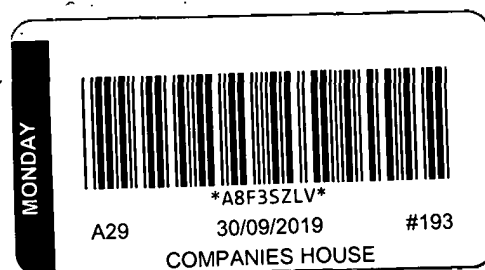


Booking.com Limited

Registered number: 03512889

Annual report

For the year ended 31 December 2018



BOOKING.COM LIMITED

COMPANY INFORMATION

Directors	A D'Amico D Koker
Company secretary	Taylor Vinters Directors Limited
Registered number	03512889
Registered office	Block 3 Westbrook Centre Milton Road Cambridge CB4 1YG
Independent auditor	Deloitte LLP Statutory Auditor St. Albans United Kingdom
Bankers	Deutsche Bank AG 10 Bishops Square (10BS/04/FB161) London E1 6AO

BOOKING.COM LIMITED

CONTENTS

	Pages
Strategic Report	1 - 3
Directors' Report	4 - 5
Directors' Responsibilities Statement	6
Independent Auditor's Report	7 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 36

BOOKING.COM LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

Fair review of the company's business

Booking.com Limited's principal business activity is to provide support services to Booking.com BV.

These services, provided to, for the benefit of and upon request of Booking.com shall include: promoting of Booking.com amongst accommodations in the Territory; informing accommodations and Strategic Partners in the Territory about Booking.com; informing the accommodations pro-actively about how they may improve their performance on the website of Booking.com, based on guidelines and information provided by Booking.com; promoting of Booking.com's feature "Business bookers" to companies in the Territory on how to manage its company's hotel reservations via Booking.com's website; informing Booking.com about accommodations and Strategic Partners in the Territory; supporting the web marketing activities of Booking.com; providing IT related equipment, data center space and herewith related support to Booking.com.

The directors foresee a growth in support services offered by Booking.com Limited to Booking.com BV in line with the growth anticipated in Booking.com BV due to the cost plus revenue structure based on the existing service agreement between both parties.

Key performance indicators

For the financial performance of the company in the year ended 31 December 2018, revenue increased by 28.45% to £88.5 million (2017: £68.9 million) and gross profit margin remained relatively flat at 26.75% (2017: 27.77%).

The increase in earnings before interest, tax, depreciation and amortisation ("EBITDA") of 32.59% to £45.69 million (2017: £34.46 million) was mainly due to the fact that there was an increase of the service fee, and depreciation increased by additional acquisition of computer equipment in 2018. The net book value of fixed assets grew by £11.9 million, to £51.7 million (2017: £39.8 million). The current assets and current liabilities both increased significantly, largely due to the establishment of an exceptional payable and corresponding receivable from the French tax authorities of £261.5m. The working capital ratio, current assets/current liabilities, contracted to 1.1 (2017: 2.3).

The average number of employees remained at 181 (2017: 170) as per note 7.

Principal risks and uncertainties

The healthy financial position and the cost-plus structure ensure that the risks to stakeholders of Booking.com Limited are minimised. The limited risks are explained below.

Financial risk management objectives and policies

Foreign currency risk

Booking.com Limited records its transactions and prepares its financial statements in pounds sterling. However, a substantial proportion of Booking.com Limited's expenditure is paid in Euros and US dollars. As a result, cash balances are held in Euros and US dollars. Fluctuations in exchange rates between pounds sterling and both the Euro and US dollar may result in realised and unrealised exchange movements.

BOOKING.COM LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Financial risk management objectives and policies (continued)*Interest rate risk*

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. This is monitored on an ongoing basis.

As all trade creditors are non interest bearing, they do not expose the company to interest rate risk. The company does not use derivative instruments to hedge against interest rate risk.

Liquidity risk

The company has no long term liabilities and is not financed by external parties, therefore this risk can be considered as low.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The company's credit risk is primarily attributable to trade and other receivables. The amounts presented in the statement of financial position are net of allowances attributable to trade and other receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. In December 2018 the company was requested to pay 291.5m Euros to the French tax authorities, which was paid in January 2019 after entering into a Credit Agreement with Booking.com BV. The company believes that Booking.com has been, and continues to be, in compliance with French tax law, and the Company intends to contest the assessments. The directors believe the full amount will be recovered.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and mailings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employees are eligible for various benefits (e.g. target related bonuses, pension plan, staff discount).

