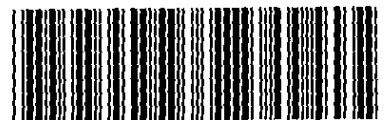


Registration number: 07026107

Secret Escapes Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2020

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Secret Escapes Limited

Company Information

| | |
|--------------------------|---|
| Directors | S A A T Saint T J Valentine A D Cole L P M R E Laffy B J B Holmes N Kornhoff-Bruls H Ramos de Freitas Junior N Meier |
| Registered office | 4th Floor, 120 Holborn London EC1N 2TD |
| Auditor | Ernst & Young LLP 400 Capability Green Luton Bedfordshire LU1 3LU |

Secret Escapes Limited

Group Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report and the audited financial statements for the year ended 31 December 2020.

Principal activity

Secret Escapes group, founded in 2011, is one of the world's leading members-only online travel and experiences companies. It is delivering on its vision of 'inspiring the world to escape', by using innovative technology to showcase selected travel experiences and hand-picked hotel offers at market-leading low prices to its members. It has a large emailable membership across its various brands - encompassing Secret Escapes, Travelist, Slevomat, Zl'avomat and Pigsback.com (together "The group").

The group aims to generate revenues and increase profitability by acting as an agent and charging commission on transactions, by offering its hotels and third party partners access to incremental trade. In addition to offering carefully edited, high-quality packaged travel deals, the group also benefits from sizeable 'daily deals' goods business revenue across several European territories.

Business review for the year

The results for the year ended 31 December 2020 reflect the significant impact of Covid-19 on the international and domestic travel industry and therefore the group's operational activity and financial performance. Prior to the escalation of the COVID-19 pandemic in Europe, the group was continuing its strong momentum from FY2019 and trading well. Management responded quickly to mitigate the impact of the pandemic with a variety of actions, in addition to investor support, to strengthen the balance sheet, help customers, partners and team, and position the business well to return to profitable growth on the lifting of restrictions. Trading in the periods following initial lockdowns surpassed expectations, reflecting the strong pent up demand for travel and experiences.

- Gross Bookings £317.7m (FY2019: £652.9m)
- Revenue £76.1m (FY2019: £169.5m)
- Underlying revenue £57.7m (FY2019: £118.3m)
- Underlying adjusted EBITDA loss of £17.6m (FY2019: profit of £10.6m)

Revenues from principal transactions represent the full price of the holiday, revenues from agency transactions represent commissions earned. Revenues from transactions where the group takes on tour operator liability are recorded at the date of travel, revenues from other transactions are recorded on booking. Underlying revenue is a measure that allows comparison of the income earned from transactions with differing accounting treatments on a consistent basis. Underlying revenue records all revenues on booking and adds only the gross profit of principal transactions to the commissions earned as agent. Underlying revenue is not audited.

Secret Escapes has also played an important role in supporting its travel partners during this challenging environment. Its industry leading technology platform enables increasingly effective use of data and personalised marketing to capture and convert the strong demand from a highly engaged audience in domestic and international markets, driving awareness and occupancy.

Strong consumer demand, combined with the group's geographic diversification, lack of committed inventory and industry leading technology platform with a large emailable membership base ensure the business is well positioned to return to profitable growth.

2020 Financial & Operational Review

Key highlights:

- Strong trading prior to the onset of the pandemic - management reacted quickly to reduce costs, maintain liquidity and stabilise the business
- Rapid response to consumer demands, with new refundable offerings and rebooking flexibility to minimise lost revenue
- Strengthened balance sheet with £55m equity injection from existing investors and renegotiated banking covenants
- Flexible offers, geographic diversification and non-travel daily deals enhanced resilience of the business

Secret Escapes Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

2020 Financial & Operational Review (continued)

Key highlights (continued)

- Strong, pent up demand for travel as trading post lifting of restrictions in European and UK markets and booking volumes exceeded expectations
- Enhanced customer offers and policies to meet post-COVID consumer demand

Financial review

- Revenue £76.1m (FY2019: £169.5m)
- Underlying revenue £57.7m (FY2019: £118.3m)
- Underlying adjusted EBITDA loss of £17.6m (FY2019: profit of £10.6m)
- Net loss of £48.2m (FY2019: loss of £12.8m)
- Net cash flow from operating activities was out flow of £52.0m (FY2019: inflow of £18.5m)
- Total equity of the group equals £22.7m (FY2019: £15.8m)

The directors believe the alternative performance measures: underlying revenue and underlying adjusted EBITDA best represent the financial performance of the business. This is because similar products can have different accounting treatments and these alternative measures allow consistent comparison of performance across periods with differing product mix.

| | Note | 2020 £m | 2019 £m | Change % |
|---|------|------------|------------|-------------|
| Gross bookings | | 317.7 | 652.9 | (51) |
| Revenue | 1 | 76.1 | 169.5 | (55) |
| Underlying revenue | 1 | 57.7 | 118.3 | (51) |
| Adjusted EBITDA | 2 | (14.4) | 12.1 | (219) |
| Underlying adjusted EBITDA | 3 | (17.6) | 10.6 | (266) |
| Net loss | | (48.2) | (12.8) | 277 |
| Net cash flow from operating activities | | (52.0) | 18.5 | (381) |

¹ Revenues from principal transactions represent the full price of the holiday, revenues from agency transactions represent commissions earned. Revenues from transactions where the group takes on tour operator liability are recorded at the date of travel, revenues from other transactions are recorded on booking. Underlying revenue is a measure that allows comparison of the income earned from transactions with differing accounting treatments on a consistent basis. Underlying revenue records all revenues on booking and adds only the gross profit of principal transactions to the commissions earned as agent.

² Adjusted EBITDA is defined as operating profit/(loss) after adding back depreciation and amortisation, share based payments and exceptionals.

³ Underlying adjusted EBITDA is defined as Adjusted EBITDA after adjusting revenue to be Underlying revenue and expensing the lease costs included within Depreciation and Amortisation under IFRS 16.

Underlying revenue, adjusted EBITDA and underlying adjusted EBITDA are not audited.

Secret Escapes Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

2020 Financial & Operational Review (continued)

Financial review (continued)

Underlying revenue is calculated as:

| | 2020 | 2019 |
|--|-------------|--------------|
| | £m | £m |
| Revenue | 76.1 | 169.5 |
| Revenue from package holidays | (21.3) | (58.9) |
| Gross profit from package holidays | 2.5 | 6.5 |
| Deferred revenue relating to sold holidays | 1.2 | 15.1 |
| Deferred costs relating to sold holidays | (0.8) | (13.9) |
| Underlying revenue | <u>57.7</u> | <u>118.3</u> |

Underlying adjusted EBITDA is calculated as:

| | 2020 | 2019 |
|--|---------------|-------------|
| | £m | £m |
| Operating loss | (40.4) | (3.4) |
| Depreciation expense | 3.2 | 3.3 |
| Amortisation expense | 6.0 | 5.2 |
| Impairment expense | 6.0 | - |
| Loss on disposal of property, plant and equipment | 0.1 | 0.0 |
| Share based payment expense | 0.3 | 6.2 |
| Exceptional costs | 10.4 | 0.8 |
| Adjusted EBITDA | <u>(14.4)</u> | <u>12.1</u> |
| Deferred revenue and costs movement related to sold holidays | (0.8) | 1.2 |
| IFRS 16 lease expense classification difference | (2.4) | (2.7) |
| Underlying adjusted EBITDA | <u>(17.6)</u> | <u>10.6</u> |

The exceptional costs for the current year primarily relate to the impact of COVID-19. These costs relate to bad debts incurred with hotels and airlines as a result of COVID, and staff restructuring.

Response to COVID -19

Management's priority continues to be to support its customers and team. In addition to aiding the repatriation of members impacted by restrictions overseas, the group took swift action to respond to and reassure the high number of customers with impacted and upcoming bookings.

A £55m equity funding from its existing investors in May 2020, of which £15m was deferred to November 2020, enhanced the group's liquidity position. The 100% participation from the group's investors reflected the long term confidence in the business.

The customer support centre remained fully operational throughout the period and over 200 colleagues were redeployed from across the business in order to help manage the unprecedented levels of member enquiries. In order to further streamline the process for both customers and travel partners, the group invested in new processes and technology, resulting in significantly improved customer service capabilities and more efficient resolution of customer enquiries.

Secret Escapes Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

2020 Financial & Operational Review (continued)

Response to COVID -19 (continued)

The group benefited from these changes during subsequent regional, national and international lockdowns, enabling it to act quickly to resolve affected customer bookings, whilst continuing to trade, thanks to longer offer durations and more available dates in later months.

As an online travel platform, the group benefited from having no committed supply. Management took the early decision to suspend all marketing activity, limiting operational spend to business-critical continuity as well as suspending and/or reducing senior staff salaries in order to reduce costs and preserve cash. All hotels, travel partners, suppliers and tax authorities were paid in full.

The group welcomed the support from governments in its operational markets in the form of the Coronavirus Jobs Retention Scheme ("CJRS") and equivalent schemes in other European markets with the furloughing of all non-essential colleagues. The group successfully negotiated the amendment of covenants and partial deferral of interest payments on its loan facilities, increasing liquidity and demonstrating the strength of the group's relationships with its lenders. Non-travel deals in the group's markets performed well throughout the pandemic, exceeding expectations and providing a stable source of revenue.

Trading well following restrictions

Early trading following the reopening of domestic and international travel in July 2020 exceeded expectations and demonstrated the considerable, pent up demand for high quality travel experiences.

The diversification of the group's business across multiple European territories meant that during the second half of 2020, the group was able to focus on domestic/drivable destinations. Bookings throughout the summer months returned to over 60% of 2019 levels as the group benefited from its ability to adapt its offer range to suit both demand and ongoing changes to travel restrictions, including a new rebooking functionality and a range of new refundable hotel-only offers.

Business efficiency

In early 2020, prior to the pandemic, the group had begun a reorganisation of the core business. This was put on hold during the first lockdown period but was completed in the following months. The reorganisation has focused the business around its central functions, moving away from its previous localised, point of sale-led strategy. This has enabled greater efficiencies across the business, leaving the group better placed to drive future growth. As part of the shift away from point of sale-led operations, the group completed the sale of its United States member database. The group remains focused instead on strengthening supplier partnerships across the United States as part of its strategy to offer inspirational global travel offers to its members.

Director changes

Andy Botha, who joined as CFO in August 2019, stepped down in April 2020, and was replaced as CFO by Will Fawcett as part of the core business reorganisation in October 2020. Heber Ramos de Freitas joined the Board as a director in May 2020 as a result of the Series E equity raise. Subsequent to the year end Sebastien Floch and Kate Swann resigned and Nicolas Meier was appointed as director.

Important non adjusting events after the financial period

In February 2022 the group successfully refinanced its senior debt, extending the Mezzanine loan and RCF to August 2023. There are no other non-adjusting events after the financial period which the directors are required to report.

Results and dividends

The loss for the year was £48,164,000 (2019: loss of £12,786,000) and the directors do not recommend payment of a dividend (2019: Nil).

Secret Escapes Limited

Group Strategic Report for the Year Ended 31 December 2020

(continued)

Section 172 Statement

The directors are aware that they are each required to act in a way that they consider, in good faith, would be most likely to promote the success of Secret Escapes for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decisions in the long-term;
- The interests of the group's employees;
- The need to foster the group's business relationships with suppliers, customers and others;
- The impact of the group's operations on the community and environment;
- The desirability of the group maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders.

The group's ongoing engagement with stakeholders and consideration of their respective interests in its decision-making process is as described below.

Customers and suppliers

The commercial execution of our business plan has enabled the group's hotel and other supply partners to run their businesses more efficiently. This mutual benefit has assisted the group in maintaining its strong collaborative partnership with its supply partners.

The Board values feedback from customers/members, it helps to ensure we are providing them with what they want and need. Through customer surveys and post-stay feedback, along with monitoring engagement metrics, the Board is able to listen to customer views and take appropriate actions to ensure improvements are made.

Employees

Key to the group's success has been its engaged workforce. The group's directors, alongside our management teams, work hard to provide a positive work environment with opportunities for all our staff to grow and achieve their potential as well-respected local employers within each of our businesses' respective communities.

We are also proud that a substantial proportion of our staff have an indirect equity stake in the success of the business via share option incentive schemes.

Shareholders

The vast majority of shareholders, in excess of 90%, are represented directly on the board.

Community and environment

Our businesses are proud of their contribution to the local community both as local employers, contributors to local charitable causes and also of their generally low direct impact on the environment.

