

REGISTERED NUMBER: 04217916 (England and Wales)

Skyscanner Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2022



Skyscanner Limited

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For the Year Ended 31 December 2022**

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Skyscanner Limited

**Company Information
For the Year Ended 31 December 2022**

Directors:	James Jianzhang Liang John Mangelaars Jane Jie Sun Xiaofan Wang Xing Xiong
Secretary:	Martin Gerard Nolan
Registered office:	Level 5 Ilona Rose House Manette Street London, United Kingdom W1D 4AL
Registered number:	04217916 (England and Wales)
Independent auditor:	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh, United Kingdom EH3 8EX

Skyscanner Limited**Strategic Report
For the Year Ended 31 December 2022**

The Directors present their Strategic Report for Skyscanner Limited ('the Company') for the financial year ended 31 December 2022.

BUSINESS MODEL

The Company owns and operates an integrated online travel meta search service connecting travellers with travel service providers around the world. The Company derives substantially all of its revenue from:

- Commissions earned from facilitating the booking of flight, hotel and car hire services;
- Commissions earned from facilitating click through of visitors to our flight, hotel and car hire partner websites; and
- Display advertising based on number of impressions.

BUSINESS REVIEW

The Directors use Key Performance Indicators ('KPIs') to monitor and assess Company performance, as follows:

	2022	2021
Funnel sessions ('000) ¹	1,686,036	832,460
Revenue (£'000)	283,895	114,022
Net assets (£'000)	79,771	41,630

Funnel sessions have increased by 103% while revenue has increased by 149%, compared to the prior year. Flight meta search continues to be the Company's largest revenue stream representing 76% (2021: 74%) of the Company's revenue. In 2022, revenue from the Company's hotel, car hire and advertising products has contributed 20% (2021: 21%) of overall revenue in the financial year, whilst Business to Business ('B2B') partnerships and other services generated 4% (2021: 5%) of revenue. Net assets increased by 92% when compared to the prior year driven by a reduction in amounts due from/(to) related parties with a net balance for the year ended 31 December 2022 of £39,020k (2021: (£18,672k)) and an increase in trade debtors of £36,847k (2021: £17,162k).

The Company's business and financial results improved as the COVID-19 pandemic eased throughout 2022. The lifting of global travel restrictions led to a strong recovery in traveller numbers and in the resulting revenue generated by the Company. This revenue growth has been sustained as travel returns to pre-pandemic levels. The Directors continue to monitor performance as the remaining regions, such as Asia-Pacific, reopen their borders, and travel booking patterns broadly return to their seasonal trends. The Company's performance has improved due to the enhancements made to the platforms as well as the cost reduction measures taken by the Directors throughout the pandemic. The Directors are confident that these developments will continue to be beneficial to the Company's performance.

As part of their assessment of going concern, the Directors have considered the current industry environment as well as the funding and liquidity position of the Company in order to determine the appropriateness of preparing the financial statements on a going concern basis. After making enquiries and having assessed the principal risks and all other available information (as well as preparing a range of forecasts including a severe but plausible downside scenario), the Directors are satisfied that the Company will be able to remain in operation for a period of at least 12 months from the date of signing these financial statements. The sensitivity analysis on the forecasts indicate that the Company is able to continue to operate and meet its liabilities as and when they fall due. There are no material uncertainties relating to this going concern assessment.

TAXATION

The Company had a tax charge of £7,979k (2021: tax credit of £18,729k) for the year ended 31 December 2022. The normalised tax rate during the year after adjusting for the impact of prior year adjustments, share based payment deductions and deferred tax is 19% (2021: 19%). Note 9 to the financial statements provides further detail on the composition of the tax charge/credit. The Company pays the taxes it is due to pay and avails itself of allowances to which it is entitled.

The Directors seek to operate under a policy of full transparency and cooperation with the tax authorities by exhibiting transparent compliance in all countries in which the Company operates and disclosing all relevant facts in full, while seeking to build open and honest relationships in day-to-day interactions.

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

Skyscanner Limited

Strategic Report For the Year Ended 31 December 2022

PRINCIPAL RISKS AND UNCERTAINTIES

The Company actively manages the business risks to which it is exposed through its internal risk management and corporate governance processes. The principal risks relevant to the Company are set out below:

Industry trends

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

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

The mitigating actions implemented by the Company in relation to the COVID-19 pandemic global travel restrictions (which disrupted the travel market in previous years) were successful in ensuring the Company remained liquid during this period. However, the Company remains sensitive to market trends within the industry. The Company continues to develop its product offering and manage its costs effectively to protect the Company against future industry disruption.

Competition

The travel meta search industry has a number of large global businesses competing for market share, and new entrants include standalone providers and established platforms with integrated offerings. If new entrants successfully establish themselves in the market and provide services that compete directly with those provided by the Company, the Company's financial results may be affected adversely. To compete against new entrants and/or new competitor offerings, Skyscanner takes practical steps such as ensuring that its product visibility is not reduced by changes in search engine optimisation algorithms or display techniques, as well as continuing to develop the quality and innovativeness of its offering. The Directors believe the Company offers a high-quality product that focuses on the traveller's needs, conveys information with the utmost transparency, and offers a trusted range of inventory from a diversity of partners and at competitive prices. The Directors believe that the Company's focus on product development and hiring highly skilled people will help ensure that it remains competitive and continues to grow.

Changes in internet search engine algorithms

Certain internet search engines generate a significant portion of traffic to the Skyscanner website. Changes to the algorithms driving the pricing and to the layout of search engine results pages can have sudden and direct commercial, technical and competitive consequences for the Company's product; for example the placement of links to the websites can be negatively affected and the Company's costs to improve or maintain Skyscanner's placement in search results can increase.

The Company aims to mitigate this risk through continual analysis of data with a focus on lead indicators. Responsibility for SEO performance is devolved through the organisational structure to enable rapid response to any threats to Skyscanner's online marketing model, and the Company has recruited specialist talent to react to changes in the internet search environment. The Company also continues to invest resources in expanding its growth channels to reduce reliance on any one source of traffic.

Environmental impact on travel

The Company is aware that the travel industry may be impacted by the increased focus on the negative aspects of the environmental impact of travel. This may result in travellers shifting how they plan and book travel, the means of transportation they choose and the destinations chosen, as well as the frequency of trips. The Company is keen in making travel itself more sustainable and in helping travellers understand the environmental impact of their trips, for example, in its providing travellers with objective data on emissions to support their decision-making. The Directors believe that Skyscanner can use its influential position within the travel sector to drive systematic improvements in emissions measurement and carbon reduction, both directly and through engagement with partners and its role in industry bodies.

Skyscanner Limited

Strategic Report For the Year Ended 31 December 2022

PRINCIPAL RISKS AND UNCERTAINTIES – continued

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, appropriately embracing artificial intelligence, robotics, machine learning, hyper-scalable platforms and increasing bandwidth and faster data transmission remains a focus for the Company to ensure Skyscanner stays at the forefront of emerging technology and trends.

If the Company fails to evolve to meet the needs, expectations and likes of travellers at an appropriate pace, or fails to do so in a cost-effective way, this could have a material adverse effect on the Company's business prospects, financial results and financial position.

The Company is not complacent about these challenges and knows the future of its business rests on the ability of the product to be ever more useful to travellers. The Company aims to mitigate this risk through continual analysis of user data and market trends, as well as user testing of new products and services to develop its products.

The Company invests in the recruitment and retention of highly skilled employees who are responsive to the needs of the Company's users. Product responsibility is devolved through an organisational squad model that allows for rapid testing and release. The Company monitors for gaps in its technical and experiential know-how and targets recruitment at specific skill sets as needed. For example, the Company has made recent hires and changed existing roles to expand its presence on different social media platforms and to improve its accessibility by design.

Brand image and reputation

The Company's success and results are dependent in part on the strength and reputation of the Company and its brand. The Company and its brand are exposed to the risks of litigation, misconduct by employees and others, significant adverse publicity attached to the Company's business or that of partners who appear on the Company's platform, 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 and limit Skyscanner's attractiveness to new users, partners and intermediaries. 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 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, financial results and financial position. The Company actively monitors sentiment about Skyscanner and proactively manages any risk to its reputation that is threatened by negative and/or inaccurate publicity.

