Classic Collection Holidays Limited

Strategic report, directors' report and financial statements

For the year ended 30 September 2022

Registered number 01512421

Contents

Officers and advisors

Secretary and registered office	Kirsteen Vickerstaff Aeroworks 5 Adair Street Manchester M1 2NQ
Auditor	Ernst & Young LLP Chartered Accountants 2 St Peter's Square Manchester M2 3DF
Directors	Simon Cooper Shaun Morton

Strategic report

The directors present their annual strategic report and the audited financial statements for Classic Collection Holidays Limited ("the Company") for the year ended 30 September 2022.

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 year ended 30 September 2022 are set out on pages 8 to 10. Loss before income tax was £589,000 (2021: loss £3,523,000). Revenue increased to £50,535,000 and the business made an operating loss of £575,000 (2021: loss £3,492,000).

Pre-pandemic, the Company invested in the product portfolio to include longer-haul beach and tailor-made itineraries via travel agents for its end customers. Over the last 18 months, the Company has continued to extend and tailor the offering. Most recently, the leadership team have undertaken an extensive rebranding exercise launching a new look and feel for Classic Collection Holidays.

As travel re-emerged from almost two years of restrictions in February 22, Classic Collection was well-positioned to deliver growth. Bookings from high street travel agents have recovered more slowly than online, due to a gradual return to normal high street footfall and staff shortages in higher touch retail stores. Despite these headwinds, Sales on a booked, rather than travelled basis, were £55.6m which is ahead of pre-pandemic levels. Revenue, reported in the period customers travel, recovered to £50.5m which was significantly ahead of FY21 and only 8% behind FY19.

Particularly encouraging was the performance of the new long haul proposition launched during the pandemic. Long haul product represented 23% of total sales in the year and expect this to be a high growth area for the business in FY23.

Cash and liquidity
Thanks to significant shareholder support, the flexible business model and the disciplined way in which customer money is handled, On the Beach Group plc, the ultimate parent company of the Company, has continued to invest in the brand and technology throughout the pandemic and ahead of a full recovery of the travel industry.

Group cash at 30 September 2022 was £64.5m excluding customer monies held in a ring-fenced trust account of £69.4m. In December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling all current facilities and entering into a new facility for £60m expiring in December 2025. Through centralised cash pooling, the Company has access to the Group's cash and facilities.

Through the disrupted summer of flight cancellations, the Company has continued to provide prompt cash refunds for cancelled holidays.

The Company's low-cost operating model, in a primarily digital sector, where consumers are seeking increased convenience, choice, and a personalised experience with financial protection, positions us to emerge from the pandemic favourably. This has been another challenging 12 months for the travel industry, disrupted in the first half of the year by the Omicron variant, and in the second half by staff shortages across the supply chain. Since the onset of Covid-19, the Company has consistently outlined its strategic intention to capture market share as trading normalises and demand for beach holidays recovers.

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.

1. Major airline failure

Risk and impact	*Key mitigations:*
• The collapse of a major airline could have a material adverse effect on the Company's business in terms of business disruption, availability of travel products and customer demand. • In the event of a major airline failure, the Company must replace the customer's flight arrangements, or refund the customer in full for the holiday, with no ability to claim back the costs from the failed airline or any bond or effective insurance or the ATOL scheme/CAA (which protects consumers, not package organisers). This leads to loss of margin on cancelled bookings, and incremental costs to arrange alternative flights. • The Company must refund customers within 14 days of cancellation, but it may take some weeks to recover monies, creating a cash flow impact.	• The Company has detailed and well-rehearsed plans in place to deal with a major airline failure, having dealt with a number of airline failures, including the failure of Thomas Cook. • The Company has a working capital facility in place to ensure it has sufficient funds to refund/replace customer bookings.

2. Flight supply

Risk and impact	*Key controls and mitigating factors*
• As is the case with all tour operators, a lack of flight supply/capacity impacts the Company's ability to fulfil consumer demand for holidays. • For a number of low-cost airlines, the Company does not have agreements in place and instead acts as the customer's agent. Certain airlines may not wish to accept bookings from the Company's customers and might seek to impede the Company's access to flight data and bookability. • Certain airlines use technological and other means to prevent the Company's bookings or to apply a price difference to make the Company's bookings more expensive. This could make the Company's offering less extensive or more expensive which could have a material adverse effect on the Company. • In order to mitigate flight supply risk, the Company may take allocations of seats on certain key routes, which may involve some limited risk. If the Company cannot sell the seats profitably or the programme is cancelled, this could lead to material costs for the Company.	• The Company is successfully building relationships with a wider range of airlines, including preferential commercial terms and rates. The Company's focus on beach holidays means its customers are concentrated on certain routes and its scale means that it can easily fill seats on these routes. This is attractive to airlines looking to fill seats on new routes and the Company is in commercial discussions with a number of airlines. • The Company's proprietary technology is industry leading and enables it to ensure that its operations are robust. • Where allocations of flight seats are taken, this will be on routes where there is strong demand, and the Company will seek to build flexibility into the contract to enable cancellation when demand is lower than expected. • Flight supply issues apply to all OTAs and travel agents, not just this Company and we are engaging with the Government and regulators on the market power of airlines and the changes we believe that are required to secure a healthy and competitive market that protects the interests of consumers.

