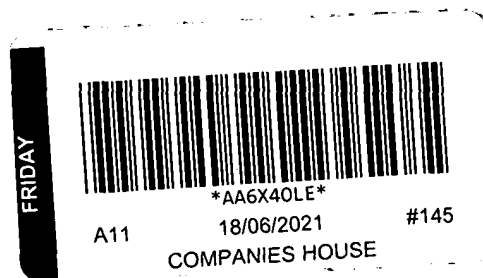


Classic Collection Holidays Limited

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

For the year ended 30 September 2020

Registered number 01512421



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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

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 2020.

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 2020 are set out on pages 16 to 37. Loss before income tax was £2,276,000 (2019: profit restated £879,000). Revenue decreased by 69% to £16,901,000 and the business made an operating loss of £2,305,000 (2019 restated: profit £838,000). As Classic accounts for revenue on a travelled basis, second half revenue was £1,400,000 as very few customers chose to travel over this period.

Throughout the pandemic, the team at Classic have been focused on continuing to deliver the high levels of customer service that our partners have become accustomed to and have received an industry award this year for service levels provided over the summer. The management team continues to develop the luxury, tailor-made and long haul propositions, brochures for which have been produced for distribution this winter.

COVID-19 impact and response

The health and wellbeing of our team members and our customers is and always will be the Company's top priority. Throughout the past 9 months, I am delighted that my colleagues have responded with speed and professionalism to the many challenges that COVID-19 has presented.

COVID-19 has significantly impacted the entire global travel industry. Whilst a number of customer holidays were cancelled, for a full refund, c.40% of bookings have been amended to a future travel date. Revenue associated with these bookings is £8m, which should be earned in FY21.

The On the Beach Group plc, the ultimate parent company of the Company, took early action in the period to manage risk and conserve cash:

- In an environment of limited demand, the Group's variable marketing costs reduced to almost nil.
- Further actions to limit other non-essential costs resulting in monthly cash costs of c.£2m across the Group.
- We utilised Coronavirus Job Retention Scheme ("CJRS") to reduce staff costs where it was appropriate to do so.
- The Group has maintained all costs associated with the delivery of its future strategy, the call centre has operated a full service and suppliers (including hotels) have all been paid within agreed terms.
- The Board, the Executive Team and senior management all agreed to reductions in their salaries and fees during the year. This is alongside no bonuses being awarded across the Group in the current financial year.
- On 8 April 2020 the Group reached agreement with its bank, Lloyds to: extend the £50m RCF to all months of each year; extend the term to December 2023; and reset covenant tests for all periods up to and including June 2021.
- On 21 May 2020 the Group agreed an increase to these facilities, in the form of an incremental £25m RCF under the CLBILS with Lloyds, expiring in May 2022. The recently renegotiated £50m RCF remains in place, expiring in December 2023. As a result, the Group now has available to it maximum working capital facilities of £75m.
- In addition, on 22 May 2020 the Group issued the equivalent of 19.9% of issued share capital with no discount, raising £65m cash, net of fees.

Strategic report (continued)

The Directors believe that the Group's asset light business model, strong liquidity positions and trust account protection for customers positions us well to see through the COVID-19 disruption and prosper when normal market conditions return.

If a global pandemic has proven one thing that is critical to the success of any business, it is the ability to rapidly react and adjust in order to not only survive but also thrive. Fortunately for the Group, the continuing investment in our people to help evolve our culture has allowed us to accelerate our product experience and platform innovation during these uncertain times. COVID-19 has presented a unique opportunity to accelerate key architectural work that in the future will improve our ability to on-board new brands, as well as better supporting the ones we already have. As new strategic initiatives are focussed on increasing flexibility, this architectural realignment will allow us to on-board new supply, to internationalise and to scale even more quickly than before.

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.

› Consumer demand

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

- 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.
- high-profile corporate failures reduces consumer confidence to make 'big ticket' purchases, particularly well in advance.
- terrorist attacks, war/acts of force and civil unrest undermine consumer confidence and cause consumer behaviour to shift suddenly
- continued uncertainty over the Brexit outcome and the resulting economic position
- COVID-19 has caused consumer behaviour to shift with many people choosing not to book a holiday or delaying booking. It has had a huge impact on the economy and led to reduced job security. Health concerns and anxiety in relation to the virus could lead to a continued reduction in consumer demand for holidays which could be exacerbated if there are further waves and/or further travel restrictions.

