

Classic Collection Holidays Limited

**Strategic report, Directors' report and financial
statements**

For the period ended 30 September 2018

Registered number 01512421

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CLASSIC COLLECTION HOLIDAYS LIMITED

COMPANY INFORMATION

Directors	Mr N H P Munday Mr M D Rice Mr S M Cooper Mr P A Meehan
Secretary	Mrs K Vickerstaff
Company Number	01512421
Registered Office	Aeroworks 5 Adair Street Manchester M1 2NQ
Auditor	KPMG LLP Chartered Accountants 8 Princes Parade Liverpool L3 1QH

CLASSIC COLLECTION HOLIDAYS LIMITED

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CLASSIC COLLECTION HOLIDAYS LIMITED

DIRECTORS' STRATEGIC REPORT

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

The directors present their annual Strategic report and the audited financial statements from Classic Collection Holidays Limited (the Company) for the 11 months ended 30 September 2018. Following the acquisition by the Companies' parent company On the Beach Group PLC the directors changed the accounting period end date to 30 September 2018. Accordingly, these accounts are for the period ended 30 September 2018.

Principal activities

The principal activity of the Company is that of an outbound tour operator.

Business review

Development and performance of the business:

The audited financial statements for the 11 months ended 30 September 2018 are set out on pages 8 to 10. Classic Collection Holidays Limited was purchased by On the Beach Group PLC on 15 August 2018. Despite an increasing late competitive market in the UK coupled with a hot British summer, the success of British football during the World Cup, and the uncertainties regarding Brexit, per person spend remained high (post Monarch collapse). This increased spend per person offset the slightly lower number of passengers carried. Margin percentage slightly fell, and overhead was kept under control. Underlying net profit before tax was £879,000 after the deduction of £1,350,000 pre-sale staff bonuses, £30,000 legal fees and £30,000 accountancy fees for an 11 months period (2017: £740,000 for 12 months).

The Company plans to expand by introducing luxury hotel holidays in additional resorts, European river cruising itineraries and more European and Scandinavian cities. The Company continues to embrace the complication associated with multi-sector trips and concierge services and tours to ensure it maintains market share particularly in the highly competitive travel agent environment.

Principal risks and uncertainties:

The following risk factors may affect the Company's operating results and its financial position. The risk factors described below are those which the directors believe are potentially significant but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

The Company faces competition from tour operators, self-packaging travel agents, and customers themselves booking directly with hotels. The Company seeks to constantly invest in its relationships with the travel trade to ensure that agents are well versed in, and keen to promote and sell, the Company's holidays in order that it maintains its market position as one of the UK trade's leading luxury specialist operators.

With regards to foreign exchange exposure, the Company purchases currency on a regular basis to cover customers' holiday costs at the time of booking and, additionally, the Company has a rolling currency hedging policy which helps to ensure competitiveness.

Customer and travel agent credit risks are offset by insurances and ABTA membership arrangements, and diversification means that there is no over-reliance on any major customer or supplier.

The Company holds an ATOL licence with the CAA and a bond with ABTA for non-licensable turnover, ensuring that all clients' monies are 100% protected.

CLASSIC COLLECTION HOLIDAYS LIMITED

DIRECTORS' STRATEGIC REPORT (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

As a UK-based tour operator selling predominantly through the travel trade, the Company is dependent upon the resilience and success of travel agents on the high street together with the growing numbers of homeworkers. The Company is dependent upon its highly trained, loyal call centre, its telephony and a fairly complex reservations system. IT resilience is enhanced by an offsite disaster-recovery provision and specialist cyber-insurance has been purchased to mitigate the effects of potential threats, attacks and breaches. Risks are managed with the support of external companies and the nearby offsite emergency centre which is capable of supporting the business in the short term.