3. Data and security

Risk and impact	*Key controls and mitigating factors*
• A major security breach, whether stemming from human error, deliberate action or a technology failure, could lead to unauthorised access to or misuse of our technology, customer data, employee data, commercially sensitive information and disruption to core business operations, which could result in significant financial loss, significant fines and reputational damage.	• Security policies, processes and technology are baselined against recognised standards such as NIST 800-53 and PCI-DSS. • A dedicated secure and PCI-DSS complaint card holder environment has been implemented to protect customer payments and to maintain best practices; this is backed by a 24/7 Managed Security Service provided by our Information Security partner. • Investment in cyber security has significantly increased and we have completed a security transformation programme with a dedicated Information Security function in place. • Cyber Security Governance Committee established with empowered representation from all departments within the Company. • All colleagues are provided with regular security training as part of an agreed yearly security training schedule. • Cyber insurance is in place.

4. Innovation, transformation and scalability

Risk and impact	*Key controls and mitigating factors*
• The Company invests in a number of IT systems/transformational projects as part of its strategy. Failure to execute transformational projects successfully could reduce the Company's operational efficiency, erode the Company's market leadership position and have a negative impact on financial performance.	• The concept of scalability focuses on ensuring that projects are fit for purpose and meet the goals of end users. In order to ensure this delivery, the product team works closely with the business. The cross-functional and collaborative approach helps identify bumps on the road to delivery and, if necessary, adjust plans or rearrange resources proactively.

5. Disruption to operations

Risk and impact	*Key controls and mitigating factors*
• The Company faces the risk of disruption to its operations from a wide range of unpredictable domestic and international events. These can range from smaller localised disruptions impacting systems and operations at office locations, incidents at holiday destinations or major incidents affecting the whole Company such as a pandemic or natural disaster, which could impact our ability to trade and/or manage our business. Such disruptive events could materialise at any point along the supply chain and could impact the Company's finances and affect business operations and customer demand. • As a package organiser under the Package Travel Regulations, we have number of responsibilities including finding replacements/providing refunds where flights are cancelled (through airline insolvency or otherwise) or there is a major change to a customer's holiday and providing accommodation where customers are stranded.	• We have comprehensive business continuity and disaster recovery plans in place. These plans and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity. • Insurance policies are also in place to further mitigate this risk. • During the year, On the Beach Group plc, the ultimate parent company of the Company, carried out climate scenario analysis to help us identify and quantity the impact of climate-related risks, including physical risks such as chronic heat, which could potentially cause disruption to operations. Whilst it is not anticipated that such risks will have a material impact in the near term, we are adopting controls to monitor these risks, such as country-level threat modelling to help identify specific areas within major holiday destinations that are particularly exposed to heat.

6. People

Risk and impact	*Key controls and mitigating factors*
• Our employees are a key asset and it is critical that we are attracting and retaining the right talent. We need an engaged and motivated workforce, with the right people in the right places throughout all levels of the business in order to innovate, share best practice and move the Company forward. Failure to do so may negatively impact our ability to deliver on performance targets and strategic priorities. • The Company relies on key personnel and if those key personnel were unable to carry out their role, this could have a material effect on the Company's business.	• We provide an excellent working environment for our employees, and have a very positive, informal and open culture, which contributes to our ability to recruit and retain staff. • We are constantly reviewing our remuneration tools to recruit and retain employees, including base salary, bonus and share schemes and enhanced policies. • We have succession plans in place and invest in leadership development to ensure we have a strong and diverse talent pipeline.

7. Customer demand

Risk and impact	*Key controls and mitigating factors*
• A material deterioration in consumer confidence can lead to reduced demand for beach holidays, for example a recession or reduced economic growth can lead to reduced job security and a reduction in consumer leisure spending. A weak pound makes holidays and consumer spending abroad more expensive and high-profile corporate failures reduce consumer confidence to make 'big ticket' purchases, particularly well in advance. • Environmental and sustainability concerns are increasingly becoming a factor in consumer choices and demand could be impacted by consumers choosing to travel less frequently. Also extreme weather events and physical impacts of climate change such as wildfires and extreme heat could impact the desirability of certain holiday destinations.	• The Company's ATOL bonding and other financial protections, together with its consumer trust account arrangements (where customer monies, other than those paid to airlines, are held safely in a trust until they travel) and its consumer champion focus, provide compelling reasons for customers to have confidence in the Company over other competitors. • In an environment of rapidly shifting consumer demand, the Company's flexible and asset-light business model means it is well placed to respond to sudden shifts in consumer demand. • As noted in the 'disruption to operations' risk above, during the year the On the Beach Group carried out climate scenario analysis to help us identify and quantity the impact of climate-related risks. Whilst it is not anticipated that such risks will have a material impact in the near term, we are adopting controls to monitor these risks.

