

Airbnb UK Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 07797907



Airbnb UK Limited

Report and Financial Statements for the year ended 31 December 2020

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Directors

D Bernstein
K Pawson

Company secretary

Abogado Nominees Limited, 100 New Bridge Street, London, United Kingdom

Registered office

100 New Bridge Street, London, United Kingdom, EC4V 6JA

Company number

07797907

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Airbnb UK Limited

Strategic Report for the year ended 31 December 2020

The directors present their Strategic Report together with the audited financial statements of Airbnb UK Limited ("the Company") for the year ended 31 December 2020.

Principal activities

The Company's principal activity during the year under review continued to be that of the provision of development and marketing support activities to help promote the Airbnb online marketplace.

Business review and future developments

The financial statements show that revenue for the year ended 31 December 2020 was £64,747,476 (2019 (as restated): £25,384,425) and the profit before taxation for the year ended 31 December 2020 was £14,595,952 (2019: £5,630,617). The Company's net assets as at 31 December 2020 were £13,583,548 (2019: £11,108,313).

The Company follows the group strategy as defined by its ultimate parent entity, Airbnb, Inc. and the activities of the Company are to promote the Airbnb online marketplace. The Company promotes the Airbnb online marketplace by performing development and marketing support services on behalf of the group. The Company recognises revenue as a recharge of expenses incurred as a result of providing these services in line with the intercompany services agreement in place. During 2020, COVID-19 caused disruption to global travel which resulted in reduced demand for the Airbnb online marketplace. This had a direct consequence for the Company since demand for the development and marketing support services provided to the wider Group was reduced in comparison to 2019.

To offset against this reduction in demand, during 2020, the Company incurred additional expenses outside the normal course of business. These expenses were recharged in line with the intercompany agreement in place and resulted in an overall increase in revenue in comparison to 2019. The most significant expense arose due to the IPO of the ultimate parent entity, Airbnb, Inc. on 10th December 2020 on the NASDAQ. A share-based payment charge of £24,909,114 (2019: £374,586) was recognised by the Company, along with a recharge of £36,855,326 (2019: £Nil) of share-based payment costs, plus associated taxes, to another group undertaking. Further detail is given in Note 16.

Key performance indicators ("KPIs")

The Company's directors monitor progress and strategy by reference to the following KPIs:

	For the year ended 31 December 2020 £	For the year ended 31 December 2019 £ (Restated)	Change £	Change %
Revenue	64,747,476	25,384,425	39,363,051	155%
Operating profit	14,590,985	5,617,659	8,973,326	160%

Refer to business review and future developments above for details explaining increase in revenue for the year.

Principal risks and uncertainties

The Company's principal risks and uncertainties are set out below:

Legislative risk: The emergence of Airbnb Ireland UC's online marketplace for people to book accommodations is a relatively new economic sector and the legislation governing it can be rapidly evolving. This leads to a chance that future legislation may negatively impact Airbnb Ireland UC's ability to operate as it currently does which, given Airbnb Ireland UC is the sole customer of the Company, could adversely impact the Company's operations. This risk is mitigated by a dedicated policy team within Airbnb Ireland UC and affiliated entities who review upcoming legislation and lobby for potential changes in order to protect the host community and allow Airbnb Ireland UC's business to continue to operate as it is currently.

Airbnb UK Limited

Strategic Report for the year ended 31 December 2020 (*continued*)

Principal risks and uncertainties (*continued*)

Interest rate and credit risk: The Company's cash and cash equivalents consist of highly-liquid instruments and are comprised primarily of demand deposits held at financial institutions that management believes are credit worthy. Deposits with these institutions may exceed the amount of insurance provided on these deposits. These amounts are subject to nominal fluctuations in interest rates which generally do not affect the results of operations. Intercompany receivables are owed from other group undertakings. The Company considers the credit risk to be negligible due to the support given by the parent company, including that via the intercompany agreements in place. Intercompany balances are subject to interest charges if they are not settled within the terms of the intercompany agreements. The Company considers the interest rate risk associated with this to be negligible as intercompany balances are settled within the agreed terms.

