Registration number: 07026107

Secret Escapes Limited

Annual Report and Consolidated Financial Statements for the Year Ended 31 December 2019

Amended

These accounts have been amended to incorporate the Guarantees paragraph on page 24.

Secret Escapes Limited
Company Information

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

The directors present their strategic report and the audited financial statements for the year ended 31 December 2019.

Principal activity
Secret Escapes Group, founded in 2011, is one of the world's leading, members-only online travel and experiences companies.

It is delivering on its vision of *'inspiring the world to escape'*, by using innovative technology to showcase selected travel experiences and hand-picked offers at excellent prices, exclusively to members. It has an audience of over 75 million members across its Secret Escapes, Travelist, Slevomat, Zl'avomat, Pigsback.com and TravelBird brands (together "The Group").

The Group aims to generate revenues and increase profitability by offering a range of services: It acts as an agent and charging commission on transactions, by offering its hotels and third party partners access to incremental trade. It also offers its own carefully edited, high-quality packaged travel deals to its members. Finally, the Group also benefits from sizeable 'daily deals' goods business revenue across several European territories.

Business review for the year ended 31 December 2019
The Group delivered another year of strong operational and financial progress in the year ended 31 December 2019 ("FY19"), with increased revenues and profitability at the underlying EBITDA level:

- Gross Bookings increased 19% to £652.9m
- Revenue increased 40% to £169.5m
- Underlying revenue increased 17% to £118.3m
- Underlying adjusted EBITDA increased 657% to £10.6m

The integration of the EML and TravelBird acquisitions (made in February 2019 and November 2018 respectively) was a key strategic focus for the year. EML delivered a strong, earnings accretive performance for FY19, and the TravelBird website was successfully relaunched. Building on technology acquired from TravelBird, the Group began to roll out its technology-led projects, enhancing its ability to create and market offers in response to demand data, driving new and repeat purchases.

The Group maintained this strong performance into early 2020 ("FY20") up until the effects of the Covid-19 global pandemic began to take effect.

FY20: Response to Covid-19
The global Covid-19 pandemic has had a seismic impact on businesses worldwide and effectively brought travel to a standstill. Management responded quickly to support customers and team members, while taking a number of actions to reduce costs, preserve cash and maintain liquidity.

In addition to supporting the repatriation of members caught overseas, the Group's immediate priority was to respond to and reassure the high number of customers with impacted and upcoming bookings. The customer support centre has remained fully operational throughout the period with over 200 colleagues redeployed from other areas of the business to help manage the unprecedented levels of member enquiries. In order to further streamline the process for both customers and partners, the Group invested in new processes and technology, resulting in significantly improved customer service capabilities and more efficient resolution of customer enquiries. Despite the significant disruption to the travel industry as a whole, over 30,000 hotel bookings were successfully postponed or rebooked on behalf of customers, with impacted package trip customers refunded in cash or credit (refunding to cash if unused after one year). It continues to work to resolve outstanding customer enquiries impacted by ongoing changes to international and national restrictions.

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

FY20: Response to Covid-19 (continued)
The Group welcomed the support from governments in its operational markets in the form of the Coronavirus Jobs Retention Scheme ("CJRS") and equivalent schemes with the furloughing of all non-essential colleagues. The Group successfully negotiated the amendment of covenants and partial deferral of interest payments with its lenders. A £40m equity funding from its existing investors in May 2020, with an additional £15m in November 2020, enhanced the Group's liquidity position, and positions it well to resume growth following the lifting of travel restrictions. The participation of the Group's investors reflects the long term confidence in the business.

In order to mitigate the ongoing uncertainty and impact of changing national and international travel guidance restrictions, the Group has adapted its policies and processes, and created new, refundable offers with domestic deals suitable to the current environment. Trading following the reopening of domestic and international travel exceeded expectations, demonstrating the considerable, pent up demand for experiences. However, consumer sentiment remains highly sensitive to domestic and international COVID-19 fluctuations and restrictions.

2019 Financial & Operational Review

Key 2019 highlights:

- Strong growth and improved profitability
- Increased diversification of international revenue
- Successful acquisition and integration of EML and LateLuxury
- Ongoing development and rollout of IP and TravelBird technology
- Appointment of Kate Swann as Chair

Financial review

- Revenue of £169.5m (2018: £121.2m)
- Underlying revenue[1] of £118.3m (2018: £101.3m)
- Underlying adjusted EBITDA[3] of £10.6m (2018: £1.4m)
- Net loss of £12.8m (2018: loss of £11.0m)
- Net cash flow from operating activities was £18.5m (2018: £12.5m)
- *Total equity of the Group equals £15.8m (2018: £22.2m)*

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

	Note	2019	2018	Change
		£m	£m	%
Gross bookings		652.9	550.8	19
Revenue		169.5	121.2	40
Underlying revenue	1	118.3	101.3	17
Adjusted EBITDA	2	12.1	(0.9)	n/a
Underlying adjusted EBITDA	3	10.6	1.4	657
Net loss		(12.8)	(11.0)	16
Net cash flow from operating activities		18.5	12.5	48

2019 Financial & Operational Review (continued)

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

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

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

[4] Underlying revenue, adjusted EBITDA and underlying adjusted EBITDA are not audited.

Underlying revenue is calculated as:

	2019	2018
	£m	£m
Revenue	169.5	121.2
Revenue from package holidays	(58.9)	(25.4)
Gross profit from package holidays	6.5	3.2
Deferred revenue relating to sold holidays	15.1	11.1
Deferred costs relating to sold holidays	(13.9)	(8.8)
Underlying revenue	118.3	101.3

Underlying adjusted EBITDA is calculated as:

	2019	2018
	£m	£m
Operating loss	(3.4)	(8.1)
Depreciation expense	3.3	0.6
Amortisation expense	5.2	3.3
Loss on disposal of property, plant and equipment	0.0	0.1
Share based payment expense	6.2	1.2
Exceptional costs	0.8	2.0
Adjusted EBITDA	12.1	(0.9)
Deferred revenue relating to sold holidays	15.1	11.1
Deferred costs relating to sold holidays	(13.9)	(8.8)
IFRS 16 lease expense classification difference	(2.7)	0.0
Underlying adjusted EBITDA	10.6	1.4

The exceptional costs for the current and prior year relate primarily to expenses incurred in respect of acquisition activities and related professional costs.

2019 Financial & Operational Review (continued)

Secret Escapes Group built on its strong momentum from FY18 in FY19, growing revenues and increasing its profitability at the underlying EBITDA level, with further progress against its core strategic objectives.

The Group delivered a good regional performance with geographically diversified underlying revenues. Over 79% of underlying revenues were generated outside of the UK following strong performances from its brands in the DACH region accounting for 35% of revenues, and positive performances from the Slevomat and Travelist brands in Poland and Czech Republic.

The Group acquired Empathy Marketing Limited ("EML"), Ireland's leading marketplace for premium hospitality and ecommerce offers in February 2019, creating a strong foothold in the Republic of Ireland. Founded in 2000, EML owns Pigsback.com, the market leading brand at the premium end of the Irish deals market, with over one million active members across its suite of brands. EML was successfully integrated into the wider business during the year, benefitting from supply synergies, and contributed positively at the net profit level to the Group's overall FY financial performance.

The TravelBird brand, acquired.in November 2018, was successfully relaunched, showcasing Secret Escapes offers and driving incremental trade in the Netherlands, Belgium and other regions.

The investment in and development of the Group's in-house technology has been a key priority in FY19. It has continued development of its personalisation technology, using data science to better optimise the marketing of deals to individual members. The Group has built on the intellectual property and dynamic packaging technology acquired as part of the TravelBird transaction, successfully integrating this into the Secret Escapes brand. This has enhanced the Group's ability to offer a diverse range of high-quality travel experiences to its members.

In September 2019, the Group acquired the intellectual property of Late Rooms Limited, including the brand and assets of LateRooms.com and of its joint venture site, LateLuxury.com. The Group restarted its joint venture site LateLuxury.com and disposed of the remaining non-core digital assets and domain of LateRooms.com.