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.

› Flight supply

A lack of flight supply/capacity impacts the Company's ability to fulfil consumer demand for holidays. 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 (including those replacing Thomas Cook capacity) and the Company is in commercial discussions with a number of airlines.

Strategic report (continued)

› Supplier failure

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 many airline failures, including Thomas Cook failure. In these challenging market conditions, we have made preparations in the event bedbanks and other partners fail. We are closely monitoring the financial health of suppliers and taking steps to mitigate risk.

› Competition risk

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.

› Package Organiser Liability

For all holiday bookings made after 1 July 2018, these are treated as "packages" and Classic is the "package organiser" which means 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 of the suppliers. In the event of a catastrophic injury/fatality, or multiple injuries, the cost could run into millions of pounds.

Package organiser status brings with it other onerous responsibilities including finding replacements/providing refunds where flights are cancelled (through airline insolvency or otherwise) or there is a major change to the customer's holiday and providing accommodation where customers are stranded. In the current climate, less people are going on holiday which reduces claims, however we anticipate an increase in COVID-19 related claims e.g. customers claiming they caught COVID-19 whilst on holiday. 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 has indemnities in place with most suppliers, to enable recovery.

› Regulatory breach

The Company's business is highly regulated and is subject to a complex regime of laws, rules and regulations concerning travel and aviation, online commerce, financial services, consumer rights and data protection. A breach of these laws could have serious financial and reputational implications for the Company. 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.

› Exchange rate fluctuation

The Company's costs of sale are incurred in a different currency to that in which it sells. If the currency in which the Company is buying changes unfavourably, this means the margin is uncertain/volatile or the booking could fall into a loss. 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.

Strategic report (continued)

› IT systems and data security

Our IT platforms must be scalable, robust and reliable. If our systems can't keep up with growing demand, this could affect our ability to deliver growth. The scalability of our platform is a priority for our tech and product teams and we invest heavily in talent and technology in this area.

› Business interruption

A significant business interruption could impact on the Group's ability to trade and/or manage the business, for example, an event preventing head office access, website or systems downtime or restrictions on taking or making payments. COVID-19 resulted in a significant business interruption which massively impacted our ability to trade whilst moving the business to work remotely for a sustained period of time resulting in substantial changes to the way we operate. The Company's business continuity & disaster recovery plan was successfully implemented to support the business in its response to COVID. Both this plan and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.

› People risk

The Company's ability to achieve its strategic objectives is dependent on certain key personnel, plus its ability to attract and retain skilled staff. The North West, where the Company's Digital HQ is located, is an area where there is a high degree of competition for digital talent. 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 a very positive, informal and open culture, which contributes to our ability to recruit and retain staff. We have a succession plan in place and invest in leadership development to ensure we have a strong and diverse talent pipeline.

Key performance indicators

The key performance indicators monitored by the Company are:

	2020	Restated 2019
	£'000	£'000
Revenue (£'000)	16,901	55,052
Operating (loss)/profit	(2,305)	838

Key highlights

- Revenue has decreased by 69.2% as a result of the COVID-19 pandemic.
- Operating loss of £2,305,000 compared to operating profit of £838,000 in prior year, as Classic accounts for revenue on a travelled basis, this reflects the impact of COVID-19 related cancellations.
- Despite the disruption, the Company's liquidity position remains strong. Total cash at 30 September 2020 was £2.1m, as part of the On the Beach Group plc, the Company also has access to the Group's £75m Revolving Credit Facility which has been undrawn since May 2020.

Strategic report (continued)

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 58 of our Group's Annual Report, available on the On the Beach Group's Corporate website.

Going concern

The Company a 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.

On the Beach Group covers its daily working capital requirements by means of cash and a Revolving Credit Facility ("RCF").

As at 31 January 2021 Group cash, excluding cash held in trust, was £39.0m (30 September 2020 cash of £36.5m; 30 September 2019 cash of £54.8m).