Liquidity and cash flow risk: The Company has significant intercompany receivable balances which are easily convertible into cash and therefore the liquidity risk of the Company is deemed to be low. The Company's sole customer is Airbnb Ireland UC and amounts owed to the Company are settled on a regular basis in cash, which mitigates the cash flow risk of the Company.

Going concern

The financial statements report a profit after tax of £14,306,316 (2019: £4,505,019) and at the balance sheet date, the Company had net assets of £13,583,548 (2019: £11,108,313). The Company exists under a return on sales model via an intercompany agreement with a fellow group company, Airbnb Ireland UC, and therefore is structured to be profit making on an annual basis.

In considering the appropriateness of the use of the going concern assumption, the directors have considered the structure of the Company's operations in the context of the wider Group, and the provision of Group support, including that via existing intercompany agreements in place.

Following consideration of these matters, the directors continue to believe it is appropriate to adopt the going concern basis in preparing the financial statements. These financial statements are prepared on a going concern basis, under the historical cost convention.

On behalf of the board:

DocuSigned by:

A8623FE9CEC1461...
K Pawson
Director

Date: 8 December 2021

Airbnb UK Limited

Directors' Report for the year ended 31 December 2020

The directors present their report together with the audited financial statements of Airbnb UK Limited ("the Company") for the year ended 31 December 2020.

Directors

The directors of the Company during the year and since the year end were:

D Bernstein (Appointed 27 January 2020)

K Pawson (Appointed 27 January 2020)

E Hession (Resigned 27 January 2020)

Director's indemnities

The Company provides an indemnity for the director of the Company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The ultimate parent undertaking provides an indemnity and maintains liability insurance for its directors and officers. The qualifying third party indemnity was in place during the year ended 31 December 2020 and as at the date of this report.

Financial risk management

Information on financial risk management has been included in the Strategic Report.

Future developments

Information on future developments has been included in the Strategic Report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Airbnb UK Limited

Directors' report for the year ended 31 December 2020 (*continued*)

Going concern

These financial statements are prepared on a going concern basis, under the historical cost convention. In considering the appropriateness of the use of the going concern assumption, the directors have considered the nature of the Company's operations and the provision of Group support. Following consideration of these matters, the directors continue to believe it is appropriate to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 24 February 2021, the Company took the decision to extend one of its leased offices until 23 April 2023. The minimum lease payments due under this non-cancellable operating lease extension amount to £198,958. There is no impact to the amounts reported in the financial statements for the year ended 31 December 2020.

Dividends

The Company did not pay or propose an interim or final dividend for the year ended 31 December 2020 (2019: £Nil).

Auditors

The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors during the year and have expressed their willingness to continue in office.

On behalf of the board:

DocuSigned by:

A8623FE9CEC1461...
K Pawson
Director

Date: 8 December 2021

Airbnb UK Limited

Independent Auditor's Report to the Members of Airbnb UK Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Airbnb UK Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

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

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Airbnb UK Limited

Independent Auditor's Report to the Members of Airbnb UK Limited (*continued*)

Other Companies Act 2006 reporting

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report has 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 material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Airbnb UK Limited

Independent Auditor's Report to the Members of Airbnb UK Limited (*continued*)

Auditor's responsibilities for the audit of the financial statements (*continued*)

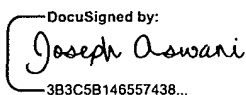
- We obtained an understanding of the legal and regulatory frameworks applicable to the entity and determined that the most significant which are directly relevant to the specific assertions in the financial statements are those related to the reporting framework (Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006);
- We determined how the entity is complying with those legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance procedures, corroborating our enquiries through our review of board minutes;
- We used an engagement team with appropriate competence and capabilities to identify non-compliance with laws and regulations; and
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it is considered there was a susceptibility to fraud. We also considered the processes and controls that the entity has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those process controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

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.

