

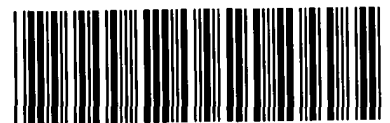
Cannes Midco Limited

Annual report and financial Statements

for the year ended 31 October 2019

Registered number: 11352283

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Cannes Midco Limited

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Cannes Midco Limited

Company information

DIRECTORS

Stephen Byrne

Simon Shaw (resigned 31 December 2019)

REGISTERED NUMBER

11352283

REGISTERED OFFICE

Venus Building

No. 1 Old Park Lane

Trafford City

Manchester

M41 7HA

AUDITOR

Deloitte LLP

PO Box 500

2 Hardman Street

Manchester

M60 2AT

BANKERS

Lloyds Bank Plc

42-46 Market Street

Deansgate

Manchester

M1 1PW

Cannes Midco Limited

Strategic report

The director presents the strategic report and financial statements for the year ended 31 October 2019.

Principal activity

The Company's principal activity is that of a holding company.

Business review

The Company's purpose is to hold loan notes on behalf of the Group and hold the investment in Cannes Midco II Limited.

The Company does not have any employees and the directors are remunerated from other Group companies.

The Company made a loss of £1.8m (25-week period 2018: £0.8m) due to interest charges on the loan notes and is in a net assets position of £128.5m (2018: £130.3m). The Company will continue to exist for the foreseeable future as an intermediary holding company.

Principal risks and uncertainties

The Company considers its principal risk to be the financial performance of its subsidiary companies, which support the carrying value of the Company's investments and provide support to this Company to meet its liabilities as they fall due. The principal risks in the subsidiary companies are the nature of the economy and holiday bookings. These are managed by reviewing the bookings made and targeting marketing in underperforming areas. Prices of holidays are reviewed regularly to manage demand.

Post year end the Company's subsidiaries have been impacted by the spread of COVID-19. COVID-19 was officially recognised as a global pandemic in March 2020 and it poses a specific and material on-going risk. In the current year, the travel restrictions and economic impacts resulting from the pandemic are having a material adverse impact on trading.

The scale and severity of this pandemic and the measures required to face it are unprecedented. It is not possible to predict the duration of these impacts or the medium to long term consequences for customers' travel attitudes and booking behaviours, but it is clear that it will take some time for the market to recover.

The specific impacts and risks to trading in the subsidiary companies are as follows:

- **Cancellations-** Severe travel restrictions and other control measures to control the spread of the disease have prevented many customers from fulfilling travel plans, resulting in cancellation or deferment of bookings.
- **Consumer Sentiment-** Customers are unwilling or unable to confirm future travel plans because of uncertainty over the duration of travel restrictions. The broader economic impact of control measures is likely to be substantial, resulting in a medium to long term risk to customer demand.
- **Supply Chain-** Failure of some suppliers is likely, given the crisis, reducing the options available for Travel Counsellors to meet customer needs. As a result of the crisis other suppliers may move to less favourable terms and conditions.
- **Attraction and Attrition-** As the crisis continues Travel Counsellors, as independent business owners, may be unable to continue in operation, leaving the network to look for other forms of income. The demand from potential Travel Counsellors to join the network may reduce, particularly amongst those without prior industry experience considering a switch to travel.

All the subsidiary companies are part of the Cannes Topco Group (together the 'Group'). The risks above are mitigated by the Group's strong liquidity position ahead of the crisis (including that provided by the Group's ring-fenced trust accounts for consumer funds); the Group's flexible low fixed cost and asset light business model; and the flexible structure of the Group's banking facilities (particularly with regards to potential relief in respect of covenant tests).

In particular, the Group has a long-standing history of protecting customer and supplier monies via its ring-fenced trust accounts and is not reliant on customer money to fund its working capital. The Group is, therefore, well positioned to manage the process of customer cancellations and refunds without material impact on its working capital to the same degree as many other businesses in the sector

Cannes Midco Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

In addition, the Group has undertaken significant measures to prepare for an extended period of no or very low levels of customer demand and to ensure the business is well-positioned to serve and support Travel Counsellors when customer demand returns. These measures include actions to:

- reduce staff cost, both on a temporary and permanent basis;
- reduce non-staff overheads; and
- support our Travel Counsellor network of self-employed independent business owner, both financially and through continued operational advice and support.