The Group was delighted to welcome Kate Swann to the Board as Chairman, bringing with her significant experience of operating and expanding international businesses of size and scale. Andy Botha, who joined as Group CFO in August 2019, stepped down in April 2020

Important non adjusting events after the financial period

As noted in greater detail above, during 2020 the Group's operations and financial performance have been significantly impacted by the COVID-19 pandemic and the consequent reduction in travel.

In May 2020, the Group completed an equity raising of £40m from existing shareholders, with commitments in place to the end of 2020 for additional equity if needed. At the same time the Group agreed amendments to the covenants on its debt facilities and the partial deferral of interest payments with its lenders. In November 2020 the Group received the additional £15m in equity from existing shareholders.

Results and dividends

The loss for the year was £12,786,000 (2018: £11,028,000) and the directors do not recommend payment of a dividend (2018: Nil).

Section 172 Statement

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

- The likely consequences of any decisions in the long-term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;

Section 172 Statement (continued)

- The impact of the Group's operations on the community and environment;
- The desirability of the Group maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders.

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

Customers and suppliers

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

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

Employees

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

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

Shareholders

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

Community and environment

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

Principal risks and uncertainties

Macro factors

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

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

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

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

Foreign exchange fluctuations

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

Principal risks and uncertainties (continued)

Foreign exchange fluctuations (continued)

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

Liquidity risk and interest rates

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

The Group traded profitably at the EBITDA level throughout 2018 and 2019 and whilst 2020 performance has been impacted by COVID-19 liquidity has been boosted by the £55m in new equity raised in May and November 2020. Further equity is believed to be available to the Group if needed. It retains additional liquidity through a £15m RCF facility (£13.25m drawn at 30 November 2020).

The Group's term debt facilities were amended on the acquisition of Empathy Marketing Limited in 2019 and have no mandatory principal repayments prior to maturities in 2022 and 2024. Interest rates are fixed and have low cash-pay interest costs.

Loan covenants on the debt facilities were amended concurrent with the equity fundraising in May 2020.

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

Exit from the European Union

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

Analysis of possible consequences has concluded that Brexit does have the potential to impact a number of existing risks, e.g. changes in market access and regulation, employment rights, exchange rates and economic uncertainty. As a result, during 2019 the Group restructured its tour operator activities to ensure continued access to European markets.

These risks will continue to be monitored, with mitigating strategies enacted as appropriate to the circumstances.

Outlook

The Group had a strong start to 2020. However, the Covid-19 pandemic and the temporary shutdown in global and domestic travel is expected to have a significant impact on the Group's full year financial performance.

The mitigating activities undertaken by management activity and the Government and investor support outlined above has helped to stabilise the business while enabling it to continue to support its team, customers and partners.

The Group benefits from the ability to tailor its available offers to prevailing demand and the current environment. Therefore it has been able to create and then market new 'refundable' hotel-only offers to respond to domestic demand in key markets. In addition, it has been able to leverage selected international offers, and reassure its travelling members with it's comprehensive "Safestay" policy.

Trading following the lifting of restrictions has been encouraging and exceeded expectations, giving management confidence in the enduring demand for travel. However customer sentiment remains highly sensitive to domestic and international COVID-19 fluctuations and restrictions.

The Group's goods offers, available through its Irish and Czech businesses, have performed well, exceeding expectations both during and following the lockdown period.

Outlook (continued)

In early 2020, management was at the initial stages of a reorganisation of the core Secret Escapes business. This focused the business around its central functions, moving away from a localised, point of supply-led strategy. This reorganisation was put on hold during the lockdown period, but has since been completed, enabling greater efficiencies across the business. The new structure ensures that the business is better placed to drive growth, as travel restrictions begin to ease.

More detail on the analysis supporting the going concern assessment is given in Note 2 to the accounts.

Management has considered various severe but plausible downside scenarios. It is confident that it has access to sufficient liquidity and the ability to navigate the ongoing uncertainty presented by the Covid-19 pandemic. The health and wellbeing of customers and team members continues to be the Group's priority. The Group remains well positioned to leverage its diverse network of established territories, to supply a range of relevant international and domestic offers. This is supported by its sophisticated personalised marketing technology, with which it continues to support its market leading position and inspire the world to escape. The Board remains confident in the long-term outlook for the business.

Approved by the Board on 23/12/20 and signed on its behalf by:

S A A T Saint
Director

The directors present their report and the consolidated financial statements for the year ended 31 December 2019.

Directors of the group

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

S A A T Saint

T J Valentine

A D Cole

S Floch

B J B Holmes

L P M R E Laffy

N Kornhoff-Bruls (appointed 15 October 2019)

K E Swann (appointed 12 November 2019)

A J Botha (appointed 12 November 2019 and resigned 30 April 2020)

A Wyniecki (resigned 15 October 2019)

The following director was appointed after the year end:

H Ramos de Freitas Junior (appointed 11 May 2020)

Employment of disabled persons

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

Employee involvement

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

Branches outside the United Kingdom

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

Going concern

The Covid-19 pandemic has had a material impact on both the travel industry and the group's trade and as a result during 2020 the group has raised £55m in additional equity, pivoted its product offering, reduced its cost base and amended the terms of its debt facilities. The directors have considered the appropriateness of preparing the financial statements on a going concern basis. Whilst the duration of the pandemic, the impact of vaccines and the timeframe to the relaxation of restrictions on travel are all currently uncertain the group does not expect or need bookings to recover to 2019 levels during 2021. As at 30 November 2020 the group holds £69m in cash (including drawings of £13.25m under the RCF). After making reasonable enquiries and modelling multiple potential scenarios, as detailed further in note 2 to the financial statements, the directors have concluded that there is a reasonable expectation that the group has adequate resource to continue for the foreseeable future, and therefore the directors have adopted a going concern basis in the preparation of the financial statements for the year.

Directors' liabilities

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

Disclosure of information to the auditor

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

Approved by the Board on 23/12/20 and signed on its behalf by:

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S A A T Saint
Director

Secret Escapes Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Opinion

We have audited the financial statements of Secret Escapes Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSS as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - disclosure of effects of COVID-19

We draw attention to notes 2 and 29 of the financial statements, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Ernst & Young LLP

Anup Sodhi (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: 24/12/20

Secret Escapes Limited

Consolidated Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	169,450	121,227
Cost of sales		(66,956)	(33,918)
Gross profit		102,494	87,309
Administrative expenses		(106,279)	(95,953)
Other operating income	5	419	554
Operating loss	6	(3,366)	(8,090)
Net finance cost	10	(7,733)	(1,885)
Loss before tax		(11,099)	(9,975)
Income tax expense	11	(1,687)	(1,053)
Loss for the year		(12,786)	(11,028)

The above results were derived from continuing operations.

Secret Escapes Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Loss for the year	(12,786)	(11,028)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation losses	138	(697)
Total comprehensive income for the year	(12,648)	(11,725)

The notes on pages 22 to 67 form an integral part of these financial statements.

Secret Escapes Limited

(Registration number: 07026107)

Consolidated Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	1,174	1,366
Right of use assets	13	4,438	-
Intangible assets	14	84,043	64,470
Equity accounted investments	15	-	37
		89,655	65,873
Current assets			
Trade and other receivables	17	49,870	27,921
Cash and cash equivalents	18	77,261	52,919
		127,131	80,840
Total assets		216,786	146,713
Equity and liabilities			
Equity			
Share capital	19	(8)	(3)
Share premium		(106,323)	(106,313)
Reserve credit for share based payments plan		(16,288)	(10,111)
Foreign currency translation reserve		970	1,108
Retained earnings		105,872	93,086
Equity attributable to owners of the company		(15,777)	(22,233)
Non-current liabilities			
Long term lease liabilities	22	(2,448)	-
Loans and borrowings	21	(50,575)	(8,237)
Deferred tax liabilities	11	(4,976)	(3,426)
		(57,999)	(11,663)
Current liabilities			
Current portion of long term lease liabilities	22	(2,491)	-
Trade and other payables	26	(99,675)	(80,110)
Loans and borrowings	21	(13,996)	(21,084)
Income tax liability		(201)	(256)
Deferred income		(26,647)	(11,367)
		(143,010)	(112,817)
Total liabilities		(201,009)	(124,480)
Total equity and liabilities		(216,786)	(146,713)

Approved by the Board on 23/12/20 and signed on its behalf by:

....