DocuSigned by:

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Joseph Aswani (*Senior Statutory Auditor*)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 08 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Airbnb UK Limited

Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £	2019 £ (Restated)
Turnover	5	64,747,476	25,384,425
Administrative expense		(50,156,491)	(19,766,766)
Operating profit	7	14,590,985	5,617,659
Interest receivable		4,967	12,958
Profit before taxation		14,595,952	5,630,617
Income tax expense	8	(289,636)	(1,125,598)
Profit after taxation and total comprehensive income for the year		14,306,316	4,505,019

There was no other comprehensive income or loss during the year ended 31 December 2020, or the year ended 31 December 2019.

The results stated above are derived from continuing activities.


The notes on pages 11 to 22 form part of these financial statements.

Airbnb UK Limited

Statement of Financial Position at 31 December 2020

<i>Company number 07797907</i>	Note	2020 £	2020 £	2019 £ (Restated)	2019 £ (Restated)
Fixed assets					
Tangible assets	9		1,497,920		2,779,565
Current assets					
Debtors	10	57,156,285		7,787,126	
Cash at bank		24,218,905		5,646,222	
		<u>81,375,190</u>		<u>13,433,348</u>	
Creditors: amounts falling due within one year	11	(69,164,361)		(4,877,477)	
Net current assets			<u>12,210,829</u>		<u>8,555,871</u>
Total assets less current liabilities			<u>13,708,749</u>		<u>11,335,436</u>
Provisions for liabilities	12		(125,201)		(227,123)
Total assets less total liabilities			<u>13,583,548</u>		<u>11,108,313</u>
Capital and reserves					
Called up share capital	15		102		102
Share premium			4,720,156		4,720,156
Currency translation			48,828		48,828
Other reserve	16		(11,103,212)		843,000
Capital contribution			115,131		-
Retained earnings			19,802,543		5,496,227
Total shareholders' funds			<u>13,583,548</u>		<u>11,108,313</u>

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

DocuSigned by:

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 K Pawson
 Director
 Date: 8 December 2021

The notes on pages 11 to 22 form part of these financial statements.

Airbnb UK Limited
Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital £	Share premium £	Currency translation £	Other reserve £	Capital contribution £	Retained earnings £	Total equity £
Balance as at 1 January 2019	102	4,720,156	48,828	468,414	-	991,208	6,228,708
Profit for the financial year after taxation and total comprehensive income for the year	-	-	-	-	-	4,505,019	4,505,019
Net share based payment credit (see note 16)	-	-	-	374,586	-	-	374,586
Balance as at 31 December 2019	102	4,720,156	48,828	843,000	-	5,496,227	11,108,313
Profit for the financial year after taxation and total comprehensive income for the year	-	-	-	-	-	14,306,316	14,306,316
Net share based payment debit (see note 16)	-	-	-	(11,946,212)	-	-	(11,946,212)
Capital contribution	-	-	-	-	115,131	-	115,131
Balance as at 31 December 2020	102	4,720,156	48,828	(11,103,212)	115,131	19,802,543	13,583,548

The notes on pages 11 to 22 form part of these financial statements.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020

1 Statutory information

Airbnb UK Limited ("the Company") is a private Company, limited by shares, incorporated and domiciled in England and Wales in the United Kingdom ("UK") under the Companies Act 2006. The Company's registered number and registered office address can be found on the Company Information page. The principal activity of the Company is set out in the Strategic Report.

2 Accounting policies

Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The preparation of the 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 (see note 3).

The following principle accounting policies have been applied:

Financial reporting standard 102 – reduced disclosure exemptions

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

- the requirements of Section 7 'Statement of Cash Flows' and paragraph 3.17(d);
- the requirements of Section 11 'Financial Instruments' paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.45(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 'Other Financial Instruments' paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 'Share-based Payment' paragraphs 26.18(b) to 26.21 and 26.23; and
- the requirements of Section 33 'Related Party Disclosures' paragraph 33.7

This information is included in the consolidated financial statements of Airbnb, Inc. as at 31 December 2020 and these financial statements may be obtained from Airbnb, Inc., 888 Brannan Street, San Francisco, California, 94103.