These significant measures have been quantified and used in various trading scenarios for the purposes of the Group's financial planning (see page 4 for how this impacts on the director's going concern assessment).

Key performance indicators

The only key performance indicator for this business is the trading performance and continued profitability of Travel Counsellors Group Limited. The Travel Counsellors Group Limited accounts should be reviewed for more detail regarding the underlying trade of the Group.

Future developments

The Company, being part of the Cannes Topco Group (the "Group"), has considered the impact of Brexit on its business and subsidiary companies. The UK left the EU on 31 January 2020. The UK entered into a transition period, expected until at least 31 December 2020. The impact of the UK being outside the EU is expected to be minimal during this period. A delay in agreeing a deal could affect consumer confidence and demand, but the Group's established risk management processes are considered capable of mitigating the business consequences.

In the event there is a delay in agreeing a deal, the potential material risks to the trading companies of the Travel Counsellors Group are:

- **Flight disruption** – the UK and EU have both stated their intention to put in place a 'bare bones aviation agreement' to prevent disruption to flights. If flight disruption does occur, the Group has established contingency plans in place which would be implemented to allow it to meet its obligations to customers and its trust arrangements, credit terms and insurance cover would mitigate the financial impact.
- **Supplier failure** – the failure of an airline as a consequence of flight disruption or a deterioration in customer sentiment represents the biggest single risk arising from Brexit. The contingency plans, trust arrangements, credit terms and insurance cover referred to above would mitigate the impact.
- **Currency depreciation** – leaving the EU without a deal is likely to precipitate a fall in the value of Sterling. This will increase the Sterling value of the profits of the Group's overseas subsidiaries. The potential commercial risk arising from the impact of a material Sterling depreciation on the price of foreign currency denominated product has been mitigated using currency options.
- **Consumer confidence** – the appetite of some consumers and businesses to travel may be affected by uncertainty caused by the UK leaving the EU without a deal. The Group has stress-tested its financial forecasts to confirm that it can withstand a material downturn in sales without triggering liquidity problems or bank covenant breaches.

The Group's core strategic focus – attracting more Travel Counsellors to our platform, supporting them in growing their businesses and in delivering a superior personal service to customers – is proven to deliver revenue and profit growth, which remains unchanged. Notwithstanding the uncertain long-term impacts on travel behaviour as a result of COVID-19, the Group is well positioned strategically to address the underlying long-term trends in the leisure and business travel sector and the wider economy.

The forward earnings visibility afforded by the lead time from booking to departure, strong potential for further growth in Travel Counsellor franchisee numbers, and the reliable track record of new Travel Counsellors developing their businesses provides a good degree of confidence in long term growth prospects.

Cannes Midco Limited

Strategic report (continued)

Future developments (continued)

Core customers and clients are relatively premium, make complex trips and value convenience and travel outcomes above price. Travel Counsellor franchisees have the freedom to run their business in the way that best suits their own talents, aspirations and lifestyle. They build long term relationships with customers, sourced from their own network or from referrals, and provide those customers with a high touch, personalised service that drives high repeat rates. The Group's asset, labour and marketing-light operating model is highly scalable, and the personal relationships franchisees create with their customers are increasingly enhanced through digital technologies.

The business model, over time, will continue to strengthen with investment in the platform by the Group in digital technology and advanced analytics, enabling delivery of more effective tools and support to Travel Counsellor business owners, that enhances their productivity and augments the close relationships they foster with their customers and clients.

Approved and signed by:



S Byrne

Director

11 May 2020

Cannes Midco Limited

Director's report

The director presents his annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 October 2019. The Company is not entitled to prepare accounts under the small companies regime.

Principal activity

The principal activity of the Company is that of an intermediate holding company.

Review of the business

The results of the business and financial position are set out in the profit and loss account and balance sheet on pages 11 and 12. The loss after tax was £1,821k (25-week period 2018: £773k) and has been transferred to reserves.

We do not consider that the impact of the United Kingdom's withdrawal from the European Union ('Brexit') will have a significant impact on the Company. This is further detailed in the strategic report on page 3.

The Company's assessment of COVID-19 is further detailed in the strategic report on page 2.

Events after the balance sheet date

As noted in the Principal risks section on page 2, the COVID-19 global pandemic is severely restricting travel plans. At the time of approving the director's report and financial statements, the pandemic is having a material impact on trading in the Company's subsidiaries and there is no reliable data available to the director to allow a definitive view on when global travel will recommence.