S A A T Saint (Director)

Secret Escapes Limited

(Registration number: 07026107)
Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	498	691
Right of use assets	13	1,044	-
Intangible assets	14	5,266	4,686
Investments in subsidiaries, joint ventures and associates	15	68,879	46,501
		75,687	51,878
Current assets			
Trade and other receivables	17	66,987	31,115
Income tax asset		108	105
Cash and cash equivalents	18	34,661	16,841
		101,756	48,061
Total assets		177,443	99,939
Equity and liabilities			
Equity			
Share capital	19	(8)	(3)
Share premium		(106,323)	(106,313)
Reserve credit for share based payments plan		(16,288)	(10,111)
Foreign currency translation reserve		79	(18)
Retained earnings		110,173	100,017
Total equity		(12,367)	(16,428)
Non-current liabilities			
Long term lease liabilities	22	(90)	-
Loans and borrowings	21	(36,915)	-
		(37,005)	-
Current liabilities			
Current portion of long term lease liabilities	22	(1,156)	-
Trade and other payables	26	(97,884)	(57,587)
Loans and borrowings	21	(13,996)	(14,700)
Deferred income		(15,035)	(11,224)
		(128,071)	(83,511)
Total liabilities		(165,076)	(83,511)
Total equity and liabilities		(177,443)	(99,939)

Approved by the Board on 23/12/20 and signed on its behalf by:

....

S A A T Saint (Director)

The notes on pages 22 to 67 form an integral part of these financial statements.

Secret Escapes Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

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

	Share capital £ 000	Share premium £ 000	Reserve credit for share based payment plan £ 000	Foreign currency translation £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	3	103,947	10,746	(411)	(82,058)	32,227
Loss for the year	-	-	-	-	(11,028)	(11,028)
Other comprehensive income	-	-	-	(697)	-	(697)
Total comprehensive income	-	-	-	(697)	(11,028)	(11,725)
Other movements	-	-	(38)	-	-	(38)
New share capital subscribed	-	554	-	-	-	554
Share premium on share options exercised	-	1,812	(1,812)	-	-	-
Share based payment transactions	-	-	1,215	-	-	1,215
At 31 December 2018	3	106,313	10,111	(1,108)	(93,086)	22,233

Secret Escapes Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

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

	Share capital £ 000	Share premium £ 000	Reserve credit for share based payments plan £ 000	Foreign currency translation £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	3	103,947	10,746	27	(86,742)	27,981
Loss for the year	-	-	-	-	(13,275)	(13,275)
Other comprehensive income	-	-	-	(9)	-	(9)
Total comprehensive income	-	-	-	(9)	(13,275)	(13,284)
Other movements	-	-	(38)	-	-	(38)
New share capital subscribed	-	554	-	-	-	554
Share premium on share options exercised	-	1,812	(1,812)	-	-	-
Share based payment transactions	-	-	1,215	-	-	1,215
At 31 December 2018	3	106,313	10,111	18	(100,017)	16,428

The notes on pages 22 to 67 form an integral part of these financial statements.

Secret Escapes Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Loss for the year		(12,786)	(11,028)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	5,888	3,956
Depreciation on right of use assets	6	2,563	-
Foreign currency translation gains/(losses)	11	138	(697)
Exchange movement on fixed assets, intangibles & deferred tax	11, 12, 14	(149)	497
Loss on disposal of property plant and equipment	6	-	71
Amounts written off investments	6	37	-
Finance income	10	(239)	(48)
Finance costs	10	7,972	1,933
Share based payment transactions	25	6,177	1,178
Income tax expense	11	1,687	1,053
		11,288	(3,085)
Working capital adjustments			
Increase in trade and other receivables	17	(21,671)	(8,590)
Increase in trade and other payables	26	15,490	18,206
Increase in deferred income, including government grants		15,280	7,217
Cash generated from operations		20,387	13,748
Income taxes paid		(1,847)	(1,243)
Net cash flow from operating activities		18,540	12,505
Cash flows from investing activities			
Interest received	10	239	48
Acquisitions of property plant and equipment	12	(396)	(897)
Proceeds from sale of property plant and equipment		-	(23)
Acquisition of intangible assets	14	(1,839)	(1,367)
Proceeds from sale of intangible assets		246	-
Payments made on leased assets during the year	22	(2,491)	-
Acquisition of subsidiary undertaking (net of cash acquired)	16	(16,929)	-
Acquisition of trade assets	16	(750)	(4,084)
Net cash flows from investing activities		(21,920)	(6,323)
Cash flows from financing activities			
Interest paid	10	(2,251)	(1,552)
Proceeds from issue of ordinary shares, net of issue costs	19	15	554
Proceeds from bank borrowing draw downs	21	44,658	14,700
Repayment of bank borrowing	21	(14,700)	(15,000)
Net cash flows from financing activities		27,722	(1,298)
Net increase in cash and cash equivalents		24,342	4,884
Cash and cash equivalents at 1 January	18	52,919	48,035
Cash and cash equivalents at 31 December	18	77,261	52,919

The notes on pages 22 to 67 form an integral part of these financial statements.

1 General information

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

The address of its registered office is:
4th Floor, 120 Holborn
London
EC1N 2TD

2 Accounting policies

Statement of compliance
The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

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

Changes in accounting policy
IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the group and company's financial statements, as detailed in note 33. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the group's financial statements.

Basis of preparation - group
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention accounting rules.The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

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

Basis of preparation - company
The parent company financial statements were prepared under the historical cost convention accounting rules and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). FRS 101 enables the financial statements of the parent company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions as detailed below.

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment,
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations,

2 Accounting policies (continued)

- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

(a) paragraph 79(a)(iv) of IAS 1;

(b) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and

(c) paragraph 118(e) of IAS 38 Intangible Assets;

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

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2019.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £10,156,000 (2018 - loss of £13,275,000).

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

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

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

2 Accounting policies (continued)

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

Guarantees

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

Going concern

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

In reaching this conclusion, the directors have considered the current trading, current balance sheet, forecast results and cash flows, and potential mitigating actions in the event of underperformance over the period to 31 December 2021.

During the year the Group has raised £55m in new equity from its shareholders, agreed revised covenant structures with its lenders and the partial deferral of interest payments. The Group has also restructured its cost base to permanently reduce payroll and other costs. Trading over the summer of 2020 illustrated the Group's ability to generate revenue with minimal marketing spend due to the historical investment in its emailable membership base.

As at 30 November 2020 the Group had cash of £69m and £32m of trade debtors and other current assets. Trade creditors and non-debt current liabilities totalled £69m. Debt facilities totalled £72m and are due in 2022 and 2024. Cash can move freely around the Group with the exception of a balance held within Slevomat.cz sro which can only be used to its pay suppliers (but is freely available to pay those suppliers), as at 30 November 2020 this totalled £12m.

The Group has modelled a range of revenue impacting scenarios with varying degrees of severity and durations. Central scenarios for winter 2020-21 mimic a deeper and longer lasting reduction in trade than that experienced over spring-summer 2020. Recovery in demand is assumed to be gradual. In no scenario is a return to 2019 levels of trade assumed prior to the second half of 2021 and various scenarios have been modelled in which revenues remain substantially below 2019 levels throughout 2021.

The Group's debt contains EBITDA covenants which require positive EBITDA to be achieved over H2 2021. The Group's modelling indicates the Group would be able to remain within these covenants without undertaking any incremental mitigating actions under scenarios where 2021 trade never recovers above 75% of the 2019 level (and with H1 2021 trade assumed to be below this level, this is equivalent to approximately 65% of the 2019 level over the full year). Additional mitigating actions remain available and could include cost savings to marketing or operating expenses.

As disclosed in Note 21 two of the Groups loan facilities (a £15m RCF and a term loan of €21.3m) mature in February 2022. The Group expects that these facilities will be repaid or refinanced as they fall due.

The Group's Irish and Czech businesses generate revenues from the sale of physical goods in addition to travel products. Revenues from goods sales have increased during 2020 and have benefitted from lockdowns as access to shops reduced. This revenue stream brings the Group some counter-cyclicality and keeps users engaged with the brands and websites.

