

Company Registration No. 09141571 (Scotland)

TRAVELNEST LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019
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TRAVELNEST LIMITED

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TRAVELNEST LIMITED

STRATEGIC STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present the strategic statement for the period ended 31 December 2019.

Fair review of the business

TravelNest has created a fully optimised advertising platform for vacation rental owners which consolidates multiple vacation rental channels into one fully managed service. This gives vacation rental owners improved occupancy and facilitates all the complex logistics that multi-channel advertising brings demonstrating a strong product market fit.

Since raising an initial investment in 2017, the Company has invested significantly in technology, product and people building a strong customer base now with a reach across the globe. Specifically, the Company has developed and launched a significant amount of automation and self-serve products which provide customers with a lot more transparency over their advertising and access to all of their bookings in one place.

The Company has significant growth potential as the market penetration for the product is currently low in relation to the potential global market.

Covid-19

We are currently experiencing an unexpected and unprecedented situation with the global pandemic created by Covid-19. When lockdown was announced in March 2020, we acted swiftly to cancel bookings, provided refunds to guests within the terms set by our channel partners and worked closely with our owners to ensure they were kept informed throughout the period of lockdown. As the virus was brought under control in June and restrictions started to lift we saw a significant rise in demand for vacation rentals due to changes in traveller behaviour, namely:

- A move to more rural properties
- A move away from hotels
- Travel within country or "Staycations"

This demand has continued through the summer months and, currently, vacation rentals remain open for bookings despite the increase in restrictions as we experience the "second wave". We remain positive that the change in traveller behaviour will continue to benefit the Company with a significant proportion of our portfolio being UK based. We are continuing to acquire new customers at a steady rate as the owners of vacation rentals are even more focused now on maximising occupancy following several months of nil revenue. Therefore, we believe that acquisition will continue at pace to deliver our growth plans and help us achieve our financial goals.

Future developments

The Company will continue to invest significantly in technology, product and people during 2020 and beyond supported by investment from both capital investors, lending and through Scottish Enterprise grants.

Significant product enhancements have been released since the core product was launched with the focus continuing to be on developing more complex functionality and enhancing the user experience. There is strong customer growth and the Company expects this to continue during the next financial period as customers continue to sign up from countries across the globe.

The Company takes a long-term strategic view with regards to how it navigates its way to delivering the vision of creating a global, smarter, hands-free way for vacation rental owners to attract guests.

TRAVELNEST LIMITED

STRATEGIC STATEMENT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The key business risks relevant to the Company are:

- i. **Legislation within the vacation rental industry**
As the global industry continues to expand there is ever increasing legislation being introduced at local and higher levels which may impact the ability of owners to list their properties whilst ensuring full compliance with these new standards.
- ii. **Competition**
There are a number of competitors in the vacation rental sector, however, the Company has a very specific target market which is being sought out by a very small number of competitors offering the same service. Speed to market is essential to ensure competitive advantage is retained.
- iii. **Channel partners**
Strong relationships have been built with the key channel partners but the market place is dominated by a relatively small number of large players. Continuing to grow, strengthen and diversify these relationships is key to expanding the business globally.
- iv. **Funding**
The Company has financed its operations through investment in equity and loans but the Directors have identified that there will be a need for further funding to meet working capital needs as the Company grows into new markets.

Key performance indicators

The Directors use Key Performance Indicators ("KPI's") to monitor and assess Company performance. These include, amongst others, the number of customers and properties, total booking value, revenue, margin, profitability and cash flow.

On behalf of the board



Mr D Stephenson

Director

26/10/2020

TRAVELNEST LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	31 December 2019	30 April 2019 as restated
		£	£
Fixed assets			
Intangible assets	3	1,675,527	1,163,373
Tangible assets	4	77,495	112,561
		<u>1,753,022</u>	<u>1,275,934</u>
Current assets			
Debtors	5	572,412	651,880
Cash at bank and in hand		3,493,059	977,399
		<u>4,065,471</u>	<u>1,629,279</u>
Creditors: amounts falling due within one year	6	<u>(560,515)</u>	<u>(470,061)</u>
Net current assets		<u>3,504,956</u>	<u>1,159,218</u>
Total assets less current liabilities		<u><u>5,257,978</u></u>	<u><u>2,435,152</u></u>
Capital and reserves			
Called up share capital	8	25,396	19,583
Share premium account		9,741,228	5,586,934
Capital redemption reserve		3,582	3,582
Profit and loss reserves		<u>(4,512,228)</u>	<u>(3,174,947)</u>
Total equity		<u><u>5,257,978</u></u>	<u><u>2,435,152</u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 29/10/2020 and are signed on its behalf by:



Mr D Stephenson
Director

Company Registration No. 09141571

TRAVELNEST LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 30 April 2018		16,184	3,100,330	3,582	(1,876,834)	1,243,262
Year ended 30 April 2019						
Loss and total comprehensive income for the period		-	-	-	(1,328,066)	(1,328,066)
Issue of share capital	8	3,399	2,496,604	-	-	2,500,003
Credit to equity for equity settled share-based payments	7	-	-	-	29,953	29,953
Share issue expenses		-	(10,000)	-	-	(10,000)
Balance at 30 April 2019 (as restated)		19,583	5,586,934	3,582	(3,174,947)	2,435,152
Period ended 31 December 2019:						
Loss and total comprehensive income for the period		-	-	-	(1,329,588)	(1,329,588)
Issue of share capital	8	5,813	4,215,276	-	-	4,221,089
Debit to equity for equity settled share-based payments	7	-	-	-	(7,693)	(7,693)
Share issue expenses		-	(60,982)	-	-	(60,982)
Balance at 31 December 2019		25,396	9,741,228	3,582	(4,512,228)	5,257,978

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

TravelNest Limited is a private company limited by shares incorporated in Scotland. The registered office is Ground Floor, 2 Woodberry Grove, London, United Kingdom, N12 0DR.

1.1 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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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 £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and have assessed cash flow forecasts extending beyond the next 2 years in making this assessment.

While the COVID-19 pandemic has impacted the travel sector, the business has seen a rise in demand as consumer trends have moved away from foreign travel and hotels. The company was able to quickly respond during the UK lockdown period earlier in the year to protect cash. Furthermore, the company secured a CBIL loan of £1.5m in September 2020 as well as £0.3m from the Early Stage Growth Challenge Fund, adding cash resources to the £0.9m of additional equity funding received in February 2020. The directors are confident that this support added to existing cash resources, will allow the company to meet all obligations as they fall due over the next 12 months, and as such it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and settlement discounts.

Turnover from services is recognised by reference to the underlying booking. The turnover is recognised when the outcome can be measured and is certain, which is at the arrival point on each booking.

1.4 Intangible fixed assets other than goodwill

Software development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

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

Software	33% Straight line
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This is a change in accounting policy from the prior year, as explained in Note 1.16.

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

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

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

Leasehold improvements	33% Straight line
Plant and equipment	33% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company 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.

1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial Instruments

The company 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 in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net 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 debtors and cash and bank balances, 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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 company after deducting all of its liabilities.

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares 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. Financial liabilities classified as payable within one year are not amortised.

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

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

1.9 Equity instruments

Equity instruments issued by the company are recorded at the 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 company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the estimate of shares that will eventually vest.

1.14 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.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.16 Change in accounting policy

The financial statements include a change in accounting policy on capitalisation of intangible assets. Under the revised policy it has been determined as appropriate to capitalise certain costs from 1 May 2018, and so this has resulted in a prior year restatement.

Previously, staff costs incurred whilst generating the company's online software were expensed through the profit and loss account. The change in accounting policy now recognises these costs as internally generated intangible assets, amortised over a period of three years. The directors believe that this change in accounting policy provides reliable and more relevant information to the users of the financial statements, as it recognises an important asset to the business at the balance sheet date.

This change in accounting policy has resulted in a restatement to the prior year financial statements. £1,405,474 of staff costs that were previously expensed through the profit and loss have now been capitalised. £242,101 of amortisation was subsequently recognised on this intangible asset in the year ended 30 April 2019. This has an overall net impact on the brought forward retained earnings of £1,163,373.

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

2 Employees

The average monthly number of persons (including directors) employed by the company during the period was 51 (30 April 2019 - 41).