Going concern

The directors has prepared the financial statements on the going concern basis having concluded that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Company is part of the Cannes Topco Group (the 'Group') and in forming his conclusion on going concern, the director has taken into account the Group's current levels of liquidity (including that provided by the Group's ring-fenced trust accounts for consumer funds), the flexible structure of the Group's banking facilities (particularly with regards to potential relief in respect of covenant tests), support of the principal shareholders, and financial modelling based on several factors, assumptions and estimates reflecting the information currently available to the director. In particular, the Group has a long-standing history of protecting customer and supplier monies via its ring-fenced trust accounts and is not reliant on customer money to fund its working capital.

As discussed in note 2 of the financial statements, the COVID-19 crisis represents a material uncertainty for the global travel industry with no historic data to support a recovery timeline for financial planning purposes. At its most severe and long-term, the disruption caused by the unprecedented COVID-19 pandemic will hinder the Company's ability to generate cash and therefore the directors notes a material uncertainty on the Group and Company's ability to continue as a going concern.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and cash flow risk.

- **Cash flow risk:** the Company's cash flow risk is managed via fixed rate payments of interest and capital on the loans held.
- **Credit risk:** the Company's principal financial asset is the investment in its subsidiary, Cannes Midco II Limited.
- **Liquidity risk:** the Company manages its liquidity by intra Group funding arrangements. As noted in the Going Concern accounting policy in note 2 in the financial statements, the directors has obtained a support letter from its ultimate parent Company to ensure he can meet their financial obligations as they fall due.

Dividends

The director can not recommend payment of a dividend (2018: same).

Directors

The directors who held office during the year and to the date of this report are as set out on page 1. The directors did not receive any emoluments in respect of services to this Company.

Cannes Midco Limited

Director's report (continued)

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Political contributions

The Company made no political donations during the financial year.

Disclosure of information to auditor

The director at the date of approval of this report confirms that:

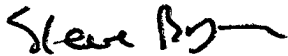
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006, subject to board approval.

Approved and signed by:



S Byrne
Director

11 May 2020

Cannes Midco Limited

Director's responsibilities statement

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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. He is 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 shareholders of Cannes Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cannes Midco Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

Material uncertainty relating to going concern

We draw attention to note 2 to the financial statements, concerning the Company's ability to continue as a going concern which indicates that the COVID-19 crisis is creating material uncertainty within the Cannes Topco Group ('the Group') in terms of trading and need for additional equity and hence the Group's ability to generate sufficient cash and stay within the financial covenants within the banking facility agreement and within the covenants set by the CAA.

As stated in note 2, these events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Independent auditor's report to the shareholders of Cannes Midco Limited (continued)

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the director's report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the shareholders of Cannes Midco Limited (continued)

Use of our report

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

A handwritten signature in black ink, appearing to read 'E. Benson', with a stylized flourish extending to the right.

Elizabeth Benson BSc ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

11 May 2020

Cannes Midco Limited

Profit and loss account

For the year ended 31 October 2019

	Note	Year ended 31 October 2019 £'000	25-week period ended 31 October 2018 £'000
Administrative expenses		(8)	-
Operating (loss)/result		(8)	-
Finance costs	5	(1,883)	(773)
Loss before taxation	4	(1,891)	(773)
Tax credit	6	70	-
Loss for the financial year/period		(1,821)	(773)

All results are derived from continuing operations.

There were no recognised gains and losses, other than those included in the profit and loss account, accordingly no statement of comprehensive income has been prepared.

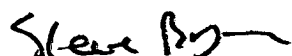
Cannes Midco Limited

Balance sheet

As at 31 October 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments in subsidiaries	7	131,112	131,112
Current assets			
Debtors	8	24,397	24,311
Total assets		<u>155,509</u>	<u>155,423</u>
Creditors: Amounts falling due within one year	9	<u>(7,848)</u>	<u>(7,849)</u>
Net current assets		16,549	16,462
Total assets less current liabilities		<u>147,661</u>	<u>147,574</u>
Creditors: Amounts falling due after one year	10	<u>(19,143)</u>	<u>(17,235)</u>
Net assets		<u>128,518</u>	<u>130,339</u>
Equity			
Share capital	12	131,112	131,112
Retained deficit		(2,594)	(773)
Shareholders' funds		<u>128,518</u>	<u>130,339</u>

The financial statements of Cannes Midco Limited registered number 11352283 were approved by the director and authorised for issue on 11 May 2020. They were signed by:



S Byrne
Director

Cannes Midco Limited

Statement of changes in equity For the year ended 31 October 2019

	Share capital £'000	Retained deficit £'000	Total shareholders' funds £'000
Balance at 9 May 2018	-	-	-
Loss for the period	-	(773)	(773)
Total comprehensive expense for the period	-	(773)	(773)
Issue of share capital	131,112	-	131,112
Balance at 31 October 2018	131,112	(773)	130,339
Balance at 1 November 2018	131,112	(773)	130,339
Loss for the year	-	(1,821)	(1,821)
Total comprehensive expense for the year	-	(1,821)	(1,821)
Balance at 31 October 2019	131,112	(2,594)	128,518

Cannes Midco Limited

Notes to the financial statements

For the year ended 31 October 2019

1. General information

Cannes Midco Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. As a qualifying entity, the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

The principal accounting policies have been summarised below. These have all been applied consistently throughout the current year and prior period.

2. Significant accounting policies

Adoption of new and revised standards

In the current financial year, the following new accounting standards came into effect for the Company:

IFRS 9 – Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

The Company has applied the modified retrospective approach in accordance with the transition provisions set out in IFRS 9 and therefore the comparative figures in these financial statements were not re-stated on transition.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

There is no impact of the financial standard to the Company financial statements.

Basis of accounting

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available as a qualifying entity under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Cannes Topco Limited.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Cannes Topco Limited. The Group accounts of Cannes Topco Limited are available to the public and can be obtained as set out in note 14. The registered office address of the parent company preparing consolidated accounts is Venus, No. 1 Old Park Lane, Trafford City, Manchester, M41 7HA.

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

2. Significant accounting policies (continued)

Going concern

The spread of COVID-19, officially recognised as a global pandemic in March 2020, poses a specific and material on-going risk. In the current year, the travel restrictions and economic impacts resulting from the pandemic are having a material adverse impact on trading.

The directors has prepared cash flow forecasts for the Cannes Topco Group (the 'Group') which consider the trading restrictions from COVID-19. These forecasts are based on many assumptions in respect of revenue, costs and working capital movements.

As a result of the analysis summarised below, the directors has prepared the financial statements on a going concern basis.

As the Group earns most of its revenue when it acts as Principal from departed travel, its income has fallen to nil in current and imminent travel departure months due to the current lockdown in place in all its major trading locations and the Group is currently funding overheads out of existing cash balances. The Group has a long-standing history of protecting customer and supplier monies via its ring-fenced trust accounts and is not reliant on customer money to fund its working capital. The Group is, therefore, well positioned to manage the process of customer cancellations and refunds without material impact on its working capital to the same degree as many other businesses in the sector.

The scale and severity of this pandemic and the measures required to face it are unprecedented. It is not possible to predict the duration of these impacts or the medium to long term consequences for customers' travel attitudes and booking behaviours, but it is widely believed that once individual country lockdown restrictions are relaxed it will take some time for the travel market in those countries and outbound destinations to recover to their previous pre-COVID levels of activity.

The specific impacts and risks to trading are as follows:

- **Cancellations** – severe travel restrictions and other control measures to control the spread of the disease have prevented many customers from fulfilling travel plans, resulting in cancellation or deferment of bookings.
- **Consumer sentiment** – customers are unwilling or unable to confirm future travel plans because of uncertainty over the duration of travel restrictions. The broader economic impact of control measures is likely to be substantial, resulting in a medium to long term risk to customer demand.
- **Supply chain** – failure of some suppliers is likely, given the crisis, reducing the options available for Travel Counsellors to meet customer needs. As a result of the crisis other suppliers may move to less favourable terms and conditions.
- **Attraction and attrition** – as the crisis continues Travel Counsellors, as independent business owners, may be unable to continue in operation, leaving the network to look for other forms of income. The demand from potential Travel Counsellors to join the network may reduce, particularly amongst those without prior industry experience considering a switch to travel.

These impacts are mitigated by the Group's strong liquidity position ahead of the crisis (including that provided by the Group's ring-fenced trust accounts for consumer funds), the Group's low fixed cost, flexible and asset light business model, and the flexible structure of the Group's banking facilities (particularly with regards to potential relief in respect of covenant tests).

