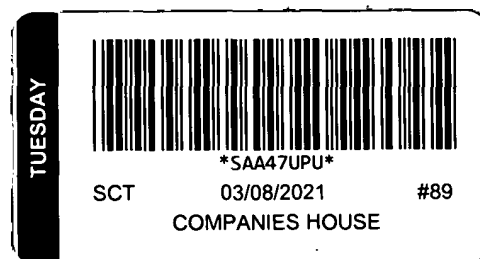


Spotahome Ltd
Annual report and consolidated
financial statements
for the year ended 31 December 2019

Registered number 09366964



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Spotahome Ltd

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Spotahome Ltd

Strategic report

Review of the business

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Spotahome Ltd and its subsidiary undertakings when viewed as a whole.

Spotahome Ltd (the "Company") and its subsidiaries (together the "Group") engages in the provision of internet platform services that connects landlords to tenants for rental accommodation for stays of 30 days or longer, and this activity is carried out through the Company's website and mobile applications. In the year ended 2019, the Group principally traded through Spotahome Ltd (UK), Spotahome SLU (Spain) and Cokidoo Studios SL (Spain). However, during 2019 the group also established operations into Spotahome Germany GmbH (Germany), Spotahome Portugal Unipessoal LDA (Portugal), Spotahome Ireland Limited (Ireland), Spotahome Sarl (France), Spotahome Italy Srl (Italy), and Spotahome Belgium BV (Belgium). All these new openings have a preliminary commercial approach focused on local customer support and supply acquisition, while keeping most of the transactions centralized in Spotahome SLU (Spain).

In February 2018, the Group raised a convertible loan note to the value of €6,000,000. Following the Group's successful Series B round in May 2018, the outstanding notes and accrued interest automatically converted into Series B preferred shares. Using the funds from the loan note and Series B raise (total €39,400,000 including the converted loan note), the business worked through significant expansion throughout 2018, 2019 to current.

In the prior year, the Group successfully completed the acquisition of Cokidoo Studios SL, gaining access to the largest network of Erasmus students in Europe, as well as adding significant additional properties to the Group's rental inventory. There have been no acquisitions during 2019.

In the year ended 31 December 2019, The Group generated underlying EBITDA loss, excluding exceptional items, of €21,775,519 (2018: loss of €12,817,368). Revenue for the year was €9,049,967 and operating loss before exceptional items was €22,631,988 (2018: €7,352,248 and loss of €13,263,010 respectively). 2019 has been a transitional year, where the Group invested in the setting up of a new structure across Europe to accomplish the international expansion plans, hence the increase in costs above the increase in revenues. For the financial year ending 31 December 2020, Covid did affect the group (see post balance sheet events section, below) yet the Group focused on a drive to improve margins through leveraging the operational platform which it has built, attracting a greater number of landlords to the platform (and as such, increase the listing of rentable units), and creation of demand through improved use of marketing spend. During 2021 to the date, as mobility restrictions have started to relax, the Group is experiencing a strong recovery. Almost reaching pre-COVID sales figures but with a much profitable business model.

The Group did not register exceptional items in 2019 (2018: €5,270,910). The exceptional items in 2018 relate to an impairment of goodwill, see Note 11.

Key performance indicators

Key Performance Indicators for the Group are noted in the table below:

	2019 €	2018 €
Revenue	9,049,967	7,352,248
Operating (loss)/profit before exceptional items	(22,631,988)	(13,263,010)
Operating (loss)/profit before exceptional items as a % of Revenue	(250%)	(180%)
EBITDA (excluding exceptional items)	<u>(21,775,519)</u>	<u>(12,817,368)</u>

Principal risks and uncertainties

Competitive risks

The Group has competition from other online platforms and high street agents who provide rental properties. The directors consider that continuing investment in the platform technology, product innovation and investment in marketing will help drive the Group to gain greater share in the rental market.

Spotahome Ltd

Strategic report (continued)

Principal risks and uncertainties (continued)

Market risks

The Group considers that given trends to a more international community and the free movement of people, rental of accommodation is insulated somewhat from a downturn in the market. However, factors outside of the Group's control, such as COVID-19, can and will have significant impacts on the industry with the restriction on international mobility and the closing of international borders. Further details on the use of the going concern assumption can be found in the "Going concern" section of the Directors' Report on page 4.

The exit of the United Kingdom from the European Community is deemed to have limited, if any, impact for the business. To date, the Group has not experienced any significant drop in the volume of operations currently being performed in the United Kingdom, neither have we seen a decrease in UK citizens using our services to move internationally within Europe.

Legislative risks

The Group is subject to EU and UK consumer law, including data-protection directives. The General Data Protection Regulation ("GDPR") came into effect on 25 May 2018, changing the European privacy landscape. The regulation introduced a new principle to data protection rules in Europe, that of accountability. GDPR requires that the controller is responsible for making sure all privacy principles are adhered to and that the Group can demonstrate compliance with all GDPR principles.

The Group is also subject to regulation regarding private rented properties in the jurisdictions it operates, including regulations referring to standards of living, size of rentable units and health and safety. Further, the Group is bound in some of those jurisdictions by regulations imposing registration and reporting obligations regarding online platforms and owners of rental transactions.

The Group employs qualified legal professionals to advise on all matters of compliance as and when they arise.

Exposure to credit, liquidity and cash flow risks

Group income is largely received from payment service providers, reaching our banks accounts in a few days. Suppliers are generally paid on 30-day terms or more and therefore our operational working capital risks are negligible. The Group does not use derivatives to hedge any financial risks.

