

Company Registration No. 08738897 (England and Wales)

**SECOND HOME LTD**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**



**Auditor**

**RSM UK Audit LLP**  
**Chartered Accountants**  
**25 Farringdon Street**  
**London**  
**EC4A 4AB**  
**United Kingdom**

# SECOND HOME LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

### Review of the business future developments

Second Home is a socially responsible business with a simple mission. We believe that diversity makes creativity stronger, so we build workspaces, bookshops and communities designed to bring different types of people, organisations and industries together in new ways.

There has been no change to the activities of the company during the year ended 31 December 2020 but the Group was directly impacted by the COVID-19 global pandemic.

At 31 December 2020, Second Home operated 6 sites across London, Lisbon and Los Angeles. The Group is well positioned to benefit from increasing demand for flexible workspace post COVID-19 owing to our focus on flexibility and amazing architecture and service.

The focus for the year ahead is to successfully deliver growth of the business after the challenges of the COVID-19 global pandemic. Second Home will continue to search for new sites in the UK and US.

### Key performance indicators

The Directors consider the following to be the key indications of performance of the Group, both financial and non-financial.

	2020	2019
Revenue	£7,585,754	£9,770,765
Number of sites	6	6
Average number of employees	101	104

Following a strong performance in 2019, the business was forecasting continued growth during 2020. However, in the year to 31 December 2020, we saw a 22% decline in revenue (2019: 19% growth) which was a direct result of the impact of the COVID-19 global pandemic.

The decline in revenue resulted in breaches to the bank covenants during the year, which has resulted in the loans being classified as less than one year. Current liabilities are therefore significantly more than the prior year.

### Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans, borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents.

### Principal risks and uncertainties

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks.

**Market risk** - the Group co-ordinates the handling of foreign exchange risks by netting off naturally occurring opposite exposures wherever possible.

**Credit risk** - the Group's client base is not exposed to one predominant sector and therefore the occurrence of default is low. Receivable balances are monitored on an ongoing basis and provisions are made for doubtful debts as necessary.

**Liquidity risk** – the Group maintains sufficient liquid assets ensuring debtors and creditors are actively monitored.

**Covid-19** – COVID-19 has caused and potentially will continue to cause, disruption to our business, financial results of our operations, cashflow. Since April 2021, the group has achieved month on month revenue and occupancy growth.

## **SECOND HOME LTD**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

---

On behalf of the board

.....  
D White  
**Director**

Date: 30 March 2022

## **SECOND HOME LTD**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

---

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

#### **Principal activities**

The Group's principal activity is to offer collaborative workspaces and the infrastructure, services and events to its members so that they can focus on their businesses.

#### **Results and dividends**

During the year, the Group generated revenue of £7,585,754 (2019: £9,770,765) through membership activities and other activities. Administrative expenses of £9,949,505 (2019: £13,162,908) and impairment charge of £8,214,829 (2019: £Nil) were incurred during the year, as a result the Group is reporting a loss of £22,730,802 (2019: £15,659,855).

Administrative expenses decreased during the year, staff costs reduced to £2,978,091 (2019: £4,850,488), and pre-opening lease expenditure reduced to £Nil (2019: £2,140,775).

Cash and cash equivalents as at the year end amounted to £1,922,415 (2019: £5,514,476).

No dividends were declared during the year (2019: £Nil). The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Goldring	(Appointed 10 September 2020)
M Maar	
R Silva	
D White	(Appointed 10 September 2020)
S Aldenton	(Resigned 9 March 2020)
S Gillingham	(Appointed 10 September 2020 and resigned 26 March 2021)
W Muirhead	(Resigned 14 January 2020)
L Sorensen	(Resigned 13 April 2021)
D Rowan	(Appointed 13 May 2021)
Global Asset Capital Europe LLP	(Appointed 13 May 2021)

#### **Political donations**

The Group made no political donations or incurred any political expenditure during the year (2019: £Nil).

#### **Post reporting date events**

Details of events after the reporting date can be found in note 34.

#### **Auditor**

RSM UK Audit LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### **Strategic report**

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the strategic report.

## SECOND HOME LTD

### DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

#### Going concern

The financial statements have been prepared on the going concern basis, notwithstanding a loss before tax of £22,733k (2019: loss of £15,629k) and negative operating cash flows of £3,388k (2019: £9,821k) for the ended 31 December 2020, which the directors believe to be appropriate for the following reasons.

The Group meets its day-to-day working capital requirements through cash generated from the business, financing from its shareholders and from external banks.

As at 31 December 2020, the Group had net current liabilities of £5,948k (2019: net current assets £4,920k), net assets of £11,849k (2019: £26,973k) and cash at bank and in hand of £1,922k (2019: £5,514k).