3 Intangible fixed assets

	Software £
Cost	
At 1 May 2019	1,405,474
Additions	941,564
At 31 December 2019	<u>2,347,038</u>
Amortisation	
At 1 May 2019	242,101
Amortisation charged for the period	429,410
At 31 December 2019	<u>671,511</u>
Carrying amount	
At 31 December 2019	<u>1,675,527</u>
At 30 April 2019	<u>1,163,373</u>

4 Tangible fixed assets

	Leasehold improvements £	Plant and machinery etc £	Total £
Cost			
At 1 May 2019	30,390	141,222	171,612
Additions	-	1,954	1,954
Disposals	-	(2,112)	(2,112)
At 31 December 2019	<u>30,390</u>	<u>141,064</u>	<u>171,454</u>
Depreciation and impairment			
At 1 May 2019	8,442	50,610	59,052
Depreciation charged in the period	6,753	29,254	36,007
Eliminated in respect of disposals	-	(1,100)	(1,100)
At 31 December 2019	<u>15,195</u>	<u>78,764</u>	<u>93,959</u>
Carrying amount			
At 31 December 2019	<u>15,195</u>	<u>62,300</u>	<u>77,495</u>
At 30 April 2019	<u>21,948</u>	<u>90,613</u>	<u>112,561</u>

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

5 Debtors

	31 December 2019	30 April 2019
	£	£
Amounts falling due within one year:		
Trade debtors	32,025	73,387
Corporation tax recoverable	289,562	-
Other debtors	250,825	578,493
	<u>572,412</u>	<u>651,880</u>

6 Creditors: amounts falling due within one year

	31 December 2019	30 April 2019
	£	£
Trade creditors	124,203	191,400
Taxation and social security	149,267	91,656
Other creditors	287,045	187,005
	<u>560,515</u>	<u>470,061</u>

7 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	31 December 2019	30 April 2019	31 December 2019	30 April 2019
	Number	Number	£	£
Outstanding at 1 May 2019	883,400	632,600	0.02	0.02
Granted	-	540,300	0.02	0.02
Forfeited	(401,770)	(289,500)	0.02	0.02
Exercised	(65,430)	-	0.02	-
Outstanding at 31 December 2019	<u>416,200</u>	<u>883,400</u>	<u>0.02</u>	<u>0.02</u>

The estimated fair value of the options outstanding in the year was calculated by applying the Black Scholes Model. The weighted average fair value of the options at the measurement date was £0.22.

The weighted average remaining contractual life of the options at 31 December 2019 is 8 years and 7 months.

The expense (income) recognised for share based payments during the year was (£7,693) (30 April 2019: £29,953).

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

8 Called up share capital

	31 December 2019	30 April 2019
	£	£
Ordinary share capital		
Issued and fully paid		
7,689,126 (30 April 2019: 7,539,577) A Ordinary Shares of 0.1p each	7,690	7,540
17,630,720 (30 April 2019: 12,042,975) Preferred Ordinary Shares of 0.1p each	17,630	12,043
76,680 (30 April 2019: 0) B Ordinary Shares of 0.1p each	76	-
	<u>25,396</u>	<u>19,583</u>

In the current period 149,549 A ordinary shares were issued for £109,993, resulting in additional share capital of £150 and share premium of £109,843.

Also, 5,587,745 preferred ordinary shares were issued for £4,109,787, resulting in additional share capital of £5,587 and share premium of £4,044,200. This includes the conversion of £340,000 convertible loans received in October 2019 to preferred shares in December 2019.

Also, 76,680 B ordinary shares were issued for £1,309 due to the exercising of share options, resulting in additional share capital of £76 and share premium of £1,233.

Share issue cost incurred in the period were £60,982 (30 April 2019: £10,000). These have been offset against the share premium account.

9 Reserves

Share premium

The share premium reserve relates to the premium paid on the allotment of shares, less associated share issue costs.

Profit and loss reserves

Profit and loss reserves are the cumulative net profits or losses in the statement of comprehensive income.

Movements on these reserves are set out in the statement of changes in equity.

Capital redemption reserve

The capital redemption reserve was created in 2018 so that the permanent capital of the company is preserved. The remaining value was offset against share premium, capped at the premium received on the original issue, with the remaining value being shown through retained earnings.

TRAVELNEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Barry Masson.
The auditor was Johnston Carmichael LLP.

11 Operating lease commitments

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

	31 December 2019	30 April 2019
	£	£
Within one year	136,869	136,869
Between two and five years	57,029	148,275
	<u>193,898</u>	<u>285,144</u>

12 Events after the reporting date

In December 2019, TravelNest Limited were successful in securing a substantial amount of funding from new providers of capital, allowing them to continue to meet their working capital requirements.

Tranche 2 of this funding, amounting to £890,000 of equity through the issue of 1,209,998 Preferred Ordinary shares, was received in February 2020.