The Directors pride themselves on ensuring that Skyscanner remains a highly trusted and well-respected provider in the travel sector. The Company has a dedicated User Satisfaction team that monitors customer complaints and works closely with partners and the Company's Partner Services team to ensure resolution of issues raised by travellers. Skyscanner holds its partners to a high standard of conduct and ethics through mandatory policies to which they must adhere in order to remain visible to travellers on the Skyscanner platform. The Company makes use of public affairs and media opportunities to promote the Skyscanner brand and the work that the Company does to not only improve the traveller experience but also tackle wider industry issues, such as competition issues that adversely affect travellers and sustainability on which progress can be made only with cross-sector cooperation.

Skyscanner Limited

Strategic Report For the Year Ended 31 December 2022

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Regulatory environment

The Company's services as a business, on both a Business to Business ('B2B') and Business to Consumer ('B2C') basis, are subject to various laws and regulations in the jurisdictions in which the Company operates. These include a number of new and emerging laws affecting digital platforms, such as the European Union's Digital Markets Act and Digital Services Act. Skyscanner, both as a member of influential travel sector bodies and on a standalone basis, is putting the needs of travellers at the heart of its approach and liaising closely with regulators globally to encourage the final legislation to consider the differing needs and risk profiles of participants. The Company also is working with other sector participants to assist them in developing compliant traveller-friendly solutions to products that will be prohibited by the new legislation. Competition authorities in some operating regions monitor competitive practices within the online travel industry and; where regulators have conducted investigations relating to Skyscanner's competitors, Skyscanner has assisted as required. The Directors believe Skyscanner provides valuable choice to consumers and fosters a stronger and more effective travel ecosystem, and therefore contributes positively to competition in the markets in which it operates.

The Company's strategy includes geographic expansion which will expose it further to different regulatory environments and tax laws. As a consequence, the Company may experience unforeseen legal, regulatory or tax consequences which may have both favourable and adverse effects on the business in the future. Furthermore, the continuing trend by countries to introduce Digital Services Taxes creates additional tax compliance challenges and costs.

In order to manage the risks associated with the Company's global operations, Skyscanner's finance and legal teams work together to ensure that the Company proactively complies with laws and regulations in all jurisdictions in which the Company operates. Skyscanner Internal Audit function considers enterprise risks and their mitigations and controls on a day-to-day basis and which seek to embed understanding of the Company's legal and regulatory obligations. Furthermore, Skyscanner's finance, legal and public affairs teams actively monitor and react to the changing legal, regulatory and tax compliance challenges as they emerge and progress through legislative processes. The Company prides itself on transparency and maintaining an open dialogue with regulators in the locations in which it operates.

Above all, the Company strives to maintain a culture which is grounded in trust and transparency and promotes doing the right thing for the traveller, as a traveller first business.

People

Skyscanner acknowledges that people are critical to the success of its business and the failure to attract, retain and develop the required capability, and to embed the Company's values in its culture, could impact the delivery of its purpose and business performance. To address this priority, the Company undertakes a variety of initiatives that include regular pulse and engagement surveys to monitor employee sentiment, and obtaining insight into reasons for candidates rejecting roles, as well as reviewing and benchmarking our reward data on a continuous basis.

Additionally, the Company continues to see changes in the overall working environment that can be difficult to pre-empt and manage, for example shifting expectations around remote and hybrid ways of working. To address this and ensure continued market relevancy, the Company keeps abreast of what other companies/competitors are doing and analyses new risks and challenges which this evolving situation presents. Skyscanner's cross functional and cross site Talent team is focused on making sure that Skyscanner offers the best approach for both employees and the business.

Financial

If Skyscanner's partners provide the Company with untrue or inaccurate information regarding bookings, it may not be able to recognise and collect all of the revenue to which it is entitled. The Company relies on partners to provide truthful and accurate information which forms the basis for calculating the commission it is entitled to receive. Using untrue or inaccurate information also may lead to inaccurate business projections and plans, which may adversely affect the Company's business planning and strategy. The Company has several controls in place to manage this risk. The Company does not charge commission to end users of our services.

Skyscanner Limited

Strategic Report For the Year Ended 31 December 2022

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Financial - continued

Skyscanner may face greater risk of doubtful accounts as the Company's business increases in scale. The Company provides credit terms to certain partners. The Company's trade debtors have increased as the business grows. As a result, the Company may face a greater risk of non-payment of its debtors and, as its business grows in scale, it may need to make higher allowance for doubtful debts. As at 31 December 2022, the Company recognised an allowance for doubtful debts of £19,187k (2021: £16,863k). The Company's operating results and financial condition may be materially and adversely affected if it is unable to manage its debtors successfully.

Whilst the business is global, inflationary pressures continue to have an impact on Skyscanner's business as inflation can have an impact on consumer discretionary spending. Skyscanner continues to manage these through currency hedging and careful cost control. The Company also monitors salary costs to ensure that it pays its employees fairly and in line with market rate.

Website disruption

The satisfactory performance, reliability and availability of the Company's infrastructure, including the mobile platform, websites and systems, are critical to the success of the business. Any system interruptions that result in the unavailability or slowdown of the mobile platform, websites or other systems and the resulting disruption in the Company's services could reduce the volume of its business and make the product less attractive to users or compromise the Company's ability to operate its business effectively and securely. If Skyscanner's systems are not expanded to handle increased demand from users, its platforms may experience unanticipated disruptions in service, slower response times, inaccurate content or decreased customer service. Any of these issues could impair the Company's reputation, damage the Skyscanner brand and have a material adverse effect on the Company's business prospects, financial results and financial position.

Skyscanner's dedicated Engineering and Security team operates with the mission of building world class engineering at scale and ensuring its systems are secure, efficient and robust. The Company's technology platform, computer and communication systems are vulnerable to damage or interruption from human error, computer viruses, fire, flood, power loss, telecommunications failure, physical or electronic break-ins, hacking or other attempts at system sabotage, vandalism, natural disaster and other similar events. Being an online transaction only business, Skyscanner manages this risk through the in-house Security team who have several controls in place, in addition to employee training, external testing, and bug bounty programs, to ensure the website continues to be secure and operational. The team monitors the availability of Skyscanner's service 24 hours a day, 365 days a year. Skyscanner utilises cloud-based hosting products to manage the system infrastructure to further reduce risk.

The Company's future success will depend on its ability to adapt its products and services to the changes in technologies and internet user behaviour. For example, the number of people accessing the internet through mobile devices has increased in recent years, and the trend is expected to continue while 5G and more advanced mobile communications technologies are broadly implemented. As the Company makes its services available across a variety of mobile operating systems and devices, it is dependent on the interoperability of its services with popular mobile devices and mobile operating systems that it does not control, such as Android, iOS and Windows. The Company ensures the interoperability of its services by optimising its mobile applications and websites for different devices and operating systems and implementing cloud technology to support unified backend operation of its platform. Any changes in such mobile operating systems or devices that degrade the functionality of the Company's services or give preferential treatment to competitive services could adversely affect usage of its services. In addition, the widespread adoption of new internet technologies or other technological changes could require significant expenditure to modify or integrate its products or services. If the Company fails to keep up with these changes to remain competitive, its future success may be adversely affected.

Skyscanner Limited

Strategic Report For the Year Ended 31 December 2022

SECTION 172 STATEMENT

The Company is required to give a statement which describes how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty to promote the success of the Company.

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

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

The successful delivery of the Company's strategy requires the Company to conduct business in a manner that benefits travellers and protects the Company's trusted marketplace reputation, while continuing to deliver shareholder value and prudently managing risks inherent in the travel business. In setting and updating this strategy, the Directors' duties under section 172 of the Companies Act 2006 have been considered.

The Directors strongly believe that effective and meaningful engagement with colleagues, travellers, partners and suppliers and other stakeholders is key to achieving the Company's vision to help travellers explore the world effortlessly for generations to come, and as a result ensure the long-term success of the Company. Details of the Company's key stakeholders and how it engages with them are set out below:

Travellers

Understanding travellers' changing needs and behaviours helps the Company to achieve its traveller first vision. Trust is important to travellers and the Company measures this and other traveller engagement metrics with regular surveys, market research and interaction across social media channels. Travellers continue to place high importance on value for money and a seamless experience throughout the booking process. There is also a growing trend in ethical and sustainability concerns being a factor in traveller choices.

Employees

The Company can deliver its strategy only if it recruits, trains, and retains the best employees and develops a flexible, motivated, efficient, diverse and engaged team. The Directors actively seek employee inputs on matters that impact them and the performance of the Company, as well as encouraging responses as part of the Company's annual engagement survey, the results of which are cascaded to individual teams and form the basis of strategic action plans. Business and performance updates are circulated frequently to all employees, and colleagues are encouraged to ask direct questions of the management team at regular town hall internal briefings. Employees benefit from a broad range of staff benefits, including the ability to participate in Skyscanner group-wide incentive and option programmes that are linked to the Company's performance.