8. Non-compliance with laws and regulations

Risk and impact	*Key controls and mitigating factors*
• The Company's business is highly regulated and is subject to a complex regimes of laws, rules and regulations concerning travel and aviation, online commerce, financial services, consumer rights, data protection and ESG issues. A breach of these laws and regulations could have serious, financial, operational and reputational impacts for the Company. • Unfavourable changes to or interpretation of existing laws could adversely affect the Company's business and financial performance.	• The Company has an internal legal team and external legal advisers to advise the Company on current and forthcoming legal requirements and to manage legal and regulatory issues as they arise. • Ongoing training is provided to employees (e.g. around bribery) and we have Company policies and procedures in place. • The Company reviews draft proposals for law reform and participates in industry steering, policy Company's and advisory committees, through which it is able to lobby on legislative change.

9. Customer health and safety

Risk and impact	*Key controls and mitigating factors*
• Safety of our customers is paramount. A health and safety incident or security incident could cause significant injury/loss of life, litigation, reputational damage, fines/regulatory sanctions and reduction in future revenues. • As a package organiser under the Package Travel and Linked Travel Regulations 2018, the Company is responsible for the proper performance of the package. The Company can therefore be held liable for death/personal injury or illness suffered by customers that are the fault of any suppliers. In the event of a catastrophic injury/fatality, or multiple injuries, the cost could run into millions of pounds.	• The Company has public liability insurance in place to cover its risks as a package organiser as well as thorough claims reporting, investigation and handling processes. • The Company also has indemnities in place with most suppliers to enable recovery. • The Company has a health and safety management system in place and works with its suppliers to ensure that customers' health and safety is monitored throughout the supply chain.

10. Financial risk and liquidity

Risk and impact	*Key controls and mitigating factors*
• The risk that the Company has insufficient liquidity, does not have appropriate access to funds, there are negative movements in the market, or we cannot meet our obligations as they fall due.	• The Company has access to a £60m revolving credit facility. • Bank covenant tests are regularly monitored. • On the Beach Group plc, the ultimate parent company of the Company, took action to improve overall liquidity including two equity raises, cumulatively raising circa £90m net of fees. • Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance. • We prepare rolling three-year strategic plans and cash flows and a number of different scenarios have been modelled to ensure we continue to be viable.

Key performance indicators

The key performance indicators monitored by the Company are:	**2022**	**2021**
	£'000	**£'000**
Revenue	50,535	6,537
Operating loss	(575)	(3,492)

Key highlights

- Revenue has increased to £50,535,000 despite the slow restart post Omicron and the number of captive customers of competitors who had rolled cancelled holidays from Covid-19 disrupted periods.
- Due to increased revenue, operating losses reduced to £575,000 compared to operating loss of £3,492,000 in prior year.
- The Company's liquidity position remains strong with total cash at 30 September 2022 of £10,214,000. As part of the On the Beach Group plc, through centralised cash pooling the Company has access to Group cash of £64.5m at 30 September 2022, the Company also has access to the Group's £60m Revolving Credit Facility which was undrawn at year end.

Environmental and carbon reporting

We take our responsibility regarding the environment seriously and are committed to reducing our impact wherever possible. The Company is aware of, and supports the Greenhouse Gas Emissions reporting requirements and further details of this are included on page 71-73 of our Group's Annual Report, available on the On the Beach Group's Corporate website. During the year, the Group completed a gap analysis to understand what we needed to do to meet the TCFD obligations and conducted a series of climate screening workshops with senior management and other key stakeholders from across the business, more detail can be found on page 74-81 of the Group's Annual Report.

Going concern

The Company as part of On the Beach Group plc meets its day to day working capital requirement from its cash balances and the availability of the Revolving Credit Facility to which it is a party. Through centralised cash pooling arrangements there is inter-reliance of subsidiary companies within the On the Beach Group.

The Group covers its daily working capital requirements by means of cash and Revolving Credit Facility ('RCF'). On 7 December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling its current facility of £50m and CLBILS facility of £25m and entering into a new facility for £60m expiring in December 2025.

As at 30 September 2022 Group cash (excluding cash held in trust which is ring-fenced and not factored into the going concern assessment) was £64.5m (30 September 2021 cash of £56.0m).

Where holidays are cancelled the Group is committed to refunding customers in cash rather than vouchers. Cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-through from airlines.
Cash received from customers for bookings that have not yet travelled is held in a ring-fenced trust account and is not withdrawn until the customer returns from their holiday. Cash held in trust at 30 September 2022 was £69.4m.

The Directors have assessed a going concern period through to 31 March 2024 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, cost of living, inflation, interest rates and customer behaviour / demand. The Group has performed an assessment of the impact of climate risk, as part of the Director's assessment of the Group's ability to continue as a going concern. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and uncertainties' section of this report. The Directors have modelled a reasonably possible downside scenario to sensitise the base case.

The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2024. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. In this scenario, the Group would have positive cash and no requirement to draw down on its current facilities during the going concern review period.

The Directors have considered possible levels of customer default in light of the cost of living crisis. At the date of signing default levels remain low. The Directors remain confident that the business has adequate controls and processes in place to recover outstanding balances from customers.