Principal risks and uncertainties

Macro factors

Secret Escapes can be impacted by the general risks associated with both global travel and discretionary spending. A significant geographical, political or economic event that negatively impacts global travel (such as the COVID-19 pandemic or the 2010 Eyjafjallajökull Ash Cloud) could impact Secret Escapes' trade.

In response to an event like this, Secret Escapes is able to rapidly change the focus of its product range, for example away from long haul package holidays towards domestic and/or drivable destinations for each consumer market. Secret Escapes holds no stock and holds no supply commitments.

Further, the group's Czech and Irish businesses benefit from significant non-travel ecommerce trade and the group's overall geographic diversification helps mitigate more localised risks.

In addition, because of the large emailable membership base, revenue generation is not dependent upon short term marketing spend enabling revenue to be generated whilst a major cost is reduced.

Secret Escapes Limited

Group Strategic Report for the Year Ended 31 December 2020

(continued)

Principal risks and uncertainties (continued)

Foreign exchange fluctuations

Secret Escapes' business model involves transactions where cash receipts and payments may be in different currencies. Adverse movements in foreign exchange rates in the period between receipt of a booking and payment of the hotel or tour operator could cause unanticipated losses on a transaction.

The group's geographical spread provides natural hedging of exchange rate risks. Exposure to exchange rate movements is dynamically monitored and use of an automated trading system mitigates foreign exchange volatility. Whilst the group does not currently undertake foreign currency hedging through the use of forward contracts, the need to do so is reviewed periodically.

Liquidity risk and interest rates

Exposure to liquidity risk and net exposure to interest rate movements is considered to be moderate and low respectively.

During the COVID-19 pandemic, liquidity was boosted by the £55m in new equity raised in May and November 2020. Further equity is believed to be available to the group if needed. The group retains additional liquidity through a £12.5m RCF facility (fully drawn at 31 December 2021). Trading in the second half of 2021 has been EBITDA positive, which will support the group's liquidity as the recovery continues.

The group's term debt facilities were amended on the acquisition of Empathy Marketing Limited in 2019 and again in February 2022. The majority of this debt is due in 2024 however, following the refinancing in February 2022, an element of the debt has been changed to a repayment loan with payment scheduled to be completed by August 2023. Interest rates are fixed and have low cash-pay interest costs. Forecasts show that the group is able to fund the repayment from cash reserves.

Loan covenants on the debt facilities were amended concurrent with the equity fundraising in May 2020, and again with the debt refinancing in February 2022, and have not been breached.

Access to future funding is considered to be available, if required, from new and existing investors, to support the ongoing expansion and growth of the group.

Exit from the European Union

Following the UK referendum decision to leave the EU, a number of uncertainties still remain about the structure of any exit. The extent to which operations and financial performance will be affected in the longer term will only emerge over time.

Analysis of possible consequences has concluded that Brexit does have the potential to impact a number of existing risks, e.g. changes in market access and regulation, employment rights, exchange rates, payment fees and economic uncertainty. These risks will continue to be monitored, with mitigating strategies enacted as appropriate to the circumstances.

Outlook

The prolonged third lockdown in 2021 had a significant impact on the group's FY2021 performance, however trading rebounded strongly in the group's markets following the gradual release of domestic and international travel restrictions across Europe, exceeding management's expectations and improving liquidity.

Management sees a unique opportunity to consolidate and grow market share Europe through a combination of its strong brand as a trusted source of inspirational travel deals at low prices, and its ability to drive occupancy for its partners, to secure a range of quality deals.

Secret Escapes Limited
Group Strategic Report for the Year Ended 31 December 2020
(continued)

Outlook (continued)

Although demand remains highly sensitive to domestic and international travel restrictions and uncertainty, the Board remains very confident in the long-term outlook for the business.

Approved by the Board on 7 February 2022 and signed on its behalf by:

S A Saint
.....
S A A T Saint
Director

Secret Escapes Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the consolidated financial statements for the year ended 31 December 2020.

Directors of the group

The directors, who held office during the year, were as follows:

S A A T Saint

T J Valentine

A D Cole

S Floch (resigned 16 November 2021)

L P M R E Laffy

B J B Holmes

N Kornhoff-Bruls

H Ramos de Freitas Junior (appointed 11 May 2020)

K E Swann (resigned 31 December 2021)

A J Botha (resigned 30 April 2020)

The following director was appointed after the year end:

N Meier (appointed 16 November 2021)

Going concern

The COVID-19 pandemic has continued to have a material impact on both the travel industry and group's trade during 2021. Following the roll out of the vaccine and the relaxation of restrictions across much of the world, the group's trade has continued to recover. In an extended June to October 2021 summer season, the group has seen trading reach nearly 80% of 2019 levels. The group expects the recovery to continue into 2022 in line with industry forecasts, and is forecasting trade to be above 2019 levels by the end of 2022. The group holds £76m in cash as of 31 December 2021 and has refinanced €21m of its debt which now matures in August 2023.

The directors have considered the appropriateness of preparing the financial statements on a going concern basis. While the recovery remains ongoing, after making reasonable enquiries and modelling multiple potential scenarios, as detailed further in note 2 to the financial statements, the directors have concluded that there is a reasonable expectation that the group has adequate resource to continue to 28 February 2023, and therefore the directors have adopted a going concern basis in the preparation of the financial statements for the year.

Employment of disabled persons

Secret Escapes is an equal opportunities employer and will continue to ensure that it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The group has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Employee involvement

Secret Escapes regularly provides employees with financial and other relevant information about business performance and factors that may affect it. Secret Escapes holds regular meetings that are open to all employees and invites consultation where opportunities arise. This enables and encourages open discussion on key business issues, policies and the working environment and ensures that the suggestions and views of employees are taken into account.

Branches outside the United Kingdom

The group operates branches in Croatia, Italy and Slovakia in addition to the subsidiaries trading in the Czech Republic, France, Germany, Hungary, Ireland, the Netherlands, Poland, Singapore, Slovakia, Spain, Sweden and the USA.

Secret Escapes Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Streamlined energy and carbon reporting

This is the first year Secret Escapes Limited has been subject to the Streamlined Energy and Carbon Reporting requirements and, as allowed by the guidance, no comparatives are given. This report only considers the emissions of the UK operations. All emissions were incurred during the normal delivering of the UK operations' services and are related to office energy consumption. The group does not have any vehicle fleet and does not resell any energy.

| | | Tonnes of CO ² |
|----------|----------------------------------|---------------------------|
| Scope 1: | Gas used by the business | 28 |
| Scope 2: | Electricity used by the business | 76 |
| | | <u>104</u> |

The directors believe that the most relevant Intensity factors are the following:

| | |
|---|------------|
| Emissions per turnover FY20 (tonne of CO ² per £million revenue) | <u>1.3</u> |
| Emissions per UK FTE FY20 (tonne Co ² equivalent per FTE) | <u>0.3</u> |

As the group's core business is primarily online, the carbon emissions are small and related to the use of office space in London. The group uses energy efficient lighting and low energy consumption appliances in its UK office facilities and recycles more than 70% of its office waste saving 166 KG of CO² emissions in 2020 alone. Further investments have been made in 2020 for the replacement of light bulbs in the office with low-energy use ones.

Future improvements in the intensity factor will be driven principally by a decrease in the occupied floor space in the London office and the completion of a more detailed review to identify potential future reductions in energy consumption.

The figures used in collating this report were calculated and analysed by management using data from the building management company and key energy suppliers, which outline the details of the group's energy usage, and these were converted into GHG emissions using appropriate conversion factors.

Directors' liabilities

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 7 February 2022 and signed on its behalf by:

S A Saint

 S A A T Saint
 Director

Secret Escapes Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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 international accounting standards ("IFRSs"), and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 group and the company and of the profit or loss of the group and the company for that period.

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

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether international accounting standards/ applicable UK Accounting Standards, including FRS 101, 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 and/ or the group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent Auditor's Report to the Members of Secret Escapes Limited

Opinion

We have audited the financial statements of Secret Escapes Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 28 February 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Secret Escapes Limited (continued)

Opinions on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 11, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management

Independent Auditor's Report to the Members of Secret Escapes Limited (continued)

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and group and determined that the most significant are international accounting standards (IFRSs), FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the group must comply with local operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how Secret Escapes Limited is complying with those frameworks by making enquiries of those charged with governance and management. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby an emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by obtaining and reading group policies and holding enquiries of management and those charged with governance. Through these procedures we considered the risk of management override in relation to revenue recognition as the key area of focus. We addressed the risk through sample testing of revenue recognized in the year to underlying booking confirmations and other supporting documentation, ensuring such revenue was recognized in accordance with the satisfaction of performance obligations in line with the operating company's revenue recognition policy and the financial reporting framework. Where appropriate we have also used data analytics and obtained the entire population of journals for the year and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud risk framework within the company or group, including whether a formal fraud risk assessment is completed.
 - Enquiry of management and those charged with governance around actual and potential litigation and claims.
 - Reading minutes of meetings of those charged with governance.
 - Review of financial statement disclosures to assess compliance with applicable laws and regulations.
 - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
 - Evaluating the business rationale of significant transactions outside the normal course of business, and;
 - Challenging judgements made by management. This included corroborating the inputs and considering contradictory evidence.

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

Independent Auditor's Report to the Members of Secret Escapes Limited (continued)

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.

Ernst & Young LLP

.....
Anup Sodhi (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

8 February 2022

Secret Escapes Limited
Consolidated Income Statement for the Year Ended 31 December 2020

| | Note | 2020 £ 000 | 2019 £ 000 |
|------------------------------|-------------|------------------------|------------------------|
| Revenue | 4 | 76,053 | 169,450 |
| Cost of sales | | <u>(30,855)</u> | <u>(66,956)</u> |
| Gross profit | | 45,198 | 102,494 |
| Administrative expenses | | (90,889) | (106,279) |
| Other operating income | 5 | <u>5,322</u> | <u>419</u> |
| Operating loss | 6 | (40,369) | (3,366) |
| Net finance cost | 10 | <u>(9,050)</u> | <u>(7,733)</u> |
| Loss before tax | | (49,419) | (11,099) |
| Income tax receipt/(expense) | 11 | <u>1,255</u> | <u>(1,687)</u> |
| Loss for the year | | <u><u>(48,164)</u></u> | <u><u>(12,786)</u></u> |

The above results were derived from continuing operations.

Secret Escapes Limited

Consolidated Statement of Comprehensive Income for the Year Ended
31 December 2020

| | 2020 £ 000 | 2019 £ 000 |
|--|------------------------|------------------------|
| Loss for the year | (48,164) | (12,786) |
| Items that may be reclassified subsequently to profit or loss | | |
| Foreign currency translation (losses)/ gains | <u>(268)</u> | <u>138</u> |
| Total comprehensive income for the year | <u><u>(48,432)</u></u> | <u><u>(12,648)</u></u> |

Secret Escapes Limited
(Registration number: 07026107)
Consolidated Statement of Financial Position as at 31 December 2020

| | Note | 2020 £ 000 | 2019 £ 000 |
|---|------|-------------------------|-------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 699 | 1,174 |
| Right of use assets | 13 | 5,757 | 4,438 |
| Intangible assets | 14 | 73,718 | 84,043 |
| | | <u>80,174</u> | <u>89,655</u> |
| Current assets | | | |
| Trade and other receivables | 16 | 24,263 | 49,870 |
| Cash and cash equivalents | 17 | 75,153 | 77,261 |
| | | <u>99,416</u> | <u>127,131</u> |
| Total assets | | <u><u>179,590</u></u> | <u><u>216,786</u></u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 18 | (9) | (8) |
| Share premium | | (161,336) | (106,323) |
| Reserve credit for share based payments plan | | (16,612) | (16,288) |
| Foreign currency translation reserve | | 1,238 | 970 |
| Retained earnings | | 154,036 | 105,872 |
| Equity attributable to owners of the company | | <u>(22,683)</u> | <u>(15,777)</u> |
| Non-current liabilities | | | |
| Long term lease liabilities | 21 | (5,642) | (2,448) |
| Loans and borrowings | 20 | (60,042) | (50,575) |
| Deferred income - government grants | 26 | (520) | - |
| Deferred tax liabilities | 11 | (2,540) | (4,976) |
| | | <u>(68,744)</u> | <u>(57,999)</u> |
| Current liabilities | | | |
| Current portion of long term lease liabilities | 21 | (1,729) | (2,491) |
| Trade and other payables | 25 | (71,796) | (99,675) |
| Loans and borrowings | 20 | (13,145) | (13,996) |
| Income tax liability | | - | (201) |
| Deferred income | 26 | (1,493) | (26,647) |
| | | <u>(88,163)</u> | <u>(143,010)</u> |
| Total liabilities | | <u>(156,907)</u> | <u>(201,009)</u> |
| Total equity and liabilities | | <u><u>(179,590)</u></u> | <u><u>(216,786)</u></u> |

Approved by the Board on 7 February 2022 and signed on its behalf by:

S A Saint
.....