The commercial risks which may affect the trading performance of the Company include:

- Challenges posed by political unrest and real and perceived terrorism threats
- Exchange rate fluctuations especially with regards to the value of sterling
- Epidemics and/or natural disasters which threaten, or are perceived to threaten, tourists
- Wars or other international uncertainties which may affect air travel
- Consumer confidence specifically pertaining to Brexit
- Weather conditions, both in the UK and overseas
- Increased competition and changes in consumer behaviour
- Airline failure
- Regulatory changes

Although some of these factors may affect the Company by causing customers to cancel or potential customers to delay their travel plans, many of the risks and uncertainties work in the Company's favour as customers opt to book with inclusive tour operators like Classic Collection Holidays Limited instead of booking the arrangements themselves. In any event, the Company seeks to minimise potential risks by featuring holidays to an increasingly wide range of destinations and by offering increasingly 'complicated' product (multi centre, experiences, tours etc) which is more difficult for customers to book themselves, and less likely to be price-matched by competitors.

Key performance indicators

The key performance indicators monitored by the Company are:

Key performance indicators

	2018 (11 months)	2017 (12 months)
Revenue (£'000)	56,441	61,966
Operating profit margin %	0.48%	0.69%

Key highlights

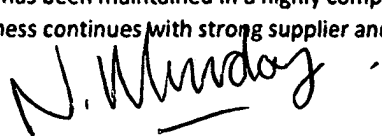
- Revenue has been maintained in a highly competitive environment
- The business continues with strong supplier and agent relationships

By order of the Board

Mr N H P Munday

Managing Director, Classic Collection Holidays Limited

Aeroworks, 5 Adair Street, Manchester M1 2NQ



CLASSIC COLLECTION HOLIDAYS LIMITED

DIRECTORS' REPORT

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

The directors present their annual report and financial statements for the period ended 30 September 2018. Following the acquisition by the Companies' parent company On the Beach Travel Limited the directors changed the accounting period end date to 30 September 2018. Accordingly, these accounts are for the period ended 30 September 2018.

Proposed dividend

Ordinary dividends were paid amounting to £2,000,000. The Directors do not recommend payment of a further dividend.

Going concern

The directors have prepared cash flow forecasts that include key assumptions in respect of the Company's booking numbers, booking profiles, commission rates and trade debtor collection periods. In making their assessment, management have performed sensitivity analysis on the forecasts. After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (at least one year from the date when financial statements are signed) on both base case and sensitised forecasts. Accordingly, the financial statements have been prepared on a going concern basis.

Directors

The directors who held office during the period were as follows:

Mr N H P Munday	
Mr T D S Charlwood	resigned 15 August 2018
Mr J V Fleming	resigned 15 August 2018
Mr P E Munday	resigned 15 August 2018
Mr A K Thomson	resigned 15 August 2018
Mr M de S Brackenbury	resigned 15 August 2018
Mr M D Rice	
Mr S Cooper	appointed 15 August 2018
Mr P Meehan	appointed 15 August 2018

Directors' interests

On 15 August 2018, On the Beach Travel Ltd acquired 100% of the share capital of Classic Collection Holidays Limited.

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	15 August 2018 to 30 September 2018	31 October 2017 to 15 August 2018
Mr N H P Munday	nil	600,000
Mr T D S Charlwood	n/a	nil
Mr J V Fleming	n/a	200,000
Mr P E Munday	n/a	100,000
Mr A K Thomson	n/a	100,000
Mr M de S Brackenbury	n/a	50,000
Mr M D Rice	nil	10,000
Mr S Cooper	n/a	n/a
Mr P Meehan	n/a	n/a

CLASSIC COLLECTION HOLIDAYS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

Charitable contributions

The Company made charitable contributions amounting to £5,407 (2017: £14,205) including £1,125 towards a recognised sustainability project masterminded by the industry's leading environmental charity, The Travel Foundation.

Corporate social responsibility

The directors believe in the importance of its own social performance and, within its business model, it operates a sustainable and responsible business ensuring active compliance within the spirit of the law encouraging a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and other relevant members within the public arena. Classic Collection Holidays Limited, during the 11 months to 30 September 2018 paid approximately £1,000,000 in customers' Air Passenger Duty and employees' PAYE, plus £1,500,000 in direct taxation pertaining to Corporation Tax, Employers' National Insurance and Tour Operators' Margin Scheme (TOMS) VAT.