The potential withdrawal of the United Kingdom from the European Union

Due to the invocation of Article 50 of the Treaty on European Union by the United Kingdom, it is expected that the country may withdraw from the European Union during 2019. The terms of the future relationship between the UK and the EU are still unknown, and at the date of this report it is impossible to assess in detail the opportunities and threats that such a withdrawal could present. The directors are aware that the risks which may result from the withdrawal of the UK from the EU may include, but may not be limited to:

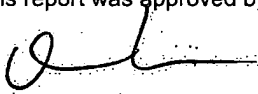
BOOKING.COM LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

- The introduction of tariffs, or changes to rates of other taxes, which may be particularly impactful on companies which operate internationally;
- New restrictions on the free movement of citizens of the EU and the UK, which may affect employees and customers;
- General downward economic pressure, especially in the short term, which may affect overall demand for the Company's services, possibly reducing revenue; and
- Exchange rate volatility which may lead to unpredictable changes in the value of the Company's current assets and liabilities.

The directors are managing these risks by closely monitoring developments, and are confident that the company will be able to amend and modify its procedures to remain fully compliant with any new rules and regulations, and to maintain its standing and reputation in the marketplace throughout Europe and worldwide.

This report was approved by the Board of Directors and signed on its behalf.



A D'Amico
Director

Date: **30 September 2019**

BOOKING.COM LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the company is to provide support services to Booking.com BV.

Results and dividends

The profit for the year, after taxation, amounted to £13,557,019 (2017: profit of £11,703,166).

The directors do not recommend the payment of a dividend for the year (2017: £nil).

Directors

The directors who served during the year were:

A D'Amico
D Koker (appointed 29 April 2019)
M V Otten (resigned 16 April 2018)
P P Verhoeven (resigned 30 September 2018)
K J D Mollat (appointed 16 April 2018, resigned 29 April 2019)

Charitable contributions

During the year the company made charitable donations totaling £690 (2017: £685).

Political donations

No political donations were made during the year (2017: £nil).

Going concern

The directors have considered the principal risks and uncertainties, which include the current economic downturn and the potential adverse effect on sales and the increased inherent credit risk resulting from the downturn. Booking.com Limited has obtained a letter of support from Priceline.com International Limited confirming that they will guarantee that Booking.com Limited will be able to meet all obligations as they fall due for at least 12 months from the date of signing these financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Future developments

The directors foresee a growth in support services offered by Booking.com Limited to Booking.com BV in line with the growth anticipated in Booking.com BV.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

BOOKING.COM LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Matters covered in the strategic report

The company has chosen in accordance with companies Act 2006, s414C(11) to set out in the company's strategic report as required by Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report as they are included in the strategic report on pages 1 to 2. These matters relate to the objectives and policies for financial risk management, disabled employees, and employee consultation.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

On January 2019 the Company entered into a Credit Agreement with Booking.com BV in the amount of 291.5m Euros for the purpose of funding the corporation tax payment related to the reassessment of the 2015 fiscal year issued by the French tax authorities.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



A. D'Amico
Director

Date: 30 September 2019

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors are responsible for preparing the annual report and audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these audited financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOOKING.COM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOKING.COM LIMITED

Report on the audit of the financial statements**Opinion**

In our opinion the financial statements of Booking.com Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

BOOKING.COM LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOKING.COM LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

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

BOOKING.COM LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOKING.COM LIMITED
(CONTINUED)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exemption

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Julian Rae (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom

Date: 30 September 2019

BOOKING.COM LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	3	88,519,704	68,896,840
Cost of sales		(64,838,416)	(49,762,942)
Gross profit		23,681,288	19,133,898
Administrative expenses		(7,193,177)	(4,636,333)
Other operating income	4	194,113	-
Operating profit	5	16,682,224	14,497,565
Other income	9	20,453	29,784
Interest receivable and similar income	10	263,841	2,258
Interest payable and similar expenses	11	(91,182)	(139,599)
Profit before taxation		16,875,336	14,390,008
Tax on profit	12	(3,318,317)	(2,686,842)
Total comprehensive income for the year		13,557,019	11,703,166

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations and there are no other items of comprehensive income.