Communities and the Environment

The Company's vision is to help every traveller explore the world effortlessly for generations to come. The Company is committed to making a positive contribution to the communities within which it operates, including through payment of taxes, reducing its environmental impact and creating employment opportunities. To make progress on environmental issues, the company recognises the need for cross section and industry co-operation, and is involved in several initiatives to this effect. The Company buys sustainable aviation fuel to offset corporate travel emissions having founded a leading project in the Netherlands to develop sustainable aviation fuel. The Company has also signed the Glasgow declaration for net zero at COP26. The Company's pioneering emissions data label on search results highlights flights that emit less Carbon Dioxide ('CO2') has now been adopted across the industry as part of a joint initiative and it has already helped more 109 million travellers globally select the lowest emissions flight for their route.

Skyscanner Limited

Strategic Report For the Year Ended 31 December 2022

Partners and Suppliers

The Board actively fosters strong supplier relationships, insisting that all partners are treated fairly and ethically. The Company aims to maintain long-term relationships with its partners, with an internal department dedicated to managing partner success. The Company has open, constructive and effective relationships with all suppliers and meets regularly with material suppliers to provide both parties with the opportunity to give feedback on successes, challenges and future roadmap. Payment policies, practice and performance are reported through the Governments Payment Practices Reporting portal.

Government and Regulators

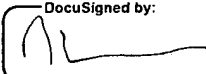
Governments and regulators play a central role in shaping the industry. The Company engages with governments and regulators directly and through trade associations, responding to issues of concern and providing expertise to support policy development. The Company has a dedicated public affairs team who lead a proactive and reactive engagement, principally in the United Kingdom, European Union and North America.

The Directors, both individually and together as a Board, consider that the decisions taken during the year ending 31 December 2022, were in conformance with their duty under section 172 of the Companies Act 2006. The Board is assisted in considering key stakeholders as part of the decision making process by including stakeholder considerations in board papers as appropriate, and board papers are carefully reviewed and considered by Directors.

SOURCES OF TRADING

The Company finances its activities through cash and working capital and through lending from its bankers and parent company. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Approved by the Board of Directors and signed on its behalf on 20 September 2023:

DocuSigned by:

AA4F771315B341F...
John Mangelaars
Director

Level 5 Ilona Rose House
Manette Street
London, United Kingdom
W1D 4AL

Skyscanner Limited

Directors' Report For the Year Ended 31 December 2022

The Directors present their Annual Report on the affairs of Skyscanner Limited, together with the audited financial statements and independent auditors' report, for the financial year ended 31 December 2022.

RESULTS AND DIVIDENDS

The Company's audited financial statements for the year ended 31 December 2022 are set out on pages 17 to 43. The Company made a profit after tax for the year of £23,591k (2021: loss £72,897k) and had net assets of £79,771k (2021: £41,630k) at 31 December 2022. The Directors do not propose a dividend payment for the year ended 31 December 2022 (2021: £nil).

POST BALANCE SHEET EVENTS

Information about events affecting the Company which have occurred since the end of the financial year can be found in Note 24 to the financial statements which is incorporated into this Directors' Report by reference.

SHARE CAPITAL AND CONTROL

Details of the Company's share capital, including changes during the period in the issued share capital are set out in Note 19, which is incorporated into this Directors' Report by reference. As at 31 December 2022, the entire issued share capital of the Company was held by Skyscanner Holdings Limited ('SHL'). The ultimate parent company is Trip.com Group Limited ('Trip.com Group'), a company incorporated in the Cayman Islands and listed on NASDAQ and the Hong Kong stock exchange.

GOING CONCERN

The Company's forecasts and projections, taking account of the current environment as well as management estimates around travel market growth, indicates that the Company will continue to be profitable and cash generative. The sensitivity analysis on the forecasts (including a severe but plausible downside scenario) as well as the continued support from the parent company, indicate that the Company is able to continue to operate and meet its liabilities as and when they fall due. There are no material uncertainties relating to this going concern conclusion.

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. There is a regular focus at Board and senior management level on improvements in good corporate governance and the Company aims to develop its corporate governance framework to exceed standards practised by companies of a similar size and ownership structure. The Company is compliant with the requirements of the Sarbanes Oxley Act 2002 section 404 and maintains strong business processes and governance framework.

The Board has oversight responsibilities in preserving and enhancing the Company's long-term value for the stakeholders and oversees the Company's overall performance objectives, key organisational initiatives, financial plans and annual budget, major investments, financial performance reviews, risk management and corporate governance practices including on environmental and social matters. In order to discharge its responsibilities, the Board has met regularly during 2022 to address key issues and review reports from designated committees and management.

DIRECTORS

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

James Jianzhang Liang
John Mangelaars
Jane Jie Sun
Xiaofan Wang
Xing Xiong

SECRETARY

The Company Secretary who held office during the year, and up to the date of this report, was Martin Gerard Nolan.

Skyscanner Limited

Directors' Report For the Year Ended 31 December 2022

FINANCIAL INSTRUMENTS

The Company finances its activities through cash and working capital and through lending from its bankers and parent company. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to foreign currency, credit and liquidity risk. Information on how these risks arise is set out below, as are the policies and processes for their management.

Additional information about the Company's financial instruments' policies and processes can be found in Note 2 to the financial statements, which is incorporated into this Directors' Report by reference.

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.

Foreign exchange risk

The Company operates in different geographies and as a result is subject to the risks associated with dealing in foreign currency. The Company's foreign exchange exposure is monitored and managed by the Treasury team.

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.

POLICY AND PRACTICE ON PAYMENT TO SUPPLIERS

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

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

STAKEHOLDER MANAGEMENT

The long-term success of our business relies on the way the Directors fulfil their responsibilities to its stakeholders by considering the need to foster the Company's business relationships with its stakeholders as well as the impact our operations have on our local communities and wider society.

Information on how the Directors foster the Company's business relationships with suppliers, travellers, partners and employees and others can be found in the Strategic Report.

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 an employee becoming disabled, every effort is made to ensure that their employment with the Company continues. As far as it is possible, the training, career development and promotion of disabled employees does not differ from that of other employees. The Company complies in all material respects with prevailing legislation and good practice.

Skyscanner Limited

Directors' Report For the Year Ended 31 December 2022

EMPLOYEE INVOLVEMENT

Significant effort is devoted to ensuring that employees feel engaged on matters that impact them and the performance of the Company. This includes regular business and performance updates by members of the management team for all employees, frequent internal briefings and team meetings, and the circulation to employees of Company announcements and developments. All employees are invited to participate in the employee engagement survey, as well as occasional pulse surveys, in order to help assess the overall engagement levels of employees. The results of the employee engagement surveys are analysed and initiatives implemented to address matters identified in the surveys.

The Directors actively encourage the participation of employees in the performance and success of the business, through Skyscanner group-wide incentives and share options programmes that are linked to the Company's performance.

EQUAL OPPORTUNITIES

The Company is committed to providing equality of opportunity to all employees without discrimination and applies fair and equitable employment policies which seek to promote entry into and progression within the Company. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency. We recently published our gender pay information and initiatives to support inclusion and diversity and this information is available on our website.

RESEARCH AND DEVELOPMENT

The Company undertook research and development work during the year. This includes development of employee enablement tools, mobile applications, general product enhancement and optimisation of the site for mobile devices.

OVERSEAS BRANCHES

The Company has one branch, as defined in section 1046(3) of the Companies Act 2006, in Dubai, United Arab Emirates.

POLITICAL CONTRIBUTIONS

The Company made no political donations during the year (2021: £nil).

FUTURE DEVELOPMENT

The Company's mission is to help travellers plan and book their trip with ease and confidence, using technology to make the complex simple and providing honest and transparent solutions to connect travellers with trusted partners so that everyone can find the best offer for them. The Company is confident in the global strategy underpinning this objective and believes that it can continue growing funnel sessions and revenue in the coming year and beyond by expanding global reach and increasing revenues across revenue streams other than flights.