As travel restrictions were imposed a number of actions were taken immediately to reduce cash costs and protect the financial position of the Group:

- Marketing costs were reduced to almost £nil and limited other non-essential costs.
- The low deposit offer was reduced on 25 February 2020 for new bookings travelling within 90 days to ensure flight costs were covered in full.
- The CEO sacrificed his salary and the remainder of the Board voluntarily agreed to a 20% reduction in salary and fees.
- No bonuses have been awarded across the Group in the current financial year.
- The Group participated in the Coronavirus Job Retention Scheme and obtained a refund of corporation tax paid.
- The Group did not declare an interim dividend and did not propose a final dividend for the year to 30 September 2020.

The Group has also taken a number of actions to improve overall liquidity to ensure that it is well placed to operate through the pandemic and to trade once travel restrictions are eased. These actions included reaching an agreement with Lloyds Bank to increase maximum available debt facilities:

- extended the £50m RCF drawdown limit to all months of each year;
- extended the term to December 2023; and
- accessed an incremental £25m RCF under CLBILS, expiring in May 2022.

In addition, on 22 May 2020 the Group issued new shares generating £65.1m incremental liquidity (net of fees). The net proceeds from the share placing, together with the revised banking facilities, provides the Group with greater resilience through the current downturn and will enable the Group to exit this extended disruptive period in a strong position.

Where the Group has been unable to deliver the package holiday the Group is committed to refunding customers in cash rather than vouchers. These cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-through from airlines. Therefore, there is no net cash outflow for refunds processed.

Strategic report (continued)

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The Directors have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. As part of this exercise, the Directors modelled what they consider to be a severe downside scenario of no travel or bookings until May 2022. Even in this scenario, the Group would have no requirement to draw down on its current facilities.

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 in their response to the pandemic and will continue to operate in an agile way adapting to any applicable government guidance. Therefore it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

By order of the board



Shaun Morton

Director, Classic Collection Holidays Limited

Aeroworks, 5 Adair Street, Manchester M1 2NQ

07/05/2021

Directors' report

The directors present their directors' report and the audited financial statements of the company for the year ended 30 September 2020.

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 (2019: £nil).

Directors

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

Mr S Cooper	
Mr P Meehan	resigned 17 July 2020
Mr S Morton	appointed 17 July 2020
Mr O Garner	appointed 17 December 2020

Political contributions

The company made no political contributions (2019: £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 £22,000 (2019: £32,000) were incurred in year; these costs have been capitalised within intangible assets.

Charitable contributions

The Company made charitable contributions amounting to £4,486 (2019: £7,029) including £250 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 12 months to 30 September 2020 paid approximately £370,000 in customers' Air Passenger Duty and employees' PAYE, plus £410,000 in direct taxation pertaining to Corporation Tax, Employers' National Insurance and Tour Operators' Margin Scheme (TOMS) VAT.

Directors' report (continued)

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

There have been no events since the balance sheet date to note.

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



Shaun Morton

Director, Classic Collection Holidays Limited
Aeroworks, 5 Adair Street, Manchester M1 2NQ
07/05/2021

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 2020 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes 1 to 22, 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 2020 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 below. 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

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

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

Other information

The other information comprises the information included in the strategic report and directors' report set out on pages 4-11, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 12, 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.

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
07/05/2021

Profit & loss account
For the year ended 30 September 2020

			Restated (note 21)
		2020	2019
	Note	£'000	£'000
Revenue	2	16,901	55,052
Cost of sales		(15,272)	(51,020)
Gross profit		<u>1,629</u>	<u>4,032</u>
Administrative expenses		(4,284)	(4,098)
Other operating income		280	904
Operating (loss)/profit	3	<u>(2,375)</u>	<u>838</u>
Finance income	6	52	56
Finance costs	7	(23)	(15)
(Loss)/profit before income tax		<u>(2,346)</u>	<u>879</u>
Income tax expense	8	535	(220)
(Loss)/profit for the financial period		<u><u>(1,811)</u></u>	<u><u>659</u></u>
Other comprehensive income			
Cash flow hedges (loss)/gain arising in the year		218	(123)
Prior year's cash flow hedges released to P&L		-	-
Deferred tax relating to components of other comprehensive income		(41)	23
Total comprehensive (loss)/income for the period		<u><u>(1,634)</u></u>	<u><u>559</u></u>

All amounts relate to continued operations. The notes on pages 19 to 37 form part of the financial statements.