The notes on pages 13 to 36 form part of these financial statements.

BOOKING.COM LIMITED
REGISTERED NUMBER: 03512889

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	13	51,710,534	39,734,826
Investments	14	18,250	18,250
		<u>51,728,784</u>	<u>39,753,076</u>
Current assets			
Debtors: amounts falling due after more than one year	15	261,503,498	-
Debtors: amounts falling due within one year	15	29,054,927	19,101,904
Cash at bank and in hand	16	1,466,039	166,055
		<u>292,024,464</u>	<u>19,267,959</u>
Creditors: amounts falling due within one year	17	(279,597,488)	(8,503,894)
Net current assets		<u>12,426,976</u>	<u>10,764,065</u>
Total assets less current liabilities		<u>64,155,760</u>	<u>50,517,141</u>
Net assets		<u>64,155,760</u>	<u>50,517,141</u>
Capital and reserves			
Called up share capital	20	5,507	5,507
Share premium account	21	6,108,008	6,108,008
Profit and loss account	21	58,042,245	44,403,626
Shareholders' funds		<u>64,155,760</u>	<u>50,517,141</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

A D'Amico
Director

Date: 30 September 2019

The notes on pages 13 to 36 form part of these financial statements

BOOKING.COM LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2017	5,507	6,108,008	33,032,306	39,145,821
Comprehensive income for the year				
Profit for the year	-	-	11,703,166	11,703,166
Total comprehensive income for the year	-	-	11,703,166	11,703,166
Share based payment reserve	-	-	(331,846)	(331,846)
Total transactions with owners	-	-	(331,846)	(331,846)
At 1 January 2018	5,507	6,108,008	44,403,626	50,517,141
Comprehensive income for the year				
Profit for the year	-	-	13,557,019	13,557,019
Total comprehensive income for the year	-	-	13,557,019	13,557,019
Share based payment reserve	-	-	81,600	81,600
Total transactions with owners	-	-	81,600	81,600
At 31 December 2018	5,507	6,108,008	58,042,245	64,155,760

The notes on pages 13 to 36 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies

1.1 General Information

Booking.com Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The address of its registered office and principal place of business is Block 3, Westbrook Centre, Milton Road, Cambridge, CB4 1YG.

The principal activity of the company is to provide support services to Booking.com BV.

The financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates and is rounded to the nearest pound.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies.

The following principal accounting policies have been applied:

1.3 Financial reporting standard 102 - reduced disclosure exemptions

The company, meeting the definition of a qualifying entity under FRS 102, has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 'Statement of Financial Position' to present a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- the requirements of Section 7 'Statement of Cash Flows' and Section 3 'Financial Statement Presentation' to present a cash flow and related notes;
- the disclosure requirements of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues'; and
- the requirement of Section 33 'Related Party Disclosures' Paragraph to disclose the total remuneration of key management personnel.

For the disclosure exemption in Section 11 and Section 12, the equivalent disclosures are included in the consolidated financial statements of Booking Holdings as at 31 December 2018 and these financial statements may be obtained from 800 Connecticut Avenue, Norwalk, Connecticut 06854, USA.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)**1.4 Basis of consolidation**

The company is a wholly-owned subsidiary of Priceline.com International Limited, a company incorporated in England and Wales, which itself is a wholly-owned subsidiary of Booking Holdings Inc., a company incorporated in the United States of America. Booking Holdings Inc. is the controlling party and the parent undertaking of the smallest and largest group which consolidates the financial information of the company. Therefore the company has taken advantage of the exemption available under Section 400 Act 2006 not to prepare consolidated financial statements itself.

Copies of the group's financial statements may be obtained from Booking Holdings, at their registered office and principal place of business which is 800 Connecticut Avenue, Norwalk, Connecticut 06854, USA.

1.5 Going concern

The directors have considered the principal risks and uncertainties, which include the current economic downturn and the potential adverse effect on sales and the increased inherent credit risk resulting from the downturn. Booking.com Limited has obtained a letter of support from Priceline.com International Limited confirming that they will guarantee that Booking.com Limited will be able to meet all obligations as they fall due for at least 12 months from the date of signing these financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.6 Turnover

Turnover is based on the service agreement with Booking.com BV whereby the Company will be reimbursed and compensated for all reasonable costs and expenses with a markup of 5%. In addition, the Company will receive an amount equal to 2% of the revenue earned by Booking.com BV in the Territory. Revenue is earned in the period during which the service is provided.