S A A T Saint (Director)

The notes on pages 23 to 68 form an integral part of these financial statements.

Secret Escapes Limited
(Registration number: 07026107)
Statement of Financial Position as at 31 December 2020

| | Note | 2020 £ 000 | 2019 £ 000 |
|--|------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 205 | 498 |
| Right of use assets | 13 | 3,681 | 1,044 |
| Intangible assets | 14 | 4,900 | 5,266 |
| Investments in subsidiaries, joint ventures and associates | 15 | 62,340 | 68,879 |
| | | <u>71,126</u> | <u>75,687</u> |
| Current assets | | | |
| Trade and other receivables | 16 | 49,658 | 66,987 |
| Income tax asset | | 151 | 108 |
| Cash and cash equivalents | 17 | 39,624 | 34,661 |
| | | <u>89,433</u> | <u>101,756</u> |
| Total assets | | <u>160,559</u> | <u>177,443</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 18 | (9) | (8) |
| Share premium | | (161,336) | (106,323) |
| Reserve credit for share based payments plan | | (16,612) | (16,288) |
| Foreign currency translation reserve | | 131 | 79 |
| Retained earnings | | 156,931 | 110,173 |
| Total equity | | <u>(20,895)</u> | <u>(12,367)</u> |
| Non-current liabilities | | | |
| Long term lease liabilities | 21 | (4,333) | (90) |
| Loans and borrowings | 20 | (45,607) | (36,915) |
| | | <u>(49,940)</u> | <u>(37,005)</u> |
| Current liabilities | | | |
| Current portion of long term lease liabilities | 21 | (446) | (1,156) |
| Trade and other payables | 25 | (74,922) | (97,884) |
| Loans and borrowings | 20 | (13,145) | (13,996) |
| Deferred income | 26 | (1,211) | (15,035) |
| | | <u>(89,724)</u> | <u>(128,071)</u> |
| Total liabilities | | <u>(139,664)</u> | <u>(165,076)</u> |
| Total equity and liabilities | | <u>(160,559)</u> | <u>(177,443)</u> |

Approved by the Board on 7 February 2022 and signed on its behalf by:

S A Saint

S A A T Saint (Director)

The notes on pages 23 to 68 form an integral part of these financial statements.

Secret Escapes Limited
Consolidated Statement of Changes in Equity for the Year Ended 31
December 2020

| | Share capital £ 000 | Share premium £ 000 | Reserve credit for share based payment plan £ 000 | Foreign currency translation £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------------|------------------------------------|------------------------------------|--|---|--|------------------------|
| At 1 January 2020 | 8 | 106,323 | 16,288 | (970) | (105,872) | 15,777 |
| Loss for the year | - | - | - | - | (48,164) | (48,164) |
| Other comprehensive income | - | - | - | (268) | - | (268) |
| Total comprehensive income | - | - | - | (268) | (48,164) | (48,432) |
| New share capital subscribed | 1 | 55,013 | - | - | - | 55,014 |
| Share based payment transactions | - | - | 324 | - | - | 324 |
| At 31 December 2020 | <u>9</u> | <u>161,336</u> | <u>16,612</u> | <u>(1,238)</u> | <u>(154,036)</u> | <u>22,683</u> |

| | Share capital £ 000 | Share premium £ 000 | Reserve credit for share based payment plan £ 000 | Foreign currency translation £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------------|------------------------------------|------------------------------------|--|---|--|------------------------|
| At 1 January 2019 | 3 | 106,313 | 10,111 | (1,108) | (93,086) | 22,233 |
| Loss for the year | - | - | - | - | (12,786) | (12,786) |
| Other comprehensive income | - | - | - | 138 | - | 138 |
| Total comprehensive income | - | - | - | 138 | (12,786) | (12,648) |
| New share capital subscribed | 5 | 10 | - | - | - | 15 |
| Share based payment transactions | - | - | 6,177 | - | - | 6,177 |
| At 31 December 2019 | <u>8</u> | <u>106,323</u> | <u>16,288</u> | <u>(970)</u> | <u>(105,872)</u> | <u>15,777</u> |

The notes on pages 23 to 68 form an integral part of these financial statements.

Secret Escapes Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

| | Share capital £ 000 | Share premium £ 000 | Reserve credit for share based payments plan £ 000 | Foreign currency translation £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------------|---------------------------|---------------------------|--|---|-------------------------------|----------------|
| At 1 January 2020 | 8 | 106,323 | 16,288 | (79) | (110,173) | 12,367 |
| Loss for the year | - | - | - | - | (46,758) | (46,758) |
| Other comprehensive income | - | - | - | (52) | - | (52) |
| Total comprehensive income | - | - | - | (52) | (46,758) | (46,810) |
| New share capital subscribed | 1 | 55,013 | - | - | - | 55,014 |
| Share based payment transactions | - | - | 324 | - | - | 324 |
| At 31 December 2020 | <u>9</u> | <u>161,336</u> | <u>16,612</u> | <u>(131)</u> | <u>(156,931)</u> | <u>20,895</u> |

| | Share capital £ 000 | Share premium £ 000 | Reserve credit for share based payments plan £ 000 | Foreign currency translation £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------------|---------------------------|---------------------------|--|---|-------------------------------|----------------|
| At 1 January 2019 | 3 | 106,313 | 10,111 | 18 | (100,017) | 16,428 |
| Loss for the year | - | - | - | - | (10,156) | (10,156) |
| Other comprehensive income | - | - | - | (97) | - | (97) |
| Total comprehensive income | - | - | - | (97) | (10,156) | (10,253) |
| New share capital subscribed | 5 | 10 | - | - | - | 15 |
| Share based payment transactions | - | - | 6,177 | - | - | 6,177 |
| At 31 December 2019 | <u>8</u> | <u>106,323</u> | <u>16,288</u> | <u>(79)</u> | <u>(110,173)</u> | <u>12,367</u> |

The notes on pages 23 to 68 form an integral part of these financial statements.

Secret Escapes Limited
Consolidated Statement of Cash Flows for the Year Ended 31 December
2020

| | Note | 2020 £ 000 | 2019 £ 000 |
|---|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (48,164) | (12,786) |
| Adjustments to cash flows from non-cash items: | | | |
| Depreciation, amortisation and impairment | 6 | 15,218 | 8,451 |
| Loss on disposal of property plant and equipment | 6 | 1,848 | - |
| Foreign currency translation (gains)/losses | 19 | (268) | 138 |
| Exchange movement | | 17 | (149) |
| Amounts written off investments | 6 | - | 37 |
| Finance income and costs | 10 | 9,050 | 7,733 |
| Share based payment transactions | 24 | 324 | 6,177 |
| Income tax (receipt)/expense | 11 | (1,255) | 1,687 |
| | | (23,230) | 11,288 |
| Working capital adjustments | | | |
| Decrease/(increase) in trade and other receivables | 16 | 25,607 | (21,671) |
| (Decrease)/increase in trade and other payables | 25 | (27,879) | 15,490 |
| (Decrease)/increase in deferred income, including government grants | | (25,154) | 15,280 |
| Cash generated from operations | | (50,656) | 20,387 |
| Income taxes paid | | (1,382) | (1,847) |
| Net cash flow from operating activities | | (52,038) | 18,540 |
| Cash flows from investing activities | | | |
| Interest received | 10 | 196 | 239 |
| Acquisitions of property plant and equipment | 12 | (182) | (396) |
| Proceeds from sale of property plant and equipment | | 16 | - |
| Acquisition of intangible assets | 14 | (1,763) | (1,839) |
| Proceeds from sale of intangible assets | | 44 | 246 |
| Payments made on leased assets during the year | 21 | (3,355) | (2,062) |
| Acquisition of subsidiary undertaking (net of cash acquired) | | - | (16,929) |
| Acquisition of trade assets | | - | (750) |
| Net cash flows from investing activities | | (5,044) | (21,491) |
| Cash flows from financing activities | | | |
| Interest paid (including lease interest) | 10 | (560) | (2,680) |
| Proceeds from issue of ordinary shares, net of issue costs | 18 | 55,014 | 15 |
| Proceeds from bank borrowing draw downs | 20 | - | 44,658 |
| Repayment of bank borrowing | 20 | - | (14,700) |
| Proceeds from advance of government grants | 26 | 520 | - |
| Net cash flows from financing activities | | 54,974 | 27,293 |
| Net (decrease)/increase in cash and cash equivalents | | (2,108) | 24,342 |
| Cash and cash equivalents at 1 January | 17 | 77,261 | 52,919 |
| Cash and cash equivalents at 31 December | 17 | 75,153 | 77,261 |

The notes on pages 23 to 68 form an integral part of these financial statements.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:

4th Floor, 120 Holborn
London
EC1N 2TD

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Changes in accounting policy

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the group's financial statements.

Basis of preparation - group

The consolidated financial statements have been prepared in accordance with International Accounting Standards and in conformity with the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention accounting rules. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The group's financial statements are presented in pounds Sterling, rounded to thousands, which is considered to be the functional currency of the group.

Basis of preparation - company

The parent company financial statements were prepared under the historical cost convention accounting rules and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). FRS 101 enables the financial statements of the parent company to be prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, but with certain disclosure exemptions as detailed below.

The company's financial statements are presented in pounds Sterling, rounded to thousands, which is considered to be the functional currency of the company.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment,
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations,
- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (a) paragraph 79(a)(iv) of IAS 1;
 - (b) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (c) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The basis for all of the above exemptions is because equivalent disclosures are included in the consolidated Financial Statements of the Group in which the entity is consolidated.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £46,758,000 (2019 - loss of £10,156,000).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Guarantees

The following UK subsidiary of the group is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts by virtue of s479A of this Act; Secret Escapes Transport Limited, registered number 10507990.

Going concern

Despite the significant cash balance held by the group, given the loss in the year and the ongoing impact of the COVID-19 pandemic, the directors have a duty to be satisfied that there is sufficient evidence that adequate headroom exists within the forecast cash flow to ensure that the group can meet its liabilities as they fall due.

In reaching this conclusion, the directors have considered the current trading, current balance sheet, forecast results and cash flows, and potential mitigating actions in the event of underperformance over the period to 28 February 2023.

During 2021, the group has continued to recover with trading during an extended summer season from June to October 2021 reaching nearly 80% of 2019 levels. The group has continued to manage through further lockdowns and restrictions and has been able to manage down its cost base through these to minimise cash outflows. The group has generated positive cash flows over several months in 2021 resulting in an overall positive cash flow across 2021.

As at 31 December 2021 the group had cash of £76m and £18m of trade debtors and other current assets. Trade creditors and non-debt current liabilities totalled £72m. Debt facilities totalled £63m and are due in 2023 and 2024. Cash can move freely around the group with the exception of a balance held within Slevomat.cz sro which can only be used to pay its suppliers (but is freely available to pay those suppliers), as at 31 December 2021 this totalled £15m.

The group has modelled a range of revenue impacting scenarios with varying degrees of severity and duration. The severe but plausible scenario considered reflects trade remaining below 2019 levels at those similar to 2021, with a phasing of revenue similar to 2021 to reflect the possibility of late winter lockdowns in early 2022.

The group's debt contains two EBITDA and a cash float covenant. The first EBITDA covenant requires positive EBITDA to be achieved on a 9 months period ending March 2022 and then a rolling 12 month basis to the end of each subsequent quarter in 2022. The second EBITDA covenant requires trailing three month EBITDA to meet pre-agreed levels with the lenders. The group's debt also contains a covenant requiring the group to maintain a cash float which is defined as specified funding sources less trade creditors. The group's modelling indicates the group is able to remain within these covenants. Additional mitigating actions remain available which could include incremental reductions mainly in administrative expenses. The group has demonstrated an ability to execute mitigations during 2020 and 2021 and so has confidence in being able to replicate these actions going forwards if considered necessary.

As disclosed in Note 20 the group has a term loan for €21.3m which matured in February 2022. This loan has been refinanced and now matures in August 2023. The group also has access to a revolving credit facility ("RCF") for £12.5m. In all the scenarios, the group has not modelled utilisation of the RCF.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern (continued)

Covenants remain similar with the existing debt with updated covenant levels agreed to the end of 2022. Covenant levels relating to the RCF for 2023 will be agreed as part of the budgeting process for 2023, however as noted above the group is not reliant on the RCF to continue as a going concern.