2 Accounting policies (continued)

Going concern (continued)

During summer 2020 the Group's travel trade recovered quickly from near-zero as lockdowns were relaxed in each consumer market and the Group pivoted its product range to promote cancellable domestic or drivable hotel stays and over June to September 2020 the Group traded at break-even (at the underlying adjusted EBITDA level) . Revenues and volumes have since been adversely impacted by the 'second wave' of travel and lockdown restrictions, but remain materially higher than those experienced in April-May 2020 and as a consequence, and having now built out its cancellable domestic product range (in addition to the pre-existing product range) the directors remain confident that the Group is well positioned to benefit from a relaxation of travel restrictions and improved consumer sentiment when it happens.

The Group's modelling takes into account its banking covenants, liquidity requirements, the permanent cost reduction actions which have been enacted and also those further measures which could still be implemented in addition to the Group's access to further equity. Further cost reduction measures could include incremental reductions in opex, marketing and payroll costs. This shows that the Group would be able to operate with sufficient liquidity, within its banking covenants and be able to meet its liabilities as they fall due.

The directors recognise the uncertainty as to the amount and timing of cash flows to the Group, which is exacerbated by Covid-19 and its ongoing impact upon the travel sector. The directors reviewed the range of scenarios modelled and, noting the recovery in demand experienced over summer 2020, assess that the likelihood of adverse revenue scenarios that materially exceed those modelled, without further cost mitigation being available, are remote. Based upon the business plan and their assessment of the ability of the group to continue within the current funding arrangements, and future funding arrangements available to them, the directors have concluded that the group will continue in operational existence for the foreseeable future, and at least for a period to 31 December 2021. Therefore, they have adopted the going concern basis of accounting in preparing these financial statements.

Revenue recognition

Recognition

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

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

Principal versus agent

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

Goodwill
Secret Escapes performs its annual impairment test in December each year. The group considers the relationship between the book value and the future in-flows of cash when reviewing for indicators of impairment. The pre-tax discount rate applied to cash flow projections is 15.0% for the cash flows of the three-year period from 2019 onwards.

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

2 Accounting policies (continued)

Intangible assets

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

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

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

Separately acquired trademarks and licences are shown at historical cost.

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

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

Amortisation

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

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

Property, plant and equipment

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

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

Depreciation

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

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

Impairment of non-financial assets

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

Leases - accounting policy from 1 January 2019

Definition

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

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

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

2 Accounting policies (continued)

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

2 Accounting policies (continued)

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

Short term and low value leases

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

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

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

Sub leases

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

After classification lessor accounting is applied to the sublease.

Leases - accounting policy prior to 1 January 2019

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

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

Share based payments

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

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

2 Accounting policies (continued)

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

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

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

Financial instruments

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

Financial asset – recognition and measurement

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

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

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

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

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

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

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal, and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

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

(b) *Financial assets at amortised cost*

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

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

2 Accounting policies (continued)

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

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

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

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

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

Impairment of financial assets

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

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

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

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

Financial liabilities - recognition and measurement

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

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

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

2 Accounting policies (continued)

Subsequent measurement

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

(a) *Financial liabilities at fair value through profit or loss*

(b) *Loans and borrowings*

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

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

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

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

De-recognition

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

Offsetting financial instruments

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

Defined contribution pension obligation

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Fair values on acquisitions and contingent consideration
The fair value of tangible and intangible assets acquired on the acquisition of subsidiaries involves the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. In addition the estimation of the contingent consideration payable requires estimation of the level of profitability of the business acquired. The estimation of the fair values requires the combination of assumptions including revenue growth, and increases in customer attrition rates. In addition the use of discount rates requires judgement.

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

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

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

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

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

4 Revenue

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

	2019 £ 000	2018 £ 000
Rendering of services	169,450	121,227

Revenue from rendering of services comprises of:

	2019 £ 000	2018 £ 000
Commissions from hotels, tour operators and other merchants	105,783	90,566
Revenue from package holidays	58,860	25,434
Digital marketing revenue	4,195	4,523
Other income	612	704
	169,450	121,227

4 Revenue (continued)

16% (2018 - 21%) of commission revenue arises from UK members with 84% (2018 - 79%) from overseas members. 71% (2018 - 97%) of revenue from package holidays revenue arises in the UK, with the remaining 29% (2018 - 3%) arising from overseas. 31% (2018 - 41%) of digital marketing revenue arises in the UK, with the remaining 69% (2018 - 59%) arising from overseas.

5 Other operating income

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

	2019 £ 000	2018 £ 000
Sub lease rental income	136	322
Miscellaneous other operating income	283	232
	419	554

6 Operating loss

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation of property, plant and equipment	710	647
Depreciation of right-of-use assets	2,563	-
Amortisation expense	5,178	3,309
Foreign exchange (losses)/gains	(1,786)	165
Operating lease expense - property	-	2,674
Operating lease expense - plant and machinery	-	64
Loss on disposal of property, plant and equipment and intangible assets	-	71
Expense on short term leases (over one month)	22	-
Expense on low value leases	100	-
Written off fixed asset investments	37	-

The group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. In 2018 lease expenses relate to operating lease charges under under IAS 17 while in 2019 the lease expense is for expenses relating to short term leases under IFRS 16.

7 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of these financial statements	170	130
Other fees to auditor		
ATOL assurance	5	5
Taxation compliance services	10	10
All other non-audit services	83	27
	268	172

8 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	34,234	28,805
Share-based payment expenses	6,177	1,215
Social security costs	4,157	3,036
Pension costs, defined contribution scheme	904	967
Other post-employment benefit costs	313	324
	45,785	34,347

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

	2019 No.	2018 No.
Sales, marketing and administration	890	767

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	758	632
Contributions paid to money purchase schemes	8	4
Non-executive directors' fees	6	8
	772	644

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

9 Directors' remuneration (continued)

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	4	2
Accruing benefits under money purchase pension scheme	1	2

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	361	336

10 Finance income and costs

	2019 £ 000	2018 £ 000
Finance income		
Interest income on bank deposits	228	48
Other finance income	11	-
Total finance income	239	48
Finance costs		
Interest on bank overdrafts and borrowings	(7,543)	(1,933)
Interest expense on leases - Vehicles	(2)	-
Interest expense on leases - Property	(427)	-
Total finance costs	(7,972)	(1,933)
Net finance costs	(7,733)	(1,885)

The group and company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. In 2019 the interest expense is for lease liabilities under IFRS 16.

11 Income tax

Tax (credited)/charged in the income statement

	2019 £ 000	2018 £ 000
Foreign tax	2,079	1,542
Foreign tax adjustment to prior periods	29	(88)
	2,108	1,454
Deferred taxation		
Arising from origination and reversal of temporary differences	(471)	(451)
Arising from changes in tax rates and laws	50	50
Total deferred taxation	(421)	(401)
Tax expense in the income statement	1,687	1,053

The tax on loss before tax for the current and prior year is higher than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	(11,099)	(9,975)
Corporation tax at standard rate	(2,109)	(1,895)
Adjustment for prior periods	29	(88)
Changes in tax rates	50	50
Revenues exempt from taxation	(1,317)	(21)
Expenses not deductible	3,454	457
Tax decrease from utilisation of tax losses	(239)	-
Unrelieved tax losses carried forward	2,027	3,491
Effect of exercise of employee share options	(3)	(1,435)
Effect of foreign tax rates	(205)	494
Total tax charge	1,687	1,053

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17% and subsequently confirmed this in the March 2020 Budget. Deferred tax has been recognised at the substantively enacted tax rate as at the balance sheet date of 17%.

If the change in the corporation tax rate had been enacted at the balance sheet date, the impact on the deferred tax balance would have been an increase in the liability of £585,000 to £5,561,000.