The Group is dependent funding from investors and future funding rounds to meet its obligations. Details of future funding expectations and the impact of COVID-19 can be found in the "Going concern" section of the Directors' Report on page 4. The Group has no material external loans and therefore is not exposed to interest rate risk.

Foreign exchange risks

During the year, only a small proportion of the Company's operating revenue and expenses are collected or invoiced in foreign currencies and as such general fluctuations in exchange rates are not considered a material risk to the business. From a non-operational point of view, the Group expanded its headquarters in the UK during 2019, hence an increase in the level of administrative relating costs being paid in a currency different from the Euro. This supposes an additional exposure to foreign exchange risks; however, it is still not considered significant to the business.

Spotahome Ltd

Strategic report (continued)


Future developments and post balance sheet events

As a consequence of the COVID-19 crisis, and especially since described as a pandemic by the World Health Organization on 11 March 2020, the international mobility and therefore the core business of the Group were strongly impacted, with a significant reduction in sales. In response to this the Directors conducted a business review to assess the impact on future fund raising, as well as the disruption to short and medium term trading, future performance and liquidity. The Group has made use of all wage compensation schemes available to them in the respective operating countries and have cut costs aggressively. As a result of all these measures, the Group has been able to navigate through 2020 with a better result than initially expected. From the second half of the year 2020 the Group has improved dramatically their margins, reduced costs, and therefore have been able to build a much stronger business going forward. During 2021 to date, as mobility restrictions have started to relax, the Group is experiencing a strong recovery. Almost reaching pre-COVID sales figures but with a much profitable business model. Therefore, the Directors expect the Group to continue its current activities.

In February 2020, the Group was successful in raising additional funding in the form of a convertible loan note, which will assist in navigating the short-term uncertainty regarding trading conditions as a result of COVID-19, and help the Group to continue as a going concern. The value of the loan note raised was \$15,600,000, with a maturity date of 12 February 2021, although on the maturity date the noteholders showed their interest to keep supporting the Group and the maturity date is therefore now in the process of being officially extended until December 2022. The loan note converts to equity following a "qualified funding event" (defined as raising at least \$30,000,000 from the issuance of preferred shares to any party). Following a qualified funding event, the outstanding notes and accrued interest automatically convert into the class of preferred shares that are issued to investors pursuant to the event.

Details of future funding expectations and the impact of COVID-19 can be found in the "Going concern" section of the Directors' Report on page 4.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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P A A Amichis

Director

28 July 2021

Third Floor
65 Clerkenwell Road
London
United Kingdom
EC1R 5BL

Spotahome Ltd

Directors' report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2019.

Information on future developments, post balance sheet events and financial risk management is included in the Strategic Report on page 1.

Dividends

The directors do not recommend the payment of a dividend in 2019 (2018: none).

Directors

The directors, who served throughout the year and up to the date of this report, except as noted, were as follows:

B M E R Acevedo

P A A Amichis

B G Ordonez

M R Rowghani (appointed on 25/05/18)

S Glaenzer (resigned on 08/01/20)

R Dighero (appointed on 08/01/20)

Research and development

During the year, the Group has focused its research and development activities on the building out and improving the digital product offering of the Company's website, and enhancing customer experience, through both online and mobile channels. An amount of €560,201 was capitalised as intangible assets in the year.

Going concern

The emergence of Coronavirus (COVID-19) in China in January 2020 and its global expansion to most countries, has led to the viral outbreak being described as a pandemic by the World Health Organization since 11 March 2020. Consequently, the worldwide restrictions imposed after the outbreak have impacted the Group since the balance sheet date and it is anticipated that this disruption will continue in the short to medium term. In response to this the directors have conducted a business review to assess the impact on future fund raising, as well as the disruption to short and medium term trading, future performance and liquidity. The Group has made use of all wage compensation schemes available to them in the respective operating countries and have cut costs aggressively including significant headcount reductions. The Group had no external debt requiring renegotiation, or other such considerations. The Group have subsequently drawn down two Government backed Covid support loans in Spain for €500,000 and €250,000 respectively during 2020; and a credit line for €200,000 in June 2021.

As a result of all these measures, the Group has been able to navigate through 2020 with a better result than initially expected. From the second half of the year 2020 the Group has improved dramatically their margins, reduced costs, and therefore have been able to build a much stronger business going forward. During 2021 to the date, as mobility restrictions have started to relax, the Group is experiencing a strong recovery. Almost reaching pre-COVID sales figures but with a much more profitable business model.

In February 2020, the Group was successful in raising additional funding in the form of a convertible loan note, which will assist in navigating the short-term uncertainty regarding trading conditions as a result of COVID-19, and help the Group to continue as a going concern. The value of the loan note raised was \$15,600,000, with a maturity date of 12 February 2021, however on the maturity date the noteholders expressed their interest to keep supporting the Group and the maturity date is therefore in the process of being officially extended until December 2022. The loan note converts to equity following a "qualified funding event" (defined as raising at least \$30,000,000 from the issuance of preferred shares to any party). Following a qualified funding event, the outstanding notes and accrued interest automatically convert into the class of preferred shares that are issued to investors pursuant to the event.

The directors, having considered the company's forecasts and cash resources, have concluded that the company, with support from its parent if needed, has a reasonable expectation that it has adequate resources to continue in operational existence for at least, but not limited to, 12 months from the date these financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Spotahome Ltd

Strategic report (continued)

Auditor


Each of the persons who is a director at the date of approval of this report confirms 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP were appointed as auditor during the year. A resolution to reappoint Deloitte LLP as auditor will be passed in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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P A A Amichis
Director
28 July 2021
Third Floor
65 Clerkenwell Road
London
United Kingdom
EC1R 5BL

Spotahome Ltd

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 financial statements, the directors are required to:

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

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

Independent auditor's report to the members of Spotahome Ltd

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Spotahome Ltd (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss 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 consolidated profit and loss statement;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Independent auditor's report to the members of Spotahome Ltd (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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent auditor's report to the members of Spotahome Ltd (continued)

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

We have nothing to report in respect of these matters.