At 31 December 2020 the Group had under its Secured Facilities Agreement (SFA), drawn borrowings of £1,994k. As of 31 January 2022, it had cash balances of £3,260k. The Group's SFA comprises a £3m Term Loan has a balance of £1,622k as of 31 January 2022 which is repaid monthly until January 2024. Up until November 2020 the SFA contained financial covenants, being Debt Service Cover Ratio and a minimum income level, both of which were tested quarterly. In November 2020 Metro Bank revised covenants, as an amendment to the SFA, to change the covenants to Debt Service Cover ratio which is calculated quarterly on 12 months rolling basis. The Group was in compliance with the revised covenants, with headroom, during 2020.

The Directors anticipate that the Debt Service Cover ratio will be breached until 30 June 2022. Whilst the Group has received a waiver from the bank until March 2022 and the Directors anticipate that further waivers and/ or covenants resets would be provided by the bank if required in future, at the date of signing these have not been received. Should the lender not issue a waiver for the period thereafter up to and including the covenant measurement date of 30 June 2022, then alternative sources of finance would be required, should the bank seek to exercise their rights arising from that breach to recall funds provided. Should this take place the ability of the Group to obtain replacement funds is uncertain.

In April 2021, as disclosed in note 34, the group secured a £10,050k convertible loan note using government support scheme from Future Fund and existing shareholders. The convertible loan conversion maturity date is February 2024 and only under change of control conditions could the loan be redeemed before conversion. The Directors consider the risk of redemption before conversion as unlikely. This facility, in addition to those outlined above held at the balance sheet date, provides the Group with additional liquidity required in light of these events and have been considered in the Directors assessment of the appropriateness of the going concern basis of preparation.

In May 2021, as disclosed in note 34, the group secured a £250k convertible loan note from existing shareholders. The convertible loan conversion maturity date is May 2024 and only under change of control conditions could the loan be redeemed before conversion. The Directors consider the risk of redemption before conversion as unlikely. This facility, in addition to those outlined above held at the balance sheet date, provides the Group with additional liquidity required in light of these events and have been considered in the Directors assessment of the appropriateness of the going concern basis of preparation.

The directors believe it remains appropriate to prepare the financial statements on a going concern basis. The group is in discussions with its shareholders to obtain adequate funding. In the event that the Group is unable to secure this funding from shareholders the group will, on management's current forecasts, have a cash shortfall within one year of the date of signing of the financial statements. In addition to this, if the group is unable to secure future covenant waivers required from Metro bank or the group's forecasts are not met due to the recovery in occupancy and rents from the Covid 19 pandemic being slower than anticipated or due to further Covid 19 restrictions then further facilities will be required.

## **SECOND HOME LTD**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

---

These factors represent a material uncertainty that may cast significant doubt on the ability of the Group and Company to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

On behalf of the board

Date: 30 March 2022

## **SECOND HOME LTD**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

---

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND HOME LTD

---

### Opinion

We have audited the financial statements of Second Home Limited (the 'company') for the year ended 31 December 2020 which comprise consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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. 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.

### Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the Group incurred a net loss of £22.3m during the year ended 31 December 2020 and, as of that date, the Group has net current liabilities of £5.9m. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

### Other information

The 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND HOME LTD (CONTINUED)**

---

### **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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept 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 directors' responsibilities statement set out on page 6, 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND HOME LTD (CONTINUED)

---

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal tax advisors.

The audit engagement team identified the risk of management override of controls, revenue recognition, and impairment of fixed assets as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, tests of detail over revenue, and challenging judgements and estimates applied in the assessment of whether an impairment to property, plant and equipment was required.

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.

### 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.

*Stacy Eden*

31 March 2022

Stacy Eden (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
United Kingdom  
.....

**SECOND HOME LTD****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £000	2019 £000
<b>Turnover</b>	<b>3</b>	<b>7,586</b>	<b>9,771</b>
<b>Cost of sales</b>		<b>(12,700)</b>	<b>(12,139)</b>
<b>Gross loss</b>		<b>(5,114)</b>	<b>(2,368)</b>
<b>Administrative expenses</b>	<b>4</b>	<b>(18,164)</b>	<b>(13,163)</b>
<b>Other operating income</b>		<b>636</b>	<b>-</b>
<b>Operating loss</b>	<b>8</b>	<b>(22,642)</b>	<b>(15,531)</b>
<b>Interest receivable and similar income</b>	<b>10</b>	<b>1</b>	<b>28</b>
<b>Interest payable and similar expenses</b>	<b>11</b>	<b>(92)</b>	<b>(126)</b>
<b>Loss before taxation</b>		<b>(22,733)</b>	<b>(15,629)</b>
<b>Tax on loss</b>	<b>12</b>	<b>2</b>	<b>(31)</b>
<b>Loss for the financial year</b>		<b>(22,731)</b>	<b>(15,660)</b>
<b>Other comprehensive income net of taxation</b>			
<b>Currency translation differences</b>		<b>349</b>	<b>181</b>
<b>Total comprehensive income for the year</b>		<b>(22,382)</b>	<b>(15,479)</b>