Going concern

The financial statements report a profit after tax of £14,306,316 (2019: £4,505,019) and at the balance sheet date, the Company had net assets of £13,583,548 (2019: £11,108,313). The Company exists under a return on sales model via an intercompany agreement with a fellow group company, Airbnb Ireland UC, and therefore is structured to be profit making on an annual basis.

In considering the appropriateness of the use of the going concern assumption, the directors have considered the structure of the Company's operations in the context of the wider Group, and the provision of Group support, including that via existing intercompany agreements in place.

Following consideration of these matters, the directors continue to believe it is appropriate to adopt the going concern basis in preparing the financial statements. These financial statements are prepared on a going concern basis, under the historical cost convention.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (*continued*)

2 Accounting policies (*continued*)

Turnover

Turnover represents the value of services provided to Airbnb Ireland UC under the services arrangement in place. Turnover is calculated based on a recharge of costs incurred by the Company with a return on sales based on the service agreement. Turnover is recognised on an accruals basis, when chargeable costs are incurred by the Company and to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

All turnover presented within the financial statements relates to the Company's principal activity and originates within the United Kingdom.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the Statement of Comprehensive Income in the period in which the service is received.

(ii) Pension costs

Contributions to the Company's defined contribution scheme are charged to the Statement of Comprehensive Income in the year in which they become payable. The assets of the scheme are held separately from those of the Company in an independently administered fund.

(iii) Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the Statement of Comprehensive Income when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(iv) Share-based payments

The Company's ultimate parent undertaking operates an equity-settled share-based compensation plan and grants share options and restricted stock units ("RSUs") to the Company's employees. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

The Company recharges the employer tax benefit associated with the share options and RSUs granted to employees of the Company to the ultimate parent undertaking, Airbnb, Inc., with a corresponding increase in the amounts owed to group undertakings.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets 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.

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. The estimated useful lives range as follows:

Computer equipment	-	20% straight line
Fixtures and fittings	-	20% straight line
Leasehold improvements	-	Over the shorter of the lease term or asset life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly within 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 taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timings differences. Deferred tax balances are not discounted.

Financial instruments

The Company has chosen to apply the provision of Section 11 'Basic Financial Instruments and Section 12 of 'Other Financial Instruments Issues' of FRS 102 to all of its Financial Instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amount presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Basic financial assets, including other debtors and amounts due from group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised costs are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Basic financial liabilities, including trade and other creditors and loans from fellow group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classed as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company has taken exemption from the requirement to present certain financial instruments disclosures, as required by section 11 and 12 of FRS 102.

Foreign currencies

The Company's functional and presentational currency is GBP (£).

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling on the balance sheet date. Exchange differences are included in the Statement of Comprehensive Income within administrative expenses in the period in which they arise.

Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Capital and reserves

- Called up share capital represents the nominal value of the shares issued.
- The share premium account represents the amount subscribed for share capital in excess of the nominal value.
- Other reserve represents accumulated impact of share-based payments (see note 16).
- Retained earnings represents the cumulative profits or losses, net of dividends paid and other adjustments.
- Capital contribution represents cash gifted to the Company.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (*continued*)

3 Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the director has had to make the following judgments:

- The Company has intercompany receivables and payables, which it expects to be fully paid and received without a premium or discount. In assessing the recoverability of amounts owed to the Company by fellow group undertakings, Management has considered the anticipated cash flow within the wider group and the support from the ultimate parent company, and has deemed these balances recoverable.
- Determine whether transactions with other subsidiary undertakings of the Company have been conducted on an arms' length basis. These decisions involve the input of internal and external tax advisors to the Company, including analysis of comparable companies and Groups who operate in similar markets to Airbnb, Inc.
- Determine inputs in to the calculation of fair value at grant date of restricted stock units ("RSUs") and the option pricing model used to calculate the fair value at grant date of stock options issued during the year. Key estimates used include expected volatility, dividend yield, share price, risk free rate and the expected life of the RSUs or stock options. Volatility is determined based on a statistical analysis of comparable companies. Dividend yield is estimated based on Management's expectations of the future dividend yield. The share price is calculated based on a third party discounted cash flow valuation of the wider Group. Risk free rate is estimated based on the yield on US treasury bonds with maturities in line with the estimated life of the RSUs or stock options. Estimated life is based on historical experience and vesting history with the wider Group.
- The Company makes an estimate of the timing differences expected between amounts that have originated but not reversed at the reporting date. The Company also estimates the expected tax rates to apply in the future in which the timing differences are expected to reverse. The Company makes an assessment over the recoverability of deferred tax balances based on the expected future taxable income the Company is expected to recognise. This estimate is based on historical performance as well as expected future performance.
- Determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