Use of our report

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



Nicola Barker, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

2 August 2021

Spotahome Ltd

Consolidated profit and loss statement

For the year ended 31 December 2019

		2019	2018
	Note	€	€
Turnover	3	9,049,967	7,352,248
Administrative expenses	5	(31,821,898)	(20,615,258)
Exceptional administrative expenses	5	-	(5,270,910)
Other operating income		139,944	-
Operating loss		<u>(22,631,988)</u>	<u>(18,533,920)</u>
Finance costs (net)	4	<u>(499,310)</u>	<u>(524,284)</u>
Loss before taxation	5	(23,131,298)	(19,058,204)
Tax on loss	8	<u>22,983</u>	<u>9,108</u>
Loss for the financial year		<u><u>(23,108,315)</u></u>	<u><u>(19,049,096)</u></u>

There was no other comprehensive income for the year or prior year and as such no separate consolidated statement of income has been presented.

All activities are classed as continuing for both years.


Spotahome Ltd

Consolidated balance sheet

As at 31 December 2019

	Note	2019 €	2018 €
Fixed assets			
Goodwill	10	388,200	517,600
Intangible assets	10	2,442,640	2,424,047
Tangible assets	11	582,109	562,319
		<u>3,412,949</u>	<u>3,503,966</u>
Current assets			
Debtors due in more than one year	13	829,820	837,780
Debtors	13	1,120,011	1,072,920
Cash at bank and in hand		7,310,784	28,777,099
		<u>9,260,615</u>	<u>30,687,799</u>
Creditors: Amounts falling due within one year	14	<u>(6,228,587)</u>	<u>(4,991,133)</u>
Net current assets		<u>3,032,028</u>	<u>25,696,666</u>
Total assets less current liabilities		<u>6,444,977</u>	<u>29,200,632</u>
Creditors: Amounts falling due after more than one year	15	<u>(660,022)</u>	<u>(1,042,028)</u>
Provisions for liabilities	16	<u>(157,775)</u>	<u>(273,755)</u>
Net assets		<u>5,627,180</u>	<u>27,884,849</u>
Capital and reserves			
Called-up share capital	18	12,057	11,975
Share premium account	18	59,295,345	58,449,779
Share option reserve	18	445,057	440,059
Profit and loss account	18	(54,125,279)	(31,016,964)
Shareholders' funds		<u>5,627,180</u>	<u>27,884,849</u>

The financial statements of Spotahome Ltd (registered number 09366964) were approved by the board of directors and authorised for issue on 28 July 2021. They were signed on its behalf by:

DocuSigned by:

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P A A Amichis
 Director

Spotahome Ltd

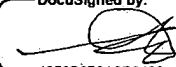
Company balance sheet

As at 31 December 2019

		2019	2018
	Note	€	€
Fixed assets			
Tangible Assets	11	57,717	-
Investments	12	692,001	647,000
Debtors due in more than one year	14	308,294	-
		<u>1,058,012</u>	<u>647,000</u>
Current assets			
Debtors	13	686,402	-
Cash at bank and in hand		2,240,215	17,423,746
		<u>2,926,617</u>	<u>17,423,746</u>
Creditors: Amounts falling due within one year	14	<u>(808,195)</u>	<u>(137,541)</u>
Net current assets		<u>2,118,422</u>	<u>17,286,205</u>
Total assets less current liabilities		<u>3,176,434</u>	<u>17,933,205</u>
Net assets		<u>3,176,434</u>	<u>17,933,205</u>
Capital and reserves			
Called-up share capital	18	12,057	11,975
Share premium account	18	59,295,345	58,449,779
Other reserves	18	440,059	440,059
Profit and loss account	18	(56,571,027)	(40,968,608)
Shareholders' funds		<u>3,176,434</u>	<u>17,933,205</u>

The loss for the financial year dealt with in the financial statements of the parent Company was €15,602,419 (2018: €40,872,497).

The financial statements of Spotahome Ltd (registered number 09366964) were approved by the board of directors and authorised for issue on 28 July 2021. They were signed on its behalf by:

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P A A Amichis

Director

Spotahome Ltd

Consolidated statement of changes in equity For the year ended 31 December 2019

	Called-up share capital €	Share premium account €	Share option reserve €	Profit and loss account €	Total €
At 1 January 2018 (unaudited)	7,997	19,142,075	23,525	(11,967,868)	7,205,729
Loss for the financial year	-	-	-	(19,049,096)	(19,049,096)
Total comprehensive expense	-	-	-	(19,049,096)	(19,049,096)
Issue of share capital	3,978	39,394,080	-	-	39,398,058
Expenses of equity share issues	-	(86,376)	-	-	(86,376)
Share options issued	-	-	416,534	-	416,534
At 31 December 2018	11,975	58,449,779	440,059	(31,016,964)	27,884,849
Loss for the financial year	-	-	-	(23,108,315)	(23,108,315)
Total comprehensive expense	-	-	-	(23,108,315)	(23,108,315)
Issue of share capital (note 21)	82	845,566	-	-	845,648
Share options issued	-	-	4,998	-	4,998
At 31 December 2019	12,057	59,295,345	445,057	(54,125,279)	(5,627,180)