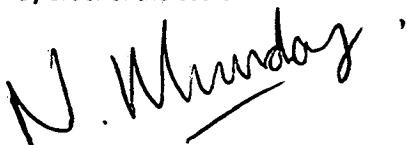
Statement of disclosure to auditor

The Directors who held office at the date of approval of this Director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Following the acquisition by the Companies' parent company On the Beach Travel Limited, MHA Carpenter Box resigned and KPMG LLP were appointed.

The audit committee of the Group has, following a tender process, recommended the appointment of Ernst & Young LLP as the auditor of Classic Collection Holidays Limited and the Group.

By order of the board



Mr N H P Munday
Managing Director, Classic Collection Holidays Limited
Aeroworks, 5 Adair Street, Manchester M1 2NQ

CLASSIC COLLECTION HOLIDAYS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

One St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Classic Collection Holidays Limited

Opinion

We have audited the financial statements of Classic Collection Holidays Limited ("the company") for the period 30 September 2018 which comprise the Income statement, statement of comprehensive income, Balance sheet and Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant

doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

4 April 2019

CLASSIC COLLECTION HOLIDAYS LIMITED

INCOME STATEMENT

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	11 month Period ended 30/09/2018 2018 £'000	Year ended 31/10/2017 2017 £'000
Revenue	2	56,441	61,966
Cost of sales		(52,067)	(55,541)
Gross profit		<u>4,374</u>	<u>6,425</u>
Administrative Expenses	3	(5,023)	(6,032)
Other operating income		919	1,022
Operating profit		<u>270</u>	<u>1,415</u>
Net Finance expense	6	(186)	(1,520)
Investment income	7	795	845
Profit before taxation		<u>879</u>	<u>740</u>
Taxation	8	7	111
Profit for the financial period		<u><u>886</u></u>	<u><u>851</u></u>
Other comprehensive income			
Cash flow hedges (loss)/gain arising in the year		0	0
Prior year's cash flow hedges released to P&L		0	0
Deferred tax relating to components of other comprehensive income		0	0
Total comprehensive income		<u><u>886</u></u>	<u><u>851</u></u>

CLASSIC COLLECTION HOLIDAYS LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	9	208	208
Other Intangible assets	9	53	72
Property, Plant & Equipment	10	112	90
Investments	11	61	61
		<u>434</u>	<u>431</u>
Current assets			
Trade and other receivables	12	5,160	5,765
Tax recoverable	12	114	0
Cash and cash equivalents		<u>15,617</u>	<u>10,603</u>
		<u>20,891</u>	<u>16,368</u>
Total assets		<u><u>21,325</u></u>	<u><u>16,800</u></u>
Creditors - amounts falling due within one year			
Trade and other payables	13	(15,108)	(9,254)
Tax payable	13	(5)	(79)
Derivative financial instruments		<u>0</u>	<u>(141)</u>
		<u>(15,113)</u>	<u>(9,474)</u>
Net assets		<u><u>6,212</u></u>	<u><u>7,326</u></u>
Capital and reserves			
Called up share capital	14	1,135	1,135
Share premium		50	50
Retained earnings		5,027	6,141
Total shareholders' funds		<u><u>6,212</u></u>	<u><u>7,326</u></u>

These financial statements were approved by the board of Directors and were signed on its behalf by:

N. Munday

Mr N H P Munday
Managing Director, Classic Collection Holidays Limited
Aeroworks, 5 Adair Street, Manchester M1 2NQ

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CLASSIC COLLECTION HOLIDAYS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 31 October 2016	1,135	50	7,290	8,475
Profit for the year	0	0	851	851
Dividends	0	0	(2,000)	(2,000)
Balance at 31 October 2017	<u>1,135</u>	<u>50</u>	<u>6,141</u>	<u>7,326</u>
Period ended 30 September 2018:				
Profit for the year	0	0	886	886
Dividends	0	0	(2,000)	(2,000)
Balance at 30 September 2018	<u>1,135</u>	<u>50</u>	<u>5,028</u>	<u>6,213</u>

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

1 Accounting policies

Classic Collection Holidays Limited is a private company incorporated, domiciled and registered in England in the UK. The registration number is 1512421 and the registered office is Aeroworks, 5 Adair Street, Manchester, England, M1 2NQ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition from FRS 102 to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 16.