Balance sheet
For the year ended 30 September 2020

	Note	2020 £'000	Restated (note 21) 2019 £'000
Non-current assets			
Intangible assets	9	245	253
Property, plant & equipment	10	734	158
Investments	11	61	61
Other finance assets	12	350	-
		1,390	472
Current assets			
Trade and other receivables	13	7,246	10,804
Income tax receivable	13	263	114
Other finance assets	12	113	26
Cash at bank		2,092	11,906
Derivative financial instruments	19	95	-
		9,809	22,850
Total assets		11,199	23,322
Creditors - amounts falling due within one year			
Trade and other payables	14	(5,497)	(16,078)
Income tax payable	14	-	-
Provisions for liabilities	16	-	(450)
Derivative financial instruments	19	-	(183)
		(5,497)	(16,711)
Creditors - amounts falling due after more than one year			
Trade and other payables	14	(725)	-
Net assets		4,977	6,611
Capital and reserves			
Called up share capital	18	1,135	1,135
Share premium		50	50
Retained earnings		3,792	5,426
Total shareholders' funds		4,977	6,611

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
07/05/2021

Statement of changes in equity
For the year ended 30 September 2020

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 October 2018 restated (note 21)	1,135	50	4,867	6,052
Total comprehensive income for the period	-	-	559	559
Balance at 30 September 2019 restated (note 21)	1,135	50	5,426	6,611
Total comprehensive loss for the period	-	-	(1,634)	(1,634)
Balance at 30 September 2020	1,135	50	3,792	4,977

Notes to the financial statements

1 Accounting policies

The financial statements of Classic Collection Holidays Limited for the year ended 30 September 2020 were authorised for issue by the board of directors on 7 May 2021. 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.

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 thousand pounds (£000) except when otherwise stated.

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.

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).

1.2 Basis of preparation (continued)

- 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.

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.

Critical accounting judgements

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. In line with IFRS 15, management have concluded that revenue will continue to be treated as a principal on the basis that Classic have the primary responsibility for fulfilling the package holiday for the customer.

ii) Performance obligations

The Company has concluded that under IFRS 15 for revenue, 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.

Critical accounting estimates

Impairment of intangible assets

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Company to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections based on the latest budget, the long-term growth rate to be applied to these cash flow projections and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value. Sensitivity analysis has been completed on key assumptions in isolation, and the headroom taken is significant. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount. The key assumptions are discount factor, long term growth rates and short term trading volumes/cash flows. Sensitivities have been applied on all of these assumptions. The Company has concluded that the carrying value of the intangibles and goodwill is appropriate.

1.3 Going Concern

On the Beach Group covers its daily working capital requirements by means of cash and a Revolving Credit Facility ("RCF").

As at 31 January 2021 Group cash, excluding cash held in trust, was £39.0m (30 September 2020 cash of £36.5m; 30 September 2019 cash of £54.8m).

As travel restrictions were imposed a number of actions were taken immediately to reduce cash costs and protect the financial position of the Group:

- Marketing costs were reduced to almost £nil and limited other non-essential costs.
- The low deposit offer was reduced on 25 February 2020 for new bookings travelling within 90 days to ensure flight costs were covered in full.
- The CEO sacrificed his salary and the remainder of the Board voluntarily agreed to a 20% reduction in salary and fees.
- No bonuses have been awarded across the Group in the current financial year.
- The Group participated in the Coronavirus Job Retention Scheme and obtained a refund of corporation tax paid.
- The Group did not declare an interim dividend and did not propose a final dividend for the year to 30 September 2020.

The Group has also taken a number of actions to improve overall liquidity to ensure that it is well placed to operate through the pandemic and to trade once travel restrictions are eased. These actions included reaching an agreement with Lloyds Bank to increase maximum available debt facilities:

- extended the £50m RCF drawdown limit to all months of each year;
- extended the term to December 2023; and
- accessed an incremental £25m RCF under CLBILS, expiring in May 2022.

In addition, on 22 May 2020 the Group issued new shares generating £65.1m incremental liquidity (net of fees). The net proceeds from the share placing, together with the revised banking facilities, provides the Group with greater resilience through the current downturn and will enable the Group to exit this extended disruptive period in a strong position.

Where the Group has been unable to deliver the package holiday the Group is committed to refunding customers in cash rather than vouchers. These cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-through from airlines. Therefore, there is no net cash outflow for refunds processed.