Spotahome Ltd

Company statement of changes in equity For the year ended 31 December 2019

	Called-up share capital €	Share premium account €	Share option reserve €	Profit and loss account €	Total €
At 1 January 2018 (unaudited)	7,997	19,142,075	23,525	(96,111)	19,077,486
Loss for the financial year	-	-	-	(40,872,497)	(40,872,497)
Total comprehensive income	-	-	-	(40,872,497)	(40,872,497)
Issue of share capital	3,978	39,394,080	-	-	39,398,058
Expenses of equity share issues	-	(86,376)	-	-	(86,376)
Share options issued	-	-	416,534	-	416,534
At 31 December 2018	11,975	58,449,779	440,059	(40,968,608)	17,933,205
Loss for the financial year	-	-	-	(15,602,419)	(15,602,419)
Total comprehensive income	-	-	-	(15,602,419)	(15,602,419)
Issue of share capital (Note 21)	82	845,566	-	-	845,648
At 31 December 2019	12,057	59,295,345	440,059	(56,571,027)	3,176,434

Spotahome Ltd

Consolidated cash flow statement

For the year ended 31 December 2019

		2019	2018
	Note	€	€
Net cash flows from operating activities	19	(21,465,191)	(11,614,468)
Cash flows from investing activities			
Acquisition of tangible fixed assets		(205,251)	(383,929)
Acquisition/generation of intangible fixed assets		(560,201)	(2,400,105)
Proceeds from disposal of tangible fixed assets		-	13,839
Acquisition of subsidiary		-	(5,906,444)
Cash acquired in acquisition of subsidiary		-	462,708
Net cash flows from investing activities		<u>(765,452)</u>	<u>(8,213,931)</u>
Cash flows from financing activities			
Proceeds of shares issued in the period, net of expenses		845,648	39,798,755
Government backed loans repaid in the period		(81,320)	-
Net cash flows from financing activities		<u>764,328</u>	<u>39,798,755</u>
Net (decrease)/increase in cash and cash equivalents		<u>(21,466,315)</u>	<u>19,970,356</u>
Cash and cash equivalents at beginning of year		<u>28,777,099</u>	<u>8,806,743</u>
Cash and cash equivalents at end of year		<u><u>7,310,784</u></u>	<u><u>28,777,099</u></u>

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies

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

a. General information and basis of accounting

Spotahome Ltd (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Third Floor, 65 Clerkenwell Road, London, EC1R 5BL.

The principal activities of the Company is that of a holding company. The principal activities of the Group and the nature of the Group's operations are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Spotahome Ltd is considered to be Euro because that is the currency of the primary economic environment in which the investee companies operate. The consolidated financial statements are also presented in Euro. Foreign operations are included in accordance with the policies set out below.

Spotahome Ltd meets the definition of a qualifying entity under FRS 102 and therefore has taken advantage of the disclosure exemptions available in its own financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the acquisition method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Going concern

The emergence of Coronavirus (COVID-19) in China in January 2020 and its global expansion to most countries, has led to the viral outbreak being described as a pandemic by the World Health Organization since 11 March 2020. Consequently, the worldwide restrictions imposed after the outbreak have impacted the Group since the balance sheet date and it is anticipated that this disruption will continue in the short to medium term. In response to this the directors have conducted a business review to assess the impact on future fund raising, as well as the disruption to short and medium term trading, future performance and liquidity. The Group has made use of all wage compensation schemes available to them in the respective operating countries and have cut costs aggressively including significant headcount reductions. The Group had no external debt requiring renegotiation, or other such considerations. The Group have subsequently drawn down two Government backed Covid support loans in Spain for €500,000 and €250,000 respectively during 2020; and a credit line for €200,000 in June 2021.

As a result of all these measures, the Group has been able to navigate through 2020 with a better result than initially expected. From the second half of the year 2020 the Group has improved dramatically their margins, reduced costs, and therefore have been able to build a much stronger business going forward. During 2021 to the date, as mobility restrictions have started to relax, the Group is experiencing a strong recovery. Almost reaching pre-COVID sales figures but with a much profitable business model.

In February 2020, the Group was successful in raising additional funding in the form of a convertible loan note, which will assist in navigating the short-term uncertainty regarding trading conditions as a result of COVID-19, and help the Group to continue as a going concern. The value of the loan note raised was \$15,600,000, with a maturity date of 12 February 2021, however on the maturity date the noteholders expressed their interest to keep supporting the Group and the maturity date is therefore in the process of being officially extended until December 2022. The loan note converts

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

to equity following a “qualified funding event” (defined as raising at least \$30,000,000 from the issuance of preferred shares to any party). Following a qualified funding event, the outstanding

1. Accounting policies (continued)

c. Going concern (continued)

notes and accrued interest automatically convert into the class of preferred shares that are issued to investors pursuant to the event.

The directors, having considered the company’s forecasts and cash resources, have concluded that the company, with support from its parent if needed, has a reasonable expectation that it has adequate resources to continue in operational existence for at least, but not limited to, 12 months from the date these financial statements are signed. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

d.1 Intangible assets

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Amortisation for such assets is over ten years. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. During the period of development, the asset is tested for impairment annually.

d.2 Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Following initial recognition of the goodwill as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is tested for impairment annually. Goodwill is amortised over 5 years consistent with the expected life span of the integration of the acquiree.

e. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line/ basis over its expected useful life, as follows:

Other equipment 25% per annum

Fixtures, fittings and equipment 10% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

f. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

f. Financial instruments (continued)

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-derivative instruments that are equity of the issuer (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

(iv) Convertible loan notes

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible instrument based on their relative fair values at the date of issue. The portion relating to the equity component is charged directly against equity. Where the financial liability component meets the criteria in (i) above, the finance costs of the financial liability are recognised over the term of the debt using the effective interest method. If those criteria are not met, the financial liability component is measured at fair value through profit or loss.