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

**SECOND HOME LTD****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	14	174	223
Tangible assets	15	22,457	35,928
		<u>22,631</u>	<u>36,151</u>
<b>Current assets</b>			
Stocks	18	15	9
Debtors	19	5,623	7,559
Cash at bank and in hand		1,922	5,514
		<u>7,560</u>	<u>13,082</u>
<b>Creditors: amounts falling due within one year</b>	20	(13,508)	(8,162)
<b>Net current (liabilities)/assets</b>		<u>(5,948)</u>	<u>4,920</u>
<b>Total assets less current liabilities</b>		<u>16,683</u>	<u>41,071</u>
<b>Creditors: amounts falling due after more than one year</b>	21	(3,369)	(12,633)
<b>Provisions for liabilities</b>	25	(1,465)	(1,465)
<b>Net assets</b>		<u><u>11,849</u></u>	<u><u>26,973</u></u>
<b>Capital and reserves</b>			
Called up share capital	28	-	-
Share premium account	29	69,399	62,141
Profit and loss reserves	29	(57,550)	(35,168)
<b>Total equity</b>		<u><u>11,849</u></u>	<u><u>26,973</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 March 2022 and are signed on its behalf by:

DocuSigned by:



D White  
Director

**SECOND HOME LTD****COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	14	174	223
Tangible assets	15	13,668	26,072
Investments	16	5	5
		<u>13,847</u>	<u>26,300</u>
<b>Current assets</b>			
Stocks	18	2	5
Debtors	19	21,831	21,398
Cash at bank and in hand		1,329	4,751
		<u>23,162</u>	<u>26,154</u>
<b>Creditors: amounts falling due within one year</b>	20	<u>(8,898)</u>	<u>(4,989)</u>
<b>Net current assets</b>		<u>14,264</u>	<u>21,165</u>
<b>Total assets less current liabilities</b>		<u>28,111</u>	<u>47,465</u>
<b>Creditors: amounts falling due after more than one year</b>	21	(3,230)	(12,633)
<b>Provisions for liabilities</b>	25	(1,465)	(1,465)
<b>Net assets</b>		<u><u>23,416</u></u>	<u><u>33,367</u></u>
<b>Capital and reserves</b>			
Called up share capital	28	-	-
Share premium account	29	69,399	62,141
Profit and loss reserves	29	(45,983)	(28,774)
<b>Total equity</b>		<u><u>23,416</u></u>	<u><u>33,367</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £17,261,875 (2019 - £9,066,416 loss).

The financial statements were approved by the board of directors and authorised for issue on 30 March 2022 and are signed on its behalf by:

**SECOND HOME LTD****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2019</b>		-	61,109	(19,689)	41,420
<b>Year ended 31 December 2019:</b>					
Loss for the year		-	-	(15,660)	(15,660)
Other comprehensive income net of taxation:					
Currency translation differences		-	-	181	181
Total comprehensive income for the year		-	-	(15,479)	(15,479)
Issue of share capital	28	-	1,032	-	1,032
<b>Balance at 31 December 2019</b>		-	62,141	(35,168)	26,973
<b>Year ended 31 December 2020:</b>					
Loss for the year		-	-	(22,731)	(22,731)
Other comprehensive income net of taxation:					
Currency translation differences		-	-	349	349
Total comprehensive income for the year		-	-	(22,382)	(22,382)
Issue of share capital	28	-	7,258	-	7,258
<b>Balance at 31 December 2020</b>		-	69,399	(57,550)	11,849

**SECOND HOME LTD****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2019</b>		-	61,109	(19,675)	41,434
<b>Year ended 31 December 2019:</b>					
Loss for the year		-	-	(9,067)	(9,067)
Other comprehensive income net of taxation:					
Currency translation differences		-	-	(32)	(32)
Total comprehensive income for the year		-	-	(9,099)	(9,099)
Issue of share capital	28	-	1,032	-	1,032
<b>Balance at 31 December 2019</b>		-	62,141	(28,774)	33,367
<b>Year ended 31 December 2020:</b>					
Loss for the year		-	-	(17,261)	(17,261)
Other comprehensive income net of taxation:					
Currency translation differences		-	-	52	52
Total comprehensive income for the year		-	-	(17,209)	(17,209)
Issue of share capital	28	-	7,258	-	7,258
<b>Balance at 31 December 2020</b>		-	69,399	(45,983)	23,416



**SECOND HOME LTD****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	30	(3,296)	(9,695)
Interest paid		(92)	(126)
<b>Net cash outflow from operating activities</b>		<b>(3,388)</b>	<b>(9,821)</b>
<b>Investing activities</b>			
Purchase of intangible assets		(42)	(165)
Purchase of tangible fixed assets		(587)	(12,966)
Interest received		1	28
<b>Net cash used in investing activities</b>		<b>(628)</b>	<b>(13,103)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		-	1,114
Repayment of borrowings		-	(350)
Proceeds of new bank loans		-	7,500
Repayment of bank loans		(206)	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(206)</b>	<b>8,264</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,222)</b>	<b>(14,660)</b>
Cash and cash equivalents at beginning of year		5,514	19,927
Effect of foreign exchange rates		630	247
<b>Cash and cash equivalents at end of year</b>		<b>1,922</b>	<b>5,514</b>

# SECOND HOME LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies

#### Company information

Second Home Ltd ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 68 Hanbury Street, London, E1 5JL.