DIRECTORS' LIABILITIES

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

Skyscanner Limited**Directors' Report
For the Year Ended 31 December 2022****GREENHOUSE GAS EMISSIONS AND ENERGY**

	2022	2021 - Restated
	UK	UK
Energy consumption used to calculate emissions (Scope 1 & 2) (kWh)	757,733	766,163
Scope 1:		
Emissions from combustion of gas (tCO ₂ e)	24.4	25.3
Scope 2:		
Emissions from purchased electricity, heat, steam, and cooling (tCO ₂ e)	120.4	133
Scope 3:		
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	0	0.2
Total gross tCO₂e based on above fields	144.8	158.5
	2022	2021
Intensity ratio: UK gross tCO₂e per £ million of worldwide revenue (based on mandatory fields above)	0.51	1.39
Intensity ratio: UK gross tCO₂e per employee (based on mandatory fields above)	0.18	0.21

Quantification and reporting methodology

We have followed 2019 HM Government *Environmental Reporting Guidelines* in line with the Streamlined Energy and Carbon Reporting ('SECR') requirements. Emissions were calculated following the GHG Reporting Protocol (Corporate Standard) using the Watershed platform. Energy usage data was collected or estimated based on building square-footage for all facilities, and was combined with emissions factors from the US EPA, Ecoinvent, TCR and other data sources to calculate GHG emissions. Electricity emissions factors are chosen based on geography to reflect the emissions intensities of the facilities' local grid. As the methodology used has been amended for 2022, the 2021 reporting has been restated to provide comparative figures.

Measures taken to improve energy efficiency

The reduction in the Company's energy consumption and carbon emissions between 2021 and 2022 were largely down to the reduction of our office footprint year on year. During 2022, the majority of employees were hybrid working with an average of 2 - 3 days spent in the office per week. Business travel increased during the second half of the year as restrictions were lifted.

The Company continues to strive for energy and carbon reduction arising from its activities. During this reporting period the Company has:

- Calculated its full global carbon footprint across all three scopes with a goal of setting a Net Zero roadmap using this data.
- Expanded employee engagement opportunities, including by partnering with sustainability app Pawprint, through which we hosted a competition to reduce our carbon footprint over a given month.
- Expanded out sustainability team to help deliver on our sustainability strategy.
- Reviewed our procurement processes to help make smarter procurement choices and reduce delivery transport emissions.
- Reduced use of single use plastics in the offices by opting for reusable crockery where possible.
- Replaced the light bulbs used in the offices to LED bulbs.
- Reduced our office footprint during the year.
- Reduced printing through use of KPI screens already located in the offices.

Skyscanner Limited

**Directors' Report
For the Year Ended 31 December 2022**

DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS

Each of the Directors at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 *Reduced Disclosure Framework*, and applicable law).

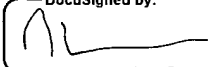
Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 also 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.

Approved by the Board of Directors and signed on its behalf on 20 September 2023:

DocuSigned by:

AA4F771315B341F...
John Mangelaars
Director

Level 5 Ilona Rose House
Manette Street
London, United Kingdom
W1D 4AL

Independent Auditor's Report to the Members of Skyscanner Limited

Report on the audit of the financial statements

Opinion

In our opinion, Skyscanner Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2022; Statement of Comprehensive Income, and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent Auditor's Report to the Members of Skyscanner Limited

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims, litigation and instances of fraud
- Understanding of management's controls designed to prevent and deter irregularities
- Review of board minutes
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example unexpected accounting combinations impacting revenue
- Incorporating into our testing plan procedures which are unpredictable in nature

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditor's Report to the Members of Skyscanner Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



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

21 September 2023

Skyscanner Limited**Statement of Comprehensive Income
For the Year Ended 31 December 2022**

	Note	2022 £'000	2021 £'000
Revenue	3	283,895	114,022
Cost of sales		(71,395)	(54,499)
Gross profit		<u>212,500</u>	<u>59,523</u>
Marketing expenses		(31,070)	(8,412)
Administrative expenses		(159,743)	(135,368)
Allowance for doubtful debts	14	(2,496)	(12,474)
Other operating income	5	24,440	7,512
Operating profit/(loss)		<u>43,631</u>	<u>(89,219)</u>
Interest receivable and similar income	6	1,824	3,164
Interest payable and similar expenses	7	(13,885)	(5,571)
Profit/(loss) before tax	8	<u>31,570</u>	<u>(91,626)</u>
Tax (charge)/credit	9	(7,979)	18,729
Profit/(loss) after tax and total comprehensive income/(loss) for the year		<u><u>23,591</u></u>	<u><u>(72,897)</u></u>

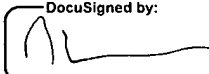
The Notes on pages 20 to 43 form part of these financial statements.

Skyscanner Limited**Statement of Financial Position
As at 31 December 2022**

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	10	9,614	9,445
Tangible asset	11	2,180	1,719
Investments in subsidiaries	12	44,539	44,539
Deferred tax asset	13	33,433	41,652
Right-of-use assets	21	38,613	8,622
		<u>128,379</u>	<u>105,977</u>
Current assets			
Trade and other debtors	14	174,465	231,662
Cash at bank		1,929	20,539
		<u>176,394</u>	<u>252,201</u>
Total assets		<u>304,773</u>	<u>358,178</u>
Current liabilities			
Trade and other creditors	15	(138,465)	(262,136)
Bank loans	16	(25,000)	(15,001)
Lease liabilities	21	(3,199)	(6,350)
		<u>(166,664)</u>	<u>(283,487)</u>
Net current assets/(liabilities)		<u>9,730</u>	<u>(31,286)</u>
Total assets less current liabilities		<u>138,109</u>	<u>74,691</u>
Non-current liabilities			
Employee benefits	17	(20,273)	(27,606)
Lease liabilities	21	(35,572)	(2,456)
Provisions	18	(2,493)	(2,999)
		<u>(58,338)</u>	<u>(33,061)</u>
Net assets		<u>79,771</u>	<u>41,630</u>
Capital and reserves			
Share capital	19	16	16
Share premium		4,396	4,396
Merger reserves		302	302
Profit and loss account		75,057	36,916
Total shareholder's funds		<u>79,771</u>	<u>41,630</u>

The Notes on pages 20 to 43 form part of these financial statements.

The financial statements from page 17 to 43 of Skyscanner Limited (Registered number: 04217916) were approved and authorised for issue by the Board of Directors on 20 September 2023 and signed on its behalf by:

DocuSigned by:

 AA4F7713158341F...
 John Mangelaars
 Director

Skyscanner Limited

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2021	16	4,396	302	98,737	103,451
Loss for the year	-	-	-	(72,897)	(72,897)
Total comprehensive loss	-	-	-	(72,897)	(72,897)
Capital contribution from parent	-	-	-	3,554	3,554
Capital contribution from ultimate parent	-	-	-	7,522	7,522
At 31 December 2021	16	4,396	302	36,916	41,630
At 1 January 2022	16	4,396	302	36,916	41,630
Profit for the year	-	-	-	23,591	23,591
Total comprehensive income	-	-	-	23,591	23,591
Capital contribution from parent	-	-	-	8,215	8,215
Capital contribution from ultimate parent	-	-	-	5,317	5,317
Deferred tax on share-based payments	-	-	-	1,018	1,018
At 31 December 2022	16	4,396	302	75,057	79,771

Share capital

Share capital includes the nominal value on issue of the Company's share capital, comprising 1,609,146 £0.01 ordinary shares.

Share premium

Share premium includes the difference between the value of shares issued and their nominal value.

Merger reserve

Merger reserve arose during the financial year ending 31 December 2018 when the Company acquired the share capital of Skyscanner Private Limited.

Profit and loss account

No dividends were proposed during the year (2021: nil). Capital contributions from parent and ultimate parent relate to the share-based payments granted to the employees of the Company.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

Skyscanner Limited is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the Company's registered office is shown on page 1.

The Company's principal activity is set out in the Strategic Report on pages 2 to 8. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt under section 401 of the Companies Act 2006 from preparing consolidated financial statements, because it is included in the group financial statements of Trip.com Group which are available to the public and can be obtained online at <http://investors.trip.com>.

2. Summary of significant accounting policies

Basis of preparation

The financial statements of Skyscanner Limited have been prepared in accordance with Financial Reporting Standard 101, *Reduced Disclosure Framework*. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Going concern

As part of their assessment of going concern, the Directors have considered the current environment as well as the funding and liquidity position of the Company in order to determine the appropriateness of preparing the financial statements on a going concern basis. Management has produced forecasts using a range of scenarios including a severe but plausible downside scenario. The Company's forecasts and projections, taking account of the current environment as well as management estimates around travel market growth, indicates that the Company will continue to be profitable and cash generative.