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	10% - 20% per annum
Computer equipment	-	33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.8 Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of Comprehensive Income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

1.9 Operating leases - lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the term of the lease.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)**1.10 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each statement of financial position date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period.

1.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.12 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Pound Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

1.14 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.16 Share based payments

The company has applied the requirements of section 26 'Share-based payment' in these financial statements.

The company's ultimate parent company issues equity-settled share-based payments to certain of the company's employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company reimburses Booking Holdings Inc. for share based payments provided to its employees pursuant to reimbursement agreements. Share-based payments are reimbursed based on its fair value at the date of vesting and is netted off against share based payments charge in the statements of changes in equity.

1.17 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

1.18 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations; when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

2.1 Critical judgements in applying the company's accounting policies

Management does not consider there to be any critical judgments in applying accounting policies.

2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Provision for contingent liabilities

Judgement is applied by management when determining the likelihood of any liability arising from the outcome of the ongoing matter with the French tax authorities (see Note 23).

(ii) Determining residual values and useful economic lives of property, plant and equipment and intangible assets

The company depreciates tangible and intangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

3. Turnover

The company's turnover arises from the service agreement with Booking.com BV. Booking.com Limited's principal activity is to provide support services to this company.

	2018 £	2017 £
Intercompany revenue	88,519,704	68,896,840

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Other operating income

	2018 £	2017 £
Other operating income	194,113	-
	<u>194,113</u>	<u>-</u>

5. Operating profit

Operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	29,009,048	19,963,280
Operating lease expenses	17,283,996	12,377,179
Exchange differences	68,184	222,861
Share based payment expense	2,713,821	1,718,395
Defined contribution pension cost	270,084	232,256
(Profit)/loss on disposal of assets	104,712	-
	<u> </u>	<u> </u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	46,550	50,259
	<u> </u>	<u> </u>

There were no non-audit fees payable to the company's auditor for the year ended 31 December 2018 (2017: £nil).

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	9,599,768	9,258,374
Social security costs	1,620,045	1,566,585
Cost of defined contribution scheme	270,084	232,256
	<u>11,489,897</u>	<u>11,057,215</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Partner services	54	50
Commercial	109	105
Administration	18	15
	<u>181</u>	<u>170</u>

8. Directors' remuneration

During the year, no director received any emoluments as they are paid by another entity within the group for services (2017: £nil).

None of the directors participated in the company's share option scheme during the year (2017: £nil).

9. Other income

	2018 £	2017 £
Income from fixed asset investments	(20,453)	(29,784)
	<u>(20,453)</u>	<u>(29,784)</u>

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	260,031	-
Bank interest receivable	3,810	2,258
	<u>263,841</u>	<u>2,258</u>

11. Interest payable and similar expenses

	2018 £	2017 £
Bank charges	8	-
Interest on loans from group undertakings	91,174	139,599
	<u>91,182</u>	<u>139,599</u>

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	5,442,905	3,940,902
Adjustments in respect of previous years	(251,678)	(90,767)
	<u>5,191,227</u>	<u>3,850,135</u>
Total current tax	<u>5,191,227</u>	<u>3,850,135</u>
Deferred tax		
Origination and reversal of timing differences	(1,871,545)	(1,156,802)
Adjustment in respect of prior years	(1,365)	(6,491)
	<u>(1,872,910)</u>	<u>(1,163,293)</u>
Total deferred tax	<u>(1,872,910)</u>	<u>(1,163,293)</u>
Taxation on profit	<u>3,318,317</u>	<u>2,686,842</u>

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	16,875,336	14,360,224
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	3,206,314	2,763,851
Effects of:		
Capital allowances for the year in excess of depreciation	42,320	21,312
Expenses not deductible for tax purposes	4,855	9,769
Income not taxable for tax purposes at 19%	(3,601)	-
Exempt AGBH distributions	(3,886)	-
Adjustments to tax charge in respect of prior periods	(251,678)	(90,767)
Adjustments to tax charge in respect of prior periods - deferred tax	(1,365)	-
Other timing differences leading to an increase in taxation	220,181	145,519
Share scheme	515,266	330,732
Share awards	(410,089)	(493,574)
Total tax charge for the year	3,318,317	2,686,842

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% was substantively enacted in September 2016 and will take effect from 1 April 2020.