The group consists of Second Home Ltd and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the large Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured; measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

#### Basis of consolidation

The consolidated financial statements incorporate those of Second Home Ltd and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1 Accounting policies (Continued)

##### Going concern

The financial statements have been prepared on the going concern basis, notwithstanding a loss before tax of £22,733k (2019: loss of £15,629k) and negative operating cash flows of £3,388k (2019: £9,821k) for the ended 31 December 2020, which the directors believe to be appropriate for the following reasons.

The Group meets its day-to-day working capital requirements through cash generated from the business, financing from its shareholders and from external banks.

As at 31 December 2020, the Group had net current liabilities of £5,948k (2019: net current assets £4,920k), net assets of £11,849k (2019: £26,973k) and cash at bank and in hand of £1,922k (2019: £5,514k).

At 31 December 2020 the Group had under its Secured Facilities Agreement (SFA), drawn borrowings of £1,994k. As of 31 January 2022, it had cash balances of £3,260k. The Group's SFA comprises a £3m Term Loan has a balance of £1,622k as of 31 January 2022 which is repaid monthly until January 2024. Up until November 2020 the SFA contained financial covenants, being Debt Service Cover Ratio and a minimum income level, both of which were tested quarterly. In November 2020 Metro Bank revised covenants, as an amendment to the SFA, to change the covenants to Debt Service Cover ratio which is calculated quarterly on 12 months rolling basis. The Group was in compliance with the revised covenants, with headroom, during 2020.

The Directors anticipate that the Debt Service Cover ratio will be breached until 30 June 2022. Whilst the Group has received a waiver from the bank until March 2022 and the Directors anticipate that further waivers and/ or covenants resets would be provided by the bank if required in future, at the date of signing these have not been received. Should the lender not issue a waiver for the period thereafter up to and including the covenant measurement date of 30 June 2022, then alternative sources of finance would be required, should the bank seek to exercise their rights arising from that breach to recall funds provided. Should this take place the ability of the Group to obtain replacement funds is uncertain.

In April 2021, as disclosed in note 34, the group secured a £10,050k convertible loan note using government support scheme from Future Fund and existing shareholders. The convertible loan conversion maturity date is February 2024 and only under change of control conditions could the loan be redeemed before conversion. The Directors consider the risk of redemption before conversion as unlikely. This facility, in addition to those outlined above held at the balance sheet date, provides the Group with additional liquidity required in light of these events and have been considered in the Directors assessment of the appropriateness of the going concern basis of preparation.

In May 2021, as disclosed in note 34, the group secured a £250k convertible loan note from existing shareholders. The convertible loan conversion maturity date is May 2024 and only under change of control conditions could the loan be redeemed before conversion. The Directors consider the risk of redemption before conversion as unlikely. This facility, in addition to those outlined above held at the balance sheet date, provides the Group with additional liquidity required in light of these events and have been considered in the Directors assessment of the appropriateness of the going concern basis of preparation.

The directors believe it remains appropriate to prepare the financial statements on a going concern basis. The group is in discussions with its shareholders to obtain adequate funding. In the event that the Group is unable to secure this funding from shareholders the group will, on management's current forecasts, have a cash shortfall within one year of the date of signing of the financial statements. In addition to this, if the group is unable to secure future covenant waivers required from Metro bank or the group's forecasts are not met due to the recovery in occupancy and rents from the Covid 19 pandemic being slower than anticipated or due to further Covid 19 restrictions then further facilities will be required.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1 Accounting policies (Continued)

These factors represent a material uncertainty that may cast significant doubt on the ability of the Group and Company to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

##### Turnover

Turnover comprises membership fees in relation to the provision of co-working space, as well as ancillary charges for additional services including telephone, IT and meeting rooms. Turnover is recognised on an accrual basis.

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

##### Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line
Trademark	5 years straight line
Website	3 years straight line

##### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Short leasehold land and buildings	10 years straight line
Leasehold improvements	10 years straight line
Fixtures and fittings	3-5 years straight line
Computer equipment	3 years straight line

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

#### 1 Accounting policies (Continued)

Leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern in which the Group expects to consume an asset's future economic benefits.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Lease assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the lease asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Group assesses at each reporting date whether tangible fixed assets are impaired.