The directors recognise the uncertainty as to the amount and timing of cash flows to the group, which is exacerbated by COVID-19 and its ongoing impact upon the travel sector. The directors reviewed the range of scenarios modelled and noted the performance of the business in 2021 and the improving position in 2022 and are confident about future trading. Based upon the business plan, recent trading and their assessment of the ability of the group to continue within the current funding arrangements, and future funding arrangements available to them, the directors have concluded that the group will continue in operational existence at least for a period to 28 February 2023. Therefore, they have adopted the going concern basis of accounting in preparing these financial statements for the group and company.

Revenue recognition

Recognition

Revenue represents net commissions from hotels, tour operators and other merchants, revenue from providing package holidays and digital marketing revenue. Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Digital marketing revenue is recognised over the period in which the service has been provided.

Principal versus agent

The group has arrangements whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the services to the customer. The group acts as a principal if it controls a promised service before transferring that service to the customer. The group is an agent if its role is to arrange for another entity to provide the services. Factors considered in making this assessment are most notably the discretion the group has in establishing the price for the specified service, and whether the group is primarily responsible for fulfilling the promise to deliver the service.

With respect to agency revenue the group's obligation to the supplier, for which it is acting as a marketing agent, is substantially complete at the point when a member has purchased a holiday through the group's websites and a confirmation has been delivered to the member and the supplier. Agency revenue where the group does not take on tour operator liability is recognised at the date of purchase. Agency revenue where the group does take on tour operator liability is recognised when the group's obligation to both the supplier and the member are substantially complete and is recognised as the member travels.

Revenue earned through the sale of vouchers (rather than direct date booking) is recognised on the same agency basis. When the member purchases a voucher and the voucher has been electronically delivered to the member and a listing of vouchers sold has been made available to the supplier, revenue is recognised.

Revenue earned as a Tour Operator is recognised as a principal, upon the performance obligation period of each package holiday. This revenue is recognised over the relevant period when the package is enjoyed, in accordance with the exercising of our performance obligations as detailed in the Group's terms of business and booking conditions.

Where the group is acting as a principal, revenue is recorded on a gross basis. Where the group is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Government grants

Grants from the government are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with.

Other grants

UK Government grants relating to the Coronavirus Job Retention Scheme (CJRS) have been received during the year in respect of employee costs incurred for furloughed staff. The grants have been recognised as income of the group based on an accruals model. Grants related to income are presented as part of profit or loss as 'Other income'.

Finance income and costs policy

Finance income consists of income from cash investments and equivalents. Interest income is recognised in the Income Statement when earned, using the effective interest method.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises UK corporation tax and foreign tax due in respect of overseas trading. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 group operates and generates taxable income.

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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Goodwill

Secret Escapes performs its annual impairment test in December each year. The group considers the relationship between the book value and the future in-flows of cash when reviewing for indicators of impairment. The pre-tax discount rate applied to cash flow projections is 15.0% for the cash flows of the five-year period from 2021 onwards.

Growth rate estimates are based on industry standards, and three years is deemed an adequate lifetime given the type of asset. Management recognises that the speed of technological change and the possibility of new entrants could have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but in order to model for this scenario the assumed growth rate has been stress-tested by up to a 20% reduction in future cash in-flows, without impacting the impairment values.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, other than assets under construction, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Amortisation method and rate |
|-------------------------|-------------------------------------|
| Trademarks | 7 years straight line basis |
| Other intangible assets | up to 10 years straight line basis |

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be reliably measured. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than assets under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|-----------------------------------|-------------------------------------|
| Leasehold improvements | over the life of the lease |
| Furniture, fittings and equipment | 20% - 33 1/3% on cost |

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the statement of income.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Business combinations

Fixed asset investments relating to shares in group undertakings are stated at historical cost less provision for any diminution in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the group to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the group has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the group has made an accounting policy election, by class of underlying asset, to account for both components as a single lease component.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

2 Accounting policies (continued)

Initial recognition and measurement

The group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the group's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the group measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the profit and loss account, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The company cannot readily determine the interest rate implicit in the leases, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The group then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification. For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Sub leases

If an underlying asset is re-leased by the group to a third party and the group retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The group continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Share based payments

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of options and shares granted and is recognised as an expense.

The estimated fair value of the options granted is calculated using the binomial option pricing model. The estimated fair value of the shares granted is determined by reference to the fair value of the shares granted, including any performance conditions, calculated using the binomial pricing model. The total amount expensed is recognised over the vesting or performance period, which is the period over which all of the specified vesting or performance conditions are to be satisfied.

At each reporting date, the company revises its estimates of the number of options and shares that are expected to vest based on the specified vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the parent company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium in the parent financial statements when the options are exercised.

The grant by the company of options and shares over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employees' services received measured by reference to the grant date fair value, is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity in the company financial statements.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset – recognition and measurement

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive cash.

All financial assets are initially measured at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The group classifies its financial assets in the following categories: at fair value through other comprehensive income, at amortised cost or at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

2 Accounting policies (continued)

- Debt securities where the contractual cash flows are solely principal, and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

However, there are no instruments which have been classified under this category.

(b) Financial assets at amortised cost

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category is the most relevant to the group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost (see note (a) and (b) above)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

The group has no financial assets measured at fair value through profit or loss.

Impairment of financial assets

In accordance with IFRS 9, the group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For trade and other receivables, the group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities - recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities comprise of trade creditors, loans and bank overdrafts.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- (a) *Financial liabilities at fair value through profit or loss*
- (b) *Loans and borrowings*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The group does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation means that the actual outcomes could differ from those estimates. Significant areas of estimation for the group include the following:

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of intangible assets and goodwill

The group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of cash generating units (CGUs). This requires estimation of future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Share-based payments

The group's employees have been granted share options and growth shares by the parent company, Secret Escapes Limited. The fair values of the share options and growth shares have been calculated using the binomial valuation model which requires a number of assumptions and estimates to be made, including the risk free interest rate, expected volatility of the share price and expected dividends payable over the life of the options.

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group and company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group and company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group and company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

Impairment of financial assets

The group estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The group reviews this policy annually, if required.

4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

| | 2020 £ 000 | 2019 £ 000 |
|-----------------------|---------------|----------------|
| Rendering of services | <u>76,053</u> | <u>169,450</u> |

Revenue from rendering of services comprises of:

| | 2020 £ 000 | 2019 £ 000 |
|---|---------------|----------------|
| Commissions from hotels, tour operators and other merchants | 52,074 | 105,783 |
| Revenue from package holidays | 21,336 | 58,860 |
| Digital marketing revenue | 2,296 | 4,195 |
| Other income | 347 | 612 |
| | <u>76,053</u> | <u>169,450</u> |

43% (2019 - 16%) of commission revenue arises from UK members with 57% (2019 - 84%) from overseas members. 72% (2019 - 71%) of revenue from package holidays revenue arises in the UK, with the remaining 28% (2019 - 29%) arising from overseas. 73% (2019 - 31%) of digital marketing revenue arises in the UK, with the remaining 27% (2019 - 69%) arising from overseas.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

5 Other operating income

The analysis of the group's other operating income for the year is as follows:

| | 2020 £ 000 | 2019 £ 000 |
|--------------------------------------|---------------|---------------|
| Government grants | 5,001 | - |
| Sub lease rental income | 286 | 136 |
| Miscellaneous other operating income | 35 | 283 |
| | <u>5,322</u> | <u>419</u> |

The group received grant income, in respect of certain furloughed employees, from the UK Government during the year under the Coronavirus Job Retention Scheme and from the German Government under their business trade support scheme.

6 Operating loss

Arrived at after charging/(crediting)

| | 2020 £ 000 | 2019 £ 000 |
|---|---------------|---------------|
| Depreciation of property, plant and equipment | 653 | 710 |
| Depreciation of right-of-use assets | 2,521 | 2,563 |
| Amortisation expense | 5,954 | 5,178 |
| Impairment loss | 6,090 | - |
| Foreign exchange losses/(gains) | 3,684 | (1,786) |
| Loss on disposal of property, plant and equipment and right of use assets | 1,848 | - |
| Expense on short term leases (over one month) | - | 22 |
| Expense on low value leases | - | 100 |
| Written off fixed asset investments | - | 37 |

7 Auditor's remuneration

| | 2020 £ 000 | 2019 £ 000 |
|-------------------------------------|---------------|---------------|
| Audit of these financial statements | 155 | 170 |
| Other fees to auditor | | |
| ATOL assurance | 5 | 5 |
| Taxation compliance services | 10 | 10 |
| All other non-audit services | - | 83 |
| | <u>170</u> | <u>268</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2020 £ 000 | 2019 £ 000 |
|--|-----------------------------|-----------------------------|
| Wages and salaries | 28,574 | 34,234 |
| Share-based payment expenses | 324 | 6,177 |
| Social security costs | 3,367 | 4,157 |
| Pension costs, defined contribution scheme | 805 | 904 |
| Other post-employment benefit costs | 150 | 313 |
| | <u>33,220</u> | <u>45,785</u> |

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

| | 2020 No. | 2019 No. |
|-------------------------------------|---------------------------|---------------------------|
| Sales, marketing and administration | <u>650</u> | <u>890</u> |

9 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2020 £ 000 | 2019 £ 000 |
|--|-----------------------------|-----------------------------|
| Remuneration | 356 | 758 |
| Contributions paid to money purchase schemes | 5 | 8 |
| Non-executive directors' fees | <u>6</u> | <u>6</u> |
| | <u>367</u> | <u>772</u> |

During the year the number of directors who were receiving benefits and share incentives was as follows:

| | 2020 No. | 2019 No. |
|---|---------------------------|---------------------------|
| Received or were entitled to receive shares under long term incentive schemes | 2 | 2 |
| Accruing benefits under money purchase pension scheme | <u>2</u> | <u>1</u> |

In respect of the highest paid director:

| | 2020 £ 000 | 2019 £ 000 |
|--------------|-----------------------------|-----------------------------|
| Remuneration | <u>146</u> | <u>361</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

10 Finance income and costs

| | 2020 £ 000 | 2019 £ 000 |
|--|----------------|----------------|
| Finance income | | |
| Interest income on bank deposits | 165 | 228 |
| Other finance income | <u>31</u> | <u>11</u> |
| Total finance income | <u>196</u> | <u>239</u> |
| Finance costs | | |
| Interest on bank overdrafts and borrowings | (8,688) | (7,543) |
| Interest expense on leases - Vehicles | - | (2) |
| Interest expense on leases - Property | <u>(558)</u> | <u>(427)</u> |
| Total finance costs | <u>(9,246)</u> | <u>(7,972)</u> |
| Net finance costs | <u>(9,050)</u> | <u>(7,733)</u> |

11 Income tax

Tax (credited)/charged in the income statement

| | 2020 £ 000 | 2019 £ 000 |
|--|----------------|---------------|
| Foreign tax | 1,181 | 2,079 |
| Foreign tax adjustment to prior periods | <u>-</u> | <u>29</u> |
| | <u>1,181</u> | <u>2,108</u> |
| Deferred taxation | | |
| Arising from origination and reversal of temporary differences | (465) | (471) |
| Arising from changes in tax rates and laws | - | 50 |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | <u>(1,971)</u> | <u>-</u> |
| Total deferred taxation | <u>(2,436)</u> | <u>(421)</u> |
| Tax (receipt)/expense in the income statement | <u>(1,255)</u> | <u>1,687</u> |

The tax on loss before tax for the current and prior year is higher than the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

11 Income tax (continued)

| | 2020 £ 000 | 2019 £ 000 |
|--|-----------------------------|-----------------------------|
| Loss before tax | <u>(49,419)</u> | <u>(11,099)</u> |
| Corporation tax at standard rate | (9,390) | (2,109) |
| Adjustment for prior periods | - | 29 |
| Changes in tax rates | - | 50 |
| Revenues exempt from taxation | - | (1,317) |
| Expenses not deductible | 1,673 | 3,454 |
| Tax decrease from utilisation of tax losses | (297) | (239) |
| Unrelieved tax losses carried forward | 8,224 | 2,027 |
| Effect of exercise of employee share options | (11) | (3) |
| Effect of foreign tax rates | 517 | (205) |
| Deferred tax expense (credit) from unrecognised temporary difference from a prior period | <u>(1,971)</u> | <u>-</u> |
| Total tax (credit)/charge | <u>(1,255)</u> | <u>1,687</u> |

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

Deferred tax has been recognised at the substantively enacted tax rate as at the balance sheet date of 19%. If the change in the corporation tax rate had been enacted at the balance sheet date, the impact on the deferred tax balance would have been an increase in the liability of £802,000 to £3,342,000.