Given the assumptions above, and that the Directors are satisfied that the parent undertaking has agreed to support the company if required, the Directors remain confident that the Group can continue to operate in an agile way adapting to any continued disruption. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

By order of the board

S. Mt

Shaun Morton
Director, Classic Collection Holidays Limited
Aeroworks, 5 Adair Street, Manchester M1 2NQ
29/03/2023

Directors' report

The directors present their directors' report and the audited financial statements of the company for the year ended 30 September 2022.

Matters included within the strategic report

In accordance with s414c(11) of the Companies Act, included in the strategic report is certain information which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a director's report. This includes:

- Certain information on action taken on employee involvement.
- Likely future developments in the business of the Company
- Environmental matters

Proposed dividend

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

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

Mr S Cooper

Mr S Morton

Political contributions

The company made no political contributions (2021: £nil).

Research and development

Research and development work continues to be directed towards the ability to deliver effective search results for customers. This requires the developers to undertake continued improvements to the software architecture. Development costs of £60,000 (2021: £2,000) were incurred in year; these costs have been capitalised within intangible assets.

Charitable contributions

The Company made charitable contributions of £1,124 during the year (2021: £nil).

Employment of disabled persons

The Company's policies and procedures and Company Handbook contain policies in relation to the employment of disabled persons which are carefully adhered to. Selection for employment, promotion, training and development (as well as other benefits and awards) are made on the basis of merit, aptitude and ability and the Group does not tolerate discrimination in any form, including in relation to disabled candidates.

The Company puts in place an Employee Wellbeing Plan ("EWP") with any employees who need support with any health conditions, physical or mental. Each EWP is designed to ensure the Group is meeting all the needs of the relevant employee, for example risk assessments, and details of all adjustments which need to be made to accommodate the additional needs of the relevant employees, e.g. disabled parking space, step-free access and specific workstation needs. Moreover, if any employees should become disabled during the course of their employment there are policies in place to oversee the continuation of their employment and to arrange training for these employees.

Post balance sheet events

As part of a process to simplify the On the Beach Group structure, on 7 February 2023, the Company's subsidiary Classic Collection Holidays, Travel and Leisure Limited was dissolved as the company was dormant.

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.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board

S. Mt

Shaun Morton
Director, Classic Collection Holidays Limited
Aeroworks, 5 Adair Street, Manchester M1 2NQ
29/03/2023

Statement of directors' responsibilities

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 loss/profit 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 also responsible for safeguarding the assets of 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 Classic Collection Holidays Limited

Opinion

We have audited the financial statements of Classic Collection Holidays Limited for the year ended 30 September 2022 which comprise specify the titles of the primary statements such as the Profit and loss account and Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 March 2024.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101, the Companies Act 2006). In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being General Data Protection Regulations, Consumer Rights and specific regulations set out by the Civil Aviation Authority.
- We understood how Classic Collection Holidays Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries by reading the minutes of board meetings.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries of Group Legal Counsel, management and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards and UK legislation.

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

Use of our report

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

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
29/03/2023

Profit & loss account and statement of comprehensive income

For the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
Revenue	4	50,535	6,537
Cost of sales		(46,998)	(5,951)
Gross profit		**3,537**	**586**
Administrative expenses		(4,977)	(4,163)
Other operating income		865	85
Operating loss	5	**(575)**	**(3,492)**
Finance income	8	79	13
Finance costs	9	(93)	(44)
Loss before income tax		**(589)**	**(3,523)**
Income tax credit	10	132	854
Loss for the financial period		**(457)**	**(2,669)**
Other comprehensive income			
Cash flow hedges gain/(loss)arising in the year		799	(171)
Deferred tax relating to components of other comprehensive income		(152)	29
Total comprehensive income/(loss) for the period		**190**	**(2,811)**

All amounts relate to continued operations. The notes on pages 20 to 37 form part of the financial statements.

Balance sheet

For the year ended 30 September 2022

	Note	2022	2021
Non-current assets		**£'000**	**£'000**
Intangible assets	**11**	261	223
Property, plant & equipment	**12**	1,236	1,100
Investments	**13**	2	61
Other finance assets	**14**	184	250
Deferred tax	**18**	1,126	1,227
Total non-current assets		**2,809**	**2,861**
Current assets			
Trade and other receivables	**15**	7,491	5,493
Income tax receivable		254	173
Other finance assets	**14**	70	70
Cash at bank		10,214	3,630
Derivative financial instruments	**20**	562	68
Total current assets		**18,591**	**9,434**
Total assets		**21,400**	**12,295**
Creditors - amounts falling due within one year			
Trade and other payables	**16**	(18,426)	(9,179)
Provision for liabilities		-	-
Derivative financial instruments	**20**	-	(125)
		(18,426)	**(9,304)**
Creditors - amounts falling due after more than one year			
Trade and other payables	**16**	(618)	(825)
Net assets		**2,356**	**2,166**
Capital and reserves			
Called up share capital	**19**	1,135	1,135
Share premium		50	50
Retained earnings		1,171	981
Total shareholders' funds		**2,356**	**2,166**