#### **Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### **Impairment of fixed assets**

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# SECOND HOME LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies (Continued)

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

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

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

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

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1 Accounting policies (Continued)

##### ***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors and bank loans that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

##### ***Equity instruments***

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

##### ***Taxation***

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

##### ***Provisions***

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

#### 1 Accounting policies (Continued)

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

##### **Share-based payment transactions**

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. More information is provided in note 7.

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.



# SECOND HOME LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies (Continued)

#### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Management identified impairment of tangible fixed assets as a key estimate. As stated in the accounting policy, management assesses the recoverable amount of each cash-generating unit by forecasting discounted future cashflows until the end of the lease for that particular site. There is a high degree of estimation placed on these discounted future cashflows and they are sensitive to small changes in the key assumptions, in particular forecasted revenue and its growth rate which is based on future occupancy and rent. Management have sought the advice of third party real estate brokers to ensure that they forecasted revenue for 2022 and 2023 is reasonable in the current environment.

Management identified the going concern status of the group as a key judgement. The financial statements are based on a going concern basis which requires the directors to consider the future trading prospects of the business. The going concern accounting policy on page 17 sets out the particular uncertainties around the going concern status of the group, including the requirement for further investor funding.

Management identified share based payments transactions as a key judgement for the group. The financial statements do not contain a charge for share based payment transactions as the share options set out in note 7 are only triggered by a sale of the group which the directors consider to be remote.

### 3 Turnover and other revenue

	2020	2019
	£000	£000
<b>Turnover analysed by class of business</b>		
Membership revenue	6,921	8,671
Other revenue	665	1,100
	<u>7,586</u>	<u>9,771</u>

**SECOND HOME LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****3 Turnover and other revenue (Continued)**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Other revenue</b>		
Interest income	1	28
Grants received	636	-
	<u>          </u>	<u>          </u>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Turnover analysed by geographical market</b>		
UK	5,248	8,098
Europe	486	1,059
US	1,852	614
	<u>          </u>	<u>          </u>
	<b>7,586</b>	<b>9,771</b>
	<u>          </u>	<u>          </u>

**4 Administrative expenses**

Included within administrative expenses is an £8.2m impairment charge to tangible fixed assets. This has been taken against certain sites to bring those assets down to their carrying value.

**5 Employees**

The average monthly number of persons (including directors) employed during the year was:

	<b>Group</b>	<b>2019</b>	<b>Company</b>	<b>2019</b>
	<b>2020</b>	<b>Number</b>	<b>2020</b>	<b>Number</b>
	<b>Number</b>		<b>Number</b>	
Directors	1	2	1	2
Administration and support	100	102	67	78
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	101	104	68	80
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	<b>Group</b>	<b>2019</b>	<b>Company</b>	<b>2019</b>
	<b>2020</b>	<b>£000</b>	<b>2020</b>	<b>£000</b>
	<b>£000</b>		<b>£000</b>	
Wages and salaries	3,070	4,276	2,141	3,062
Social security costs	305	492	211	318
Pension costs	53	83	53	80
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>3,428</b>	<b>4,851</b>	<b>2,405</b>	<b>3,460</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**SECOND HOME LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****6 Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	<u>326</u>	<u>329</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Remuneration for qualifying services	<u>167</u>	<u>182</u>

**7 Share-based payment transactions**

The Group runs a shared based payment scheme, granting share options under an approved EMT option plan and unapproved options. The terms and conditions of the outstanding options granted are as follows:

<b>Share capital Grant Date</b>	<b>Method of Settlement Accounting</b>	<b>Number of instruments</b>	<b>Contractual life of options</b>
Financial year 2018	Equity	29,329	Financial year 2028
Financial year 2019	Equity	30,974	Financial year 2029
Financial year 2020	Equity	8,194	Financial year 2030
		<b>68,497</b>	

No shares were vested as at 31 December 2020.

As all the options granted as at 31 December 2020 may be exercised only in the occurrence of an exit event and as the directors believe that at the present time the options are unlikely to become exercisable in the foreseeable future, no charge for share based payments has been made in the accounts. The share based payment charge will be spread over the period from when an exit event becomes more likely than not at the estimated date of that exit event. Share options granted in the future which exercise over a set vesting period will be accounted for over their vesting periods as fair value.

**8 Operating loss**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	634	627
Government grants	(636)	-
Depreciation of owned tangible fixed assets	5,620	4,469
Impairment of owned tangible fixed assets	8,215	-
Amortisation of intangible assets	91	79
Operating lease charges	<u>7,287</u>	<u>6,831</u>

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 8 Operating loss (Continued)

Impairment losses represent a charge against certain sits to bring their carrying value down to value in use based on latest forecasts of the Second Home business which has been negatively impacted by the Coronavirus pandemic.