1.3 Going Concern (continued)

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The Directors have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. As part of this exercise, the Directors modelled what they consider to be a severe downside scenario of no travel or bookings until May 2022. Even in this scenario, the Group would have no requirement to draw down on its current facilities.

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 in their response to the pandemic and will continue to operate in an agile way adapting to any applicable government guidance. Therefore it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

1.4 New standards, amendments and IFRIC interpretations

IFRS 16 "Leases" is a new accounting standard that is effective from 1 October 2019. The Company applied the full retrospective approach and have therefore restated comparatives, for the impact see note 21. There are no other amendments to accounting standards that are effective for the year ended 30 September 2020 that have had a material impact on the company.

1.5 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.

1.6 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.

1.7 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

1.8 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.

1.9 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.

1.10 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.

1.11 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 at bank

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

1.11 Financial instruments (continued)

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.

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.

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.

Derecognition of financial liabilities

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

1.12 Taxation

The income 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 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.

1.12 Taxation (continued)

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.

1.13 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.

1.14 Retirement benefits

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

1.15 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.

ii. Lease liabilities (continued)

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 Group's net investment outstanding in respect of the leases.

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.

3 Operating (loss)/profit

a) Expenses and auditor's remuneration

	2020	Restated (note 21) 2019
	£'000	£'000
<i>Operating (loss)/profit is stated after changing:</i>		
Staff costs	3,105	3,600
Exceptional operating costs	85	689
Depreciation of tangible fixed assets	185	73
Amortisation of other intangible assets	30	40
Audit of financial statements	38	34
Non-audit fees - all other services	-	9

b) Exceptional operating costs

In the year ended 30 September 2020, exceptional operating costs of £85,000 relate to redundancy costs as a result of the COVID-19 pandemic.

In the year ended 30 September 2019, exceptional operating costs of £689,000 include £450,000 incremental operational costs associated with the failure of TCG and £239,000 relating to organisational restructuring costs.

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	
	2020	2019
Sales	48	49
Management and administration	73	78
	<u>121</u>	<u>127</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	2,772	3,200
Social security cost	227	285
Other pension costs	106	115
	<u>3,105</u>	<u>3,600</u>

5 Directors' remuneration

	2020	2019
	£'000	£'000
Remuneration for qualifying services	-	237
Company pension contributions to defined contribution schemes	-	7
	<u>-</u>	<u>244</u>

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.

6 Finance income

	Restated (note 21)	
	2020	2019
	£'000	£'000
Interest receivable	<u>52</u>	<u>56</u>
Total finance income	<u>52</u>	<u>56</u>

7 Finance costs

	2020	Restated (note 21) 2019
	£'000	£'000
Interest on lease liabilities	23	15
	23	15

8 Taxation

	2020	2019
	£'000	£'000
Current tax		
UK Corporation tax on profits for the year	(263)	263
Adjustments in respect of prior periods	-	(38)
	(263)	225
Deferred tax		
Origination and reversal of timing differences	(272)	(5)
Adjustments in respect of prior periods	-	-
	(272)	(5)
Income tax expense	(535)	220
	2020	2019
	£'000	£'000
Current tax reconciliation		
Profit before income tax	(2,346)	879
Tax using the current UK corporation tax rate of 19% (2019: 19%)	(446)	165
Expenses not deductible	(92)	69
Non-trade income	-	30
Dividend Income	-	-
Adjustments in respect of prior periods	-	(38)
Charitable donations relief	1	(1)
Deferred tax movement (pension creditor)	2	(5)
Income tax expense	(535)	220

The income tax credit for the year is based on the effective rate of UK Corporation tax for the period of 19% (2019: 19%). In his Budget speech on 4 March 2021, the Chancellor announced an increase in the main UK corporation tax rate to 25% from 2023. As the change in the rate to 25% was not substantively enacted at the balance sheet date, UK deferred tax assets and liabilities continue to be recognised at 19%.