11 Income tax (continued)

Amounts recognised in other comprehensive income

	2019 Before tax £ 000	2019 Tax (expense) benefit £ 000	2019 Net of tax £ 000	2018 Before tax £ 000	2018 Tax (expense) benefit £ 000	2018 Net of tax £ 000
Foreign currency translation losses	138	-	138	(697)	-	(697)

Deferred tax

Group

Deferred tax assets and liabilities

2019	**Liability £ 000**
Accelerated tax depreciation	-
Revaluation of intangible assets	(4,976)
	(4,976)

2018	**Liability £ 000**
Accelerated tax depreciation	-
Revaluation of intangible assets	(3,426)
	(3,426)

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	Recognised on business combinations £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	-	-	-	-
Revaluation of intangible assets	(3,426)	421	(1,971)	(4,976)
Net tax assets/(liabilities)	(3,426)	421	(1,971)	(4,976)

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	Translation differences £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	42	(17)	(25)	-
Revaluation of intangible assets	(3,844)	418	-	(3,426)
Net tax assets/(liabilities)	(3,802)	401	(25)	(3,426)

There are £743,000 of deductible temporary differences (2018 - £(28,000)) and £17,714,000 of unused tax losses (2018 - £16,649,000) for which no deferred tax asset is recognised in the statement of financial position.

11 Income tax (continued)

Company

There are £743,000 of deductible temporary differences (2018 - £(28,000)) and £17,714,000 of unused tax losses (2018 - £16,649,000) for which no deferred tax asset is recognised in the statement of financial position.

12 Property, plant and equipment

Group

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost				
At 1 January 2018	844	1,524	7	2,375
Additions	151	746	-	897
Disposals	(18)	(139)	-	(157)
Transfers between categories	-	7	(7)	-
Foreign exchange movements	1	8	-	9
At 31 December 2018	978	2,146	-	3,124
At 1 January 2019	978	2,146	-	3,124
Additions	13	361	22	396
Acquired through business combination - EML (note 16)	-	144	-	144
Disposals	(7)	(34)	-	(41)
Foreign exchange movements	(4)	(22)	-	(26)
At 31 December 2019	980	2,595	22	3,597
Depreciation				
At 1 January 2018	332	884	-	1,216
Charge for year	204	443	-	647
Eliminated on disposal	(8)	(101)	-	(109)
Foreign exchange movements	-	4	-	4
At 31 December 2018	528	1,230	-	1,758
At 1 January 2019	528	1,230	-	1,758
Charge for the year	218	492	-	710
Eliminated on disposal	(7)	(34)	-	(41)
Foreign exchange movements	-	(4)	-	(4)
At 31 December 2019	739	1,684	-	2,423
Carrying amount				
At 31 December 2019	241	911	22	1,174
At 31 December 2018	450	916	-	1,366
At 1 January 2018	512	640	7	1,159

12 Property, plant and equipment (continued)

Included within the carrying amount of leasehold improvements above is £241,000 (2018 - £450,000) in respect of short leasehold land and buildings.

Company

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2018	821	1,154	1,975
Additions	22	178	200
Disposals	-	(2)	(2)
At 31 December 2018	843	1,330	2,173
At 1 January 2019	843	1,330	2,173
Additions	13	214	227
At 31 December 2019	856	1,544	2,400
Depreciation			
At 1 January 2018	321	723	1,044
Charge for year	185	254	439
Eliminated on disposal	-	(1)	(1)
At 31 December 2018	506	976	1,482
At 1 January 2019	506	976	1,482
Charge for the year	194	226	420
At 31 December 2019	700	1,202	1,902
Carrying amount			
At 31 December 2019	156	342	498
At 31 December 2018	337	354	691
At 1 January 2018	500	431	931

Included within the carrying amount of leasehold improvements above is £156,000 (2018 - £337,000) in respect of short leasehold land and buildings.

13 Right of use assets

Group

	Vehicles £ 000	Property £ 000	Total £ 000
Cost			
Recognised on transition to IFRS 16 (note 33)	27	6,769	6,796
Additions	36	169	205
Disposals	-	(120)	(120)
At 31 December 2019	63	6,818	6,881
Depreciation			
Charge for the year	29	2,534	2,563
Eliminated on disposal	-	(120)	(120)
At 31 December 2019	29	2,414	2,443
Carrying amount			
At 31 December 2019	34	4,404	4,438
At 31 December 2018	-	-	-

Company

	Property £ 000
Cost	
Recognised on transition to IFRS 16 (note 33)	2,174
Additions	13
At 31 December 2019	2,187
Depreciation	
Charge for the year	1,143
At 31 December 2019	1,143
Carrying amount	
At 31 December 2019	1,044
At 31 December 2018	-

In the previous year, the group and company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group and company's borrowings. See note 33 for adjustments recognised on adoption of IFRS 16 on 1 January 2019.

14 Intangible assets

Group

	Goodwill £ 000	Trademarks £ 000	Customer lists £ 000	Assets under construction £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation						
At 1 January 2018	39,797	4,956	19,682	196	499	65,130
Additions	-	-	-	102	1,265	1,367
Acquired through business combinations	-	556	2,224	-	1,304	4,084
Disposals	-	-	-	-	(83)	(83)
Transfers	-	-	-	(180)	180	-
Foreign exchange movements	(476)	-	-	-	-	(476)
At 31 December 2018	39,321	5,512	21,906	118	3,165	70,022
At 1 January 2019	39,321	5,512	21,906	118	3,165	70,022
Additions	13,563	-	-	1,636	203	15,402
Acquisition of subsidiary - EML (note 16)	-	2,437	6,138	-	241	8,816
Acquisition of assets - Late Rooms (note 16)	-	164	586	-	-	750
Foreign exchange movements	-	-	-	-	27	27
Disposals	-	(40)	(160)	-	(49)	(249)
Transfers between categories	-	-	-	(1,209)	1,209	-
At 31 December 2019	52,884	8,073	28,470	545	4,796	94,768
Amortisation						
At 1 January 2018	1,118	148	943	-	117	2,326
Amortisation charge	-	714	1,928	-	667	3,309
Amortisation eliminated on disposals	-	-	-	-	(83)	(83)
At 31 December 2018	1,118	862	2,871	-	701	5,552
At 1 January 2019	1,118	862	2,871	-	701	5,552
Amortisation charge	-	1,042	2,877	-	1,259	5,178
Amortisation eliminated on disposals	-	-	-	-	(3)	(3)
Foreign exchange movements	-	-	-	-	(2)	(2)
At 31 December 2019	1,118	1,904	5,748	-	1,955	10,725
Carrying amount						
At 31 December 2019	51,766	6,169	22,722	545	2,841	84,043
At 31 December 2018	38,203	4,650	19,035	118	2,464	64,470
At 1 January 2018	38,679	4,808	18,739	196	382	62,804

14 Intangible assets (continued)

Amortisation charged for the year is included within administration expenses.

Impairment testing
Goodwill

Secret Escapes performs its annual impairment test in December each year. The group considers the relationship between the book value and the future in-flows of cash for each of its cash generating units (CGUs) when reviewing for indicators of impairment. The group considers that there are four CGUs, being Travelist, Slevomat, Empathy and the other being all other Secret Escapes businesses. Growth rates are based on industry standards, with 2% per annum growth assumed for the terminal period. Management recognises that the speed of technological change and the possibility of new entrants could have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but in order to model for this scenario the assumed growth rate has been stress-tested by using a discount rate of 20%, up to a 20% reduction in future cash in-flows and a market uncertainty factor 20% decrease, without impacting the impairment values. The discount rate used in the calculation of value in use as recoverable amount is 15% (2018 - 15%).

The amount of impairment loss relating to Goodwill included in profit and loss is £NIL (2018 - £NIL).

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

	2019 £000	2018 £000
Secret Escapes	911	911
Travelist	2,874	2,874
Slevomat	34,418	34,418
Empathy Marketing	13,563	-
	51,766	38,203

14 Intangible assets (continued)

Company

	Trademarks £ 000	Customer lists £ 000	Assets under construction £ 000	Other intangible assets £ 000	Total £ 000
Cost					
At 1 January 2018	-	551	131	-	682
Transfers between categories	-	-	(131)	131	-
Additions	-	-	102	814	916
Acquired through business *combinations*	556	2,224	-	1,304	4,084
At 31 December 2018	556	2,775	102	2,249	5,682
At 1 January 2019	556	2,775	102	2,249	5,682
Transfers between categories	-	-	(765)	765	-
Additions	-	-	797	496	1,293
Acquired through business combinations - Late Rooms (note 16)	164	586	-	-	750
Disposals	(40)	(160)	-	-	(200)
At 31 December 2019	680	3,201	134	3,510	7,525
Amortisation					
At 1 January 2018	-	551	-	-	551
Amortisation charge	10	28	-	407	445
At 31 December 2018	10	579	-	407	996
At 1 January 2019	10	579	-	407	996
Amortisation charge	82	231	-	950	1,263
At 31 December 2019	92	810	-	1,357	2,259
Carrying amount					
At 31 December 2019	588	2,391	134	2,153	5,266
At 31 December 2018	546	2,196	102	1,842	4,686
At 1 January 2018	-	-	131	-	131

Assets under construction relate to software licence costs for assets which have not yet been brought into use. The assets have been brought in to operational use in 2020 and will be amortised accordingly in the future.