1. Accounting policies (continued)

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

f. Financial instruments (continued)

(vi) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(vii) Cash and cash equivalents

Cash and cash equivalents comprise cash in current bank accounts with no restrictions on access or liquidity.

g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Where an impairment is significant to the financial statements and in line with the FRS 102 and UK GAAP considerations around exceptional costs, it is classified as an exceptional cost in the profit and loss account.

h. Taxation

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the 1.

Accounting policies (continued)

h. Taxation (continued)

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

I. Turnover

Turnover is stated net of VAT, trade discounts and refunds and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

j. Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

k. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

l. Foreign currency

The financial statement are presented in Euro, which is also the Group's functional currency. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used, and their balance sheets are translated at the rates ruling at the balance sheet date.

m. Leases

The Group as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

o. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

p. Share-based payment

The Company issues equity-settled share options and cash-settled share appreciation rights to certain employees within the Group. Equity-settled share-based payment transactions 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 Group'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 which is considered by management to be the most appropriate method of valuation. 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.

A liability equal to the portion of the services received is recognised at and remeasured based on the current fair value determined at each balance sheet date for cash-settled share appreciation rights, with any changes in fair value recognised in profit or loss.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting year. However, uncertainty about these judgements, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future years. In addition, management has made certain judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Key sources of estimation uncertainty

a) Carrying value of investments in subsidiaries

The Company holds a number of investments in subsidiaries. As each balance sheet date, management considers whether there are any indicators of impairment on each investment and related assets due from the investee. Where this is the case, impairment reviews are conducted using value in use calculations. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In the year investments were impaired €14,430,217 (2018: investments were impaired €28,310,922 and intercompany receivables were impaired €11,726,464). At 31 December 2019 the carrying value of investments in subsidiaries is €692,001 (2018: €647,000).

b) Carrying value of goodwill

The Group recognised goodwill on its investments in subsidiaries/acquisition of subsidiaries. As each balance sheet date, management considers whether there are any indicators of impairment of goodwill. Where this is the case, impairment reviews are conducted using value in use calculations for each CGU. CGUs are determined based on the smallest group of assets contributing to cash flows, which align with the individual subsidiaries of the parent. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. At 31 December 2019 the carrying value of goodwill is €388,200 and no impairment was recorded in the year (2018: closing carrying value of €517,600 and impairment in year of €5,262,756).

There are no areas of critical accounting judgement.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Turnover and revenue

An analysis of the Group's turnover by class of business is set out below.

	2019	2018
Turnover:	€	€
Commission Income from Rental Platform	<u>9,049,967</u>	<u>7,352,248</u>

The Company's turnover was all derived from its principal activity and arose in Spain, where the Group's billing function is based. Turnover was generated across the Group's operations in Europe, principally Spain, UK, France, Italy, Belgium, Portugal and Ireland.

4. Finance costs (net)

	2019	2018
	€	€
Interest payable and similar expenses	545,721	526,985
Interest receivable and similar income	<u>(46,411)</u>	<u>(2,701)</u>
	<u>499,310</u>	<u>524,284</u>

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

5. Loss before taxation

Loss before taxation is stated after charging/(crediting):

	2019 €	2018 €
Depreciation of tangible fixed assets (see note 12)	185,461	128,386
Amortisation of goodwill (see note 11)	129,400	129,400
Impairment of goodwill (see note 11) – exceptional administrative expenses	-	5,259,444
Amortisation of other intangible assets (see note 11)	541,608	187,856
Operating lease rentals	190,800	379,692
Foreign exchange loss	(50,996)	372,830

Exceptional administrative expenses – Impairment of goodwill

The Group tests annually for impairment or more frequently if that are indicators that assets might be impaired. Impairments are recognised in administrative expenses.

Key assumptions used in calculating the estimated recoverable amount are future trading performance and net cash flows, terminal value growth rate and discount rates. Forecast operational cash flows for future years, together with a perpetuity on the 2024 forecast cash flows with a long term growth rate of 1.5% are subjected to a discount rate of 25% to assess their net present values. Sensitivity analysis was performed to stress test for impairment. The values assigned to keep assumptions represent our assessment of future prospects, trends in the industry and are considered by reference to both external and internal factors.

As at 31 December 2019, the discounted cash flows for the carrying value of Cokidoo Studios SL support the carrying value of goodwill (2018: an impairment loss of €5,262,756 was recognised).

Amortisation of intangible assets is included in administrative expenses.

The analysis of the auditor's remuneration is as follows:

	2019 €	2018 €
Fees payable to the company's auditor for the audit of the company's annual accounts	65,000	70,000
Fees payable to the company's auditor or/and their associates for statutory audits of subsidiaries	33,910	25,000
	<u>98,910</u>	<u>95,000</u>

Fees paid to the auditor or/and their associates for tax advisory services were €47,970 (2018: €29,450). No other non audit fees were paid to the auditor or their associates.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	Group		Company	
	2019	2018	2019	2018
	Number	Number	Number	Number
Administration	321	277	23	1
	<u>321</u>	<u>277</u>	<u>23</u>	<u>1</u>

Their aggregate remuneration comprised:

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Wages and salaries	16,059,106	8,439,814	2,658,871	41,879
Social security costs	3,555,470	2,353,197	301,790	2,197
Pension costs	99,043	-	99,043	-
	<u>19,713,619</u>	<u>10,793,011</u>	<u>3,059,704</u>	<u>44,076</u>