This further rate of reduction has been reflected in the calculation of deferred tax at the balance sheet date. The closing deferred tax asset as at 31 December 2018 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future period.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2018	3,891,715	93,766,536	97,658,251
Additions	874,524	40,214,946	41,089,470
Disposals	(380,834)	(11,244,606)	(11,625,440)
At 31 December 2018	<u>4,385,405</u>	<u>122,736,876</u>	<u>127,122,281</u>
Depreciation			
At 1 January 2018	570,737	57,352,688	57,923,425
Charge for the year	203,348	28,805,700	29,009,048
Disposals	(283,908)	(11,236,818)	(11,520,726)
At 31 December 2018	<u>490,177</u>	<u>74,921,570</u>	<u>75,411,747</u>
Net book value			
At 31 December 2018	<u>3,895,228</u>	<u>47,815,306</u>	<u>51,710,534</u>
At 31 December 2017	<u>3,320,978</u>	<u>36,413,848</u>	<u>39,734,826</u>

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018	<u>18,250</u>
At 31 December 2018	<u>18,250</u>

At 31 December 2017 and 31 December 2018 the net book value of the investments in subsidiary companies was equal to their cost.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Bookingdotcom Satis Destek Hizmetleri Limited Sirketi	Ömer Avni Mah. Inebolu Sok.No:39 Haktan Is Merkezi Kat:1, 34427, Kabatas Beyoglu, Istanbul, Turkey	Support services	ordinary	0.05%
Priceline Booking.com Hellas Support services	280, Kifissias Avenue Chalandri, P.C. 152 32, Athens, Greece	Support services	ordinary	0.1667%
Booking.com Russia LLC	125047, Moscow, ul. Butyrsky val, 10, Russian Federation, Russia	Support services	ordinary	1.10%
Booking.com Brasil SdRdH LTDA	Alameda Santos, 960, 9o andar, Sao Paulo-SP; CEP 01418-100, Brazil	Support services	ordinary	0.00005%
Booking.com Egypt LLC	Building A1, Business Park A Cairo Festival City, Cairo, Egypt	Support services	ordinary	0.04348%
Booking.com Natal Prestacao de Servicos LTDA	Avenida Engenheiro Roberto Freire, 1962, Capim Macio; lojas 22,23 e 24 Seaway Shopping. CEP 59082-400, Brazil	Support services	ordinary	0.001%
Booking.com Thailand Co Ltd	No. 399, Levels 34 Interchange 21 Building, Sukhumvit Road, North Klongtoey Sub-district, Wattana District, Bangkok 10110, Thailand	Support services	ordinary	0.0005%

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Debtors

	2018 £	2017 £
Due after more than one year		
Corporation tax - prior year assessments (see note 23)	261,503,498	-
	<u>261,503,498</u>	<u>-</u>
	2018 £	2017 £
Due within one year		
Amounts owed by group undertakings	13,485,118	7,983,257
VAT and other debtors	2,098,836	720,819
Prepayments and accrued income	7,261,236	6,061,001
Deferred taxation (see note 19)	6,209,737	4,336,827
	<u>29,054,927</u>	<u>19,101,904</u>

The amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

Prepayments includes an amount of £2,230,947 (2017: £2,353,109) which are due in more than one year.

16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,466,039</u>	<u>166,055</u>

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,834,971	529,892
Amounts owed to group undertakings	8,087,866	974,989
Corporation tax	2,897,307	2,286,586
Other taxation and social security	275,359	270,474
Other creditors and accrued expenses	4,998,487	4,441,953
Corporation tax - prior year assessments (see note 23)	261,503,498	-
	<u>279,597,488</u>	<u>8,503,894</u>

Amounts owed to group undertakings includes a credit facility of £8m that is unsecured, bears interest at a per annum rate equal to 1.125% above LIBOR GBP one-month, and is repayable on demand.

18. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	1,466,039	166,055
Financial assets measured at amortised cost	284,348,688	8,704,075
	<u>285,814,727</u>	<u>8,870,130</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(276,424,821)</u>	<u>(5,946,834)</u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings, prepayments and other debtors, and corporation tax - prior year assessments.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and other creditors, and corporation tax - prior year assessments.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Deferred taxation

	2018 £	2017 £
At beginning of year	4,336,827	3,173,534
Charged to profit or loss	1,872,910	1,163,293
At end of year	6,209,737	4,336,827

The deferred tax asset is made up as follows:

	2018 £	2017 £
Short term timing differences	18,455	2,515
Capital allowance in deficit in depreciation	6,191,282	4,334,312
	6,209,737	4,336,827

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
5,318,046 (2017: 5,318,046) A ordinary shares of £0.001 each	5,318	5,318
189,161 (2017: 189,161) B ordinary shares of £0.001 each	189	189
	<u>5,507</u>	<u>5,507</u>

A and B ordinary shares rank pari passu in all aspects except dividends whereby the A ordinary shares are entitled to the first £1,650,000 (2017: £1,650,000) of any dividends declared.

21. Reserves**Share premium account**

This reserve represents the amount above the nominal value received for issued share capital, less transaction costs.

Profit and loss account

This reserve represents cumulative profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Share based payments

Employees of the company participate in stock option plans related to options on shares of Booking Holdings Inc. Options are exercisable at a price equal to the average quoted market price of the Priceline.com group's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Priceline.com group before the options vest. This is a group share based payment plan where the share based payment expense is allocated based on the restricted stock units and performance share units granted

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

	Weighted average exercise price 2018 \$	Number of share options 2018	Weighted average exercise price 2017 \$	Number of share options 2017
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-

During 2018, no share options have been exercised, granted, forfeited or exercised. During 2017, no share options were exercised, granted or forfeited.

There were no options outstanding at 31 December 2018 (2017: nil).

Restricted stock units and Performance share units

Employees of the company are also awarded restricted stock units (RSUs) and performance share units (PSUs) in Booking Holdings as incentives and rewards to encourage employees to contribute to the long-term success of Booking Holdings. The RSUs and PSUs are payable in shares of Booking Holdings upon vesting, which is generally a period of three years. Subject to certain exceptions (a change in control, death, disability, etc) the RSUs and PSUs are forfeited if the employee leaves Booking Holdings before completing the required service period. The RSUs and PSUs are valued at fair value based on the common stock of Booking Holdings at the date of grant of the RSUs or PSUs. Stock based compensation expense for RSUs and PSUs during the vesting period includes estimated forfeitures. The PSUs are based on the attainment of certain performance targets. Stock based compensation expense for PSUs is recorded based on the estimated probable outcome at the end of the performance period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

22. Share based payments (continued)

Details of the RSUs outstanding during the year are as follows:

	Weighted average grant price 2018 \$	Number of RSUs 2018	Weighted average grant price 2017 \$	Number of RSUs 2017
Outstanding at the beginning of the year	1,432.46	4,698	1,296.63	4,595
Granted during the year	2,034.08	1,338	1,735.10	1,372
Vested during the year	1,242.03	(1,464)	1,338.24	(1,520)
Performance share units adjustments	1,735.10	509	1,735.10	251
Forfeited during the year	1,748.70	(58)		
Outstanding at the end of the year	1,675.24	5,023	1,432.46	4,698

The RSUs outstanding as at 31 December 2018 had a weighted average remaining contractual life of 1.14 years (2017: 1.80 years). In 2018, 1,338 RSUs, (2017: 1,372 RSUs) were granted with estimated values of the RSUs of USD 2,721,593 (2017: USD 2,380,557). In 2018 the company recognised a total expense of GBP 2,713,821 net of costs (2017: GBP 1,718,395), in relation to equity-settled share-based payment transactions.

The actual number of shares to be issued on vesting will be determined upon completion of the performance period.