Amounts recognised in other comprehensive income

| | 2020 | 2019 |
|-------------------------------------|-------------------|-------------------|
| | Tax | Tax |
| | Before tax | Before tax |
| | benefit | benefit |
| | (expense) | (expense) |
| | £ 000 | £ 000 |
| | £ 000 | £ 000 |
| Foreign currency translation losses | <u>(268)</u> | <u>138</u> |

Deferred tax

Group

Deferred tax assets and liabilities

| | Liability £ 000 |
|----------------------------------|----------------------------------|
| 2020 | |
| Accelerated tax depreciation | - |
| Revaluation of intangible assets | <u>(2,540)</u> |
| | <u>(2,540)</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

11 Income tax (continued)

| 2019 | Liability £ 000 |
|----------------------------------|----------------------------|
| Accelerated tax depreciation | - |
| Revaluation of intangible assets | (4,976) |
| | <u>(4,976)</u> |

Deferred tax movement during the year:

| | At 1 January 2020 £ 000 | Recognised in income £ 000 | At 31 December 2020 £ 000 |
|----------------------------------|--|---|--|
| Accelerated tax depreciation | - | - | - |
| Revaluation of intangible assets | (4,976) | 2,436 | (2,540) |
| Net tax assets/(liabilities) | <u>(4,976)</u> | <u>2,436</u> | <u>(2,540)</u> |

Deferred tax movement during the prior year:

| | At 1 January 2019 £ 000 | Recognised in income £ 000 | Recognised in equity £ 000 | At 31 December 2019 £ 000 |
|----------------------------------|--|---|---|--|
| Accelerated tax depreciation | - | - | - | - |
| Revaluation of intangible assets | (3,426) | 421 | (1,971) | (4,976) |
| Net tax assets/(liabilities) | <u>(3,426)</u> | <u>421</u> | <u>(1,971)</u> | <u>(4,976)</u> |

There are £2,020,000 of deductible temporary differences (2019 - £743,000) and £26,832,000 of unused tax losses (2019 - £17,714,000) for which no deferred tax asset is recognised in the statement of financial position.

Company

There are £2,020,000 of deductible temporary differences (2019 - £743,000) and £26,561,000 of unused tax losses (2019 - £17,714,000) for which no deferred tax asset is recognised in the statement of financial position.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

12 Property, plant and equipment

Group

| | Leasehold improvements £ 000 | Furniture, fittings and equipment £ 000 | Assets under construction £ 000 | Total £ 000 |
|--|------------------------------------|--|---------------------------------------|----------------|
| Cost | | | | |
| At 1 January 2019 | 978 | 2,146 | - | 3,124 |
| Additions | 13 | 361 | 22 | 396 |
| Acquired through business combinations | - | 144 | - | 144 |
| Disposals | (7) | (34) | - | (41) |
| Foreign exchange movements | (4) | (22) | - | (26) |
| At 31 December 2019 | 980 | 2,595 | 22 | 3,597 |
| At 1 January 2020 | 980 | 2,595 | 22 | 3,597 |
| Additions | 2 | 132 | 48 | 182 |
| Disposals | - | (154) | - | (154) |
| Foreign exchange movements | - | 13 | - | 13 |
| At 31 December 2020 | 982 | 2,586 | 70 | 3,638 |
| Depreciation | | | | |
| At 1 January 2019 | 528 | 1,230 | - | 1,758 |
| Charge for year | 218 | 492 | - | 710 |
| Eliminated on disposal | (7) | (34) | - | (41) |
| Foreign exchange movements | - | (4) | - | (4) |
| At 31 December 2019 | 739 | 1,684 | - | 2,423 |
| At 1 January 2020 | 739 | 1,684 | - | 2,423 |
| Charge for the year | 180 | 473 | - | 653 |
| Eliminated on disposal | - | (137) | - | (137) |
| At 31 December 2020 | 919 | 2,020 | - | 2,939 |
| Carrying amount | | | | |
| At 31 December 2020 | 63 | 566 | 70 | 699 |
| At 31 December 2019 | 241 | 911 | 22 | 1,174 |
| At 1 January 2019 | 450 | 916 | - | 1,366 |

Included within the carrying amount of leasehold improvements above is £63,000 (2019 - £241,000) in respect of short leasehold land and buildings.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

12 Property, plant and equipment (continued)

Company

| | Leasehold improvements £ 000 | Furniture, fittings and equipment £ 000 | Total £ 000 |
|--------------------------|------------------------------------|--|----------------|
| Cost or valuation | | | |
| At 1 January 2019 | 843 | 1,330 | 2,173 |
| Additions | 13 | 214 | 227 |
| At 31 December 2019 | 856 | 1,544 | 2,400 |
| At 1 January 2020 | 856 | 1,544 | 2,400 |
| Additions | 2 | 43 | 45 |
| Disposals | - | (47) | (47) |
| At 31 December 2020 | 858 | 1,540 | 2,398 |
| Depreciation | | | |
| At 1 January 2019 | 506 | 976 | 1,482 |
| Charge for year | 194 | 226 | 420 |
| At 31 December 2019 | 700 | 1,202 | 1,902 |
| At 1 January 2020 | 700 | 1,202 | 1,902 |
| Charge for the year | 154 | 184 | 338 |
| Eliminated on disposal | - | (47) | (47) |
| At 31 December 2020 | 854 | 1,339 | 2,193 |
| Carrying amount | | | |
| At 31 December 2020 | 4 | 201 | 205 |
| At 31 December 2019 | 156 | 342 | 498 |
| At 1 January 2019 | 337 | 354 | 691 |

Included within the carrying amount of leasehold improvements above is £4,000 (2019 - £156,000) in respect of short leasehold land and buildings.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

13 Right of use assets

Group

| | Vehicles £ 000 | Property £ 000 | Total £ 000 |
|-------------------------------------|---------------------------------|---------------------------------|------------------------------|
| Cost | | | |
| Recognised on transition to IFRS 16 | 27 | 6,769 | 6,796 |
| Additions | 36 | 169 | 205 |
| Disposals | - | (120) | (120) |
| At 31 December 2019 | 63 | 6,818 | 6,881 |
| At 1 January 2020 | 63 | 6,818 | 6,881 |
| Additions | 34 | 5,753 | 5,787 |
| Disposals | (9) | (2,592) | (2,601) |
| Foreign exchange movements | (13) | (85) | (98) |
| At 31 December 2020 | 75 | 9,894 | 9,969 |
| Depreciation | | | |
| Charge for year | 29 | 2,534 | 2,563 |
| Eliminated on disposal | - | (120) | (120) |
| At 31 December 2019 | 29 | 2,414 | 2,443 |
| At 1 January 2020 | 29 | 2,414 | 2,443 |
| Charge for the year | 34 | 2,487 | 2,521 |
| Eliminated on disposal | (9) | (743) | (752) |
| At 31 December 2020 | 54 | 4,158 | 4,212 |
| Carrying amount | | | |
| At 31 December 2020 | 21 | 5,736 | 5,757 |
| At 31 December 2019 | 34 | 4,404 | 4,438 |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

13 Right of use assets (continued)

Company

| | Property £ 000 |
|-------------------------------------|---------------------------|
| Cost | |
| Recognised on transition to IFRS 16 | 2,174 |
| Additions | <u>13</u> |
| At 31 December 2019 | <u>2,187</u> |
| At 1 January 2020 | 2,187 |
| Additions | 3,796 |
| Disposals | (575) |
| Foreign exchange movements | <u>(78)</u> |
| At 31 December 2020 | <u>5,330</u> |
| Depreciation | |
| Charge for year | <u>1,143</u> |
| At 31 December 2019 | <u>1,143</u> |
| At 1 January 2020 | 1,143 |
| Charge for the year | 979 |
| Eliminated on disposal | <u>(473)</u> |
| At 31 December 2020 | <u>1,649</u> |
| Carrying amount | |
| At 31 December 2020 | <u>3,681</u> |
| At 31 December 2019 | <u>1,044</u> |

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Intangible assets

Group

| | Goodwill £ 000 | Trademarks £ 000 | Customer lists £ 000 | Assets under construction £ 000 | Other intangible assets £ 000 | Total £ 000 |
|--|-------------------|---------------------|----------------------------|--|--|----------------|
| Cost or valuation | | | | | | |
| At 1 January 2019 | 39,321 | 5,512 | 21,906 | 118 | 3,165 | 70,022 |
| Additions | 13,563 | - | - | 1,636 | 203 | 15,402 |
| Acquired through business combinations | - | 2,437 | 6,138 | - | 241 | 8,816 |
| Disposals | - | (40) | (160) | - | (49) | (249) |
| Transfers | - | - | - | (1,209) | 1,209 | - |
| Transfers from fixed assets | - | 164 | 586 | - | - | 750 |
| Foreign exchange movements | - | - | - | - | 27 | 27 |
| At 31 December 2019 | 52,884 | 8,073 | 28,470 | 545 | 4,796 | 94,768 |
| At 1 January 2020 | 52,884 | 8,073 | 28,470 | 545 | 4,796 | 94,768 |
| Additions | - | 6 | - | 1,071 | 686 | 1,763 |
| Foreign exchange movements | - | - | - | - | 606 | 606 |
| Disposals | - | - | - | (15) | (297) | (312) |
| Transfers between categories | - | - | - | (1,187) | 1,187 | - |
| At 31 December 2020 | 52,884 | 8,079 | 28,470 | 414 | 6,978 | 96,825 |
| Amortisation | | | | | | |
| At 1 January 2019 | 1,118 | 862 | 2,871 | - | 701 | 5,552 |
| Amortisation charge | - | 1,042 | 2,877 | - | 1,259 | 5,178 |
| Amortisation eliminated on disposals | - | - | - | - | (3) | (3) |
| Foreign exchange movements | - | - | - | - | (2) | (2) |
| At 31 December 2019 | 1,118 | 1,904 | 5,748 | - | 1,955 | 10,725 |
| At 1 January 2020 | 1,118 | 1,904 | 5,748 | - | 1,955 | 10,725 |
| Amortisation charge | - | 1,083 | 3,088 | - | 1,783 | 5,954 |
| Amortisation eliminated on disposals | - | - | - | - | (268) | (268) |
| Impairment | 6,090 | - | - | - | - | 6,090 |
| Foreign exchange movements | - | - | - | - | 606 | 606 |
| At 31 December 2020 | 7,208 | 2,987 | 8,836 | - | 4,076 | 23,107 |
| Carrying amount | | | | | | |
| At 31 December 2020 | 45,676 | 5,092 | 19,634 | 414 | 2,902 | 73,718 |
| At 31 December 2019 | 51,766 | 6,169 | 22,722 | 545 | 2,841 | 84,043 |
| At 1 January 2019 | 38,203 | 4,650 | 19,035 | 118 | 2,464 | 64,470 |

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Intangible assets (continued)

Amortisation charged for the year is included within administration expenses.

Impairment testing

Goodwill

Secret Escapes performs its annual impairment test in December each year. The group considers the relationship between the book value and the future in-flows of cash for each of its cash generating units (CGUs) when reviewing for indicators of impairment. The group considers that there are four CGUs, being Travelist, Slevomat, Empathy and the other being all other Secret Escapes businesses. Growth rates are based on industry standards, with 2% per annum growth assumed for the terminal period. Management recognises that the speed of technological change and the possibility of new entrants could have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but in order to model for this scenario the assumed growth rate has been stress-tested by using a discount rate of 20%, up to a 20% reduction in future cash in-flows and a market uncertainty factor 20% decrease, without impacting the impairment values. The discount rate used in the calculation of value in use as recoverable amount is 15% (2019 - 15%).

Empathy Marketing

The recoverable amount of this CGU was based on the value in use estimated using discounted future cashflows. The carrying value of the CGU of £13.6m was considered to be higher than its recoverable amount and an impairment loss of £6.1m (2019 - £Nil) was fully allocated to goodwill and recognised within administrative expenses.

The key assumptions used are those referred to above, plus management's assessment of future trends in the business utilising historic and forecast information from both internal and external sources. Budgeted EBITDA was used based on expectations of future revenue growth and historic experience.

Following the impairment loss recognised for the Empathy Marketing CGU, the recoverable amount was equal to the carrying value. Therefore, any adverse movement in a key assumption would lead to further impairment.

The amount of impairment loss relating to Goodwill included in profit and loss is £6,090,000 (2019 - £Nil).