4 Correction of prior period error

During the year ended 31 December 2020, the Company performed an internal review of share-based payment accounting and detected that no liability for employer national insurance contributions had been recorded since inception of the share scheme in the year ended 31 December 2016. Such a liability is required to be recorded in line with Section 26 of FRS 102. Additionally, under the intercompany services agreement in place, revenue is recognised based on a recharge of such expenses at cost, and the impact of this had been omitted.

As at 1 January 2019, accruals were understated by £1,384,273 due to the required recognition of a national insurance liability. Amounts owed from group undertakings were understated by an equal amount due to the recharge of this expense to a fellow group undertaking at cost. The net impact on opening retained earnings was £Nil due to the offsetting nature of the national insurance expense and revenue generated from the recharge agreement.

As at 31 December 2019, the intrinsic value of an option had fallen, resulting in a reduction of £44,491 in the national insurance payable. In the comparative period of these restated financial statements, accruals were therefore overstated by £44,491 and administrative expenses was overstated by £44,491. Revenue and amounts owed from group undertakings were overstated by an equal amount. In the year ending 31 December 2019, there was no impact of this adjustment on retained earnings or profit for the year.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 *(continued)*

5 Turnover

All turnover is attributable to the principal activities of the Company.

An analysis of turnover by geographical market is given below:

	2020 £	2019 £ (Restated)
United Kingdom	64,747,476	25,384,425

6 Employees and directors

	2020 £	2019 £ (Restated)
Staff costs consist of:		
Wages and salaries	8,762,494	8,125,089
Share-based payments (see note 16)	24,909,114	374,585
Social security costs	8,438,012	1,272,251
Pension costs	375,096	342,631
	42,484,716	10,114,556
	Number	Number
The average monthly number of employees, including directors, during the year were:	66	67

There was one director remunerated by the Company for services provided to the Company during the year (2019: none):

	2020 £	2019 £
Directors' emoluments	210,278	-
Amounts receivable under long-term incentive schemes	1,031,388	-
Company contributions to defined contribution pension scheme	28,294	-
	1,269,960	-

There was one director who was a member of a defined contribution pension scheme (2019: none). During the year one director received shares under the long term incentive schemes (2019: none). During the year, no directors exercised shares (2019: none).

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Operating profit

	2020 £	2019 £
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	1,225,943	1,100,989
Operating lease expense	1,381,612	1,173,355
Loss on disposal of fixed assets	205,558	-
Auditors' remuneration		
- Audit of these financial statements	19,750	18,427
- Other services	1,950	-

Fees payable to the Company's auditor were settled by fellow group undertaking in the current year.

8 Taxation on profit on ordinary activities

	2020 £	2019 £
a) Tax expenses included in the Statement of Comprehensive Income		
UK corporation tax	1,340,362	1,131,392
Total tax on profit on ordinary activities	1,340,362	1,131,392
Deferred tax:		
Origination and reversal of timing differences (see note 14)	(1,050,726)	(5,794)
Total deferred tax	(1,050,726)	(5,794)
Total tax on profit on ordinary activities	289,636	1,125,598

The Company has no tax losses arising in the UK that are available indefinitely for offset against future taxable profits of the Company.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (*continued*)

