

Booking.com Customer Service Center (UK) Limited

Registered number 08515908

Annual report

For the year ended 31 December 2018



BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

COMPANY INFORMATION

Directors	J R Waters A Rotelli
Company secretary	Taylor Vintners Directors Limited
Registered number	08515908
Registered office	Block 3 & 4 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 United Kingdom E1 6AO

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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BOOKING.COM CUSTOMER SERVICE CENTER (UK) 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 Customer Service Center (UK) Limited principal business activity is to provide customer support services to Booking.com BV

The directors foresee a growth in customer support services offered by Booking.com Customer Service Center (UK) 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

Financial key performance indicators

For the financial performance of the company in the year ended 31 December 2018, revenue increased by 8% to £50 million (2017: £46.4 million) and Gross profit margin remained flat at 21% (2017: 20%)

The increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of 20% to £4.8 million (2017: £4 million) was mainly due to the service fee revenue generated during the year based on the cost-plus structure. During the year current assets increased by £3.7 million to £10.6 million in 2018 (2017: £6.9 million). The net book value of fixed assets decreased by £0.9 million to £5.5 million (2017: £6.4 million)

The average number of employees for the year ended 31 December 2018 was 1,266 (2017: 1,208)

Principal risks and uncertainties

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

Financial risk management objectives and policies

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.

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

Financial risk management objectives and policies (continued)

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).

United Kingdom withdrawal 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. At the reporting date it is impossible to assess in detail the opportunities and threats that such a withdrawal could present. The directors are aware that risks which may result from the withdrawal of the UK from the EU may include, but may not be limited to:

- 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 and signed on its behalf.



**J R Waters
Director**

Date 30 September 2019

BOOKING.COM CUSTOMER SERVICE CENTER (UK) 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 during the year was the provision of customer support services for Booking.com BV

Results and dividends

The profit for the year, after taxation, amounted to £2,664,082 (2017 profit of £2,346,149)

During the year £nil dividends were proposed and paid (2017 £nil).

Directors

The directors who served during the year were

J R Waters

A Rotelli

K J D Mollat (appointed 16 April 2018, resigned 29 April 2019)

Charitable contributions

During the year the company made no charitable donations (2017 £nil)

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. The directors do not consider there to be any material uncertainties.

The directors have reviewed the latest financial position of the company and prepared a cash flow forecast for the following 24 months post year end which they consider makes appropriate allowance for these uncertainties. This shows that the company is expected to be debt free and cash generative for the foreseeable future.

Based upon the above, the directors have a reasonable expectation that the company can continue to operate for a period of at least 12 months from the date of approval of these financial statements and have therefore adopted the going concern basis of preparation.

Future developments

The directors foresee a growth in support services offered by Booking.com Customer Service Center (UK) 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 CUSTOMER SERVICE CENTER (UK) 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 in formation 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 have been omitted 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

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

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



**J R Waters
Director**

Date 30 September 2019

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

The directors are responsible for preparing the annual report and the 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 for the company's financial statements 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,
- 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 CUSTOMER SERVICE CENTER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

Opinion

In our opinion the financial statements of Booking com Customer Service Center (UK) 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,
- the related notes 1 to 24

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 United Kingdom, including the Financial Reporting Council'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 the 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 CUSTOMER SERVICE CENTER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOKING.COM CUSTOMER SERVICE CENTER (UK) 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements**Opinion 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

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED (CONTINUED)

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.

Matters on which we are required to report by exception

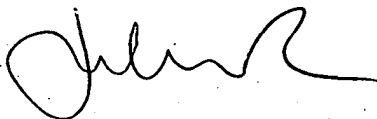
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion

- 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 the audit 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 Deloitte LLP
Statutory Auditor
St Albans
United Kingdom

Date 30 September 2017

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

	Note	2018 £	2017 £
Turnover	3	50,054,516	46,440,230
Cost of sales		(39,755,186)	(37,037,299)
Gross profit		10,299,330	9,402,931
Administrative expenses		(7,024,349)	(6,364,783)
Operating profit	4	3,274,981	3,038,148
Interest receivable and similar income	8	30,818	1,884
Interest payable and similar expenses	9	(388)	(470)
Profit before taxation		3,305,411	3,039,562
Tax on profit	10	(641,329)	(693,413)
Total comprehensive income for the year		2,664,082	2,346,149

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 27 form part of these financial statements.