The carrying value of goodwill is analysed by CGU as follows:

| | 2020 £000 | 2019 £000 |
|-------------------|---------------|---------------|
| Secret Escapes | 911 | 911 |
| Travelist | 2,874 | 2,874 |
| Slevomat | 34,418 | 34,418 |
| Empathy Marketing | 7,473 | 13,563 |
| | <u>45,676</u> | <u>51,766</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

14 Intangible assets (continued)

Company

| | Trademarks £ 000 | Customer lists £ 000 | Assets under construction £ 000 | Other intangible assets £ 000 | Total £ 000 |
|--|-----------------------------|-------------------------------------|--|--|------------------------|
| Cost | | | | | |
| At 1 January 2019 | 556 | 2,775 | 102 | 2,249 | 5,682 |
| Transfers between categories | - | - | (765) | 765 | - |
| Additions | - | - | 797 | 496 | 1,293 |
| Acquired through business combinations | 164 | 586 | - | - | 750 |
| Disposals | (40) | (160) | - | - | (200) |
| At 31 December 2019 | 680 | 3,201 | 134 | 3,510 | 7,525 |
| At 1 January 2020 | 680 | 3,201 | 134 | 3,510 | 7,525 |
| Transfers between categories | - | - | (1,187) | 1,187 | - |
| Additions | 6 | - | 1,071 | 55 | 1,132 |
| At 31 December 2020 | 686 | 3,201 | 18 | 4,752 | 8,657 |
| Amortisation | | | | | |
| At 1 January 2019 | 10 | 579 | - | 407 | 996 |
| Amortisation charge | 82 | 231 | - | 950 | 1,263 |
| At 31 December 2019 | 92 | 810 | - | 1,357 | 2,259 |
| At 1 January 2020 | 92 | 810 | - | 1,357 | 2,259 |
| Amortisation charge | 104 | 274 | - | 1,120 | 1,498 |
| At 31 December 2020 | 196 | 1,084 | - | 2,477 | 3,757 |
| Carrying amount | | | | | |
| At 31 December 2020 | 490 | 2,117 | 18 | 2,275 | 4,900 |
| At 31 December 2019 | 588 | 2,391 | 134 | 2,153 | 5,266 |
| At 1 January 2019 | 546 | 2,196 | 102 | 1,842 | 4,686 |

Assets under construction relate to software licence costs for assets which have not yet been brought into use. The assets have been brought in to operational use in 2021 and 2022 and will be amortised accordingly in the future.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Investments

Group subsidiaries

Details of the group subsidiaries as at 31 December 2020 are as follows:

| Name of subsidiary | Principal activity | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held by the group | |
|--|---------------------------------|--|--|------|
| | | | 2020 | 2019 |
| Secret Escapes LLC* | services company | USA WeWork, 175 Varick Street, New York City, NY10014, USA | 0% | 100% |
| Secret Escapes GmbH* | trading company | Germany Klosterstraße 62, 10179 Berlin, Germany | 100% | 100% |
| Secret Escapes pte Limited* | services company | Singapore 16a Duxton Road, Singapore, 089482 | 100% | 100% |
| Secret Escapes AB* | services company | Sweden Fiskargatan 8, 116 20 Stockholm, Sweden | 100% | 100% |
| Secret Escapes ApS* | services company | Denmark c/o Brinkmann Kronborg Henriksen, Advokatpartnerselskab, Amaliegade 15 st, Denmark | 0% | 100% |
| Secret Escapes Transport Limited* | transportation services company | UK 4th floor, 120 Holborn, London, EC1N 2TD | 100% | 100% |
| Evasions Secretes SAS* | services company | France 153 Boulevard Haussmann, 75008 Paris, France | 100% | 100% |
| Travelist Sp. z o.o.* | online travel agency | Poland Fabryczna 5, 00-446, Warsaw, Poland | 100% | 100% |
| Travelist Magyarország Kft. | services company | Hungary HU-1123 Budapest, Alkotás u. 39/C 3. em., Hungary | 100% | 100% |
| Secret Escapes S.L. (formerly First Exclusive Travel slú)* | services company | Spain Paseo de Gracia, 21, Planta 2, 08007 Barcelona, Spain | 100% | 100% |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

15 Investments (continued)

| | | | | |
|---|------------------|---|------|------|
| Kaloe International s.r.o.* | holding company | Czech Republic Pernerova 691/42, Karlín, Prague, Czech Republic | 100% | 100% |
| Slevomat cz,s.r.o. | trading company | Czech Republic Pernerova 691/42, Prague 8, Czech Republic | 100% | 100% |
| Melker Deals, a.s. | holding company | Czech Republic Americká 525/23, Vinohrady, Prague 2, Czech Republic | 100% | 100% |
| CK Zanzo s.r.o. (formerly SG Logistics, s.r.o.) | services company | Czech Republic Pernerova 691/42, Prague 8, Czech Republic | 100% | 100% |
| Skrz.cz,s.r.o. | trading company | Czech Republic Americká 525/23, Vinohrady, Prague 2, Czech Republic | 100% | 100% |
| Secret Escapes Holidays BV* | services company | The Netherlands Nieuwezijds Voorburgwal 162, Amsterdam 1012 SJ | 100% | 100% |
| Secret Benefits s.r.o. | trading company | Slovakia Mlynské nivy 73, mestská časť Ružinov 821 05, Bratislava, Slovakia | 100% | 100% |
| Empathy Marketing Limited* | trading company | Ireland Unit 1J, 1st Floor, Block 71 C, Park West Business Park, Nangor Road, Dublin | 100% | 100% |

* indicates direct investment of the company

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Investments (continued)

Summary of the company investments

| | 2020 £ 000 | 2019 £ 000 |
|-----------------------------|---------------|---------------|
| Investments in subsidiaries | <u>62,340</u> | <u>68,879</u> |
| Subsidiaries | | £ 000 |
| Cost or valuation | | |
| At 1 January 2019 | | 46,760 |
| Additions | | <u>22,378</u> |
| At 31 December 2019 | | <u>69,138</u> |
| At 1 January 2020 | | 69,138 |
| Additions | | 206 |
| Disposals | | <u>(109)</u> |
| At 31 December 2020 | | <u>69,235</u> |
| Provision | | |
| At 1 January 2019 | | <u>259</u> |
| At 31 December 2019 | | <u>259</u> |
| At 1 January 2020 | | 259 |
| Provision | | <u>6,636</u> |
| At 31 December 2020 | | <u>6,895</u> |
| Carrying amount | | |
| At 31 December 2020 | | <u>62,340</u> |
| At 31 December 2019 | | <u>68,879</u> |
| At 1 January 2019 | | <u>46,501</u> |

Additions in the year relate to capital contributions made to subsidiary undertakings in the form of share based payments made to employees of £206,000. Disposals in the year relate to the investment in SE LLC, which was liquidated during the year, and the investment in SE ApS which ceased to trade in July 2020.

Secret Escapes performs its annual impairment test in December each year. The company considers the relationship between the book value and the future in-flows of cash for each of its investments when reviewing for indicators of impairment. Growth rates are based on industry standards, with 2% per annum growth assumed for the terminal period. The discount rate used in the calculation of value in use as recoverable amount is 15% (2019 - 15%).

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

15 Investments (continued)

Empathy Marketing

The recoverable amount of this investment was based on the value in use estimated using discounted future cash-flows. The carrying value of the investment of £22.5m was considered to be higher than its recoverable amount and an impairment loss of £6.6m (2019 - £Nil) was fully allocated to investments and recognised within administrative expenses.

The key assumptions used are those referred to above, plus management's assessment of future trends in the business utilising historic and forecast information from both internal and external sources. Budgeted EBITDA was used based on expectations of future revenue growth and historic experience. Following the impairment loss recognised for the Empathy Marketing investment, the recoverable amount was equal to the carrying value. Therefore, any adverse movement in a key assumption would lead to further impairment. The amount of impairment loss relating to investments included in profit and loss is £6,636,000 (2019 - £Nil).

16 Trade and other receivables

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ 000 | £ 000 | £ 000 | £ 000 |
| Trade receivables | 4,637 | 11,280 | 4,237 | 9,387 |
| Receivables from related parties | - | - | 38,751 | 38,798 |
| Accrued revenue | 5,309 | 6,444 | 127 | - |
| Deferred expenses | 850 | 22,701 | 870 | 13,168 |
| Prepayments | 2,008 | 3,892 | 1,591 | 3,299 |
| Other receivables | 11,459 | 5,553 | 4,082 | 2,335 |
| | <u>24,263</u> | <u>49,870</u> | <u>49,658</u> | <u>66,987</u> |
| Less non-current portion | <u>(45)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total current trade and other receivables | <u>24,218</u> | <u>49,870</u> | <u>49,658</u> | <u>66,987</u> |

Details of non-current trade and other receivables

Group

£45,000 (2019 - £Nil) of Other receivables is classified as non current. This relates to lessor balances receivable in respect a sub-lease which expires in April 2022.

The trade and other receivables classified as financial instruments are disclosed below. The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

16 Trade and other receivables (continued)

Group

31 December 2020

| 31 December 2020 | Trade receivables excluding cash in transit | | | | | |
|--|---|----------|------------|------------|----------|-------|
| | Days past due | | | | | |
| | Not past due | <30 days | 30-60 days | 61-90 days | >91 days | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Estimated total gross carrying amount at default | 1,055 | 84 | 20 | 5 | 1,046 | 2,210 |
| Expected credit loss | 219 | 29 | 4 | 1 | 794 | 1,047 |

Group

31 December 2019

| 31 December 2019 | Trade receivables (excluding cash in transit) | | | | | Total |
|--|--|----------|------------|------------|----------|-------|
| | Days past due | | | | | |
| | Not past due | <30 days | 30-60 days | 61-90 days | >91 days | |
| | £000s | £000s | £000s | £000s | £000s | |
| Estimated total gross carrying amount at default | 3,152 | 327 | 242 | 213 | 2,021 | 5,955 |
| Expected credit loss | 62 | 26 | 71 | 84 | 932 | 1,175 |

Company

31 December 2020

| 31 December 2020 | Trade receivables excluding cash in transit | | | | | |
|--|---|----------|------------|------------|----------|-------|
| | Days past due | | | | | |
| | Not past due | <30 days | 30-60 days | 61-90 days | >91 days | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Estimated total gross carrying amount at default | 499 | 53 | 14 | 2 | 732 | 1,300 |
| Expected credit loss | 39 | 1 | 1 | - | 497 | 538 |

Company

31 December 2019

| 31 December 2019 | Trade receivables excluding cash in transit | | | | | |
|--|---|----------|------------|------------|----------|-------|
| | Days past due | | | | | |
| | Not past due | <30 days | 30-60 days | 61-90 days | >91 days | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Estimated total gross carrying amount at default | 831 | 278 | 240 | 205 | 2,017 | 3,571 |
| Expected credit loss | 62 | 26 | 71 | 84 | 441 | 684 |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

16 Trade and other receivables (continued)

Movements in the allowance for impairment of trade receivables are as follows:

| | 2020 £ 000 | 2019 £ 000 |
|--|---------------|---------------|
| Group | | |
| At 1 January | 1,175 | 977 |
| Allowance for impairment during the year | (7) | 201 |
| Written-off as uncollectible | (121) | (3) |
| At 31 December | <u>1,047</u> | <u>1,175</u> |
| | 2020 £ 000 | 2019 £ 000 |
| Company | | |
| At 1 January | 684 | 261 |
| Allowance for impairment during the year | (32) | 427 |
| Written-off as uncollectible | (114) | (4) |
| At 31 December | <u>538</u> | <u>684</u> |

The amounts receivable from related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

17 Cash and cash equivalents

| | Group | | Company | |
|---------------------------------|---------------|---------------|----------------|---------------|
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Cash at bank | 74,095 | 77,102 | 38,711 | 34,559 |
| Other cash and cash equivalents | 1,058 | 159 | 913 | 102 |
| | <u>75,153</u> | <u>77,261</u> | <u>39,624</u> | <u>34,661</u> |

Balances held by the group that are not available for use by the group

| | 2020 £ 000 | 2019 £ 000 |
|--|---------------|---------------|
| Balances held by the group that are not available for use by the group | <u>20,921</u> | <u>27,210</u> |

The cash and cash equivalents held by the group that are not available for use by the group are held by Slevomat cz,s.r.o. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the group.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