The company's ultimate parent undertaking, On the Beach Group PLC includes the company in its consolidated financial statements. The consolidated financial statements of On the Beach plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 5 Adair Street, Manchester, England, M1 2NQ.

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

1.2 Basis of preparation

The company's ultimate parent undertaking, On the Beach Group PLC, includes the company in its consolidated financial statements. The consolidated financial statements of On the Beach Group PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from either Companies House, Crown Way, Cardiff, CF14 3UZ or from the groups registered office at Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

In these financial statements, the company has applied the exemptions available under FRS101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Disclosure in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;

As the consolidated financial statements of On the Beach PLC include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

A prior period adjustment has been made in respect of the following:

During the period, management identified that due to a lack of hedging documentation the forward exchange contracts that the Company had previously entered into did not qualify for hedge accounting. As a result the cash flow hedge reserve has been reversed. The movements on the cash flow hedge reserve in the prior period, of £1,296,107 have now been recognised in profit and loss (finance expense of £1,618,365 and a tax credit £322,258). In addition management identified that foreign exchange movements on their cash and bank balances should have been taken to finance income rather than netted against cost of sales. As a result £97,608 has been moved from cost of sales to finance income. The combined effect of the above is noted in the profit and loss reconciliation table in note 16.

In addition to the above the deferred tax balances relating to the hedge accounting of £26,883 (1 November 2016: deferred tax liability £295,375) were transferred into current tax balances. The above has no effect on net assets as at 31 October 2017.

1.3 Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements

1.4 Revenue

Revenue represents amounts receivable from ordinary activities before deducting travel agent commission where appropriate and exclusive of VAT and is recognised on date of departure.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. Goodwill is regarded as having an infinite life and therefore is not being amortised. Impairment reviews are undertaken.

1.6 Intangible fixed assets other than goodwill

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

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

Computer software - 33.3% straight line per annum

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Computer equipment - 33.3% straight line per annum

Fixtures and fittings - 25% straight line per annum

Motor vehicles - 25% straight line per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Non-current investments

Equity investments are measured at fair value through profit and loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.9 Impairment of non-current assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted.

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Financial instruments

Trade and other receivables

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment costs.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

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

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit and loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

Derivation of financial assets

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

Classification of financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Derivation of financial liabilities

Financial liabilities are recognised when group's contractual obligations expire or are discharged or cancelled.

1.11 Taxation

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

Current tax

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

Deferred tax

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

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

1.12 Employee benefits

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

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

1.13 Retirement benefits

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

1.14 Leases

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

2 Revenue

The group engages in only one class of business as Tour operators, this is considered to be the rendering of services. Turnover originates in the United Kingdom.

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

3 a) Expenses and auditor's remuneration

	2018 £'000	2017 £'000
<i>Operating profit/(loss) is stated after changing:</i>		
Staff costs	4,718	3,583
Depreciation of tangible fixed assets	64	55
Profit/loss on disposal of tangible fixed assets	0	(2)
Amortisation of other intangible assets	52	94
Audit of financial statements	44	8
Audit of related assurance services	3	3
Taxation services	1	1
Non-audit fees - all other services	19	21

b) Exceptional costs

Exceptional costs of £1,350,000 relate to staff bonuses attributable to the acquisition of Classic Collection Holidays by On the Beach Group PLC in August 2018. These costs are included within staff costs (note 3a).