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED
REGISTERED NUMBER: 08515908

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	5,523,289	6,369,125
		<u>5,523,289</u>	<u>6,369,125</u>
Current assets			
Debtors: amounts falling due within one year	12	10,535,891	6,804,671
Cash at bank and in hand	13	50,000	50,000
		<u>10,585,891</u>	<u>6,854,671</u>
Creditors: amounts falling due within one year	14	(6,075,848)	(5,814,824)
Net current assets		<u>4,510,043</u>	<u>1,039,847</u>
Total assets less current liabilities		<u>10,033,332</u>	<u>7,408,972</u>
Provisions for liabilities			
Deferred tax		-	(27,830)
		<u>-</u>	<u>(27,830)</u>
Net assets		<u>10,033,332</u>	<u>7,381,142</u>
Capital and reserves			
Called up share capital	17	1,600,000	1,600,000
Profit and loss account	18	8,433,332	5,781,142
		<u>10,033,332</u>	<u>7,381,142</u>

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



J R Waters
Director

The notes on pages 12 to 27 form part of these financial statements.

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,600,000	3,491,425	5,091,425
Comprehensive income for the year			
Profit for the year	-	2,346,149	2,346,149
Total comprehensive income for the year	-	2,346,149	2,346,149
Share based payments	-	(56,432)	(56,432)
Total transactions with owners	-	(56,432)	(56,432)
At 1 January 2018	1,600,000	5,781,142	7,381,142
Comprehensive income for the year			
Profit for the year	-	2,664,082	2,664,082
Total comprehensive income for the year	-	2,664,082	2,664,082
Share based payments	-	(11,892)	(11,892)
Total transactions with owners	-	(11,892)	(11,892)
At 31 December 2018	1,600,000	8,433,332	10,033,332

The notes on pages 12 to 27 form part of these financial statements

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

1. Accounting policies

1.1 General Information

Booking.com Customer Service Center (UK) 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 & 4, Westbrook Centre, Milton Road, Cambridge, CB4 1YG.

The principal activity of the company during the year was the provision of customer support services for 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 (see note 2).

The following principal accounting policies have been applied:

1.3 Financial reporting standard 102 - reduced disclosure exemptions

The company 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 paragraph 4.12(a)(iv),
- the requirements of Section 7 Statement of Cash Flows,
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d),
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c),
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A,
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is 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 CUSTOMER SERVICE CENTER (UK) LIMITED

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

1. Accounting policies (continued)

1.4 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. The directors do not consider there to be any material uncertainties.

The directors have reviewed the latest financial position of the company and prepared a cash flow forecast which they consider makes appropriate allowance for these uncertainties. This shows that the company is expected to be debt free and cash generative for the foreseeable future.

Based upon the above, the directors have a reasonable expectation that the company can continue to operate for a period of at least 12 months from the date of approval of these financial statements and have therefore adopted the going concern basis of preparation.

1.5 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 7%. Revenue is earned in the period where the service is provided. The Company provides customer support services to, for the benefit of, and upon request of Booking.com under the terms and conditions as set out in the service agreement.

1.6 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.

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.

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

1. Accounting policies (continued)

1.7 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset

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

1.8 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

1.9 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

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

1. Accounting policies (continued)

1.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP

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'.

1.11 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.

1.12 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.

1.13 Interest income

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

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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

1. Accounting policies (continued)

1.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

When payments are eventually made, they are charged to the provision carried in the statement of financial position

1.15 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

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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 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 payment charge in the statement of changes in equity.

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.

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

3. Turnover

The company's turnover arises from the service agreement with Booking.com BV. Booking.com Customer Service Center (UK) Limited's principal activity is to provide customer support services towards this company in the Netherlands.