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

Shaun Morton
Director, Classic Collection Holidays Limited
Aeroworks, 5 Adair Street, Manchester M1 2NQ
29/03/2023

Statement of changes in equity

For the year ended 30 September 2022

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 30 September 2020	**1,135**	**50**	**3,792**	**4,977**
Total comprehensive loss for the period	-	-	(2,811)	(2,811)
Balance at 30 September 2021	**1,135**	**50**	**981**	**2,166**
Total comprehensive income for the period	-	-	190	190
Balance at 30 September 2022	**1,135**	**50**	**1,171**	**2,356**

Notes to the financial statements

1 General information

The financial statements of Classic Collection Holidays Limited for the year ended 30 September 2022 were authorised for issue by the board of directors on 29 March 2023. 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'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.

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.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements are prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value: derivative financial instruments.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions as set out below. The Company's financial statements are presented in sterling and are rounded to the nearest thousand pounds (£000) except when otherwise stated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - – 10(d) (statement of cash flows);
  - – 16 (statement of compliance with all IFRS);
  - – 38A (requirement for minimum of two primary statements, including cash flow statements);
  - – 38B–D (additional comparative information);
  - – 111 (cash flow statement information); and
  - – 134–136 (capital management disclosures).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- 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 party to the transaction is wholly owned by such a member.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- IFRS 7, 'Financial instruments: Disclosures'.

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:

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

  (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and

  (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).
- Paragraphs 113(a), 114, 115, 118, 119(a)-(c), 1202-127 and 129 of IFRS 15 'Revenue from contracts with customers'

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

2.2 Going Concern

The Company as part of On the Beach Group plc meets its day to day working capital requirement from its cash balances and the availability of the Revolving Credit Facility to which it is a party. Through centralised cash pooling arrangements there is inter-reliance of subsidiary companies within the On the Beach Group.

The Group covers its daily working capital requirements by means of cash and Revolving Credit Facility ('RCF'). On 7 December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling its current facility of £50m and CLBILS facility of £25m and entering into a new facility for £60m expiring in December 2025.

As at 30 September 2022 Group cash (excluding cash held in trust which is ring-fenced and not factored into the going concern assessment) was £64.5m (30 September 2021 cash of £56.0m).

Where holidays are cancelled the Group is committed to refunding customers in cash rather than vouchers. Cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-through from airlines.
Cash received from customers for bookings that have not yet travelled is held in a ring-fenced trust account and is not withdrawn until the customer returns from their holiday. Cash held in trust at 30 September 2022 was £69.4m.

The Directors have assessed a going concern period through to 31 March 2024 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, cost of living, inflation, interest rates and customer behaviour / demand. The Group has performed an assessment of the impact of climate risk, as part of the Director's assessment of the Group's ability to continue as a going concern. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and uncertainties' section of this report. The Directors have modelled a reasonably possible downside scenario to sensitise the base case.

The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2024. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. In this scenario, the Group would have positive cash and no requirement to draw down on its current facilities during the going concern review period.

The Directors have considered possible levels of customer default in light of the cost of living crisis. At the date of signing default levels remain low. The Directors remain confident that the business has adequate controls and processes in place to recover outstanding balances from customers.

Given the assumptions above, and that the Directors are satisfied that the parent undertaking has agreed to support the company if required, the Directors remain confident that the Group can continue to operate in an agile way adapting to any continued disruption. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

2.3 Changes in accounting policies

New standards, amendments and IFRIC interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021; the following amended standards have been implemented; however, they have not had a significant impact on the Company's financial statements:

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16; and
  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR). These amendments had no impact on the consolidated financial statements of the Company.
- Covid-19 Related Rent Concessions beyond 30 June 2021: Amends to IFRS 16
  On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of Covid-19 continued, the IASB extended the period of application to 30 June 2022. The Company has not received Covid-19 related rent concessions during the period of application.

Standards issued but not yet effective

Certain new financial reporting standards, amendments and interpretations have been published that are not mandatory for the 30 September 2022 reporting period and have not been early adopted by the Company. The Company is currently assessing the impact of the following standards, amendments and interpretations:

- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37; and
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.

2.4 Foreign currency

The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency. Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying hedges, which are recognised in other comprehensive income.

2.5 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. Annual impairment reviews are undertaken.

2.6 Intangible fixed assets other than goodwill

i. Acquired intangibles

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

ii. Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Directly attributable costs that are capitalised as part of the software product, website or system include employee costs. Other development expenditures that do not meet these criteria as well as ongoing maintenance are recognised as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

iii. Amortisation

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: 3 years
- Capitalised development costs: 3 years

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Computer equipment: 3 years

Fixtures and fittings: 4 years

Motor vehicles: 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

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.

2.8 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.

2.9 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine whether the assets are impaired, and if so the extent of any such impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Financial instruments

i. Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss. In order for a financial asset to be classified and measured at amortised cost, the financial asset is under a 'hold to collect' business model and it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Cash at bank

Cash at bank comprise cash balances, 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when 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.

ii. 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 and other payables

Trade and other payables including deferred consideration are recognised initially at fair value and net of directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate ("EIR") amortisation process.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

iii. Derivative financial instruments, including hedge accounting

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.