18 Share capital

Allotted, called up and fully paid shares

| | 31 December 2020 | | 31 December 2019 | |
|--|-------------------------|--------------|-------------------------|--------------|
| | No. | £ | No. | £ |
| Ordinary shares of £0.001 each | 1,362,745 | 1,363 | 1,360,891 | 1,361 |
| B1 preferred ordinary shares of £0.001 each | 441,278 | 441 | 441,278 | 441 |
| B2 preferred ordinary shares of £0.001 each | 95,900 | 96 | 95,900 | 96 |
| C preferred ordinary shares of £0.001 each | 442,663 | 443 | 400,301 | 400 |
| D preferred ordinary shares of £0.001 each | 486,908 | 487 | 422,162 | 422 |
| E preferred ordinary shares of £0.001 (2019 - £0) each | 1,006,305 | 1,006 | - | - |
| A ordinary shares of £0.001 each | 45,997 | 46 | 45,997 | 46 |
| B ordinary shares of £0.001 each | 39,318 | 39 | 39,318 | 39 |
| C ordinary shares of £0.001 each | 11,096 | 11 | 11,527 | 12 |
| D ordinary shares of £0.001 each | 4,862,845 | 4,863 | 5,337,575 | 5,338 |
| Deferred ordinary shares of £0.001 each | 479,591 | 480 | 4,305 | 4 |
| | <u>9,274,646</u> | <u>9,275</u> | <u>8,159,254</u> | <u>8,159</u> |

New shares allotted

During the year 1,854 ordinary shares of £0.001 each with a nominal value of £1.85 were allotted for an aggregate consideration of £14,141 on the exercise of employee share options in the year. In addition, 1,006,305 E preferred ordinary shares of £0.001 each were allotted for an aggregate consideration of £55,000,000 as part of the Series E funding round. A total of 42,362 C preferred ordinary shares with a nominal value of £0.001 each were issued for an aggregate consideration of £42.36 and 64,746 D preferred ordinary shares with a nominal value £0.001 each were issued for an aggregate consideration of £64.75 were allotted as a result of Series E. 125 D ordinary shares with a nominal value of £0.001 each were issued for an aggregate consideration of £0.125. 431 C ordinary shares of £0.001 each and 474,730 D ordinary shares of £0.001 each were converted to deferred ordinary shares during the year as a result of employees leaving the company

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

18 Share capital (continued)

Rights, preferences and restrictions

B2 preferred ordinary shares have the following rights, preferences and restrictions:

Each B2 Ordinary share carries the right to one vote per share and is convertible into one Ordinary share. Each B2 Ordinary share ranks equally with the Ordinary shares in respect of dividends. Holders of B2 Ordinary shares benefit from anti-dilution protection in the event of a qualifying issue of shares at a lower issue price than the issue price of B2 Ordinary shares.

Ordinary shares have the following rights, preferences and restrictions:

All shares rank *pari passu* in all respects.

C preferred ordinary shares have the following rights, preferences and restrictions:

Each C Ordinary share carries the right to one vote per share and is convertible into one Ordinary share. Each C Ordinary share ranks equally with the Ordinary shares in respect of dividends. Holders of C Ordinary shares benefit from anti-dilution protection in the event of a qualifying issue of shares at a lower issue price than the issue price of C Ordinary shares.

B1 preferred ordinary shares have the following rights, preferences and restrictions:

Each B1 Ordinary share carries the right to one vote per share and is convertible into one Ordinary share. Each B1 Ordinary share ranks equally with the Ordinary shares in respect of dividends. Holders of B1 Ordinary shares benefit from anti-dilution protection in the event of a qualifying issue of shares at a lower issue price than the issue price of B1 Ordinary shares.

D and E preferred ordinary shares have the following rights, preferences and restrictions:

Each D and E Ordinary share carries the right to one vote per share and ranks equally with the Ordinary shares in respect of dividends. On a distribution of assets on a liquidation or return of capital, and after the payment of £1 to the holder of the deferred shares, the D and E preferred ordinary shares have a right to receive an amount per share held equal to the issue price in priority to all other classes of share.

B1, B2, C and D ordinary shareholders benefit from ratchet mechanism protections on a share sale, asset sale or exit by IPO at a price per share lower than the issue price of their respective B1, B2 or C Ordinary shares, on a distribution of assets on a liquidation or a return of capital.

The A ordinary shares, B ordinary shares, C ordinary shares, D ordinary shares and Deferred shares do not confer a right to vote or to receive dividends.

19 Reserves

Group and Company

Ordinary shares

The balance classified as equity share capital includes the total net proceeds on issue of the company's equity share capital, comprising £0.001 ordinary shares.

Share premium

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign currency translation reserve

The foreign currency translation reserve comprises of translation differences arising from the translation of financial statements of the group's foreign entities into Sterling.

Reserve credit for share based payment plan

This reserve comprises of movements in the cumulative expense recognised in the income statement in respect of equity settled share based payments.

Profit and loss account

The profit and loss account reserve includes all current and prior period retained profits and losses.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

19 Reserves (continued)

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

| | Foreign currency translation £ 000 |
|-------------------------|---|
| Foreign currency losses | (268) |

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

| | Foreign currency translation £ 000 |
|-------------------------|---|
| Foreign currency losses | 138 |

20 Loans and borrowings

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Non-current loans and borrowings | | | | |
| Bank borrowings | 60,042 | 50,575 | 45,607 | 36,915 |
| | <u>60,042</u> | <u>50,575</u> | <u>45,607</u> | <u>36,915</u> |
| | | | | |
| | Group | | Company | |
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Current loans and borrowings | | | | |
| Bank borrowings | 13,145 | 13,996 | 13,145 | 13,996 |
| | <u>13,145</u> | <u>13,996</u> | <u>13,145</u> | <u>13,996</u> |

The borrowings comprise of three loan facilities:

Revolving Credit Facility

This is a credit facility held with Silicon Valley Bank of £15,000,000, of which £13,400,000 (2019 - £14,300,000) net of arrangement fees of £255,000 (2019 - £304,000), has been drawn down at the balance sheet date. The facility can be drawn down at any point in either GBP, EUR or USD. The agreement was signed on 11 October 2017. The £13,145,000 (2019 - £13,996,000) drawn down at the year end was repaid in full in January 2021 (2019 - February 2020). In February 2019 the facility was renewed for a further 36 months.

The facility bears interest at the following rates dependent on which currency an advance is made: Bank of England Base Rate + 5%, Wall Street Journal Prime rate + 1% or European Central Bank Base Rate + 5.25%. Interest is payable monthly in arrears.

Mezzanine Debt Facility

This is a term loan held with Silicon Valley Bank of €21,280,000 (2019 - €21,280,000), net of arrangement fees of €967,000 (2019 - €967,000). In February 2019 the facility of €21,280,000 was renewed for 36 months. The loan attracts interest at 10% per annum with repayment due on expiry.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

20 Loans and borrowings (continued)

Long term loan

On 8 February 2019, a loan of €35,000,000 was taken out with Searchlight Capital Partners. The term of the loan is 5 years and interest is levied at 11.75% per annum. The terms of the loan permit the interest to be paid in cash or rolled up into the final repayment.

The bank holds a fixed and floating charge over the assets of the group in respect of all of these borrowings.

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

21 Leases

Group

| | 2020 £ 000 | 2019 £ 000 |
|--|-----------------------------|-----------------------------|
| Lease creditors | | |
| Current portion of long term lease liabilities | 1,729 | 2,491 |
| Long term lease liabilities | 5,642 | 2,448 |
| | <u>7,371</u> | <u>4,939</u> |

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

| | 2020 £ 000 | 2019 £ 000 |
|--|-----------------------------|-----------------------------|
| Less than one year | 2,556 | 2,698 |
| 2 to 5 years | 4,898 | 2,552 |
| 3 years | 1,793 | - |
| After 5 years | - | - |
| Total lease liabilities (undiscounted) | 9,247 | 5,250 |
| Impact of finance expenses | <u>(1,876)</u> | <u>(311)</u> |
| Carrying amount of liability | <u>7,371</u> | <u>4,939</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

21 Leases (continued)

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

| Payment | 2020 £ 000 | 2019 £ 000 |
|---------------------------|-----------------------|-----------------------|
| Right of use assets | 3,355 | 2,062 |
| Interest | 558 | 429 |
| Low value leases | - | 100 |
| Short term leases | - | 22 |
| Total cash outflow | 3,913 | 2,613 |

Company

| | 2020 £ 000 | 2019 £ 000 |
|--|-----------------------|-----------------------|
| Lease creditors | | |
| Current portion of long term lease liabilities | 446 | 1,156 |
| Long term lease liabilities | 4,333 | 90 |
| | 4,779 | 1,246 |

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

| | 2020 £ 000 | 2019 £ 000 |
|---|-----------------------|-----------------------|
| Less than one year | 1,199 | 1,214 |
| 2 to 5 years | 3,599 | 104 |
| 3 years | 1,793 | - |
| After 5 years | - | - |
| Total lease liabilities (undiscounted) | 6,591 | 1,318 |
| Impact of finance expenses | (1,812) | (72) |
| Carrying amount of liability | 4,779 | 1,246 |

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

| Payment | 2020 £ 000 | 2019 £ 000 |
|---------------------------|-----------------------|-----------------------|
| Right of use assets | 825 | 946 |
| Interest | 373 | 194 |
| Low value leases | - | 26 |
| Total cash outflow | 1,198 | 1,166 |

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

22 Obligations under leases and hire purchase contracts

Group

Operating leases

The total future value of minimum lease payments is as follows:

| | 2020 £ 000 | 2019 £ 000 |
|-----------------|---------------|---------------|
| Within one year | - | 10 |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2019 - £Nil)

Sublease arrangements

Total future minimum sublease income under non-cancellable operating leases expected to be received is £Nil (2019 - £136,000).

The amount of income recognised in the year from non-cancellable operating subleases was £Nil (2019 - £136,000).

The short-term lease commitments of the group as at the year end are £Nil (2019 - £Nil). The company has elected to apply paragraph 6 of IFRS 16 and has recognised the lease payments associated with the short-term leases as an expense.

23 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £805,000 (2019 - £904,000).

Contributions totalling £8,000 (2019 - £6,000) were payable to the scheme at the end of the year and are included in creditors.

24 Share-based payments

The company has various share-based compensation plans in place to help attract and retain personnel, to reward employees and directors for past services and to motivate such individuals through added incentives to further contribute to the success of the company. These are detailed below.

Secret Escapes share options scheme

Scheme details and movements

Share options have been granted to certain employees of the company, under these compensation plans, to purchase shares at the market price prevailing at the date of the grant. The options vest at the rate of 25-50% in the first year and then vest at the rate of 6.25-12.5% per quarter over the remaining one to three years. The contractual life for each option is 10 years. The share options are all equity settled.

The movements in the number of share options during the year were as follows:

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Share-based payments (continued)

| | 2020 Number | 2019 Number |
|------------------------------|----------------|----------------|
| Outstanding, start of period | 355,065 | 162,417 |
| Granted during the period | - | 198,482 |
| Forfeited during the period | (21,087) | (5,334) |
| Exercised during the period | (1,854) | (500) |
| Outstanding, end of period | <u>332,124</u> | <u>355,065</u> |
| Exercisable, end of period | <u>182,383</u> | <u>251,589</u> |

The movements in the weighted average exercise price of share options during the year were as follows:

| | 2020 £ | 2019 £ |
|------------------------------|-------------|--------------|
| Outstanding, start of period | 31.76 | 9.19 |
| Granted during the period | - | 33.56 |
| Forfeited during the period | 1.25 | 51.96 |
| Exercised during the period | 7.63 | 34.53 |
| Outstanding, end of period | 3.81 | 31.76 |
| Exercisable, end of period | <u>6.68</u> | <u>32.24</u> |

The weighted average share price at date of exercise of share options exercised during the year was £7.63 (2019 - £34.53).

Outstanding share options

Details of share options outstanding at the end of the year are as follows:

The weighted average remaining contractual life of share options exercisable as of 31 December 2020 was 4.71 years (2019 - 5.87 years).

The range of exercise prices for share options outstanding at the end of the year was £0.001 to £31.49 (2019 - £0.01 to £31.49).

Fair value of options granted

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial probability model, taking into account the terms and conditions upon which the options were granted, and the main inputs are set out in the table below. There were no grants in the year.

| | 2020 | 2019 |
|-----------------------------|----------|-------------|
| Expected volatility (%) | - | 50.00 |
| Option life in years | - | 10.00 |
| Risk-free interest rate (%) | <u>-</u> | <u>1.10</u> |

Charge arising from share-based payments

The total charge for the year for share-based payments under the share options scheme was £233,396 (2019 - £5,877,690), of which £233,396 (2019 - £5,877,690) related to equity-settled share-based payment transactions.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Share-based payments (continued)

Secret Escapes growth shares scheme

Scheme details and movements

Growth shares in the parent company have been issued to certain employees in the form of A, B or C ordinary shares with a nominal value of £0.001 per share, where the ability to receive dividends and a capital return from the shares is conditional upon continued employment and the achievement of a performance target relating to the growth of the company value beyond a pre-determined hurdle rate.