15 Investments

Group subsidiaries

Details of the group subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	**Principal activity**	**Country of incorporation and principal place of business**	**Proportion of ownership interest and voting rights held by the group**	
			2019	**2018**
Secret Escapes LLC*	services company	USA WeWork, 175 Varick Street, New York City, NY10014, USA	100%	100%
Secret Escapes GmbH*	trading company	Germany Klosterstraße 62, 10179 Berlin, Germany	100%	100%
Secret Escapes pte Limited*	services company	Singapore 16a Duxton Road, Singapore, 089482	100%	100%
Secret Escapes AB*	services company	Sweden Fiskargatan 8, 116 20 Stockholm, Sweden	100%	100%
Secret Escapes ApS*	services company	Denmark c/o Brinkmann Kronborg Henriksen, Advokatpartnerselskab,Amaliegade 15 st, Denmark	100%	100%
Secret Escapes Transport Limited*	transportation services company	UK 4th floor, 120 Holborn, London, EC1N 2TD	100%	100%
Evasions Secretes SAS*	services company	France 153 Boulevard Haussmann, 75008 Paris, France	100%	100%
Travelist Sp. z o.o.*	online travel agency	Poland Fabryczna 5, 00-446, Warsaw, Poland	100%	100%
Travelist Magyarorszag Kft.	services company	Hungary HU-1123 Budapest, Alkotás u. 39/C 3. em., Hungary	100%	100%
Secret Escapes S.L. (formerly First Exclusive Travel slu)*	services company	Spain Paseo de Gracia,21,Planta 2, 08007 Barcelona, Spain	100%	100%

15 Investments (continued)

Kaloa International s.r.o.*	holding company	Czech Republic Pernerova 691/42, Karlin, Prague, Czech Republic	100%	100%
Slevomat cz,s.r.o.	trading company	Czech Republic Pernerova 691/42, Prague 8, Czech Republic	100%	100%
Melker Deals, a.s.	holding company	Czech Republic Americká 525/23, Vinohrady, Prague 2, Czech Republic	100%	100%
CK Zanzo s.r.o. (formerly SG Logistics, s.r.o.)	services company	Czech Republic Pernerova 691/42, Prague 8, Czech Republic	100%	100%
Skrz.cz,s.r.o.	trading company	Czech Republic Americká 525/23, Vinohrady, Prague 2, Czech Republic	100%	100%
Secret Escapes Holidays BV*	services company	The Netherlands Nieuwezijds Voorburgwal 162, Amsterdam 1012 SJ	100%	100%
Secret Benefits s.r.o.	trading company	Slovakia Mlynské nivy 73, mestská časť Ružinov 821 05, Bratislava, Slovakia	100%	100%
Empathy Marketing Limited*	trading company	Ireland Unit 1J, 1st Floor, Block 71 C, Park West Business Park, Nangor Road, Dublin	100%	0%

* indicates direct investment of the company

Unconsolidated structured entities

At the beginning of the year the group held 10% of the ordinary shares of Skoopy Kft., a company based in Budapest, Hungary at a carrying value of £37,000, following its acquisition of Slevomat in October 2017. The investment in Skoopy Kft. had been held by Slevomat for a number of years. The company operates by offering discount deals to its customers within the service, travel and product arenas and has a net asset value of £3,000.

During the year, the investment in Skoopy Kft. was written down to £nil and was subsequently liquidated in April 2020.

There is no exposure to further loss for the Secret Escapes group beyond the carrying value of £nil.

15 Investments (continued)

Summary of the company investments

	2019 £ 000	2018 £ 000
Investments in subsidiaries	68,879	46,501

Subsidiaries

	£ 000
Cost or valuation	
At 1 January 2018	46,962
Additions	256
Disposals	(458)
At 31 December 2018	46,760
At 1 January 2019	46,760
Additions	22,378
At 31 December 2019	69,138
Provision	
At 1 January 2018	717
Eliminated on disposals	(458)
At 31 December 2018	259
At 1 January 2019	259
Provision	-
At 31 December 2019	259
Carrying amount	
At 31 December 2019	68,879
At 31 December 2018	46,501
At 1 January 2018	46,245

Additions in the year relate to capital contributions made to subsidiary undertakings in the form of share based payments made to employees of £759,000, and the acquisition of Empathy Marketing Limited of £21,619,000 as detailed in note 16.

16 Acquisitions

Acquisition of trade assets

On 20 September 2019 Secret Escapes Limited agreed the purchase of certain assets from the trustee of the bankrupt company Late Rooms Limited, based in the UK, for a total cash consideration of £750,000. The assets were acquired to gain ownership of customer lists and trademarks as part of the group's ongoing strategy to grow its scale in Europe. The assets acquired are included within the group's intangible assets in note 14.

The amounts recognised in respect of the identifiable assets acquired assumed are as set out in the table below:

16 Acquisitions *(continued)*

	Note	2019 £ 000
Assets and liabilities acquired (at fair value)		
Identifiable intangible assets	14	750
Total consideration		750
Satisfied by:		
Cash		750
Cash flow analysis:		
Cash consideration		750

On 13 November 2019 Secret Escapes Limited agreed the sale of certain Late Rooms assets, that were not core to the original acquisition, to Rest Easy Group Limited for a total of £200,000. No profit or loss arose as a result of this transaction.

Acquisition of Empathy Marketing Limited

On 20 February 2019, the group acquired 100% of the issued share capital of Empathy Marketing Limited, obtaining control. The principal activity of Empathy Marketing Limited is is that of an online travel agency. Empathy Marketing Limited was acquired to gain ownership of the company's operating business as part of the group's ongoing strategy to grow its scale in Europe. The company was acquired as a single transaction to purchase 100% of the issued share capital from the existing shareholders for a cash consideration of €24,875,000 (£21,619,000).

Contingent consideration in relation to the acquisition is due to be paid based on the adjusted operating profit of the business at the end of the first anniversary of the acquisition date of up to €8.0m. The directors consider that the contingent consideration due at the balance sheet date is £nil.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Note	2019 £ 000
Assets and liabilities acquired (at fair value)		
Financial assets		4,971
Property, plant and equipment	12	144
Identifiable intangible assets	14	8,816
Financial liabilities		(5,875)
Total identifiable assets		8,056
Goodwill	14	13,563
Total consideration	15	21,619
Satisfied by:		
Cash		21,619

16 Acquisitions (continued)

	Note	2019 £ 000
Cash flow analysis:		
Cash consideration		21,619
Less: cash and cash equivalent balances acquired		(4,690)
Net cash outflow arising on acquisition		16,929

The fair value of the financial assets includes receivables with a fair value of £267,000 and a gross contractual value of £267,000.

The goodwill of £13,563,000 arising from the acquisition consists of the total consideration less the value of the total identifiable assets. None of the goodwill is expected to be deductible for corporation tax purposes.

Acquisition-related costs for this transaction (included in administrative expenses), which were incurred in 2019 and 2018, amount to £251,000 (2018 - £1,495,000).

Empathy Marketing Limited contributed £5,568,000 revenue and £1,599,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Empathy Marketing Limited had been completed on the first day of the financial year, group revenues for the period would have been £7,198,000 and group profit would have been £1,983,000.