9 Intangible assets

	Goodwill	Development Costs	Total
	£'000	£'000	£'000
Cost			
At 1 October 2019	757	353	1,110
Additions	-	22	22
At 30 September 2020	<u>757</u>	<u>375</u>	<u>1,132</u>
Accumulated amortisation			
At 1 October 2019	549	308	857
Amortisation charged for the year	-	30	30
At 30 September 2020	<u>549</u>	<u>338</u>	<u>887</u>
Net book amount			
At 30 September 2020	<u>208</u>	<u>37</u>	<u>245</u>
At 30 September 2019	<u>208</u>	<u>45</u>	<u>253</u>

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 2020.

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

	Right-of-use assets (restated note 21)	Motor Vehicles	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2019	832	9	104	384	1,329
Additions	544	-	139	78	761
Disposals	(832)	-	(4)	-	(836)
At 30 September 2020	<u>544</u>	<u>9</u>	<u>239</u>	<u>462</u>	<u>1,254</u>
Depreciation					
At 1 October 2019	792	3	93	283	1,171
Charge for the year	95	2	18	70	185
Eliminated in respect of disposals	(832)	-	(4)	-	(836)
At 30 September 2020	<u>55</u>	<u>5</u>	<u>107</u>	<u>353</u>	<u>520</u>
Net book amount					
At 30 September 2020	<u>489</u>	<u>4</u>	<u>132</u>	<u>109</u>	<u>734</u>
At 30 September 2019	<u>40</u>	<u>6</u>	<u>11</u>	<u>101</u>	<u>158</u>

11 Investments

Subsidiary	Principal activity	2020 £	2019 £
Classic Collection Aviation Ltd	Transport broker	2,000	2,000
Classic Collection Travel and Leisure Ltd	Dormant	59,335	59,335
Saxon House Properties Ltd	Property Management	<u>1</u>	<u>1</u>
		<u>61,336</u>	<u>61,336</u>

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

12 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.

	2020	Restated (note 21) 2019
	£'000	£'000
Lease receivables	463	26
Other finance assets	463	26
Current	113	26
Non-current	350	-

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

	2020	Restated (note 21) 2019
	£'000	£'000
One year	113	26
Two to five years	367	-
Total undiscounted lease payments receivable	480	26

13 Trade and other receivables

	2020	Restated (note 21) 2019
	£'000	£'000
Trade receivables	1,142	219
Income tax receivable	263	114
Amounts owed by group undertakings	4,958	8,983
Other receivables	4	34
Derivative asset	-	60
Revenue recognition receivable	60	695
Prepayments and accrued income	710	790
Taxation and social security	118	-
	7,255	10,895
Deferred tax asset	254	23
	7,509	10,918

14 Trade and other payables

	2020	Restated (note 21) 2019
	£'000	£'000
Creditors - amounts falling due within one year		
Payments received on account	3,070	4,522
Trade payables	1,726	9,793
Taxation and social security	-	448
Amounts owed to group undertakings	59	59
Other payables	16	7
Revenue Recognition Creditor	67	825
Accruals and deferred income	356	374
Lease liabilities	203	50
	5,497	16,078
Creditors - amounts falling due after more than one year		
Lease liabilities	725	-
	6,222	16,078

15 Leases

The Company entered into a lease contract for a property during the year, the contract has a lease terms of 5 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 10).

Amounts recognised in profit or loss

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

	2020	Restated (note 21) 2019
	£'000	£'000
Depreciation expense of right-of-use assets	95	81
Interest expense on lease liabilities	23	14
Total amount recognised in profit or loss	118	95

15 Leases (continued)

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

	2020	Restated (note 21) 2019
	£'000	£'000
As at 1 October	50	244
Recognition of lease liability	1,087	-
Accretion of interest	23	14
Payments	(232)	(208)
As at 30 September	928	50
Current (note 14)	203	50
Non-current (note 14)	725	-

16 Provisions for liabilities

The £450,000 provision in the prior year is in respect of the Thomas Cook Group failure on 23 September 2019. The amount recognised was an estimate of the cost the Company would incur to fulfil its obligations to customers under ATOL regulations to arrange refunds or alternative flights. The obligations were settled during the year.

17 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 2019	-	23	23
(Charged)/credited to the income statement	272	-	272
(Charged)/credited directly to other comprehensive income	-	(41)	(41)
At 30 September 2020	272	(18)	254

The deferred tax asset includes an amount of £255,000 which relates to carried forward tax losses. The Company has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved projections and plans for the Company. The losses can be carried forward indefinitely and have no expiry date.