8 Taxation on profit on ordinary activities (*continued*)

b) Reconciliation of tax charge

Tax assessed is lower than (2019 - higher than) the standard rate of corporation tax in the UK for the years ended 31 December 2020 and 2019. The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before taxation	14,595,952	5,630,617
Profit before taxation on ordinary activities multiplied by the UK corporation tax rate of 19%	2,773,231	1,069,817
Expenses not deductible for tax purposes	50,146	9,622
Origination and reversal of timing differences	(1,050,726)	(5,794)
Permanent timing differences	185,709	61,771
Effects of share-based payments	(1,804,548)	71,194
Capital allowances in excess of depreciation	135,824	(81,012)
Total tax on profit on ordinary activities	289,636	1,125,598

On 12 March 2020, The Chancellor of the Exchequer announced that instead of the main rate of corporation tax reducing to 17% from 1 April 2020 as planned, it would remain at 19% for the foreseeable future. At the UK Budget in 2021, it was announced that legislation will be introduced in Finance Bill 2021 to set the main rate at 25% for financial years beginning 1 April 2023. This change was substantively enacted on 24 May 2021. The impact of the change in rate is to increase the deferred tax asset to £1,457,412. The deferred tax asset recognised in these financial statements is measured at 19% as this is the tax rate in force at the Balance Sheet date (note 14).

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

9 Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>				
At 1 January 2020	2,698,939	220,202	3,168,906	6,088,047
Additions	75,148	-	16,788	91,936
Disposals	(1,236,549)	-	-	(1,236,549)
At 31 December 2020	1,537,538	220,202	3,185,694	4,943,434
<i>Accumulated depreciation</i>				
At 1 January 2020	1,133,195	48,288	2,126,999	3,308,482
Charge for the year	554,586	41,994	629,363	1,225,943
Disposals	(1,088,911)	-	-	(1,088,911)
At 31 December 2020	598,870	90,282	2,756,362	3,445,514
<i>Net book value</i>				
At 31 December 2020	938,668	129,920	429,332	1,497,920
At 31 December 2019	1,565,744	171,914	1,041,907	2,779,565

10 Debtors

	2020 £	2019 £ (Restated)
Amounts owed by group undertakings	50,014,037	6,521,287
Other debtors	368,604	611,248
Deferred tax asset (see note 14)	1,107,630	56,904
Value added tax	1,091,457	282,340
Prepayments	4,574,557	315,347
	57,156,285	7,787,126

All amounts shown above fall due for payment within one year except a rental deposit of £189,221 (2019: £603,123), which is included in other debtors.

Amounts owed by group undertakings are interest bearing and repayable within 60 days.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Creditors: amounts falling due within one year

	2020 £	2019 £ (Restated)
Trade creditors	477,501	214,264
Amounts due to group undertakings	42,857,885	-
Corporation tax payable	332,997	942,010
Other taxes and social security	24,262,242	1,598,871
Accruals	1,233,736	2,122,332
	<u>69,164,361</u>	<u>4,877,477</u>

Amounts due to group undertakings are interest bearing, and repayable within 90 days.

12 Provisions for liabilities

	Dilapidations £
At 1 January 2020	227,123
Charged to statement of comprehensive income	52,222
Utilised in year	(154,144)
	<u>125,201</u>
At 31 December 2020	

13 Commitments

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
No later than one year	722,125	899,450
Later than 1 year and not later than 5 years	504,588	740,594
	<u>1,226,713</u>	<u>1,640,044</u>

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 Deferred tax asset

	2020 £	2019 £
Capital allowances in excess of depreciation	27,127	(128,300)
Share-based payments	1,062,859	160,170
Other	17,644	25,034
	<u>1,107,630</u>	<u>56,904</u>

The movement in deferred tax asset comprises of:

	2020 £	2019 £
Balance at 1 January	56,904	50,027
Amount credited to the income statement	1,050,726	6,877
	<u>1,107,630</u>	<u>56,904</u>
Balance at 31 December	<u>1,107,630</u>	<u>56,904</u>

15 Share capital

	2020 £	2019 £
<i>Authorised, allotted, called up and fully paid</i> 102 (2019 - 102) ordinary shares of £1 each	<u>102</u>	<u>102</u>

16 Share-based payments

The ultimate parent undertaking, Airbnb, Inc., maintained the 2008 Equity Incentive Plan ("2008 Plan") which authorised the Company to grant stock options and restricted stock units ("RSUs") to key management personnel and employees. In 2018, the Group adopted the 2018 Equity Incentive Plan ("2018 Plan") which replaced the 2008 Plan. The 2018 Plan authorised the Company to grant stock options and RSUs to key management personnel and employees.