7. Directors' remuneration and transactions

	2019	2018
	€	€
<i>Directors' remuneration</i>		
Emoluments	<u>154,365</u>	<u>120,560</u>

During 2018 and 2019 there was only one paid director in the Group. Further, no directors were members of a defined benefit or money purchase scheme, exercised options or had awards receivable in the form of shares under a long-term incentive scheme.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Tax on loss

The tax charge/(credit) comprises:

	2019	2018
	€	€
Current tax on profit		
UK corporation tax	-	-
	-	-
Foreign tax		
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(22,983)	(9,108)
Total deferred tax (see note 19)	(22,983)	(9,108)
Total tax charge/(credit) on losses	(22,983)	(9,108)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019	2018
	€	€
Group loss before tax	(23,108,315)	(19,058,205)
Tax on Group profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	(4,390,580)	(3,621,059)
Effects of:		
- Generation of losses/unrecognised deferred tax assets	4,367,597	3,621,059
- Change in unrecognised deferred tax assets	-	(9,108)
Group total tax charge/(credit) for year	(22,983)	(9,108)

The standard rate of tax applied to the reported result is 19% (2018: 19%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2017. Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, any deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. In the 2021 Budget it was announced that the UK corporation tax rate will rise to 25%, with taper reliefs, in April 2023. The 2021 Finance Bill was enacted on 10 June 2021.

The Group have unrecognised deferred tax assets of c.€10m (2018: c.€7m) due to accrued tax losses. These remain unrecognised due to the uncertainty around the timing of when they will be relieved against future taxable profits. Further, the valuation above is calculated using enacted rates for the various jurisdictions in which the tax losses are accrued, however these rates are subject to change over the period which the losses are expected to be relieved in the future.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Loss attributable to the Company

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company. The loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

10. Intangible fixed assets

	Group		
	Goodwill	Other intangible assets	Total
	€	€	€
Cost			
At 1 January 2019	5,906,444	2,649,031	8,555,475
Additions	-	560,201	560,201
At 31 December 2019	<u>5,906,444</u>	<u>3,209,232</u>	<u>9,115,676</u>
Amortisation and impairments			
At 1 January 2019	5,388,844	224,984	5,613,828
Charge for the year	129,400	541,608	671,008
At 31 December 2019	<u>5,518,244</u>	<u>766,592</u>	<u>6,284,836</u>
Net book value			
At 31 December 2019	<u>388,200</u>	<u>2,442,640</u>	<u>2,830,840</u>
At 31 December 2018	<u>517,600</u>	<u>2,424,047</u>	<u>2,941,647</u>

The Group acquired goodwill as part of the acquisition of Cokidoo Studios SL (see note 14).

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

11. Tangible fixed assets

	Group		
	Fixtures and fittings €	Other equipment €	Total €
Cost or valuation			
At 1 January 2019	415,817	345,208	761,025
Additions	6,368	198,883	205,251
At 31 December 2019	<u>422,185</u>	<u>542,763</u>	<u>966,276</u>
Depreciation			
At 1 January 2019	(81,754)	(116,952)	(198,706)
Charge for the year	(75,536)	(109,925)	(185,461)
At 31 December 2019	<u>(157,289)</u>	<u>(226,878)</u>	<u>(384,167)</u>
Net book value			
At 31 December 2019	<u>264,896</u>	<u>315,885</u>	<u>582,109</u>
At 31 December 2018	<u>334,063</u>	<u>228,256</u>	<u>562,319</u>

	Company	
	Other equipment €	Total €
Cost or valuation		
At 1 January 2019	-	-
Additions	66,087	66,087
At 31 December 2019	<u>66,087</u>	<u>66,087</u>
Depreciation		
At 1 January 2019	-	-
Charge for the year	(8,370)	(8,370)
At 31 December 2019	<u>(8,370)</u>	<u>(8,370)</u>
Net book value		
At 31 December 2019	<u>57,717</u>	<u>57,717</u>
At 31 December 2018	<u>-</u>	<u>-</u>

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

12. Fixed asset investments

	Company	
	2019	2018
	€	€
Subsidiary undertakings	692,001	647,000

The parent Company and the Group have investments in the following subsidiary undertakings, associates and other significant investments.

	Registered office address	Principal activity	Holding	%
Subsidiary undertakings				
Spotahome S.L.U.	Calle de Vizcaya, 12, 28045 Madrid, Spain	Trading company	Ordinary	100%
Cokidoo Studios S.L.	Calle Fernando Alonso Navarro, 12, planta 1. 30009 Murcia, Spain	Trading company	Ordinary	100%
Spotahome SARL ⁺	43-47 Avenue de la Grande Armée 75116 Paris, France	Trading company*	Ordinary	100%
Spotahome Portugal, Unipessoal, LDA. ⁺	Rua Duque de Palmela, nº 27, 1º esq., sala 5 1250-097 Lisboa, Portugal	Trading company	Ordinary	100%
Spotahome Ireland Limited ⁺	IFSC, 25-28 North Wall Quay, Dublin 1, D01 H104, Eire	Trading company*	Ordinary	100%
Spotahome Germany GmbH ⁺	c/o BDO AG Hanauer Landstraße 115 60314 Frankfurt am Main, Germany	Trading company	Ordinary	100%
Spotahome Italy S.R.L. ⁺	Via Leone XIII, 14 20145 Milan, Italy	Trading company	Ordinary	100%
Spotahome Belgium BV ⁺	B&F Consult CVBA Gentssesteenweg 299 – 9300 Aalst, Belgium	Trading company*	Ordinary	100%

⁺ New investment in 2019

* Subsequent to the year end, this entity is now dormant.