2.11 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right- of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 5 years

The right-of-use assets are also subject to impairment. The Company's right-of-use assets are included as a separate category in property, plant and equipment.

ii. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in trade and other payables

iii. Lease receivables

Amounts due from leases when the Company acts as a lessor and classifies its leases as finance leases according to IFRS16 are recognised as receivables in the amount of the Company's investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

2.12 Revenue

Revenue represents amounts receivable from ordinary activities before deducting travel agent commission where appropriate and exclusive of VAT and is recognised over the period a customer is on holiday.

2.13 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.

i. Retirement benefits

The Company operates a defined contribution pension scheme. A defined contribution scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the years during which services are rendered by employees.

ii. Share based payment transactions

Employees (including senior executives) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled awards are valued at grant date, and the difference between the grant date fair value and the consideration paid by the employee is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity.

2.14 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. 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.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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 will 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

3 Critical judgements and estimates in applying the accounting policies

The Company's accounting policies have been set by management. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future. These are continually evaluated based on historical experience and expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Under FRS 101 estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

3.1 Critical accounting judgements

a) Revenue from contracts with customers

i) Principal vs Agent

Determining whether an entity is acting as a principal or as an agent requires judgement and has a significant effect on the timing and amount (gross or net basis) of revenue by the Company. As a principal, revenue is recognised on a gross basis over the duration of the holiday. Revenue for the Company is recognised as a principal on the basis that the Company has the primary responsibility for fulfilling the package holiday for the customer.

ii) **Performance obligations**

Under IFRS 15, a package holiday constitutes the delivery of one distinct performance obligation which includes flights, accommodation, transfers and other holiday-related services. In formulating this conclusion, management has assessed that it provides a significant integration service to collate all of the elements within a customer's specification to produce one integrated package holiday. Management has further analysed the recognition profile and concluded that under IFRS 15, revenue and corresponding cost of sales should be recognised over the period a customer is on holiday.

b) Deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits, together with future tax planning strategies. Using approved budgets and forecasts covering a four-year period, management concluded that there would be sufficient level of future taxable profits to support the deferred tax asset of £1,268,000 (2021: £1,216,000) recognised (note 18).

Whilst the forecasts include inherent estimation uncertainty, the Company determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets and no reasonably possible change to key assumptions would result in a material reduction in forecast headroom of tax profits.

The key management judgement required was determining the expected timing of recovery to profit and therefore the period over which the deferred tax asset would be realised. In determining the timing of recovery, all available evidence was considered, including approved budgets, forecasts and analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment purposes. Sensitivity analysis was performed over the following assumptions:

- Revenue: the level of sales is based on expected customer demand, average booking values and booking conversion; however, a material deterioration in consumer demand can lead to reduced demand for holidays as well as disruption to its operations from unpredictable domestic and international events which can significantly impact the level of sales.
- Discount rates: Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital ('WACC').
- Growth rates used to extrapolate cash flows beyond the forecast period: the Company operates in a fast-moving marketplace so management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions.

3.2 Critical accounting estimates

Management have deemed there to be no critical estimates in applying the accounting policies.

4 Revenue

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

5 Operating loss

a) Expenses and auditor's remuneration

	2022	2021
Operating loss is stated after charging:	**£'000**	**£'000**
Staff costs	5,037	3,373
Exceptional operating costs	-	263
Depreciation of tangible fixed assets	369	222
Amortisation of other intangible assets	22	24
Audit of financial statements	85	75

b) Exceptional operating costs

In the year ended 30 September 2021, exceptional costs of £263,000 relate to redundancy costs and supplier provisions as a result of the COVID-19 pandemic.

6 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	
	2022	**2021**
Sales	22	24
Management and administration	134	91
	156	**115**

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£'000	**£'000**
Wages and salaries	4,443	2,987
Social security cost	437	271
Other pension costs	157	115
	5,037	**3,373**

7 Directors' remuneration

The directors of the company received no remuneration from this entity during the year.

The directors of this company are also directors of other companies within the On the Beach Group and accordingly the cost of their remuneration has been fully incurred by the ultimate parent company.

8 Finance income

	2022	2021
	£'000	£'000
Interest receivable	20	13
Dividends receivable	59	-
Total finance income	**79**	**13**

9 Finance costs

	2022	2021
	£'000	£'000
Interest on lease liabilities	93	44
Total finance costs	**93**	**44**

10 Taxation

	2022	2021
	£'000	£'000
Current tax		
UK Corporation tax on profits for the year	-	-
Adjustments in respect of prior periods	(81)	90
Total current tax	**(81)**	**90**
Deferred tax		
Origination and reversal of timing differences	35	(674)
Adjustments in respect of prior periods	(86)	(270)
Total deferred tax	**(51)**	**(944)**
Income tax credit	**(132)**	**(854)**

Factors affecting the income tax expense for the current year: The current tax credit for the year is higher (2021: credit was higher) than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below.

