
Credit in relation to share based payment (note 20)	2,385	428
Dividend paid on equity shares	(850)	(4,000)
Incorporation of Singapore Pte	-	302
	<u>11,317</u>	<u>15,991</u>
Net addition to shareholder funds	11,317	15,991
Opening shareholders' funds	32,612	16,621
Closing shareholders' funds	<u>43,929</u>	<u>32,612</u>

On 30 October 2013 the Company incorporated Skyscanner Pte, a legal entity registered in Singapore. On this date the Company executed a Change of Business Entity ('COBE') transaction under which the Company sold the assets of the previous Singapore branch to Skyscanner Pte at book value. As this was part of a group restructuring the Company recognised no gain or loss in respect of the transaction. The cost of the investment was measured with reference to the nominal value of the shares issued and the notional gain arising was recorded through the merger reserve on the Company balance sheet.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 18. Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and buildings £'000	2013 Land and buildings £'000
Operating leases which expire:		
Within one year	-	-
Between two to five years	1,870	950
Over five years	-	-
	<u>1,870</u>	<u>950</u>

The Company had a capital commitment contracted but not provided for at the balance sheet date amounting to £183,000 (2013: £nil) in respect of costs of the Shenzhen office fit out which will be incurred in 2015.

### 19. Retirement benefit scheme

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under control of the trustees. The total cost charged to the profit and loss account of £662,000 (2013: £331,000) represents contributions payable to the scheme by the Company at rates specified in the scheme rules.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 20. Share based payments

#### *Equity-settled share option scheme*

The ultimate parent, Skyscanner Holdings Limited, grants share options to employees of the company. Options are exercisable at a price equal to the estimated fair value of the Company's shares on the date of grant. All options are settled by physical delivery of shares. The number of outstanding options and the conditions attached to each tranche are detailed below:

Nature of scheme/Grant date	Number of options	Contractual life of options
Equity-settled granted on April 2007	33,270	10 years or exercisable on sale or listing
Equity-settled granted on January 2008	12,064	10 years or exercisable on sale or listing
Equity-settled granted on September 2008	154	10 years or exercisable on sale or listing
Equity-settled granted on January 2009	16,711	10 years or exercisable on sale or listing
Equity-settled granted on November 2009	38,960	10 years or exercisable on sale or listing
Equity-settled granted on June 2010	295,273	10 years or exercisable on sale or listing
Equity-settled granted on June 2012	541,021	10 years or exercisable on sale or listing

As at 31 December 2014, 288,574 of the above noted options had vesting conditions attached. These options have a vesting condition of 36 months from the date of issue. All other options have no conditions attached.

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)	Number of options
Outstanding at the beginning of the period	3.39	959,253	2.82	1,619,984
Granted during the period	-	-	-	-
Options lapsed	(4.33)	(54,308)	(3.00)	(87,075)
Exercised during the period	-	-	-	-
Share buyback	-	-	(1.67)	(573,656)
Outstanding at the end of the period	3.32	904,945	3.39	959,253
Exercisable at the end of the period	3.47	253,979	3.08	135,358

The options outstanding at the period end have an exercise price in the range of £0.12 to £4.62.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 20. Share based payments (continued)

The estimated fair value of equity settled share options is determined using the Black Scholes option pricing model at the date of grant. No new options were granted during the current financial year. The inputs into the Black Scholes model for the most recent issue in June 2012 were as follows:

	2014	2013
Basic price	£4.62	£4.62
Share price	£4.62	£4.62
Risk-free interest rate	1.36%	1.36%
Expected volatility	20.74%	20.74%
Vesting period (in months)	36	36
Maturity (in months)	120	120
Fair value per share option	£1.17	£1.17

Expected volatility is based on the historical share price volatility of a group of comparable listed businesses.

#### *Share Incentive Plan*

In addition to share options, the Company also operates a Share Incentive Plan ('SIP') for all employees. The SIP includes the offer of partnership matching shares in Skyscanner Holdings Limited to employees who save through their salary towards the purchase of shares in the Company. The associated charge to the profit and loss account has been determined based on the estimated fair value of these shares at grant date, taken over the vesting period. The number of SIP shares issued by Skyscanner Holdings Limited in respect of Skyscanner Limited employees and the conditions attached to each tranche are detailed below:

Nature of scheme/Grant date	Number of SIP shares
Partnership equity-settled granted in August 2013	2,499
Partnership equity-settled granted in April 2014	18,261
Matching equity-settled issued in April 2014	18,261

As at 31 December 2014 all of the above matching SIP shares had vesting conditions attached. The partnership shares have an accumulation period of 12 months from the date of entry to the SIP. Matching shares have a vesting period of 36 months from the date the partnership shares are issued. All of the partnership shares that were issued in 2014 had a subscription price of £14.62. Matching shares are issued for free at the end of the vesting period.

# Skyscanner Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 20. Share based payments (continued)

The estimated fair value of equity settled share based payments is determined using the Black Scholes option pricing model at the date of grant. The inputs into the Black Scholes model for the most recent scheme in April 2014 are as follows:

	Partnership shares	Matching shares
Basic price	£39.86	£0.00
Share price	£39.86	£39.86
Risk-free interest rate	0.44%	0.44%
Expected volatility	39.12%	39.12%
Vesting period (in months)	12	44
Fair value per share	£6.26	£39.86

Expected volatility is based on the historical share price volatility of a group of comparable listed businesses.

#### *Charge the year*

The total expense recognised for the period arising from share based payments is as follows:

	2014 £'000	2013 £'000
Equity settled share based payments	2,385	428

### 21. Related party disclosures

During the year £24,800 (year ending 31 December 2013: £22,500) in consultancy fees was paid to Nitro Ventures Limited. The company is partly owned by Julian Pancholi, one of the directors.

During the year £12,000 (year ending 31 December 2013: £12,000) was paid to Scottish Equity Partners in respect of monitoring fees.

Related party transactions with Group companies have not been disclosed in accordance with the exemption for subsidiary undertakings contained in Financial Reporting Standard No 8 "Related Party Disclosures".

### 22. Derivatives not included at fair value

The Company has derivatives which are not included at fair value in the accounts:

	Principal 2014 £'000	Principal 2013 £'000	Fair Value 2014 £'000	Fair Value 2013 £'000
Forward foreign exchange contracts	8,959	12,390	80	(54)

The Company use the derivatives to hedge exposures to changes in foreign currency exchange. The fair value is based on market values of equivalent instruments at the balance sheet date.

# **Skyscanner Limited**

## **Notes to the financial statements (continued)** **Year ended 31 December 2014**

### **23. Immediate and ultimate parent company**

The immediate and ultimate parent company and controlling party is Skyscanner Holdings Limited, incorporated in England under registration number 07777261.

The only Company in which the results of the Company are consolidated is that headed by Skyscanner Holdings Limited. The Company accounts for Skyscanner Holdings Limited are available at Companies House, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.