18 Share capital

	2020	2019
	£'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.

19 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 three times per week and forward cover is purchased to cover expected usage.

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	EUR Notional Value	Fair value
	€'000	£'000	£'000
30 September 2020			
Less than 3 months	1,475	1,291	49
3 to 6 months	950	815	49
Total	2,425	2,106	98
30 September 2019	€'000	£'000	£'000
Less than 3 months	2,025	1,811	(14)
3 to 6 months	3,450	3,108	(37)
6 to 12 months	7,800	7,080	(98)
Total	13,275	11,999	(149)

The average exchange rate on these contracts was €0.909 (2019: €1.106) per £1.

	Foreign currency	USD Notional Value	Fair value
	€'000	£'000	£'000
30 September 2020			
Less than 3 months	100	81	(3)
3 to 6 months	100	77	-
Total	200	158	(3)
30 September 2019	€'000	£'000	£'000
Less than 3 months	300	227	16
3 to 6 months	200	156	6
6 to 12 months	200	157	4
Total	700	540	26

The average exchange rate on these contracts was \$1.294 (2019: \$1.298) per £1.

20 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 2016-2019 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 LTIP scheme the EPS target is measured across a three year performance period, to the end of year ending September 2022.

During the prior year, 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 personnel within the business. The vesting of these awards will be dependent on set departmental targets.

	30 September 2020	30 September 2019
Options outstanding at year-end		
Number of Options	35,000	-
Remaining contractual life	2.5	NA

All options have an exercise price of £nil.

21 Changes in accounting policies

IFRS 16 "Leases" replaces the current IAS 17 "Leases" and its associated interpretative guidance. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Company adopted IFRS 16 using the full retrospective method of adoption, with the initial application of 1 October 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 October 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The Company entered into a new lease during the year ended 30 September 2020, on commencement of the lease the Company recognised a right-of-use asset and the corresponding lease liability. The right-of-use asset was partially sub-let on the commencement of the lease, under IFRS 16 the head lease and sublease are treated as separate leases.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16, and accounted for the sub-lease as a finance lease. As such the right-of-use asset is de-recognised and a lease receivable for the sublease is recognised.

21 Changes in accounting policies (continued)

The effect of adopting IFRS 16 is, as follows:

Impact on the statement of financial position (increase/(decrease)):

	At 30 September 2020 £'000	At 30 September 2019 £'000	At 1 October 2018 £'000
Assets			
Property, plant and equipment	489	40	121
Lease receivable	463	26	127
Prepayments	(60)	(52)	(52)
Total assets	892	14	196
Equity			
Retained earnings	36	36	48
Total equity	36	36	48
Liabilities			
Lease Liabilities	(928)	(50)	(244)
Total liabilities	(928)	(50)	(244)

Impact on the statement of profit or loss (increase/(decrease)) for the year ended 30 September 2020:

	2020 £'000	2019 £'000
Rental income	(111)	(105)
Depreciation expense	(95)	(81)
Rent expense	224	208
Finance income	4	4
Finance costs	(23)	(14)
Profit for the period	-	13

As at 1 October 2018, 30 September 2019 and 30 September 2020:

- Right-of-use assets were recognised and presented as 'Property, plant and equipment' in the statement of financial position.
- Lease receivable related to the sublease was recognised and presented as 'Trade and other payables'.
- Additional lease liabilities were recognised and included under 'Trade and other payables'.
- Prepayments, included within 'Trade and other receivables', related to previous operating leases were derecognised
- 'Retained earnings' decreased due to the net impact of these adjustments.

21 Changes in accounting policies (continued)

For the year ended 30 September 2020:

- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of the decrease in 'Property, plant and equipment'). This resulted in increases in 'Administrative expenses' of £95,000 (2019: £81,000).
- Rent expense included in 'Administrative expenses', relating to previous operating leases, decreased by £224,000 (2019: £208,000).
- 'Finance costs' increased by £23,000 (2019: £14,000) relating to the interest expense on additional lease liabilities recognised.
- Rental income included in 'Revenue' relating to previous sublease classified as an operating lease, decreased by £111,000 (2019: £105,000).
- 'Finance income' increased by £4,000 (2019: £4,000) relating to the interest income on the lease receivable recognised.

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.