All subsidiaries are held directly by Spotahome Ltd.

	€
Cost	
At 1 January 2019	28,957,922
Additions – further investment in Spotahome S.L.U.	14,430,217
Additions – new subsidiaries	45,001
At 31 December 2019	43,433,140
Provisions for impairment	
At 1 January 2019	(28,310,922)
Impairment - Spotahome S.L.U.	(14,430,217)
At 31 December 2019	42,741,139
Carrying value - Company	692,001

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Notes to the financial statements (continued)

For the year ended 31 December 2019

Fixed Asset Investments (continued)

During 2019 the Company invested in several new subsidiaries, all newly incorporated entities in different countries across Europe. These investments comprised:

- €25,000 invested in 100% of the share capital of Spotahome Germany GmbH
- €20,000 invested in 100% of the share capital of Spotahome Belgium BV
- €1 invested in 100% of the share capital of Spotahome Ireland Limited.

Carrying value of investments

Key assumptions used in calculating the estimated recoverable amount are future trading performance and net cash flows, terminal value growth rate and discount rates. Forecast operational cash flows for future years, together with a perpetuity on the 2024 forecast cash flows with a long term growth rate of 1.5% are subjected to a discount rate of 25% to assess their net present values. Sensitivity analysis was performed to stress test for impairment. The values assigned to keep assumptions represent our assessment of future prospects, trends in the industry and are considered by reference to both external and internal factors.

As at 31 December 2019, the discounted cash flows for the carrying value of Cokidoo Studios SL support the carrying value of the investments (2018:an impairment loss of €28,310,922 was recognised).

13. Debtors

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Amounts falling due within one year:				
Trade debtors	143,187	358,106	-	-
Amounts owed by Group undertakings	-	-	351,238	-
VAT	346,269	137,454	250,763	-
Other debtors	432,949	359,794	81,127	-
Prepayments and accrued income	197,607	217,566	3,274	-
	<u>1,120,011</u>	<u>1,072,920</u>	<u>686,402</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	308,294	-
Building deposits	457,920	457,920	-	-
Loan guarantees	371,900	379,860	-	-
	<u>829,820</u>	<u>837,780</u>	<u>308,294</u>	<u>-</u>

The amounts advanced to group undertakings due within one year have no fixed repayment date, charge no interest and are not secured.

The amounts advanced to group undertakings due after more than one year relates to an intercompany loans to a subsidiary, Cokidoo Studios S.L. for a principal amount of €300,000. This was drawn down in tranches during 2019. The balance at 31 December 2019 includes accrued interest. Interest is charged at 4.5%. This amount is not secured. The redemption date is 3 years from the date of grant, with no specific repayment schedule.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

14. Creditors – amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Trade creditors	1,231,384	757,939	203,493	85,855
Other taxation and social security	738,436	1,079,158	146,401	7,554
Other creditors	269,855	359,473	58,953	-
Landlord Liability	2,656,276	2,334,099	-	-
Government loans	422,669	139,310	-	-
Accruals and deferred income	909,967	321,154	399,348	44,132
	<u>6,228,587</u>	<u>4,991,133</u>	<u>808,195</u>	<u>137,541</u>

15. Creditors – amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Government loans	660,022	1,042,028	-	-
	<u>660,022</u>	<u>1,042,028</u>	<u>-</u>	<u>-</u>

The government loans are granted by the Spanish government to the main trading subsidiary, Spotahome SLU. They are not secured. There are two loans: (a) total outstanding amount at the balance sheet date is €133,000 (2018: €198,000) which is due for repayment in monthly instalments of €16,666 starting in March 2019, and (b) total outstanding amount at the balance sheet date is €983,000 (2018: €983,000) which is due for repayment starting with an instalment of €332,000 in January 2020 followed by two further payments of €325,000 in January 2021 and 2022 respectively. Interest is payable on the loans at rates of 3.655% and 0.698% on the principal amounts respectively.

During 2020, after the Covid pandemic hit, the repayment dates of the two loans were rescheduled: (a) repayments due from December 2020 have been delayed a year, due to restart in December 2021, and (b) repayments due from January 2021 have been delayed two years, now due to restart in January 2023. The classification of balances falling due within/after one year above reflects the arrangements at 31 December 2019, before the changes arising due to Covid.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Provisions for liabilities

	Deferred taxation €	Other €	Total €
Group			
At 1 January 2019	22,983	250,772	273,755
Charged to profit and loss account	-	157,775	157,775
Utilisation of provision	(22,983)	(250,772)	(273,755)
At 31 December 2019	-	157,775	157,775

Deferred tax

Deferred tax is provided as follows:

	2019 £	2018 £
Group		
Short term timing differences	-	22,983

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

There is no expiry date on timing differences.

Other

Other provisions relate to returns provisions and non compete provisions as below:

Refunds provision

The provision for sales refunds of €157,775 (2018: €192,772) relates to expected refunds on sales in the year of the tenant and/or landlord fee. It is calculated using prior year sales and related refunds data, and the corresponding refund rate % is applied to current year sales.