The inputs into the Black Scholes model for options granted during the period are as follows:

	2018 £	2017 £
Weighted average share price (cents)	\$1,675.24	\$1,432.46
Exercise price (cents)	\$1,735.10	\$1,735.10
Weighted average contractual life (years)	1.14	1.8

Expected volatility is based on historical volatility of the company's stock as well as the implied volatility from publicly traded options on Booking Holdings stock. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. Contingent liabilities

French tax authorities recently concluded an audit of Booking.com that started in 2013 of the years 2003 until mid 2012. They are asserting that Booking.com has a permanent establishment in France and are seeking to recover what they claim are unpaid income taxes and value-added taxes ("VAT"). In December 2015, the French tax authorities issued Booking.com assessments for approximately 291.5 million Euros, the majority of which would represent penalties and interest. In December 2018 the company was requested to pay the amount due as a result of the corporation tax reassessment of the 2006 to 2012 fiscal years. The amount of 291.5m Euros was paid in January 2019 after entering into a Credit Agreement with Booking.com BV (see note 27). At 31 December 2018 this is reflected as an amount owed to the French tax authorities of £261.5m included within creditors due within one year. The same amount is expected to be recovered from the tax authorities, but not within one year, and as such it is reflected in debtors falling due after more than one year.

French tax authorities are currently conducting an audit of the years 2013 onwards, based on the same assumptions. As of now, no assessment has been received. The company believes that Booking.com has been, and continues to be, in compliance with French tax law, and the Company intends to contest the assessments. If the company is unable to resolve the matter with the French authorities, it would expect to challenge the assessments in the French courts. In order to contest the assessments in court, the company may be required to pay, upfront, the full amount or a significant part of any such assessments, though any such payment would not constitute an admission by it that it owes the tax. Booking.com engaged with local tax advisors and in the opinion of the advisors it is more likely-than-not that Booking.com would win this case. Therefore, the company has not recorded any provision for this matter.

24. Pension commitments

The company operates a defined contribution plan for all employees of the company. Contributions made into this plan are paid by the company at rates specified in the rules of the schemes. The total amount recognise in profit and loss during the year was £270,084 (2017: £232,256). As at the reporting date, amounts payable of £57,159 (2017: £40,470) had not been paid over to the plan.

25. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	14,890,203	13,713,088
Later than 1 year and not later than 5 years	29,296,158	41,118,337
Later than 5 years	3,242,631	3,183,551
Total	47,428,992	58,014,976

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

26. Related party transactions

The company is a wholly owned member of the Booking Holdings, and as such has taken advantage of the exemption permitted by section 33 related party disclosure, not to provide disclosures of transaction entered into with other wholly members of the group.

The following amounts were owed by group undertakings at the year end:

	2018 £	2017 £
Booking.com BV	10,592,490	7,921,036
BookingSuite BV	-	10,604
Traveljigsaw Limited	51,132	51,617
Priceline Group Treasury Company BV	2,332,209	-
Booking.com Customer Service Center (UK) Ltd	509,287	-
	<u>13,485,118</u>	<u>7,983,257</u>

The amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

The following amounts were owed to group undertakings at year end:

	2018 £	2017 £
Booking.com International Services BV	16,443	-
Priceline Group Treasury Company BV	-	704,693
Priceline.com International Limited	-	3,590
Booking.com Customer Service Center (UK) Limited	-	266,706
Booking.com BV	8,071,423	-
	<u>8,087,866</u>	<u>974,989</u>

Amounts owed to group undertakings includes a credit facility of £8m that is unsecured, bears interest at a per annum rate equal to 1.125% above LIBOR GBP one-month, and is repayable on demand.

27. Post balance sheet events

On 23 January 2019 the Company entered into a Credit Agreement with Booking.com BV in the amount of 291.5m Euros for the purpose of funding the corporation tax payment related to the reassessment of the 2015 fiscal year (see note 23). The unpaid principal amount bears interest at a rate which is equivalent to a fixed differential of 90 basis points per annum above the EURIBOR one-month rate. The amount is repayable on the maturity date of the agreement which is considered as five years from the date the agreement was executed.

BOOKING.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Controlling party

100% of the issued share capital of the company is owned by Priceline.com International Limited, a company incorporated in England and Wales whose principal place of business is at 100 New Bridge Street, London EC4V 6JA. The directors consider this to be the immediate parent company.

The company's ultimate parent company and controlling party is Booking Holdings, a company incorporated in the United States of America, whose principal place of business and registered office is, and whose financial statements can be obtained at 800 Connecticut Avenue, Norwalk, Connecticut 06854, USA and this is the smallest and largest group in which the results of the company are consolidated.