	2022	2021
Current tax reconciliation	**£'000**	**£'000**
Loss before income tax	(589)	(3,523)
Tax using the current UK corporation tax rate of 19% (2021: 19%)	(112)	(669)
Impact of difference in current and deferred tax rates	6	(179)
Adjustments in respect of prior periods	(167)	(180)
Expenses not deductible	(140)	170
Adjustments in respect of group tax relief	281	4
Income tax credit	**(132)**	**(854)**

The tax charge for the year is based on the effective rate of UK corporation tax for the period of 19% (2021: 19%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax assets and liabilities at 30 September 2022 have been calculated based on these rates.

11 Intangible assets

	Goodwill	Development Costs	Total
	£'000	£'000	£'000
Cost			
At 1 October 2021	757	377	1,134
Additions	-	60	60
Disposals	-	(86)	(86)
At 30 September 2022	**757**	**351**	**1,108**
Accumulated amortisation			
At 1 October 2021	549	362	911
Amortisation charged for the year	-	22	22
Disposals	-	(86)	(86)
At 30 September 2022	**549**	**298**	**847**
Net book amount			
At 30 September 2022	**208**	**53**	**261**
At 30 September 2021	208	15	223

Goodwill relates to the acquisition of Classic Collection Travel and Leisure Limited upon which the trade and net assets were transferred to the Company. Management have performed an impairment test as at 30 September 2022.

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.

12 Tangible fixed assets

	Right-of-use assets (note 17)	Motor Vehicles	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2021	892	9	397	544	1,842
Additions	-	-	262	243	505
Disposals	-	-	(83)	(140)	(223)
At 30 September 2022	**892**	**9**	**576**	**647**	**2,124**
Depreciation					
At 1 October 2021	181	7	139	415	742
Charge for the year	151	2	100	116	369
Disposals	-	-	(83)	(140)	(223)
At 30 September 2022	**332**	**9**	**156**	**391**	**888**
Net book amount					
At 30 September 2022	**560**	**-**	**420**	**256**	**1,236**
At 30 September 2021	711	2	258	129	1,100

13 Investments

Subsidiary	Principal activity	2022 £	2021 £
Classic Collection Aviation Ltd	Transport broker	2,000	2,000
Classic Collection Travel and Leisure Ltd	Dormant	-	59,335
Saxon House Properties Ltd	Property Management	1	1
		2,001	**61,336**

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

As part of a process to simplify the On the Beach Group structure, Classic Collection Travel and Leisure Ltd was dissolved after the reporting period resulting in the impairment of the investment, see note 23.

14 Other finance assets

The Company sub-leases part of an office building that it leased, the sub-lease has been classified as a finance as the sub-lease is for the whole of the remaining term of the head lease.

	2022	2021
	£'000	£'000
Lease receivables	254	320
Other finance assets	**254**	**320**
Current	70	70
Non-current	184	250

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022	2021
	£'000	£'000
One year	70	70
Two to five years	193	263
Total undiscounted lease payments receivable	**263**	**333**

15 Trade and other receivables

	2022	2021
	£'000	£'000
Trade receivables	987	509
Amounts owed by group undertakings	4,290	3,527
Other receivables	17	2
Revenue recognition receivable	740	205
Prepayments and accrued income	1,457	1,075
Taxation and social security	-	175
Total trade and other receivables	**7,491**	**5,493**

Amounts owed by Group undertakings are presented as a current asset as the balances are repayable on demand.

16 Trade and other payables

	2022	2021
	£'000	£'000
Creditors - amounts falling due within one year		
Payments received on account	6,678	5,307
Trade payables	7,836	2,512
Amounts owed to group undertakings	1,780	281
Other payables	26	17
Taxation and social security	35	-
Accruals and deferred income	1,865	866
Lease liabilities	206	197
	18,426	**9,179**
Creditors - amounts falling due after more than one year		
Lease liabilities	618	825
Total trade and other payables	**19,044**	**10,004**

Accruals and deferred income includes £836,000 (2021: £233,000) relating to deferred income.

17 Leases

The Company has a lease contract for one property with a lease term of 6 years. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 12).

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	2022	2021
	£'000	£'000
Depreciation expense of right-of-use assets	151	125
Interest expense on lease liabilities	42	44
Gain on lease modification	-	(9)
Total amount recognised in profit or loss	**193**	**160**

Set out below are the carrying amounts of lease liabilities (included trade and other payables) and the movements during the period:

	2022	2021
	£'000	£'000
As at 1 October	1,022	928
Recognition of lease liability	-	290
Accretion of interest	42	44
Payments	(240)	(240)
As at 30 September	**824**	**1,022**
Current (note 16)	206	197
Non-current (note 16)	618	825

18 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Losses and unused tax relief	Derivative financial instruments	Total
	£'000	£'000	£'000
At 1 October 2021	1,216	11	1,227
Credited/(charged) to the income statement	51	-	51
Credited/(charged) directly to other comprehensive income	-	(152)	(152)
At 30 September 2022	**1,267**	**(141)**	**1,126**

The deferred tax asset includes an amount of £1,267,000 (2021: £1,216,000) which relates to carried forward tax losses. Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Deferred tax assets are reviewed at each reporting date to assess the probability that sufficient taxable profit will be available to allow all or part of deferred tax asset to be utilised. The Company determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets, and no reasonably possible change to key assumptions would result in a material reduction in forecast headroom of tax profits (see note 3 for details). The losses can be carried forward indefinitely and have no expiry date.