4 Staff numbers and costs

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

	Number of employees	
	2018	2017
Sales	49	51
Management and administration	78	76
	<u>127</u>	<u>127</u>

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	4,043	3,207
Social security cost	394	290
Other pension costs	281	86
	<u>4,718</u>	<u>3,583</u>

5 Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	339	263
Company pension contributions to defined contribution schemes	218	6
	<u>557</u>	<u>269</u>

6 Finance expense

	2018 £'000	2017 £'000
Foreign exchange on derivatives	(260)	(1,422)
Foreign exchange on cash	74	(98)
	<u>(186)</u>	<u>(1,520)</u>

7 Interest receivable

	2018 £'000	2017 £'000
Investment income	756	820
Interest receivable	39	25
Total finance income	<u>795</u>	<u>845</u>

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

8 Taxation

	2018 £'000	2017 £'000
Current tax		
UK Corporation tax on profits for the year	81	(17)
Adjustments in respect of prior periods	(67)	(109)
	<u>14</u>	<u>(126)</u>
Deferred tax		
Origination and reversal of timing differences	(21)	(8)
Adjustments in respect of prior periods	0	23
	<u>(21)</u>	<u>15</u>
Tax on profit on ordinary activities	<u>(7)</u>	<u>(111)</u>
	2018 £'000	2017 £'000
Current tax reconciliation		
Profit/(loss) before tax	<u>879</u>	<u>740</u>
Tax using the current UK corporation tax rate of 19% (2017: 19.41%)	167	144
Expenses not deductible	13	0
Dividend Income	(144)	(172)
Adjustments in respect of prior periods	(40)	(87)
Effect of change in corporation tax rate	0	(3)
Amortisation on assets not qualifying for tax allowances	0	7
Deferred tax movement (pension creditor)	(3)	0
Total current tax charge	<u>(7)</u>	<u>(111)</u>

9 Intangible assets

	Goodwill £'000	Development Costs £'000	Total £'000
Cost			
At 1 November 2017	757	288	1,045
Additions	0	33	33
At 30 September 2018	<u>757</u>	<u>321</u>	<u>1,079</u>
Accumulated amortisation			
At 1 November 2017	549	216	765
Amortisation charged for the year	0	52	52
At 30 September 2018	<u>549</u>	<u>268</u>	<u>817</u>
Net book amount			
At 30 September 2018	<u>208</u>	<u>53</u>	<u>262</u>
At 31 October 2017	<u>208</u>	<u>72</u>	<u>280</u>

Goodwill relates to the acquisition of Classic Collection Travel and Leisure Limited. Management have performed an impairment test as at 30 September 2018.

In assessing the value in use, the estimated future cashflows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

10 Tangible fixed assets

	Motor Vehicles £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 November 2017	8	96	295	399
Additions	9	11	71	91
Disposals	(8)	(5)	(11)	(24)
At 30 September 2018	<u>9</u>	<u>102</u>	<u>355</u>	<u>466</u>
Depreciation				
At 1 November 2017	2	89	218	309
Charge for the year	2	7	55	64
Eliminated in respect of disposals	(3)	(5)	(11)	(19)
At 30 September 2018	<u>1</u>	<u>91</u>	<u>262</u>	<u>354</u>
Net book amount				
At 30 September 2018	<u>8</u>	<u>11</u>	<u>93</u>	<u>112</u>
At 31 October 2017	<u>6</u>	<u>7</u>	<u>77</u>	<u>90</u>

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

11 Fixed asset investments

	2018	2017
	£'000	£'000
Investments in subsidiaries:		
Classic Collection Aviation Ltd	2	2
Classic Collection Travel and Leisure Ltd	59	59
Saxon House Properties Ltd	0	0
	<u>61</u>	<u>61</u>

All subsidiaries are 100% owned and the registered address is Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

12 Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	374	246
Corporation tax recoverable	114	89
Amounts owed by group undertakings	3,931	4,368
Other receivables	26	148
Derivative Asset	14	0
Prepayments and accrued income	815	914
	<u>5,274</u>	<u>5,765</u>
	<u>5,274</u>	<u>5,765</u>