After making enquiries and having assessed the principal risks and all other available information, the Directors are satisfied that the Company will be able to remain in operation for a period of at least 12 months from the date of signing these financial statements. The sensitivity analysis on the forecasts (including a severe but plausible downside scenario) as well as the continued support from the parent company, indicate that the Company is able to continue to operate and meet its liabilities as and when they fall due. There are no material uncertainties relating to this going concern assessment.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the 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 profit and loss. 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.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Cash and cash equivalents

Cash and cash equivalents include deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price, plus any costs directly attributable to bringing the asset into operation. The purchase price is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised values of leases are also included within right-of-use assets.

Depreciation is charged to the profit or loss on a straight-line basis from the date that the asset was brought into use over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of furniture, fixtures and fittings is between 3 to 5 years.

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

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

An item of tangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Investment in subsidiaries

Investments are equity holdings in subsidiaries and are measured at cost less impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less any impairment.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Financial instruments – continued

Financial assets - continued

Recognition and measurement – Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at fair value through other comprehensive income. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised interest receivable and similar income in the profit or loss.

Impairment of financial assets

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

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

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

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

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Financial instruments – continued

Impairment of financial assets – continued

(i) Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (a) the financial instrument has a low risk of default;
- (b) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or, if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and has no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Financial instruments – continued

Impairment of financial assets – continued

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Financial instruments – continued

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

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

Lease liability

Initial recognition and measurement

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

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Lease liability - continued

Initial recognition and measurement - continued

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

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

Lease liabilities are presented as a separate line in the Statement of Financial Position.

Subsequent measurement

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

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

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

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

As a practical expedient, IFRS 16 *Leases* permits a lessee to not separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

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

The Company applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired for any identified impairment loss as described in the Impairment accounting policy below.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Provisions

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

The expense relating to any provision is recognised in profit or loss 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 profit or loss.

Goodwill

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

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

Taxation

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 tax authorities. Taxable profit differs from net profit as reporting in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. 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.

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 or loss 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.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Taxation – continued

Deferred tax – continued

Recovery of deferred tax assets

Significant judgement is required to determine whether deferred tax assets are recognised in the Statement of Financial Position. Deferred tax assets including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable profits in future periods, in order to utilise recognised deferred tax assets. Estimation of future taxable profits are based on forecasted cash flows and judgement about the application of existing tax laws.

Internally generated intangible assets – research and development

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

- the technical feasibility of completing the intangible assets so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to use 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 the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is charged to the profit or loss on a straight-line basis from the date that the asset was brought into use over the estimated useful life of the intangible asset. The estimated useful life for intangible assets is 4 years or less.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, excluding taxes or duty.

The following specific recognition criteria must be met for each revenue type before revenue is recognised:

Flight commission

Revenues from flight commission are recognised at the point the Company has performed its obligations under contract. Depending on the terms of the contract, this would either be at the point of redirect or at the point of booking.

Hotel and car hire commission

Revenues from hotel and car hire commission are recognised at the point the Company has performed its obligations under contract. Depending on the individual contract, this is either at the point of redirect or at the point of stay or hire.

Other services revenue

Revenue from other services rendered is recognised at the point the contractual service is provided to the end customer.

Advertisement

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

The Company assesses its customer contracts against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as an agent in its contracts with customers.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

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 the defined contribution pension plan are recognised as an expense in the profit or loss in the period 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 the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The same approach is applied for longer term benefit plans except in those cases the liability is subject to discounting dependent on expected payment date.

Share-based payments

The parent company, Skyscanner Holdings Limited operates a number of equity-settled share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (“options”) granted by the Company’s parent. The fair value of the employee services received in exchange for the grant of the options is measured at the grant date, based on the Company’s estimate of equity instruments that will eventually vest and is recognised on a straight-line basis over the vesting period, as an increase in capital contributions from the Company’s parent with a corresponding expense charged to the profit and loss. The fair value excludes the effect of non-market based vesting conditions.

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

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

An 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. The recoverable amount is the higher of fair value less costs to sell 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.

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Summary of significant accounting policies – continued

Impairment - continued

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

Critical accounting judgements and key sources of estimation uncertainty

(a) Critical accounting judgements

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Recognition of deferred tax asset

The Company has recognised a deferred tax asset of £33,433k (2021: £41,652k). This asset has been recognised based on judgment that there is currently reasonably certainty around the future profitability of the Company. The Directors have considered the Company's current 5 year forecasts, which demonstrate utilisation of this deferred tax asset within this period.

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

(b) Key sources of estimation uncertainty

Milestone bonuses

When the Group was acquired by Trip.com Group a milestone bonus was offered to employees of the Group. This bonus is dependent on the financial performance of the Group and meeting certain targets in relation to revenue and profitability within a set time period.

During 2021, a Long-Term Incentive Plan was approved which included amendments to the milestone bonus. The original prescribed time period has been removed and additional targets introduced. During 2022, the first set of milestone targets were met.

The key assumption within the estimate is deemed to be the dates on which the targets are met. Management have produced forecasts, using a range of scenarios, to determine a best estimate of when the milestone targets are estimated to be achieved. At the balance sheet date, the accrual for milestone bonuses was £30,147k (2021: £37,837k).

Skyscanner Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022****3. Revenue**

Revenue recognised in profit or loss is analysed as follows:

	2022	2021
	£'000	£'000
Flight commission	216,684	84,424
Hotel and car hire commission	15,634	6,564
Advertisement	39,337	17,202
Business to business	5,716	3,800
Other services	6,524	2,032
	<u>283,895</u>	<u>114,022</u>

4. Staff costs and Directors' remuneration

	2022	2021
	£'000	£'000
Wages and salaries	67,778	61,803
Defined contribution pension	2,767	2,371
Share-based payments (Note 20)	14,409	10,683
Social security costs	11,356	8,643
Employee benefits	1,491	1,192
	<u>97,801</u>	<u>84,692</u>

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

	2022	2021
	Number	Number
Development, operations and commercial	668	599
Administrative	155	150
	<u>823</u>	<u>749</u>

The Directors' remuneration was as follows:

	2022	2021
	£'000	£'000
Directors' remuneration	2,146	700
Contributions to defined contribution pension plan	-	1
Social security costs	8	10
	<u>2,154</u>	<u>711</u>

No Directors accrued benefits under defined contribution plan in the year (2021: 1). No Directors exercised options in the year (2021: none).

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

	2022	2021
	£'000	£'000
Directors' remuneration	<u>2,146</u>	<u>685</u>

Skyscanner Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022**

5. Other operating income		
	2022	2021
	£'000	£'000
Licensing fees	10,563	2,442
Grant income	-	136
Research and development relief	4,539	4,641
Other income	20	293
Dividend income	9,318	-
	<u>24,440</u>	<u>7,512</u>
6. Interest receivable and similar income		
	2022	2021
	£'000	£'000
Interest received on bank deposits	287	17
Interest on intercompany loans	1,537	585
Fair value gain	-	147
Net foreign exchange gain	-	2,415
	<u>1,824</u>	<u>3,164</u>
7. Interest payable and similar expenses		
	2022	2021
	£'000	£'000
Interest expense on bank deposits	507	114
Interest on intercompany loans	4,757	3,842
Net foreign exchange loss	4,329	-
Interest on lease liability	1,190	432
Discount unwind expense on long-term employee benefits	3,079	1,013
Other fees and charges	23	170
	<u>13,885</u>	<u>5,571</u>
8. Profit/(loss) before tax		
This is stated after charging/(crediting):	2022	2021
	£'000	£'000
Amortisation of intangible assets (Note 10)	4,254	3,944
Depreciation of tangible assets (Note 11)	952	1,579
Depreciation of right-of-use assets (Note 21)	7,974	8,901
Loss on disposal of intangible assets	459	405
Loss on disposal of tangible assets	53	842
(Gain)/loss on disposal of right-of-use assets	(132)	3,053
Net foreign exchange loss/(gain)	4,329	(2,415)
	<u>2022</u>	<u>2021</u>
	<u>£'000</u>	<u>£'000</u>
Audit fee payable to the Company's auditor	<u>350</u>	<u>240</u>

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

9. Tax charge/(credit)

(a) Tax charge/credit in profit and loss

	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax	2,122	-
Adjustment relating to prior year	(3,380)	1,782
Total current tax charge/(credit)	<u>(1,258)</u>	<u>1,782</u>
Deferred tax:		
Origination and reversal of timing difference	5,849	(12,119)
Credit arising from previously unrecognised tax loss, tax credit or temporary differences	3,033	(270)
Impact of change in tax law and rates	355	(8,122)
Total deferred tax charge/(credit)	<u>9,237</u>	<u>(20,511)</u>
Total tax charge/(credit) in profit and loss	<u>7,979</u>	<u>(18,729)</u>