	2018 £	2017 £
Intercompany revenue	50,054,516	46,440,230

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

BOOKING.COM CUSTOMER SERVICE CENTER (UK) LIMITED

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4. Operating profit

The operating profit is stated after charging

	2018 £	2017 £
Depreciation of tangible fixed assets	1,543,682	967,365
Operating lease expense	2,806,962	1,683,290
Exchange differences	1,354	10,265
Share based payment expense	70,812	89,156
Defined contribution pension cost	807,779	726,304

5. Auditor's remuneration

	2018 £	2017 £
Audit fees	16,020	19,540
	16,020	19,540

The amount of non-audit fees paid to the Company's auditor during the year was £nil (2017 £nil)

6. Employees

Staff costs were as follows

	2018 £	2017 £
Wages and salaries	33,545,262	32,081,111
Social security costs	3,530,718	2,920,847
Cost of defined contribution scheme	807,779	726,304
	37,883,759	35,728,262

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

	2018 No.	2017 No.
Administration	1,266	1,208

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7. Directors' remuneration

During the year, no director performed any qualifying services for the Company and as such received no emoluments (2017 £nil) Directors are remunerated by a different entity within the group

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

8. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from group companies	25,032	1,884
Other interest receivable	5,786	-
	<u>30,818</u>	<u>1,884</u>

9. Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	<u>388</u>	<u>470</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	809,928	664,782
Adjustments in respect of previous years	(88,437)	32,637
	<u>721,491</u>	<u>697,419</u>
Total current tax	<u>721,491</u>	<u>697,419</u>
Deferred tax		
	16	
Origination and reversal of timing differences	(80,182)	(3,503)
Effect of tax rate change on opening balance	-	-
Adjustments in respect of prior periods	20	(503)
Total deferred tax	<u>(80,162)</u>	<u>(4,006)</u>
Taxation on profit	<u>641,329</u>	<u>693,413</u>

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

The tax assessed for the year is higher than (2017 higher than) the standard rate of corporation tax in the UK of 19.00% (2017 19.25%). The differences are explained below

	2018 £	2017 £
Profit before taxation	3,305,411	3,039,562
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017 19.25%)	628,028	585,012
Effects of:		
Fixed asset differences	73,315	57,326
Expenses not deductible for tax purposes	19,133	18,600
Income not taxable for tax purposes	(163)	(121)
Adjustments to tax charge in respect of prior year	(88,437)	32,637
Adjustments to tax charge in respect of previous periods - deferred tax	20	-
Adjustment closing deferred tax to average rate of 19.25%	6,157	(4,182)
Adjustment opening deferred tax to average rate of 19.25%	3,276	4,141
Total tax charge for the year	641,329	693,413

Factors that may affect future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and subsequently 19% to 18% from 1 April 2020, was enacted on 26 October 2015. A further reduction in the UK corporation tax rate was announced in the 2016 Finance Act to further reduce the tax rate to 17% (to be effective 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 periods.

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11. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2018	7,692,299	1,099,150	8,791,449
Additions	257,875	439,971	697,846
At 31 December 2018	<u>7,950,174</u>	<u>1,539,121</u>	<u>9,489,295</u>
Depreciation			
At 1 January 2018	1,796,528	625,796	2,422,324
Charge for the year on owned assets	1,202,736	340,946	1,543,682
At 31 December 2018	<u>2,999,264</u>	<u>966,742</u>	<u>3,966,006</u>
Net book value			
At 31 December 2018	<u>4,950,910</u>	<u>572,379</u>	<u>5,523,289</u>
At 31 December 2017	<u>5,895,771</u>	<u>473,354</u>	<u>6,369,125</u>

12. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	9,663,475	5,998,510
VAT receivable	141,936	184,986
Prepayments and accrued income	678,148	619,940
Deferred taxation (see note 16)	52,332	1,235
	<u>10,535,891</u>	<u>6,804,671</u>

Amounts owed by group companies are unsecured, interest-free and repayable on demand

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>50,000</u>	<u>50,000</u>

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14. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	272,646	22,547
Amounts owed to group undertakings	513,998	-
Corporation tax	240,396	-
Other taxation and social security	761,329	757,583
Other creditors and accrued expenses	4,287,479	5,034,694
	<u>6,075,848</u>	<u>5,814,824</u>

The amounts owed to group undertakings are interest free and repayable on demand.

15. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	50,000	50,000
Financial assets that are debt instruments measured at amortised cost	10,585,893	6,183,494
	<u>10,635,893</u>	<u>6,233,494</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(5,074,123)	(5,057,242)
	<u>(5,074,123)</u>	<u>(5,057,242)</u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings, prepayments and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

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16. Deferred taxation

	2018 £	2017 £
Liability at beginning of year	(27,830)	(31,836)
(Charged) / credited to profit or loss	80,162	4,006
Asset / (liability) at end of year	52,332	(27,830)
	2018 £	2017 £
Accelerated capital allowances	34,190	(42,195)
Short term timing differences	18,142	14,365
	52,332	(27,830)
	2018 £	2017 £
Comprising:		
Asset	52,332	1,235
Liability	-	(27,830)
	52,332	(26,595)

17. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,600 ordinary shares issued of £1,000 each	1,600,000	1,600,000

The ordinary shares carry full voting rights and entitle the holder to full participation in respect of equity and in the event of winding up of the Company. The shares may be considered by the directors when considering dividends from time to time.

18. Reserves**Profit and loss account**

This reserve represents cumulative profits and losses

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19. Share based payments**Stock option plan**

Employees of the company participate in stock option plans related to options on shares of Booking Holdings. Options are exercisable at a price equal to the average quoted market price of the Booking Holdings 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 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.

Restricted stock units & Performance share unit

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 group before completing the required service period. The RSUs and PSUs are valued at fair value based on Booking Holdings common stock 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.

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19. Share based payments (continued)

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.

Details of the RSUs outstanding during the year are as follows

	Weighted average grant price (\$) 2018	Number 2018	Weighted average grant price (\$) 2017	Number 2017
Outstanding at the beginning of the year	1,505.48	156	1,292.07	182
Granted during the year	-	-	1,735.10	93
Forfeited during the year	1,242.03	(56)	1,495.79	(25)
Exercised during the year	-	-	1,322.04	(94)
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,653.01	100	1,505.48	156

The RSUs outstanding as at 31 December 2018 had a weighted average remaining contractual life of 1.14 years (2017: 2 years). In 2018, no RSUs (2017: 93 RSUs) were granted with estimated values of the RSUs of USD nil (2017: USD 161,364).

The company recognised total expenses of £11,892 (2017: £89,156) related to equity-settled share-based payment transactions. The liability for share-based transactions as at balance sheet date is £nil (2017: £nil).

Performance share units adjustments reflect the additional shares based on the estimated probable outcome at the end of the performance period.

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 year are as follows

	2018	2017
Weighted average share price (USD)	\$1,653.01	\$1,735.10
Exercise price (USD)	\$1,735.10	\$1,735.10
Weighted average contractual life (years)	1.14	2

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.

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20. 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 recognised in profit and loss during the year was £807,779 (2017: £726,304). As at the reporting date, amounts payable of £89,605 (2017: £97,673) had not been paid over to the plan.

21. 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	2,096,287	1,975,762
Later than 1 year and not later than 5 years	7,219,805	7,502,120
Later than 5 years	1,419,825	2,901,382
Total	10,735,917	12,379,264

22. Related party transactions

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

The following amounts were due from group companies:

	2018 £	2017 £
Booking.com BV	3,811,103	2,968,280
Booking Holdings Group Treasury Company	5,852,372	2,763,523
Booking.com Ltd	-	266,707
	9,663,475	5,998,510

The following amounts were due to group companies:

	2018 £	2017 £
Booking.com Ltd	509,312	-
Booking.com International Services BV	4,687	-
	513,999	-

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23. Post statement of financial position events

There have been no significant events affecting the company since the year end

After the year end the company declared and paid a £nil dividend to its parent company (2017: £nil)

24. Controlling party

100% of the issued share capital of the company is owned by Booking com Customer Service Holding BV, a company incorporated in Netherlands whose principal place of business is at Herengracht 597, Amsterdam. The directors consider this to be the immediate parent company.

The company's ultimate parent company and controlling party is Booking Holdings Inc., 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.