Share options granted typically vest over a four-year period from the date of grant and are exercisable for up to ten years. All share options are equity-settled and the fair value of the options is determined using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes model include Airbnb, Inc.'s share price, expected volatility, expected term and the risk-free interest rate. The vesting of share options is conditional on continued service of the employee with the Company. 25% of the share options vest after one year from the grant date and the remaining 75% vests monthly over the following three years of the required service period. The total share option expense recognised during the year ended 31 December 2020 was £199,037 (2019: £315,764), with a corresponding increase in the share option reserve.

Airbnb UK Limited

Notes to the financial statements for the year ended 31 December 2020 (*continued*)

16 Share-based payments (*continued*)

RSUs granted typically vest over a four-year period from the date of grant and are all equity-settled, payable in shares of the ultimate parent undertaking. The value of RSUs is determined using the fair value method and is based on the number of shares granted and the share price of Airbnb, Inc. at the grant date. The fair value of RSUs is determined using a Business Enterprise Valuation model conducted by an independent third-party. Both single-trigger and double-trigger RSUs were granted to key management personnel and employees of the Company. The vesting of single trigger RSUs is conditional on continued service of the employee with the Company. The vesting of double trigger RSUs is conditional on continued service of the employee with the Company and include a liquidation criteria. The liquidation criteria was satisfied when the ultimate holding corporation, Airbnb, Inc., became listed on NASDAQ in the United States of America on 10 December 2020. 25% of the RSUs vest after one year from the grant date and the remaining 75% vests quarterly over the following three years of the required service period. The total RSU expense recognised during the year ended 31 December 2020 was £24,710,077 (2019: £58,822), with a corresponding increase in the share option reserve.

The Company also operates a recharge agreement with the ultimate parent undertaking, Airbnb, Inc. This agreement enables the Company to recharge the employer tax benefit associated with all equity awards granted to employees of the Company. This agreement is separate from the intercompany services agreement in place (see note 2). The total employer tax benefit recharged under this agreement during the year ended 31 December 2020 was £36,855,324 (2019: £nil), with a corresponding increase in amounts owed to group undertakings.

The net impact of the above share-based payments transactions on shareholders' funds during the year ended 31 December 2020 was a net debit of £11,946,212 (2019: credit of £374,586). This amount equals the share option and RSU expense recognised of £24,909,114 (2019: £374,586), less the employer tax benefit recharged to Airbnb, Inc. of £36,855,326 (2019: £nil).

The Company has taken the reduced disclosure exemptions available in respect of share based payments, as the Company is a qualifying entity and equivalent disclosures are given in the consolidated financial statements of Airbnb, Inc. The Company is a qualifying entity as its results are consolidated into the financial statements of Airbnb, Inc., which are publicly available at the address given in note 17.

17 Ultimate controlling party

The immediate parent undertaking is Airbnb Holdings, LLC, a company incorporated in the United States of America.

The ultimate parent undertaking and ultimate controlling party is Airbnb, Inc. a company incorporated in the United States of America.

Airbnb, Inc. is the only company that consolidates the Company's results. The consolidated financial statements of Airbnb, Inc. may be obtained from Airbnb, Inc., 888 Brannan Street, San Francisco, California, 94103.

The Company has taken exemption from the requirement to disclose certain related party transactions as required by paragraph 33.7 of FRS 102.

18 Post balance sheet events

On 24 February 2021, the Company took the decision to extend one of its leased offices until 23 April 2023. The minimum lease payments due under this non-cancellable operating lease extension amount to £198,958. There is no impact to the amounts reported in the financial statements for the year ended 31 December 2020.