(b) Reconciliation of the tax charge/credit in profit and loss

Reconciliation between the tax charge/credit and the accounting profit and loss before tax multiplied by the UK standard rate of corporation tax is as follows:

	2022	2021
	£'000	£'000
Profit/(loss) before tax	<u>31,570</u>	<u>(91,626)</u>
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	5,998	(17,409)
<i>Effects of:</i>		
(Non-taxable income)/non-deductible expenses	(1,055)	3,041
Intangible assets	285	-
Group relief	-	207
Losses deferred tax not recognised	4,452	-
Changes in tax rates	355	(8,122)
Tax (over)/under provided in previous years	(347)	1,512
Share-based payments	(1,709)	2,042
Total tax charge/(credit) in profit and loss	<u>7,979</u>	<u>(18,729)</u>

10. Intangible assets

	Goodwill	Development	Computer	Total
	£'000	costs	software	£'000
		£'000	£'000	
Cost				
At 1 January 2022	5,474	23,347	324	29,145
Additions	-	4,882	-	4,882
Disposals	-	(1,372)	-	(1,372)
Write offs	-	(1,733)	-	(1,733)
At 31 December 2022	<u>5,474</u>	<u>25,124</u>	<u>324</u>	<u>30,922</u>
Accumulated amortisation and impairments				
At 1 January 2022	5,474	13,918	308	19,700
Amortisation for year	-	4,249	5	4,254
Disposals	-	(913)	-	(913)
Write offs	-	(1,733)	-	(1,733)
At 31 December 2022	<u>5,474</u>	<u>15,521</u>	<u>313</u>	<u>21,308</u>
Net book value				
At 31 December 2022	<u>-</u>	<u>9,603</u>	<u>11</u>	<u>9,614</u>
At 31 December 2021	<u>-</u>	<u>9,429</u>	<u>16</u>	<u>9,445</u>

Skyscanner Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022****10. Intangible assets - continued**

For the purposes of impairment testing, goodwill is allocated to one group cash-generating unit ('CGU'). For assessment of the current financial year, four forecasts underpinned by external data were used to conduct sensitivity analysis and evaluate the carrying value; it was concluded that there existed no indication of impairment.

Development costs capitalised in the year, relate to internally generated intangible assets which meet the criteria for capitalisation defined in Note 2 which are amortised over a period of 4 years. Amortisation of intangible assets is included in administrative expenses.

11. Tangible assets

	Furniture, fixtures and fittings £'000
Cost	
At 1 January 2022	8,309
Additions	1,642
Disposals	(345)
At 31 December 2022	<u>9,606</u>
Accumulated depreciation	
At 1 January 2022	6,590
Depreciation charge for year	952
Disposal	(116)
At 31 December 2022	<u>7,426</u>
Net book value	
At 31 December 2022	<u>2,180</u>
At 31 December 2021	<u>1,719</u>

12. Investments in subsidiaries

	£'000
At 1 January and 31 December 2022	<u>44,539</u>

The Company has investments in the following direct and indirect subsidiary entities:

Direct holdings:

Entity name/country of incorporation	Principle activity	Registered address	Holding
Skyscanner Private Limited/ Singapore	Commercial and engineering	9 Battery Road, #16-121, Singapore, 049910	100%
Experience On Ventures S.L /Spain	Engineering	Plaza de Catalunya 1, Planta 5, Barcelona 08002, Spain	100%
Skyscanner 2020 Limited/United Kingdom	Commercial	Level 5 Ilona Rose House, Manette Street, London, United Kingdom W1D 4AL	100%
Skyscanner 2020 Netherlands B.V./The Netherlands	Commercial	Piet Heinkade 55, 1019 GM Amsterdam, The Netherlands	100%
Reacher Investments Limited/ Hong Kong	Holding company	Room 1318-20, Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon, Hong Kong	100%
Distinction Informatikai Szolgáltató Kft/Hungary	Engineering	H-1068 Budapest, Városligeti fasor 24, Hungary	100%
Skyscanner (Bulgaria) EOOD/ Bulgaria	Engineering	Sofia Municipality, Triaditza Region 82 Patriarh Evtimii Blvd, Bulgaria	100%

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

12. Investments in subsidiaries - continued

Direct holdings:

Entity name/country of
incorporation

Skyscanner Japan K.K./Japan

Principle activity

Commercial and
engineering

Registered address

The ARGYLE aoyama, 2-14-4
KitaAoyama, Minato-ku Tokyo 107-
0061, Japan

Holding

100%

In Japanese:〒107-0061 東京都港区北青山 2-14-
4 the ARGYLE aoyamaBeijing Skyscanner Technology
Co. Limited/China

Commercial

Room A331, Level 3, Building 1,
Global Trade Centre, No. 36 North
Third Ring Road East, Dongcheng
District, Beijing 100013, China

100%

Skyscanner Holdings Inc./United
States of America

Holding Company

Incorporating Services Ltd, 3500 S
Dupont Hwy, Dover, Delaware 19901

100%

Indirect holdings:

Entity name/country of
incorporationShenzhen Skyscanner
Technology Co. Limited/China

Principle activity

Engineering

Registered address

L13, Tower 7, One Shenzhen Bay
Center, Yuehai Street Zhongxin Road
Nanshan District, Shenzhen, China

Holding/held by

100%/Reacher
Investments LimitedSkyscanner Inc./United States of
America

Commercial

Incorporating Services Ltd, 3500 S
Dupont Hwy, Dover, Delaware 19901100%/Skyscanner
Holdings Inc.Gogobot Inc./United States of
America

Engineering

Incorporating Services Ltd, 3500 S
Dupont Hwy, Dover, Delaware 19901100%/Skyscanner
Holdings Inc.Skyscanner Optimisation
Inc./United States of America

Holding Company

Incorporating Services Ltd, 3500 S
Dupont Hwy, Dover, Delaware 19901100%/Skyscanner
Holdings IncSkipjaq Ltd/United Kingdom
(dissolved on 3 January 2023)

Engineering

Floor 11, Regent's Place, 338 Euston
Road, London, United Kingdom
NW1 3BT100%/Skyscanner
Optimisation Inc.Skyscanner Inc./United States of
America

Commercial

Incorporating Services Ltd, 3500 S
Dupont Hwy, Dover, Delaware 19901100%/Skyscanner
Holdings Inc.Skyscanner 2018 (Singapore)
Private Limited/Singapore
(dissolved on 6 April 2023)

Commercial

9 Battery Road, #16-121, Singapore,
049910100% owned by
Skyscanner 2018
LimitedSkyscanner 2018 Australia Pty
Limited/Australia (dissolved on
14 December 2022)

Commercial

Level 13, 60 Castlereagh Street,
Sydney, NSW, 2000100%/Skyscanner 2018
Limited

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

13. Deferred tax asset

Deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting years, are as follows:

	Accelerated capital allowances £'000	Share-based Payments £'000	Short-term timing differences £'000	Losses £'000	Total £'000
At 1 January 2022	(83)	-	6,936	34,799	41,652
Credit/(charge) to profit or loss	(1,859)	5,909	(2,888)	(10,399)	(9,237)
Credit/(charge) to equity	-	1,018	-	-	1,018
At 31 December 2022	<u>(1,942)</u>	<u>6,927</u>	<u>4,048</u>	<u>24,400</u>	<u>33,433</u>

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets because it is probable that the Company will generate future taxable profits. Deferred tax assets have been recognised using rates applicable to expectations for the period of unwinding; some are therefore measured at 19% others at 25%.

Deferred tax has been calculated at 25% in respect of accelerated capital allowances, share-based payments and short term timing differences. Deferred tax has been calculated at a rate of 19% on £12,100k of tax losses and at a rate of 25% on £88,403k of losses, reflecting the rates at which these temporary differences are expected to unwind.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is net deferred tax balances in the statement of financial position:

	2022 £'000	2021 £'000
Deferred tax assets	<u>33,433</u>	<u>41,652</u>

14. Trade and other debtors

	2022 £'000	2021 £'000
Trade debtors	36,847	17,162
Amounts due from related parties	134,915	214,115
Allowance for doubtful debts	(19,187)	(16,863)
Prepayments	10,192	5,073
Current tax asset	11,204	11,201
Other debtors	494	974
	<u>174,465</u>	<u>231,662</u>

The recoverability of trade debtors is reviewed monthly and the Company considers any change in the credit quality of the debtor from the date credit was initially granted up to the balance sheet date. During the year, the provision was utilised to write off debts that are deemed uncollectable. Amounts due from related parties are unsecured, non-interest bearing and repayable on demand, with the exception of £65,987k (2021: £122,453k) which is interest bearing at a rate between 2.4% to 2.5% per annum.