#### 9 Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	45	80
<b>For other services</b>		
Taxation compliance services	5	18
All other non-audit services	6	-
	11	18

#### 10 Interest receivable and similar income

	2020 £000	2019 £000
<b>Interest income</b>		
Interest on bank deposits	1	28

#### 11 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on bank overdrafts and loans	108	110
Interest on convertible loan notes	(16)	16
<b>Total finance costs</b>	92	126

**SECOND HOME LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020****12 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	2
Adjustments in respect of prior periods	(31)	-
<b>Total current tax</b>	<b>(31)</b>	<b>2</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	29
Adjustment in respect of prior periods	29	-
<b>Total deferred tax</b>	<b>29</b>	<b>29</b>
<b>Total tax (credit)/charge</b>	<b>(2)</b>	<b>31</b>

The total tax (credit)/charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Loss before taxation	(22,733)	(15,629)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(4,319)	(2,969)
Tax effect of expenses that are not deductible in determining taxable profit	56	45
Unutilised tax losses carried forward	1,039	-
Change in unrecognised deferred tax assets	2,829	2,255
Adjustments in respect of prior years	(31)	29
Effect of change in corporation tax rate	(379)	105
Depreciation on assets not qualifying for tax allowances	774	-
Effect of overseas tax rates	-	(113)
Deferred tax adjustments in respect of prior years	29	-
Fixed asset differences	-	679
<b>Taxation (credit)/charge</b>	<b>(2)</b>	<b>31</b>

In the Budget of 3 March 2021, the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, neither of these measures had been substantively enacted, and therefore no impact is reflected in the calculation of the Company's deferred tax assets 31 December 2020.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 13 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 £000	2019 £000
In respect of:			
Property, plant and equipment	15	8,215	-
Recognised in:			
Administrative expenses		8,215	-

The impairment losses in respect of financial assets are recognised in other gains and losses in the income statement.

#### 14 Intangible fixed assets

Group	Software £000	Trademark £000	Website £000	Total £000
<b>Cost</b>				
At 1 January 2020	214	209	116	539
Additions - internally developed	42	-	-	42
At 31 December 2020	256	209	116	581
<b>Amortisation and impairment</b>				
At 1 January 2020	45	164	107	316
Amortisation charged for the year	72	15	4	91
At 31 December 2020	117	179	111	407
<b>Carrying amount</b>				
At 31 December 2020	139	30	5	174
At 31 December 2019	169	45	9	223

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 14 Intangible fixed assets (Continued)

Company	Software £000	Trademark £000	Website £000	Total £000
<b>Cost</b>				
At 1 January 2020	214	209	116	539
Additions - internally developed	42	-	-	42
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	256	209	116	581
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>				
At 1 January 2020	45	164	107	316
Amortisation charged for the year	72	15	4	91
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	117	179	111	407
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>				
At 31 December 2020	139	30	5	174
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	169	45	9	223
	<hr/>	<hr/>	<hr/>	<hr/>

More information on impairment movements in the year is given in note 13.

The amortisation charge is recognised in administrative expenses.

**SECOND HOME LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****15 Tangible fixed assets**

<b>Group</b>	<b>Short leasehold land and buildings</b>	<b>Leasehold improvements</b>	<b>Assets under construction</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>						
At 1 January 2020	964	38,678	335	5,351	146	45,474
Additions	-	428	4	146	9	587
Disposals	-	-	-	-	(1)	(1)
Exchange adjustments	-	(204)	19	(103)	(1)	(289)
At 31 December 2020	964	38,902	358	5,394	153	45,771
<b>Depreciation and impairment</b>						
At 1 January 2020	393	7,880	-	1,208	65	9,546
Depreciation charged in the year	96	4,450	-	1,034	40	5,620
Impairment losses	-	7,954	-	261	-	8,215
Eliminated in respect of disposals	-	(58)	-	-	(1)	(59)
Exchange adjustments	-	21	-	(29)	-	(8)
At 31 December 2020	489	20,247	-	2,474	104	23,314
<b>Carrying amount</b>						
At 31 December 2020	475	18,655	358	2,920	49	22,457
At 31 December 2019	571	30,798	335	4,143	81	35,928



**SECOND HOME LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****15 Tangible fixed assets (Continued)**

<b>Company</b>	<b>Short leasehold land and buildings</b>	<b>Leasehold improvements</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>					
At 1 January 2020	964	31,828	2,545	111	35,448
Additions	-	255	16	7	278
Disposals	-	(192)	-	(1)	(193)
At 31 December 2020	964	31,891	2,561	117	35,533
<b>Depreciation and impairment</b>					
At 1 January 2020	393	7,768	1,151	64	9,376
Depreciation charged in the year	96	3,734	471	26	4,327
Impairment losses	-	7,954	261	-	8,215
Eliminated in respect of disposals	-	(52)	-	(1)	(53)
At 31 December 2020	489	19,404	1,883	89	21,865
<b>Carrying amount</b>					
At 31 December 2020	475	12,487	678	28	13,668
At 31 December 2019	571	24,060	1,394	47	26,072

More information on impairment movements in the year is given in note 13.