13 Trade and other payables

	2018	2017
	£'000	£'000
Payments received on account	5,354	3,824
Trade payables	8,583	4,163
Corporation tax payable	0	79
Taxation and social security	569	715
Amounts owed to group undertakings	59	59
Other payables	20	16
Derivative Liability	0	141
Accruals and deferred income	523	451
	<u>15,108</u>	<u>9,448</u>
Deferred tax liability	5	26
	<u>15,113</u>	<u>9,474</u>

14 Share capital

	2018	2017
	£'000	£'000
Ordinary share capital issued and fully paid		
1,135,000 Ordinary shares of £1 each	<u>1,135</u>	<u>1,135</u>

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

15 Prior period adjustments

A prior period adjustment has been made in respect of the following:

During the period, management identified that due to a lack of hedging documentation the forward exchange contracts that the Company had previously entered into did not qualify for hedge accounting. As a result the cash flow hedge reserve has been reversed. The movements on the cash flow hedge reserve in the prior period, of £1,296,107 have now been recognised in profit and loss (finance expense of £1,618,365 and a tax credit £322,258). In addition management identified that foreign exchange movements on their cash and bank balances should have been taken to finance income rather than netted against cost of sales. As a result £97,608 has been moved from cost of sales to finance income. The combined effect of the above is noted in the profit and loss reconciliation table in note 16.

In addition to the above the deferred tax balances relating to the hedge accounting of £26,883 (1 November 2016: deferred tax liability £295,375) were transferred into current tax balances. The above has no effect on net assets as at 31 October 2017.

16 Explanation of the transition to adopted IFRS's

As stated in note 1, these are the Company's first financial statements prepared in accordance with Adopted IFRSs. The accounting policies set out, have been applied in preparing these financial statements comparative information presented in these financial statements for the period ended 30 September 2018 and in the preparation of an opening as IFRS balance sheet at 1 November 2017 (the company's date of transition). In preparing its opening IFRS balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (generally accepted accounting practice in the UK (UK GAAP)). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	01-Nov-16 FRS102 £'000	01-Nov-16 FRS101 £'000	Difference £'000	31-Oct-17 FRS102 £'000	31-Oct-17 FRS101 £'000	Difference £'000
Fixed assets						
Goodwill	208	208	0	170	208	38
Other intangible assets	137	137	0	72	72	0
Property, Plant & Equipment	60	60	0	90	90	0
Investments	61	61	0	61	61	0
	<u>466</u>	<u>466</u>	<u>0</u>	<u>393</u>	<u>431</u>	<u>38</u>
Current assets						
Trade and other receivables	5,975	5,911	(64)	5,862	5,765	(96)
Tax recoverable	0	0	0	0	0	0
Derivative financial instruments	1,477	1,477	0	0	0	0
Cash and cash equivalents	11,025	11,025	0	10,603	10,603	(0)
	<u>18,477</u>	<u>18,413</u>	<u>(64)</u>	<u>16,465</u>	<u>16,369</u>	<u>(97)</u>
	<u>18,943</u>	<u>18,879</u>	<u>(64)</u>	<u>16,858</u>	<u>16,800</u>	<u>(59)</u>
Creditors: due within one year						
Trade and other payables	(10,061)	(10,061)	0	(9,228)	(9,254)	(26)
Tax payable	(100)	(383)	(283)	(124)	(79)	45
Derivative financial instruments	0	0	0	(141)	(141)	0
	<u>(10,161)</u>	<u>(10,444)</u>	<u>(283)</u>	<u>(9,493)</u>	<u>(9,474)</u>	<u>19</u>
Provisions for liabilities	(307)	(12)	295	0	0	0
Net assets	<u>8,475</u>	<u>8,423</u>	<u>(52)</u>	<u>7,365</u>	<u>7,326</u>	<u>(39)</u>
Capital and reserves						
Called up share capital	1,135	1,135	0	1,135	1,135	0
Share premium	50	50	0	50	50	0
Hedging reserve	1,181	0	(1,181)	(115)	0	115
Retained earnings	6,109	7,238	1,129	6,295	6,141	(153)
Total shareholders' funds	<u>8,475</u>	<u>8,423</u>	<u>(52)</u>	<u>7,365</u>	<u>7,326</u>	<u>(39)</u>