Allowance of doubtful debts has been presented as a separate line in profit and loss which relates to an allowance for doubtful trade debtors of £740k (2021: £329k) and an allowance for doubtful amounts due from related parties of £18,447k (2021: £16,534k). The movement is summarised as follows:

	2022 £'000	2021 £'000
At 1 January 2022	(16,863)	(4,451)
Additional provision during the year	(2,907)	(13,770)
Provision utilised in the year due to write off	172	62
Provision released in the year due to recovery of debt	411	1,296
At 31 December 2022	<u>(19,187)</u>	<u>(16,863)</u>

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

15. Trade and other creditors

	2022	2021
	£'000	£'000
Trade creditors	348	2,044
Amounts due to related parties	95,895	232,787
Other taxation and social security	7,704	3,953
Accruals	11,626	4,491
Other creditors	22,892	18,861
	<u>138,465</u>	<u>262,136</u>

Amounts due to related parties are unsecured, non-interest bearing and repayable on demand, with the exception of £79,668k (2021: £165,834k) relating to intercompany loans that are interest bearing rate between 1.5 to 2.8% (2021: 1.5 to 2.8%) per annum.

16. Bank loan

In January 2022, the Company increased an existing bank loan to £25,000k (2021: £15,000k). The loan is unsecured and carried an interest rate of 2.9%. This loan was repaid in full in January 2023.

17. Employee benefits

	2022	2021
	£'000	£'000
Long-term employee benefits	<u>20,273</u>	<u>27,606</u>

18. Provisions

	Restoration provision £'000	Other provisions £'000	Total £'000
At 1 January 2022	1,786	1,213	2,999
Transfers to other creditors	-	(1,213)	(1,213)
Additional provision in the year	737	-	737
Utilised in the year	(8)	-	(8)
Unused amounts reversed in the year	(22)	-	(22)
At 31 December 2022	<u>2,493</u>	<u>-</u>	<u>2,493</u>

Provisions were made during the year for dilapidation costs associated with our leases. The provisions represent management's best estimate of the Company's future liability.

19. Share capital

<i>Allotted, issued and fully paid:</i>			2022	2021
Number:	Class:	Nominal Value:	£'000	£'000
1,609,146	Ordinary Shares	£0.01	<u>16</u>	<u>16</u>

20. Share-based payments

Equity-settled share scheme Long-term Incentive Plan ('LTIP')

The immediate parent company, SHL granted share options to employees of the Company. Options are exercisable on the shares of SHL at the price equal to the latest share price which is internally announced bi-annually.

The options issued to employees up to and including 7 December 2020 (36,504,650 at the balance sheet date) vest on the following profile:

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

Skyscanner Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

20. Share-based payments – continued

Equity-settled share scheme - continued

Long-term Incentive Plan ('LTIP') - continued

During the year ended 31 December 2021, a new LTIP was approved which included a share option scheme over shares in SHL. The underlying options are similar to those issued as part of the existing share options scheme. However, the vesting profile has been amended to the following (44,216,925 issued to employees at the balance sheet date):

- 25% of the options vest on the anniversary of the vesting start date over a 4-year period.

Active grants held under both schemes are valid.

The remaining units (18,720,000 at the balance sheet date) were issued to senior management and have specific performance-based vesting conditions. The share-based payment charges for these units have been recognised based on our assumptions as to whether these performance conditions will be achieved.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if employment ends in certain circumstances before the options vest. The options have an average exercise price of £1.10. The fair value of options granted during the year have been determined using the Black-Scholes and Monte Carlo valuation models.

Share Incentive Plan ('SIP')

A SIP scheme was introduced in 2018 and the shares were granted in 2019 at the end of the accumulation period (892,306 outstanding at balance sheet date). The SIP shares are split between partnership and matching shares with the matching shares having a 3-year forfeiture period from the end of the accumulation period. The share-based payment charges for these shares have been recognised based on the number of shares issued. Partnership shares, (438,028 at the balance sheet date) vested during 2019 after the accumulation period ended.

A second SIP scheme was introduced in 2020 and the shares were granted in 2021 at the end of the accumulation period (594,710 granted at the balance sheet date). The SIP shares are split between partnership and matching shares with the matching shares having a 3-year forfeiture period from the end of the accumulation period. The share-based payment charges for these shares have been recognised based on the number of shares issued. Partnership shares, (321,985 at the balance sheet date) vested during 2020 after the accumulation period ended.

A third SIP scheme was introduced in 2022 and the shares were granted in 2023 at the end of the accumulation period (2,932,311 estimated to be granted at balance sheet date). The SIP shares are split between partnership and matching shares with the matching shares having a 3-year forfeiture period from the end of the accumulation period. The share-based payment charges for these options have been recognised based on the estimated number of shares to be issued. For the partnership shares, 977,437 (at the balance sheet date) which vest at the end of the accumulation period in 2023.

Restricted Stock Units ('RSUs')

Trip.com Group granted RSUs to the Company's employees. Vested RSUs will be settled in Trip.com Group shares with a par value deemed settled by the employee's past services.

A portion of RSUs issued to employees (38,976 at balance sheet date) vest on the following profile:

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

The remaining RSUs issued to employees (29,058 at balance sheet date) have varied vesting profiles.

Options over shares in Trip.com Group

Trip.com Group granted share options to the Company's employees which are exercisable on Trip.com Group shares at a price of \$0.01.

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

20. Share-based payments – continued

*Equity-settled share scheme – continued**Options over shares in Trip.com Group – continued*

The portion of options issued to employees (443,328 at the balance sheet date) vest on the following profile:

- 25% of the options vest on the anniversary of the vesting start date over a 4-year period.

The remaining options issued to employees (190,060 at balance sheet date) have varied vesting profiles.

If the options remain unexercised after a period of 8 years from the date of grant, the options expire. Options are forfeited if employment ends in certain circumstances before the options vest.

	LTIP Number	SIP Number	RSU Number	Options issued over Trip.com Group shares Number	Weighted average exercise price £
Outstanding at 1 January 2022	63,866,199	1,538,276	110,905	670,389	1.19
Granted during the year	47,773,250	2,932,311	-	45,000	0.76
Forfeited during the year	(10,130,876)	(51,260)	(13,384)	(81,611)	1.24
Exercised during the year	(1,824,998)	-	(29,487)	-	0.87
Net transfers (from)/to Skyscanner Limited	(242,000)	-	-	420	1.28
Outstanding at 31 December 2022	<u>99,441,575</u>	<u>4,419,327</u>	<u>68,034</u>	<u>634,198</u>	<u>1.04</u>
Exercisable at 31 December 2022	<u>34,652,717</u>	<u>-</u>	<u>-</u>	<u>236,645</u>	

	LTIP Number	SIP Number	RSU Number	Options issued over Trip.com Group shares Number	Weighted average exercise price £
Outstanding at 1 January 2021	65,065,248	1,954,660	292,936	-	1.37
Granted during the year	17,940,000	-	-	674,680	0.81
Forfeited during the year	(19,127,084)	(416,384)	(170,990)	(157,814)	1.39
Exercised during the year	(765)	-	(42,600)	-	0.03
Net transfers (from)/to Skyscanner Limited	(11,200)	-	31,559	153,523	0.77
Outstanding at 31 December 2021	<u>63,866,199</u>	<u>1,538,276</u>	<u>110,905</u>	<u>670,389</u>	<u>1.19</u>
Exercisable at 31 December 2021	<u>42,713,235</u>	<u>-</u>	<u>-</u>	<u>120,252</u>	

The equity settled units outstanding as at 31 December 2022 with valuation determined using the Black-Scholes valuation model had a weighted average exercise price of £1.04 (2021: £1.19) and a weighted average remaining contractual life of 6.82 years (2021: 7.43 years).

The weighted average fair value of equity settled units granted during the year, determined using the Black-Scholes valuation model, was £0.39 (2021: £1.40) per unit. The significant inputs into the Black-Scholes model were:

	2022	2021
Weighted average share price	£0.79	£0.81
Volatility	48%	47%
Expected unit life	4.33 years	4.9 years
Annual risk-free interest rate	<u>2.06%</u>	<u>0.54%</u>

The equity settled units outstanding as at 31 December 2022 with valuation determined using the Monte Carlo valuation model had a weighted average exercise price of £1.86 (2021: £nil) and a weighted average remaining contractual life of 3.68 years (2021: nil years).