17 Trade and other receivables

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Trade receivables	11,280	9,233	9,387	7,957
Receivables from related parties	-	-	38,798	5,569
Accrued revenue	6,444	13	-	13
Deferred expenses	22,701	8,782	13,168	8,782
Prepayments	3,892	3,811	3,299	3,657
Other receivables	5,553	6,082	2,335	5,137
	49,870	27,921	66,987	31,115
Less non-current portion	-	(1,635)	-	(1,282)
Total current trade and other receivables	49,870	26,286	66,987	29,833

Details of non-current trade and other receivables

Group

£Nil (2018 - £1,635,000) of Other receivables is classified as non current. This relates to rent deposits held in respect of the rental properties occupied by the group under leases that will continue until October 2020.

Company

£Nil (2018 - £1,282,000) of Other receivables is classified as non current. This relates to rent deposits held in respect of the rental properties occupied by the company under leases that will continue until October 2020.

17 Trade and other receivables (continued)

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

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

Group

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

Group

31 December 2018		**Trade receivables excluding cash in transit**				
			Days past due			
	Not past due	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Estimated total gross carrying amount at default	2,028	119	317	184	2,056	4,704
Expected credit loss	29	-	-	-	948	977

Company

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

17 Trade and other receivables (continued)

Company

31 December 2018

	Trade receivables excluding cash in transit					
		Days past due				
	Not past due	<30 days	30-60 days	61-90 days	>91 days	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Estimated total gross carrying amount at default	780	107	317	183	1,350	2,737
Expected credit loss	-	-	-	-	261	261

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

	2019 £ 000	2018 £ 000
Group		
At 1 January	977	778
Allowance for impairment during the year	201	257
Written-off as uncollectible	(3)	(58)
	1,175	977

	2019 £ 000	2018 £ 000
Company		
At 1 January	261	94
Allowance for impairment during the year	427	173
Written-off as uncollectible	(4)	(6)
	684	261

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

The group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

18 Cash and cash equivalents

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Cash at bank	77,102	52,036	34,559	16,562
Other cash and cash equivalents	159	883	102	279
	77,261	52,919	34,661	16,841

18 Cash and cash equivalents (continued)

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

	2019 £ 000	2018 £ 000
Balances held by the group that are not available for use by the group	27,210	27,238

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

19 Share capital

Allotted, called up and fully paid shares

	31 December 2019 No.	31 December 2019 £	31 December 2018 No.	31 December 2018 £
Ordinary shares of £0.001 each	1,360,891	1,361	1,359,902	1,360
B1 preferred ordinary shares of £0.001 each	441,278	441	441,278	441
B2 preferred ordinary shares of £0.001 each	95,900	96	95,900	96
C preferred ordinary shares of £0.001 each	400,301	400	400,301	400
D preferred ordinary shares of £0.001 each	422,162	422	422,162	422
A ordinary shares of £0.001 each	45,997	46	45,663	46
B ordinary shares of £0.001 each	39,318	39	39,318	39
C ordinary shares of £0.001 each	11,527	12	15,100	15
D ordinary shares of £0.001 (2018 - £0) each	5,337,575	5,338	-	-
Deferred ordinary shares of £0.001 each	4,305	4	1,119	1
	8,159,254	8,159	2,820,743	2,821

New shares allotted

During the year the 500 ordinary shares of £0.001 each with a nominal value of £5.98 were allotted for an aggregate consideration of £10,206 on the exercise of employee share options in the year. In addition, 5,337,575 D ordinary shares of £0.001 each with a nominal value of £0.001, were allotted for an aggregate consideration of £5,338 as part of a long-term incentive scheme for senior management.

1242 C ordinary shares were converted to Deferred ordinary shares during the year as a result of employees leaving the company.

19 Share capital (continued)

Rights, preferences and restrictions

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

Ordinary shares have the following rights, preferences and restrictions:
All shares rank pari passu in all respects.

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

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

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

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

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

20 Reserves

Group and Company

Ordinary shares

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

Share premium

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

Foreign currency translation reserve

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

Reserve credit for share based payment plan

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

Profit and loss account

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

20 Reserves (continued)

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

	Foreign currency translation £ 000
Foreign currency losses	138

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

	Foreign currency translation £ 000
Foreign currency losses	(697)

21 Loans and borrowings

	Group 2019 £ 000	Group 2018 £ 000	Company 2019 £ 000	Company 2018 £ 000
Non-current loans and borrowings				
Bank borrowings	50,575	8,237	36,915	-

	Group 2019 £ 000	Group 2018 £ 000	Company 2019 £ 000	Company 2018 £ 000
Current loans and borrowings				
Bank borrowings	13,996	21,084	13,996	14,700

The borrowings comprise of three loan facilities:

Revolving Credit Facility
This is a credit facility held with Silicon Valley Bank of £15,000,000, of which £14,300,000 (2018 - £14,789,000) net of arrangement fees of £300,000 (2018 - £89,000), has been drawn down at the balance sheet date. The facility can be drawn down at any point in either GBP, EUR or USD. The agreement was signed on 11 October 2017. The £14,000,000 (2018 - £14,789,000) drawn down at the year end was repaid in full in February 2020 (2018 - February 2019). In February 2019 the facility was renewed for a further 36 months.

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

21 Loans and borrowings (continued)

Mezzanine Debt Facility
This is a term loan held with Silicon Valley Bank of €21,280,000 (2018 - €16,280,000), net of arrangement fees of €967,000 (2018 - €326,000). In February 2019 the existing facility was repaid and an increased facility of €21,280,000 was renewed for 36 months, with the repayment profile amended to be interest only with repayment due on expiry. The loan attracts interest at 10% per annum.

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

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

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

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

22 Leases

Group

	2019 £ 000	2018 £ 000
Lease creditors		
Current portion of long term lease liabilities	2,491	-
Long term lease liabilities	2,448	-
	4,939	-

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

	2019 £ 000	2018 £ 000
Less than one year	2,698	-
2 to 5 years	2,552	-
After 5 years	-	-
Total lease liabilities (undiscounted)	5,250	-
Impact of finance expenses	(311)	-
Carrying amount of liability	4,939	-

22 Leases (continued)

Total cash outflows related to leases

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

Payment	**2019** **£ 000**	**2018** **£ 000**
Right of use assets	2,062	-
Interest	429	-
Low value leases	100	-
Short term leases	22	-
Total cash outflow	2,613	-

Company

	2019 **£ 000**	**2018** **£ 000**
Lease creditors		
Current portion of long term lease liabilities	1,156	-
Long term lease liabilities	90	-
	1,246	-

Lease liabilities maturity analysis

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

	2019 **£ 000**	**2018** **£ 000**
Less than one year	1,214	-
2 to 5 years	104	-
After 5 years	-	-
Total lease liabilities (undiscounted)	1,318	-
Impact of finance expenses	(72)	-
Carrying amount of liability	1,246	-

Total cash outflows related to leases

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

Payment	**2019** **£ 000**	**2018** **£ 000**
Right of use assets	946	-
Interest	194	-
Low value leases	26	-
Total cash outflow	1,166	-

The group and company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Thus, the comparative future minimum lease payments presented in note 23 are based on IAS 17 while the current year are based on IFRS 16.

23 Obligations under leases and hire purchase contracts

Group

Operating leases

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

	2019 £ 000	2018 £ 000
Within one year	10	3,014
In two to five years	-	4,611
	10	7,625

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2018 - £2,738,000)

Sublease arrangements

Total future minimum sublease income under non-cancellable operating leases expected to be received is £136,000 (2018 - £5,000).
The amount of income recognised in the year from non-cancellable operating subleases was £136,000 (2018 - £322,000).

The short-term lease commitments of the group as at the year end are £Nil (2018 - £Nil). The company has elected to apply paragraph 6 of IFRS 16 and has recognised the lease payments associated with the short-term leases as an expense.

Company

Operating leases

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

	2019 £ 000	2018 £ 000
Within one year	-	1,411
In two to five years	-	1,152
	-	2,563

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2018 - £1,315,000)

The short-term lease commitments of the company as at the year end are £Nil (2018 - £Nil). The company has elected to apply paragraph 6 of IFRS 16 and has recognised the lease payments associated with the short-term leases as an expense.

The group and company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Thus, the comparative future minimum lease payments presented above are based on IAS 17 while the current year are based on IFRS 16, see note 22.

24 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £904,000 (2018 - £967,000).

Contributions totalling £6,000 (2018 - £6,000) were payable to the scheme at the end of the year and are included in creditors.