In determining the recognition of deferred tax assets arising from the carry forward of unused tax losses, the Company considered the following:

- The Company considered the location of the taxable entities, the loss-making companies is located in the United Kingdom.
- The Company has considered the approved budgeted information covering a four-year period that is consistent with the forecasts used for the Company's review of impairment, going concern and viability assessments. For details of the assumptions used and sensitivity analysis performed for the forecasts, see note 3. Whilst the forecasts include inherent estimation uncertainty, the Company determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets and no reasonably possible change to key assumptions would result in a material reduction in forecast headroom of tax profits. On this basis the Company concluded that there is not a significant risk of a material adjustment to the carrying amount of the deferred tax asset.
- Based on the budgeted information, the Company made a significant judgement on the timing of utilising the unused tax losses, as detailed in note 3. The Company determined that the unused tax losses will be utilised across the years ending 30 September 2023 and 2024. There is no expiry in respect of the deferred tax assets.

19 Share capital

	2022	2021
	£'000	£'000
Ordinary share capital issued and fully paid		
1,135,000 Ordinary shares of £1 each	1,135	1,135

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

20 Financial instruments

The majority of the Company's purchases are sourced from outside the United Kingdom and as such the Company is exposed to the fluctuation in exchange rates (currencies are principally Sterling, US Dollar and Euro). To the extent that the Company's contracts to purchase services in foreign currency, forward cover is purchased in line with Company guidelines. The Company foreign currency requirement is reviewed monthly and forward cover is purchased to cover expected spend.
The Company uses forward exchange contracts to hedge its foreign currency risk against sterling. The forward contracts have maturities of less than one year after the balance sheet date.

As a matter of policy the Company does not enter into derivative contracts for speculative purposes. The details of such contracts at the year-end, by currency were:

	Foreign currency	Notional Value	Carrying amount
30 September 2022	**€'000**	**£'000**	**£'000**
Less than 3 months	1,800	1,535	31
3 to 6 months	2,000	1,715	33
6 to 12 months	3,700	3,184	84
Total	**7,500**	**6,434**	**148**
30 September 2021	**€'000**	**£'000**	**£'000**
Less than 3 months	2,600	2,296	(63)
3 to 6 months	2,400	2,128	(62)
6 to 12 months	6,178	5,329	6
Total	**11,178**	**9,753**	**(119)**

The average exchange rate on these contracts was €1.141 (2021: €1.161) per £1.

30 September 2022	Foreign currency $'000	Notional Value £'000	Carrying amount £'000
Less than 3 months	2,050	1,604	204
3 to 6 months	2,000	1,652	110
6 to 12 months	1,150	64	100
Total	**5,200**	**3,320**	**414**

30 September 2021	$'000	£'000	£'000
Less than 3 months	1,800	1,305	28
3 to 6 months	1,800	1,304	28
6 to 12 months	300	216	6
Total	**3,900**	**2,825**	**62**

The average exchange rate on these contracts was $1.133 (2021: $1.351) per £1.

21 Share-based payments

During the year, shared based payment arrangements existed as follows. All options in the plan are equity settled and related to the equity instruments of On the Beach Group plc.

The LTIP scheme started on 26 May 2016 and the Group has awarded nil-cost options under the scheme each year since then. The vesting of 30% of the award will be dependent on a relative Total Shareholder Return ("TSR") performance condition measure over the performance period and the vesting of 70% of the award will be dependent on the satisfaction of an Earnings per Share ("EPS") target. For the 2017-2019 schemes the EPS target is measured at the end of the three-year performance period commencing on the first day of the financial period in which they are awarded in. For the 2020 and 2021 LTIP schemes the EPS target is measured across a three year performance period, to the end of year ending September 2022 / 2023 respectively. For the 2020 schemes, the Group awarded nil-cost options to certain key management within the business. The vesting of these awards will be dependent on EBITDA over a three-year performance period.

During the current year, the Group awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on absolute TSR, relative TSR and Total Transaction Value ("TTV") targets at the end of a two year period.

During the prior year, the Group also awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on set departmental targets.

The fair value of equity settled share-based payments has been estimated as at date of grant using the Black-Scholes model.

	30 September 2022	30 September 2021
Options outstanding at year-end		
Number of options	178,207	60,820
Remaining contractual life	2.5	1.25

All options have an exercise price of £nil.

22 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.

23 Events after the end of the reporting period

On 7 February 2022, as part of a process to simplify the On the Beach Group structure, the Company's wholly owned subsidiary, Classic Collection Holidays Travel & Leisure Limited, was dissolved because the company was dormant.