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

20. Share-based payments – continued

Equity-settled share scheme – continued

The weighted average fair value of equity settled units granted during the year, determined using the Monte Carlo valuation model, was £0.14 per unit. The significant inputs into the Monte-Carlo model were:

	2022
Weighted average share price	£0.84
Volatility	55%
Expected unit life	4.77 years
Annual risk-free interest rate	<u>2.23%</u>

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

The share-based payment charged to the income statement were as follows:

	2022	2021
	£'000	£'000
<i>Equity settled payments:</i>		
Charge for equity settled share-based payments	<u>13,532</u>	<u>11,076</u>

*Cash-settled bonus unit scheme**Long-term Incentive Plan ('LTIP')*

SHL granted bonus units to the Company's employees. Cash bonus units are exercisable at a price equal to SHL's latest internally announced share price at the grant date.

The bonus units issued to the Company's employees (1,197,850 at the balance sheet date) vest at the following profile:

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

During the year ended 31 December 2021, a new LTIP was approved which included a bonus units scheme. The underlying bonus units are similar to those issued as part of the existing bonus units scheme, however, the vesting profile has been amended to the following (4,089,580 issued to employees at the balance sheet date):

- 25% of the bonus units vest on the anniversary from the vesting start date over a 4 year period.

Active grants held under both schemes are valid.

If the bonus units remain unexercised after a period of 10 years from the date of grant, the bonus units expire. Bonus units are forfeited if employment ends in certain circumstances before the bonus units vest. The bonus units have an average exercise price of £1.00. Out of the 5,287,430 outstanding bonus units, 1,317,619 bonus units were exercisable.

Share Incentive Plan ('SIP')

A SIP scheme was introduced in 2018 and the bonus units were granted in 2019 at the end of the accumulation period (82,000 outstanding at the balance sheet date). The SIP bonus units are split between partnership and matching bonus units with the matching bonus units having a 3-year forfeiture period from the end of the accumulation period. The share-based payment charges for these bonus units have been recognised based on the number of bonus units issued.

A second SIP scheme was introduced in 2020 and the bonus units were granted at the end of the accumulation period (164,000 granted at the balance sheet date). The SIP bonus units are split between partnership and matching bonus units with the matching bonus units having a 3-year forfeiture period from the end of the accumulation period. The share-based payment charges for these bonus units have been recognised based on the number of bonus units issued.

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

20. Share-based payments – continued

*Cash-settled bonus unit scheme – continued**Share Incentive Plan ('SIP') - continued*

A third SIP scheme was introduced in 2022 and the bonus units are granted at the end of the accumulation period in 2023 (1,230,000 estimated to be granted at the balance sheet date). The SIP bonus units are split between partnership and matching bonus units with the matching bonus units having a 3-year forfeiture period from the end of the accumulation period. The share-based payment charges for these bonus units have been recognised based on the estimated number of bonus units to be issued.

	2022			2021		
	LTIP	SIP	Weighted average exercise price (£)	LTIP	SIP	Weighted average exercise price (£)
Outstanding at 1 January	2,047,190	246,000	1.19	2,926,754	258,000	1.27
Granted during the year	3,942,500	1,230,000	0.64	1,362,240	-	0.84
Forfeited during the year	(721,260)	-	0.93	(1,978,004)	(12,000)	1.07
Exercised during the year	-	-	-	(263,800)	-	1.25
Net transfers to Skyscanner Limited	19,000	-	1.43	-	-	-
Outstanding at 31 December	<u>5,287,430</u>	<u>1,476,000</u>	<u>0.78</u>	<u>2,047,190</u>	<u>246,000</u>	<u>1.19</u>

The bonus units outstanding as at 31 December 2022 had a weighted average exercise price of £0.78 and a weighted average remaining contractual life of 8.44 years.

The weighted average fair value of bonus units granted during the year, determined using the Black-Scholes valuation model, was £0.44 (2021: £0.34) per bonus unit. The significant inputs into the Black-Scholes model were:

	2022	2021
Weighted average bonus unit price	£0.64	£0.84
Volatility	40%	49%
Expected unit life	3.3 years	4.5 years
Annual risk-free interest rate	<u>2.78%</u>	<u>0.75%</u>

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

The share-based payment charges in the income statement were as follows:

	2022 £'000	2021 £'000
<i>Cash settled share-based payments:</i>		
Cash bonus equivalent scheme	<u>877</u>	<u>(393)</u>
Carrying amount of scheme liability	<u>984</u>	<u>472</u>
<i>Of which relates to vested assets</i>	<u>325</u>	<u>310</u>

Skyscanner Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

21. Leases

	Right-of-use assets £'000
Cost	
At 1 January 2022	28,053
Additions	24,951
Modification	13,903
Disposals and other adjustments	(6,543)
At 31 December 2022	<u>60,364</u>
Accumulated depreciation and impairments	
At 1 January 2022	19,431
Depreciation charge	7,974
Disposals and other adjustments	(5,654)
At 31 December 2022	<u>21,751</u>
Net book value	
At 31 December 2022	<u>38,613</u>
At 31 December 2021	<u>8,622</u>

The Company leases property and the average lease term is 12 years (2021: 7 years). The incremental borrowing rate is 4.46% (2021: 2.5%) per annum.

	2022 £'000	2021 £'000
<i>Amounts recognised in profit and loss:</i>		
Depreciation expenses on right-of-use assets	7,974	8,901
Interest expenses on lease liabilities	1,190	432
Expenses relating to leases of low value assets	174	-
Income from subleasing right-of-use assets	(71)	-
	<u> </u>	<u> </u>
		Lease liability £'000
At 31 December 2021		8,806
Payments		(7,508)
Interest charge		1,190
Additions		23,508
Modification		12,775
At 31 December 2022		<u>38,771</u>
	2022 £'000	2021 £'000
<i>Analysed as:</i>		
Non-current	35,572	2,456
Current	3,199	6,350
	<u>38,771</u>	<u>8,806</u>
<i>Maturity:</i>		
Year 1	3,199	6,350
Year 2	3,997	795
Year 3	4,171	320
Year 4	4,361	320
Year 5	2,271	329
Year 6+	20,772	692
Total lease liabilities	<u>38,771</u>	<u>8,806</u>

Skyscanner Limited**Notes to the Financial Statements
For the Year Ended 31 December 2022****22. Related party transactions**

	Revenue		Expenses	
	2022	1 January to 19 February 2021	2022	1 January to 19 February 2021
	£'000	£'000	£'000	£'000
Skyscanner Japan K.K.	-	6	-	113
	<u>-</u>	<u>6</u>	<u>-</u>	<u>113</u>

Skyscanner Limited acquired the remaining 49% of the equity share capital of Skyscanner Japan K.K on 19 February 2021. From the date of acquisition, Skyscanner Japan K.K. became a wholly owned subsidiary of the Company (Note 12).

Revenue represents income received from Skyscanner Japan K.K. for the use of the Company's intellectual property. Expenses incurred by Skyscanner Limited represent cost recharges from Skyscanner Japan K.K. There were no amounts due to or from Skyscanner Japan K.K. as at 31 December 2021.

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned subsidiaries.

23. Commitments and contingent liabilities

In anticipation of opening a new office in 2023, the Company has made a capital commitment of £5,624k (2021: none). The Company had no contingent liabilities as at 31 December 2022 (2021: none).

24. Post balance sheet events

In January 2023, the Company repaid the bank debt of £25,000k in full.

On 14 March 2023, the Company received a dividend of SNG\$96,250k from a wholly owned subsidiary.

On 26 May 2023, the Company received a dividend of SNG\$33,500k from a wholly owned subsidiary.

On 23 August 2023, the Company received a dividend of EUR6,500k from a wholly owned subsidiary.

25. Ultimate parent company and controlling party

The Company's immediate parent undertaking is Skyscanner Holdings Limited, a company registered in England. The Company's ultimate parent company and ultimate controlling party is Trip.com Group, a company incorporated in the Cayman Islands, listed on NASDAQ and the Hong Kong stock exchange and whose registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The parent company of the largest and smallest group, which includes the Company and for which consolidated financial statements are prepared, is Trip.com Group, can be obtained from <http://investors.trip.com>.