If this performance target is met, the participants will share in the whole of the value of the business above the hurdle rate. A proportion of the growth shares are converted to deferred shares if the employment condition is not met.

The share awards have been accounted for as equity settled share based payment transactions.

The movements in the number of growth shares during the year were as follows:

| | 2020 Number | 2019 Number |
|------------------------------|------------------|------------------|
| Outstanding, start of period | 5,434,417 | 98,033 |
| Granted during the period | - | 5,337,575 |
| Forfeited during the period | (475,161) | (1,191) |
| Outstanding, end of period | <u>4,959,256</u> | <u>5,434,417</u> |
| Exercisable, end of period | <u>2,365,052</u> | <u>446,763</u> |

The movements in the weighted average fair value during the year were as follows:

| | 2020 £ | 2019 £ |
|------------------------------|--------------|--------------|
| Outstanding, start of period | 73.03 | 38.45 |
| Granted during the period | - | 73.66 |
| Forfeited during the period | 73.66 | 73.77 |
| Outstanding, end of period | 72.96 | 73.03 |
| Exercisable, end of period | <u>72.20</u> | <u>65.97</u> |

Fair value of growth shares granted

The weighted average fair value of growth shares granted during the period at the measurement date was £Nil (2019 - £73.66).

The cost of the growth shares is determined using the fair value of the parent company's ordinary shares on the date of grant, which has been calculated using the Binomial pricing model, and the main inputs are set out in the table below. There were no growth shares granted in the current year.

| | 2020 | 2019 |
|-----------------------------|----------|-------------|
| Expected volatility (%) | - | 50.00 |
| Vesting period in years | - | 10.00 |
| Risk-free interest rate (%) | <u>-</u> | <u>1.08</u> |

Due to the parent being an unlisted entity, the expected volatility has been determined by calculating the historical volatility of share returns of a group of listed entities using it as a proxy for the expected volatility of the parent's share returns as at the grant date.

Expected life was based on the contractual life of the options and adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

24 Share-based payments (continued)

Charge arising from share-based payments

The total charge for the year for share-based payments under the growth shares scheme was £91,073 (2019 - £298,862), of which £Nil (2019 - £298,862) related to equity-settled share-based payment transactions.

25 Trade and other payables

| | Group | | Company | |
|---------------------------------|---------------|---------------|---------------|---------------|
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Trade payables | 47,905 | 87,533 | 18,533 | 48,244 |
| Amounts due to related parties | - | - | 39,662 | 43,641 |
| Social security and other taxes | 1,619 | 1,599 | 704 | 568 |
| Other payables | 22,272 | 10,543 | 16,023 | 5,431 |
| | <u>71,796</u> | <u>99,675</u> | <u>74,922</u> | <u>97,884</u> |

Trade payables are not interest-bearing. Amounts due to related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

26 Deferred income

| | Group | | Company | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Non-current liabilities | | | | |
| Government grants | 520 | - | - | - |
| Current liabilities | | | | |
| Deferred income | <u>1,493</u> | <u>26,647</u> | <u>1,211</u> | <u>15,035</u> |

In May 2020, the group received a grant of £520,000 (2.6m PLN) in respect of its Travelist business based in Poland. The grant was provided by the Polish government under the Polish Development Fund to cover current operational spending, on the basis that 75% of the grant would be non-refundable on the achievement of certain criteria relating to the continuity of operations within a specified economic sector. Prior to the year end, the terms and conditions of the grant were changed in light of the coronavirus pandemic such that 100% of the grant would be non-refundable if the specified criteria were met.

Subsequent to the year end, in May 2021, relevant documentation was submitted to demonstrate achievement of the criteria under the revised terms of the grant which was accepted. Accordingly, the liability was fully released to the profit and loss account in 2021.

The remaining deferred income relates to income for holidays sold but yet to be taken.

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

27 Reconciliation of liabilities arising from financing activities

Group

| | At 1 January 2020 £ 000 | Cash flows £ 000 | Non-cash changes | | | At 31 December 2020 £ 000 |
|----------------------------------|--|---------------------------------|---|--|---------------------------------|--|
| | | | Foreign exchange movements £ 000 | Rolled up loan interest £ 000 | New leases £ 000 | |
| Cash and cash equivalents | | | | | | |
| Cash | 77,102 | (3,007) | - | - | - | 74,095 |
| Cash equivalents | 159 | 899 | - | - | - | 1,058 |
| | <u>77,261</u> | <u>(2,108)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,153</u> |
| Borrowings | | | | | | |
| Long term borrowings | (50,575) | - | 70 | (9,537) | - | (60,042) |
| Short term borrowings | (13,996) | - | - | 851 | - | (13,145) |
| Lease liabilities | (4,939) | 3,355 | - | - | (5,787) | (7,371) |
| | <u>(69,510)</u> | <u>3,355</u> | <u>70</u> | <u>(8,686)</u> | <u>(5,787)</u> | <u>(80,558)</u> |
| | <u>7,751</u> | <u>1,247</u> | <u>70</u> | <u>(8,686)</u> | <u>(5,787)</u> | <u>(5,405)</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

27 Reconciliation of liabilities arising from financing activities (continued)

| | Non-cash changes | | | | Liabilities recognised on adoption of IFRS 16 | At 31 December 2019 |
|----------------------------------|----------------------------------|------------------------|-----------------------|--|--|---------------------------|
| | At 1 January 2019 £ 000 | Cash flows £ 000 | Acquisitions £ 000 | Rolled up loan interest £ 000 | £ 000 | £ 000 |
| Cash and cash equivalents | | | | | | |
| Cash | 52,036 | 20,376 | 4,690 | - | - | 77,102 |
| Cash equivalents | 883 | (724) | - | - | - | 159 |
| | <u>52,919</u> | <u>19,652</u> | <u>4,690</u> | <u>-</u> | <u>-</u> | <u>77,261</u> |
| Borrowings | | | | | | |
| Long term borrowings | (8,237) | (37,046) | - | (5,292) | - | (50,575) |
| Short term borrowings | (21,084) | 7,088 | - | - | - | (13,996) |
| Lease liabilities | - | 2,062 | - | - | (205) | (4,939) |
| | <u>(29,321)</u> | <u>(27,896)</u> | <u>-</u> | <u>(5,292)</u> | <u>(205)</u> | <u>(69,510)</u> |
| | <u>23,598</u> | <u>(8,244)</u> | <u>4,690</u> | <u>(5,292)</u> | <u>(205)</u> | <u>7,751</u> |

Secret Escapes Limited
Notes to the Financial Statements for the Year Ended 31 December
2020 (continued)

28 Financial instruments

Group

Financial assets

Loans and receivables

| | Carrying value | | Fair value | |
|-----------------------------|----------------|---------------|---------------|---------------|
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Cash and cash equivalents | 75,153 | 77,261 | 75,153 | 77,261 |
| Trade and other receivables | 24,263 | 49,870 | 24,263 | 49,870 |

Valuation methods and assumptions

Loans and receivables:

The carrying value of short term receivables is assumed to approximate their fair values where discounting is not material.

Financial liabilities

Financial liabilities at amortised cost

| | Carrying value | | Fair value | |
|--------------------------|----------------|---------------|---------------|---------------|
| | 2020 £ 000 | 2019 £ 000 | 2020 £ 000 | 2019 £ 000 |
| Trade and other payables | 71,796 | 99,675 | 71,796 | 99,675 |
| Loans and borrowings | 73,187 | 64,571 | 73,187 | 64,571 |

Description of instruments

Trade and other payables:

The trade and other payables balances comprise of trade creditors and other creditors.

Borrowings:

The borrowings balance comprises the Silicon Valley Bank RCF and the two term loans.

Valuation methods and assumptions

Financial liabilities at amortised cost:

The carrying value of short term payables is assumed to approximate their fair values where discounting is not material.

The carrying value of loans and borrowings is considered to approximate their fair values.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

29 Financial risk management and impairment of financial assets

Group

The centralised treasury function of the business, based in the UK, is responsible for managing the liquidity and foreign currency risks associated with the group's activities. As part of its strategy for the management of these risks, the treasury function operates a cash pooling arrangement, with each currency separately managed. The treasury policy is reviewed and approved by the directors and specifies the principles governing the management of liquidity, interest and foreign currency risks.

The group's principal financial instrument is cash. The main purpose of this instrument is to provide finance for the global operations. In addition, the group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Credit risk and impairment

Credit risk primarily arises on the group's operating financial assets and operating receivables. Substantially all of the past due receivable balances (as detailed in note 16) are held with large corporate clients (as media sales) and as such are deemed to hold little recoverability risk. Receivables balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

The carrying amount of trade and other receivables and cash and cash equivalents represents the group's maximum exposure to credit risk. The group manages its credit risk by ensuring that sufficient resources are allocated to credit management to reduce the impact of the risk and using reputable financial institutions to hold its cash balance.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Further details of expected credit losses and related movements in the year can be found in note 16.

Market risk

Foreign exchange risk

The company's business model involves transactions where cash receipts and payments may be in different currencies. Adverse movements in foreign exchange rates in the period between receipts of a booking and payment of the hotel or tour operator could cause unanticipated losses on a transaction. The company's geographical spread of members provides natural hedging of exchange rate risks and pricing includes some allowance for exchange rate movements. Exposure to exchange rate movements is monitored and whilst the company does not currently undertake foreign exchange hedging through the use of forward contracts, the need to do so is reviewed periodically.

Transactions are primarily denominated in EUR, GBP and CZK. In 2020, 47% of the total transaction value was generated in EUR, 17% in GBP, 26% in CZK and 10% in other currencies. 60% of supplier payments were made in EUR, 30% in GBP and 10% in other currencies. The group's main exposure is therefore to fluctuations in the EUR-GBP and CZK-GBP exchange rate.

As of 31 December 2020, the group's balance sheet net exposure in EUR amounted to £16,922,859 net liabilities, and exposure in CZK amounted to £45,828,026 net assets

A strengthening (weakening) of GBP against each of these currencies of 10% at 31 December would have affected profit or loss by the amounts shown in the table below:

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

29 Financial risk management and impairment of financial assets (continued)

| | Weakening £ 000 | Strengthening £ 000 |
|----------------------------------|--------------------|------------------------|
| Currency risk sensitivity in CZK | 4,583 | (4,583) |
| Currency risk sensitivity in EUR | (1,692) | 1,692 |

This analysis is based on foreign currency exchange rate variances on the balance sheet position of year end which the group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant and ignores the impact on sales and purchases.

Liquidity risk and interest rates

The group's drawn external borrowings have fixed interest rates and therefore its exposure to liquidity risk and interest rate movements is considered to be low. Access to future funding is considered to be available, if required, from new and existing investors in the business to support the on-going expansion and growth of the company.

Maturity analysis

| | Within 1 year £ 000 |
|--------------------------|------------------------|
| 2020 | |
| Trade and other payables | <u>71,796</u> |
| 2019 | |
| Trade and other payables | <u>99,675</u> |

Capital risk management

Capital components

The capital structure of the group consists of equity attributable to the equity holders of the parent company, comprising issued share capital, reserves and retained earnings as shown in the Consolidated Statement of Changes in Equity.

Externally imposed capital requirements

The group is not restricted by any externally imposed capital requirements.

Capital management

The group manages its capital with the objective that all entities within the group continue as going concerns whilst maintaining an efficient structure to minimise the cost of capital.

30 Related party transactions

Key management compensation

The expense recorded by the group in relation to share-based payment scheme awards to key management is £nil (2019 - £3,067,055). Other key management personnel compensation amounts have been disclosed in Note 9.

Secret Escapes Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

30 Related party transactions (continued)

| | Key management |
|------------------------------|-------------------|
| | £000 |
| 2020 | |
| Share-based payment benefits | - |
| | <u> </u> |
| | Key management |
| | £000 |
| 2019 | |
| Share-based payment benefits | 3,067 |
| | <u> </u> |

31 Parent and ultimate parent undertaking

The directors consider that the company does not have one individual controlling party.

32 External regulatory requirements

The group currently holds an Air Travel Operators' License (ATOL) issued by the Civil Aviation Authority (CAA) in order to offer air inclusive holidays. This was obtained in March 2017, and Secret Escapes Limited requires the annual renewal by the CAA of its ATOL. The CAA awards this on the basis of submitting key financial data. Secret Escapes has complied with the ATOL requirements during 2020 and to the date of signing these financial statements. The ATOL was renewed in September 2021.

33 Events after the reporting period

Subsequent to the year end, the group has successfully refinanced the element of debt that was due to be repaid in February 2022, extending this until August 2023. In March 2021 the Group disposed of its US database.