25 Share-based payments

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

Secret Escapes share options scheme

Scheme details and movements

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

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

	2019 Number	2018 Number
Outstanding, start of period	162,417	219,751
Granted during the period	198,482	-
Forfeited during the period	(5,334)	(406)
Exercised during the period	(500)	(56,928)
Outstanding, end of period	355,065	162,417
Exercisable, end of period	251,589	160,839

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

	2019 £	2018 £
Outstanding, start of period	9.19	8.81
Granted during the period	33.56	-
Forfeited during the period	51.96	30.34
Exercised during the period	34.53	7.57
Outstanding, end of period	31.76	9.19
Exercisable, end of period	32.24	8.97

The weighted average share price at date of exercise of share options exercised during the year was £34.53 (2018 - £157.90).

25 Share-based payments (continued)

Outstanding share options

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

The weighted average remaining contractual life of share options exercisable as of 31 December 2019 was 5.87 years (2018 - 2.69 years).

The range of exercise prices for share options outstanding at the end of the year was £0.001 to £31.49 (2018 - £0.43 to £31.49).

Fair value of options granted

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

	2019
Expected volatility (%)	50.00
Option life in years	10.00
Risk-free interest rate (%)	1.10

Charge arising from share-based payments

The total charge for the year for share-based payments under the share options scheme was £5,877,690 (2018 - £302,000), of which £5,877,690 (2018 - £302,000) related to equity-settled share-based payment transactions.

Secret Escapes growth shares scheme

Scheme details and movements

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

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

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

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

	2019 Number	2018 Number
Outstanding, start of period	98,033	100,081
Granted during the period	5,337,575	-
Forfeited during the period	(1,191)	(2,048)
Outstanding, end of period	5,434,417	98,033
Exercisable, end of period	446,763	85,183

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

25 Share-based payments (continued)

	2019 £	2018 £
Outstanding, start of period	38.45	39.17
Granted during the period	73.66	-
Forfeited during the period	73.77	73.77
Outstanding, end of period	73.03	38.45
Exercisable, end of period	65.97	35.97

Fair value of growth shares granted

The weighted average fair value of growth shares granted during the period at the measurement date was £73.66 (2018 - £nil).

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

	2019
Expected volatility (%)	50.00
Vesting period in years	10.00
Risk-free interest rate (%)	1.08

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

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

Charge arising from share-based payments

The total charge for the year for share-based payments under the growth shares scheme was £298,862 (2018 - £912,363), of which £298,862 (2018 - £912,363) related to equity-settled share-based payment transactions.

26 Trade and other payables

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Trade payables	87,533	69,238	48,244	42,113
Amounts due to related parties	-	-	43,641	8,403
Social security and other taxes	359	1,363	-	557
Other payables	11,783	9,509	5,999	6,514
	99,675	80,110	97,884	57,587

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

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

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

27 Financial instruments

Group

Financial assets
Loans and receivables

	Carrying value		Fair value	
	2019 £ 000	**2018 £ 000**	**2019 £ 000**	**2018 £ 000**
Cash and cash equivalents	77,261	52,919	77,261	52,919
Trade and other receivables	49,870	27,921	49,870	27,921

Valuation methods and assumptions

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

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2019 £ 000	**2018 £ 000**	**2019 £ 000**	**2018 £ 000**
Trade and other payables	99,675	80,110	99,675	80,110
Loans and borrowings	64,571	29,321	64,571	29,321

Description of instruments

Trade and other payables:
The trade and other payables balances comprise of trade creditors and other creditors.
Borrowings:
The borrowings balance comprises the Silicon Valley Bank RCF and the two term loans.

Valuation methods and assumptions

Financial liabilities at amortised cost:
The carrying value of short term payables is assumed to approximate their fair values where discounting is not material.

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

28 Financial risk management and impairment of financial assets

Group

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

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

Credit risk and impairment

Credit risk primarily arises on the group's operating financial assets and operating receivables. Substantially all of the past due receivable balances (as detailed in note 17) are held with large corporate clients (as media sales) and as such are deemed to hold little recoverability risk. Receivables balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

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

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

Further details of expected credit losses and related movements in the year can be found in note 17.

Market risk

Foreign exchange risk

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

Transactions are primarily dominated in EUR, GBP and CZK. In 2019 37% of the total transaction value was generated in EUR, 31% in GBP,19% in CZK and 13% in other currencies. 67% of supplier payments were made in EUR, 23% in GBP and 10% in other currencies. The group's main exposure therefore is to fluctuations in the EUR-GBP exchange rate and due to the acquisition of the Slevomat Group in 2017 the group is exposed to fluctuations in the CZK-GBP exchange rate.

As of 31 December 2019, the group's balance sheet net exposure in EUR amounted to (€8,496,000) and (CZK46,956,000).

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

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

	Weakening	Strengthening
Currency risk sensitivity in CZK	4,696,000	(4,696,000)
Currency risk sensitivity in EUR	(850,000)	850,000

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

Liquidity risk and interest rates

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

Maturity analysis

2019	Within 1 year £ 000
Trade and other payables	99,675

2018	Within 1 year £ 000
Trade and other payables	80,110

Capital risk management

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

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

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

29 Non adjusting events after the financial period

As noted in greater detail in the Strategic Report on page 2 and 3, during 2020 the Group's operations and financial performance have been significantly impacted by the COVID-19 pandemic and the consequent reduction in travel.

In May 2020, the Group completed an equity raising of £40m from existing shareholders, with commitments in place to the end of 2020 for additional equity if needed. At the same time the Group agreed amendments to the covenants on its debt facilities and the partial deferral of interest payments with its lenders. In November 2020 the Group received the additional £15m in equity from existing shareholders. The effect of COVID-19 on the Group is discussed in further detail on page 2. The impact on 2020 has not been quantified in terms of revenue and profitability however, there could be impairments of fixed assets, goodwill, intangibles and debtors. As this is a non-adjusting event, no impact has been reflected in these 2019 accounts.

30 Related party transactions

Key management compensation

The expense recorded by the group in relation to share-based payment scheme awards to key management is £3,067,055 (2018 - £167,624). Other key management personnel compensation amounts have been disclosed in Note 9.

	Key management
2019	**£000**
Share-based payment benefits	3,067

	Key management
2018	**£000**
Share-based payment benefits	168

31 Parent and ultimate parent undertaking

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

32 External regulatory requirements

The group currently holds an Air Travel Operators' License (ATOL) issued by the Civil Aviation Authority (CAA) in order to offer air inclusive holidays. This was obtained in March 2017, and Secret Escapes Limited requires the annual renewal by the CAA of its ATOL. The CAA awards this on the basis of submitting key financial data. Secret Escapes has complied with the ATOL requirements during 2019 and to the date of signing these financial statements. The ATOL was renewed in September 2020.

33 Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The group and company have applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The group and company transitioned to IFRS 16 using the modified retrospective approach. The prior period figures were not adjusted.

On adoption of IFRS 16, the group and company elected to apply the relief provisions available and have not reviewed contacts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the group and company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The group and company have used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extent or terminate the lease.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

No adjustments are required on transition to IFRS 16 for leases where the group and company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

The group and company recognised lease liabilities in relation to leases that were classified as 'operating leases" under the principles of IAS 17 - Leases. On transition, the group recognised £6,796,000 (2018 - £Nil) of right-to-use assets and £6,796,000 (2018 - £Nil) of lease liabilities were recognised. The company recognised £2,174,000 (2018 - £Nil) of right-to-use assets and £2,174,000 (2018 - £Nil) of lease liabilities were recognised.

	Group £ 000
Operating lease commitments at 31 December 2018 (note 23)	7,625
Operating lease commitments discounted at the incremental borrowing rate	6,918
Recognition exemption for short-term leases	(22)
Recognition exemption for low-value assets	(100)
Lease liabilities recognised at 1 January 2019	6,796

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 7.1%.

33 Changes resulting from adoption of IFRS 16 (continued)

	Company £ 000
Operating lease commitments at 31 December 2018 (note 23)	2,563
Operating lease commitments discounted at the incremental borrowing rate	2,200
Recognition exemption for low-value leases	(26)
Lease liabilities recognised at 1 January 2019	2,174

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 7.1%.