**16 Fixed asset investments**

	<b>Notes</b>	<b>Group 2020 £000</b>	<b>2019 £000</b>	<b>Company 2020 £000</b>	<b>2019 £000</b>
Investments in subsidiaries	<b>17</b>	-	-	5	5

**Movements in fixed asset investments  
Company**

	<b>Shares in group undertakings £000</b>
<b>Cost or valuation</b>	
At 1 January 2020 and 31 December 2020	5
<b>Carrying amount</b>	
At 31 December 2020	5
At 31 December 2019	5

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 17 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Second Home US Inc	(i)	Office space	Ordinary	100.00
Moderncuriosity - UNIPESSOAL LDA	(ii)	Office space	Ordinary	100.00

Registered office addresses:

(i) 1809 Edgecliffe Drive, Los Angeles, CA 90026

(ii) Mercado da Ribeira, Av, 24 de Julho, Escritorio Piso 1, 1200 479, Lisboa

#### 18 Stocks

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Finished goods and goods for resale	15	9	2	5

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounts to £87,556 (2019: £152,587). Company £79,622 (2019: £137,507).

#### 19 Debtors

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
<b>Amounts falling due within one year:</b>				
Trade debtors	550	860	448	906
Amounts owed by group undertakings	-	-	16,031	14,443
Prepayments and accrued income	1,384	1,686	1,216	1,105
	<u>1,934</u>	<u>2,546</u>	<u>17,695</u>	<u>16,454</u>
<b>Amounts falling due after more than one year:</b>				
Other debtors	3,689	4,984	4,136	4,915
Deferred tax asset (note 26)	-	29	-	29
	<u>3,689</u>	<u>5,013</u>	<u>4,136</u>	<u>4,944</u>
<b>Total debtors</b>	<u>5,623</u>	<u>7,559</u>	<u>21,831</u>	<u>21,398</u>

Other debtors includes rent deposits of £3,675,325 (2019: £4,903,898) in the group and £3,675,325 (2019: £4,903,898) in the company, which is due after more than one year.

# SECOND HOME LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 20 Creditors: amounts falling due within one year

		Group		Company	
	Notes	2020	2019	2020	2019
		£000	£000	£000	£000
Bank loans	22	2,351	698	2,351	698
Obligations under finance leases	23	244	-	-	-
Trade creditors		5,756	3,070	4,477	1,419
Corporation tax payable		-	93	-	58
Other taxation and social security		771	281	743	272
Other creditors		855	1,028	310	762
Accruals and deferred income		3,531	2,992	1,017	1,780
		<u>13,508</u>	<u>8,162</u>	<u>8,898</u>	<u>4,989</u>

Lease incentive includes capital contributions received on some of the lease agreements, the incentives are released over the term of the leases. Included within other creditors is an amount of £341,050 (2019: £341,050) due at the year end.

### 21 Creditors: amounts falling due after more than one year

		Group		Company	
	Notes	2020	2019	2020	2019
		£000	£000	£000	£000
Convertible loans	24	-	7,500	-	7,500
Bank loans and overdrafts	22	93	1,952	-	1,952
Obligations under finance leases	23	387	-	-	-
Other creditors		2,889	3,181	3,230	3,181
		<u>3,369</u>	<u>12,633</u>	<u>3,230</u>	<u>12,633</u>

The Group raised equity during the year and as per the loan agreement the Convertible loan was converted into D ordinary shares (Note 21) in September 2020 and the accrued interest to date was reversed in the P&L during 2020 financial year.

Lease incentive includes capital contributions received on some the lease agreements, the incentives are released over the term of the leases. Included within other creditors is an amount of £2,888,683 (2019: £3,180,395) due at the year end.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 22 Borrowings

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank loans	2,444	2,650	2,351	2,650
Payable within one year	2,351	698	2,351	698
Payable after one year	93	1,952	-	1,952

The Metro Bank loan is secured by fixed charges against the Spitalfields and Holland Park sites and there are several personal guarantees from Rohan Silva.

The group received a loan of £3 million from Metro Bank on the 22 June 2018 with an interest rate of 3.25% above base rate and a loan term of 5 years, repayable monthly until January 2024. Covenants on the loan were breached during the year and waived post year end, hence the loan is recorded as less than one year.

#### 23 Finance lease obligations

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Future minimum lease payments due under finance leases:				
Less than one year	244	-	-	-
Between one and five years	387	-	-	-
	631	-	-	-

Finance lease payments represent rentals payable by the company or Group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 15.

#### 24 Convertible loan notes

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Liability component of convertible loan notes	-	7,500	-	7,500

In September 2020 the Group converted the £7.5m convertible loan from existing investors and issued 1,025,931 shares (see note 28).