Non-compete provision

The provision of €nil (2018: €58,000) relates to amount to be paid to employees whose employment has been ended. The amounts are calculated based on their monthly employment salary.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

17. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Financial assets				
Measured at amortised cost	922,405	855,354	991,422	-
	<u>922,405</u>	<u>855,354</u>	<u>991,422</u>	<u>-</u>
Financial liabilities				
Measured at amortised cost	5,978,642	5,022,417	408,847	93,409
	<u>5,978,642</u>	<u>5,022,417</u>	<u>408,847</u>	<u>93,409</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2019	2018
	€	€
Interest income and expense (see note 4)		
Total interest income for financial assets at amortised cost	-	2,701
Total interest expense for financial liabilities at amortised cost	<u>(22,355)</u>	<u>(55,754)</u>

The Company's gains and losses in respect of financial instruments are summarised below:

	Company	
	2019	2018
	€	€
Impairment losses		
On financial assets measured at amortised cost (see note 12)	<u>-</u>	<u>11,726,464</u>

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

18. Called-up share capital and reserves

	2019	2018
	€	€
Allotted, called-up and fully-paid:		
281,994 Ordinary shares of €0.01 each	2,819	2,819
142,959 A Ordinary shares of €0.01 each	1,430	1,430
128,350 A1 Preference shares of €0.01 each	1,284	1,284
201,020 (2018: 202,808) A2 Preference shares of €0.01 each	2,010	2,028
451,361 (2018: 441,414) Series B Preference shares of €0.01 each	4,514	4,414
	<u>12,057</u>	<u>11,975</u>

The issued share capital of the Company is divided into the following classes of shares: (i) Ordinary shares; (ii) A Ordinary shares; (iii) A1 Preference shares; (iv) A2 Preference Shares; (v) Series B Preference shares.

Each share of all the classes noted above are entitled to one vote in any circumstances, and are entitled pari passu to dividends, any other distribution and to participate in a distribution arising from winding up of the Company.

During the year, 8,159 Series B Preference shares were issued following a funding round that commenced in May 2018, subscribed in January 2019. The shares were issued for a total of €845,648 (€103.65 per share, a premium of €103.64 per share). The aggregate nominal value of the shares issued was €82.

In addition, some A2 preference shares were exchanged for B preference shares in the year.

Options have been granted under the Spotahome 2016 Stock Option Plan to subscribe for ordinary shares of the Company as follows:

Number of shares under option	Subscription price per share	Exercise period
103,977	0.01	10 years

Furthermore, €300,000 worth of share options have been granted as part of the acquisition of Cokidoo Studios SL.

The Group and Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses and net of FX reserve upon transition to EUR presentational currency in 2016.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The share option reserve arises in connection with the Stock Option Plan as above, and share options issued on purchase of a subsidiary.

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Cash flow statement

Reconciliation of operating loss to cash generated by operations:

	2019 €	2018 €
Operating loss	(22,609,005)	(18,533,920)
Adjustment for:		
Impairment of goodwill	-	5,259,444
Share-based payment expense	4,998	416,534
Depreciation and amortisation	856,469	445,642
Operating cash flow before movement in working capital	(21,747,538)	(12,412,300)
(Increase)/decrease in debtors	(39,131)	(503,665)
Increase in creditors	820,788	1,771,421
Cash used in operations	(20,965,881)	(11,144,544)
Interest received	46,411	-
Interest and similar charges paid	(545,721)	(469,924)
Net cash flows used in operating activities	(21,465,191)	(11,614,468)

Spotahome Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
- within one year	190,800	429,300	-	-
- between one and five years	-	190,800	-	-
	<u>190,800</u>	<u>620,100</u>	<u>-</u>	<u>-</u>

21. Subsequent events

As a consequence of the COVID-19 crisis, and especially since described as a pandemic by the World Health Organization on 11 March 2020, the international mobility and therefore the core business of the Group were strongly impacted, with a significant reduction in sales. In response to this the directors conducted a business review to assess the impact on future fund raising, as well as the disruption to short and medium term trading, future performance and liquidity. The Group has made use of all wage compensation schemes available to them in the respective operating countries and have cut costs aggressively.

In addition, the group drew down two government support loans in Spain: (1) €500,000 over a 6 year term, attracting interest of 2.5%. Repayments are initially interest only until capital repayments commence in August 2023 at €11,000 per month; (2) €250,000 over a 2.5 year term, attracting interest of 2.75%. Repayments are initially interest only until capital repayments commence in January 2022 at €11,000 per month. The loans are unsecured. Further, in June 2021 the group arranged a new credit facility of €200,000.

As a result of all these measures, the Group has been able to navigate through 2020 with a better result than initially expected. From the second half of the year 2020 the Group has improved dramatically their margins, reduced costs, and therefore have been able to build a stronger business going forward. During 2021 to the date, as mobility restrictions have started to relax, the Group is experiencing a strong recovery. Almost reaching pre-COVID sales figures but with a much profitable business model. Therefore, the Directors expect the Group to continue its current activities.

In February 2020, prior to the COVID-19 pandemic, the Group was successful in raising additional funding in the form of a convertible loan note, which will assist in navigating the short-term uncertainty regarding trading conditions as a result of COVID-19, and help the Group to continue as a going concern. The value of the loan note raised was \$15,600,000, with a maturity date of 12 February 2021, however on the maturity date the noteholders expressed their interest to keep supporting the Group and the maturity date is therefore in the process of being officially extended until December 2022. The loan note converts to equity following a "qualified funding event" (defined as raising at least \$30,000,000 from the issuance of preferred shares to any party). Following a qualified funding event, the outstanding notes and accrued interest automatically convert into the class of preferred shares that are issued to investors pursuant to the event.

22. Related party transactions

Transactions with wholly owned entities within the group are not disclosed as permitted by FRS 102 section 33. There are no other related party transactions.

23. Controlling party

The directors do not consider any shareholder or other party to have ultimate control of the group.