In relation to differences in 1 November 2016, the only difference on transition to FRS 101 relates to the expensing of the costs relating to the guidebooks previously recognised in trade and other receivables of £63,647 and the consequential tax effect of £12,354. The remainder of the differences in the table above relate to the release of the hedging reserve of £1,181,891 and the associated Deferred tax liability of £295,375 (see note 15 above).

In respect of 31 October 2017, the differences on transition relate to the expensing of the guidebooks of £94,740 and the tax effect of £18,389 and the reversal of goodwill amortisation charged under FRS 102 of £37,873. As above the remainder of the differences relate to the reversal of the hedge accounting as explained in note 15 which resulted in the deferred tax liability of £26,883 previously netted against the hedging deferred tax asset now being separately presented in deferred tax liabilities.

Under UK GAAP, goodwill arising in connection with the acquisition of businesses was capitalised and amortised over its estimated economic life to a maximum of 20 years. Under FRS101, goodwill is capitalised and is subject to an impairment review, both annually and when there are indications that its carrying value may not be recoverable.

Under UK GAAP, stock of stationery and guide books can be included as trade and other receivables at cost, despite being held for no or minimal future consideration. Under FRS 101, costs arising from purchasing guide books are expensed in the period of purchase.

CLASSIC COLLECTION HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 11 MONTH PERIOD ENDED 30 SEPTEMBER 2018

Reconciliation of profit for the period ended 31 October 2017

	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17
	FRS102	Effect of	to	PYA (note 15)	FRS101
	£'000	transition to			£'000
		FRS*			
		£'000			
Revenue	61,966	0	61,966	0	61,966
Cost of sales	(55,443)	0	(55,443)	(98)	(55,541)
Gross profit	6,523	0	6,523	(98)	6,425
Administrative Expenses	(5,975)	(57)	(6,032)	0	(6,032)
Other operating income	1,022	0	1,022	0	1,022
Operating profit	1,570	(57)	1,513	(98)	1,415
Net Finance expense	0	0	0	(1,520)	(1,520)
Investment income	845	0	845	0	845
Profit before taxation	2,415	(57)	2,358	(1,618)	740
Taxation	(229)	18	(211)	322	111
Profit for the financial year	2,186	(39)	2,147	(1,296)	851
Other comprehensive Income					
Cash flow hedges (loss)/gain arising in the year	(141)	0	(141)	141	0
Prior year's cash flow hedges released to P&L	(1,477)	0	(1,477)	1,477	0
Deferred tax - other comprehensive income	322	0	322	(322)	0
Total comprehensive income	890	(39)	851	0	851

Notes on transition to FRS 101

a) Under UK GAAP, goodwill arising in connection with the acquisition of businesses was capitalised and amortised over its estimated economic life to a maximum of 20 years. Under FRS101, goodwill is capitalised and is subject to an impairment review, both annually and when there are indications that its carrying value may not be recoverable.

b) Under UK GAAP, stock of stationery and guide books can be included as trade and other receivables at cost, despite being held for no or minimal future consideration. Under FRS 101, costs arising from purchasing guide books are expensed in the period of purchase.

Notes on transition to FRS 101 a) and b) are depicted in the tables above.

17 Ultimate parent company and parent company of larger Company

Classic Collection Holidays Limited, is a wholly owned subsidiary of On the Beach Group PLC, which is the ultimate parent company incorporated in the UK.

The largest and smallest group in which the results of the Company are consolidated is that headed by On the Beach Group PLC, incorporated in the UK. The Groups registered office is located at Aeroworks, 5 Adair Street, Manchester, M1 2NQ. No other group financial statements include the results of the company.

The consolidated financial statements of the group is available to the public and may be obtained from www.onthebeachplc.com.