**SECOND HOME LTD****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****25 Provisions for liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Dilapidations	<u>1,465</u>	<u>1,465</u>	<u>1,465</u>	<u>1,465</u>

Movements on provisions:

	<b>Dilapidations for current operating sites £000</b>
<b>Group</b>	
At 1 January 2020 and 31 December 2020	<u>1,465</u>

	<b>Dilapidations £000</b>
<b>Company</b>	
At 1 January 2020 and 31 December 2020	<u>1,465</u>

**26 Deferred taxation**

The major deferred tax liabilities and assets recognised by the group and company are:

	<b>Assets 2020 £000</b>	<b>Assets 2019 £000</b>
<b>Group</b>		
Accelerated capital allowances	<u>-</u>	<u>29</u>

	<b>Assets 2020 £000</b>	<b>Assets 2019 £000</b>
<b>Company</b>		
Accelerated capital allowances	<u>-</u>	<u>29</u>

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 26 Deferred taxation (Continued)

	Group 2020 £000	Company 2020 £000
<b>Movements in the year:</b>		
Asset at 1 January 2020	(29)	(29)
Charge to profit or loss	29	29
Asset at 31 December 2020	-	-

In addition to the deferred tax note above, the group has additional unrecognised gross tax losses of £4,587,099 (2019: £3,205,444).

#### 27 Retirement benefit schemes

	2020 £000	2019 £000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	53	83

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £7,947 (2019: £15,318) were payable to the fund at the year end and are included in creditors.

#### 28 Share capital

	Group and Company			
	2020 Number	2019 Number	2020 £000	2019 £000
<b>Ordinary share capital</b>				
Ordinary A of 0.01p each	512,205	991,076	-	-
Ordinary B of 0.01p each	632,148	632,148	-	-
Ordinary C of 0.01p each	660,727	660,727	-	-
Ordinary D of 0.01p each	790,914	790,914	-	-
Ordinary E of 0.01p each	1,025,931	-	-	-
Deferred of 0.01p each	393,969	-	-	-
	<u>4,015,894</u>	<u>3,074,865</u>	<u>-</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the group.

On 6 March 2020 478,871 Ordinary A shares were converted to Ordinary D shares.

On 10 September 2020 393,969 Ordinary D shares were converted to Deferred shares and 84,902 Ordinary D shares were converted to Ordinary E shares.

During the year, the company issued 941,029 Ordinary E shares of £0.0001 for total consideration of £7,500,000.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 29 Reserves

##### Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

##### Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

#### 30 Cash absorbed by group operations

	2020 £000	2019 £000
Loss for the year after tax	(22,731)	(15,660)
<b>Adjustments for:</b>		
Taxation (credited)/charged	(2)	31
Finance costs	92	126
Investment income	(1)	(28)
Amortisation and impairment of intangible assets	91	79
Depreciation and impairment of tangible fixed assets	13,835	4,469
Increase in provisions	-	1,067
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(6)	29
Decrease/(increase) in debtors	1,665	(1,181)
Increase in creditors	3,761	1,824
Decrease in lease incentive liabilities	-	(451)
<b>Cash absorbed by operations</b>	<b>(3,296)</b>	<b>(9,695)</b>

#### 31 Analysis of changes in net debt - group

	1 January 2020 £000	Cash flows £000	Exchange rate movements £000	31 December 2020 £000
Cash at bank and in hand	5,514	(4,222)	630	1,922
Borrowings excluding overdrafts	(2,650)	206	-	(2,444)
Obligations under finance leases	-	(631)	-	(631)
Convertible loan notes	(7,500)	7,500	-	-
	<b>(4,636)</b>	<b>2,853</b>	<b>630</b>	<b>(1,153)</b>

#### 32 Financial commitments, guarantees and contingent liabilities

As at 31 December 2020, the Group had outstanding construction commitments amounting to £Nil (2019: £1.9million) which relates to contracted work not yet completed in the existing leases.

## SECOND HOME LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 33 Operating lease commitments

##### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Within one year	8,009	7,706	3,223	4,008
Between one and five years	28,173	30,214	15,711	15,425
In over five years	49,748	55,746	27,158	5,142
	<u>85,930</u>	<u>93,666</u>	<u>46,092</u>	<u>24,575</u>

During the year £7,286,806 (2019: £6,831,232) was recognised as an expense in the profit and loss account in respect of operating leases.

#### 34 Events after the reporting date

Subsequent to the year end, the Group secured a £10.05m convertible loan in April 2021 from new and existing investors.

Subsequent to the year end, the Group secured a £0.25m convertible loan in May 2021 from new and existing investors.

#### 35 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2020	2019
	£000	£000
Aggregate compensation	<u>790</u>	<u>719</u>

#### 36 Controlling party

There is no ultimate controlling party.