In addition, the Group has undertaken significant measures to prepare for an extended period of no or very low levels of customer demand and to ensure the business is well-positioned to serve and support Travel Counsellors when customer demand returns. These measures include actions to:

- reduce staff cost, both on a temporary and permanent basis:
- reduce non-staff overheads: and
- support our Travel Counsellor network, both financially and through continued operational advice and support

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

2. Significant accounting policies (continued)

Going concern (continued)

The financial consequences of these actions have been estimated and together with the director's assumptions on length of the UK and other countries' lockdowns, the rate of recovery in bookings and travel once the respective lockdowns have been relaxed and level of booking cancellation refunds, have been used modelling a number of scenarios to test the implications of variations in these assumptions on the business's cash and borrowing resources against its committed facilities, and its compliance with bank covenants and CAA liquidity tests.

The director recognises that there remains fundamental uncertainty on the business around the impact of the COVID-19 pandemic and has accordingly considered a range of theoretical scenarios in order to stress test the Group's financial modelling. These include no flying in the months of April to September 2020 followed by a slow rate of pick-up of travel in subsequent months increasing to normal trading levels again only in 2021. The most conservative assumptions have been included about the rate of customer cash refunds for any cancelled bookings.

Under several of these stress-test scenarios, the Group has sufficient cash to operate within its banking facilities. In the more severe scenarios modelled, the Group may require additional cash injection of up to £20 million for the purposes of additional working capital and/or to create longer term increased headroom in its banking covenants. The Group's principal investor is closely monitoring the Group's financial position in light of the COVID-19 pandemic and, should the Group require additional equity capital in the future, has indicated a willingness to provide such capital and that, based on the latest indications of the amount of capital which would be required by the Group in the stress-test scenarios, such an amount is available for investment. Accordingly, should the more severe circumstances arise, the directors reasonably believe that any necessary support from the principal shareholder would highly likely be forthcoming.

The director also recognises that to date significant financial support has been made available by Governments around the world and that this may remain available should lockdown continue for longer than the director has forecast, however no amounts have been assumed in the Group's analysis in this respect.

The COVID-19 crisis represents a material uncertainty for the global travel industry with no historic data to support a recovery timeline for financial planning purposes.

As a result this also means there is a material uncertainty on the Group's ability to continue to trade that may cast a significant doubt on the Group's ability to be a Going Concern.

On the basis of a letter of support received from Cannes Topco Limited and having due regard to the material uncertainty recognised above, the director has prepared the financial statements on the going concern basis having concluded that the Company has access to adequate resources to continue in operational existence for the foreseeable future. In forming this conclusion, the director has taken into the Group's current levels of liquidity (including that provided by the Group's ring-fenced trust accounts for consumer funds); the Group's flexible, low fixed cost and asset light business model; the structure of the Group's banking facilities; the support of the Group's principal shareholders; and financial modelling based on a number of factors, assumptions and estimates reflecting the information currently available to the director.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment. Impairment is assessed annually using a discounted cash flow model.

Taxation

The tax expense represents tax currently payable.

Current tax

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

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

2. Significant accounting policies (continued)

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the director is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The director does not consider that the amounts recognised in the financial statements have been significantly affected by any critical judgements made in the process of applying the Company's accounting policies.

Going concern

For the assumptions made in the Going Concern assessment see the detail contained within note 2.

Key sources of estimation uncertainty

Impairment of investments

Determining whether assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of investments at the balance sheet date was £131m (2018: same). The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, expected changes to selling prices and direct costs and expected level of capital expenditure in the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

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

Key sources of estimation uncertainty (continued)

The Company has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. An increase in the discount rate of 11 percentage points to the discount rate would cause the carrying value of investments to equal its recoverable amount.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extrapolates cash flows for the following thirty-five years based on an estimated growth rate of 2 per cent. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 12 per cent. No impairment has been identified following the value in use calculation.

4. Loss for the financial year/period

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £8,250 (2018: £8,000).

There were no non-audit fees payable to Deloitte LLP. The Company does not have any employees and the directors are remunerated from other Group companies. No qualifying services are provided to this entity by the directors. As such no employee or director's information is included within the notes to the financial statements.

5. Finance costs

	Year ended 31 October 2019 £'000	25-week period ended 31 October 2018 £'000
Interest payable on loan notes	1,883	773

6. Tax

	Year ended 31 October 2019 £'000	25-week period ended 31 October 2018 £'000
Loss before tax	(1,891)	(773)
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	(359)	(147)
Adjustments in respect of prior years	(48)	-
Tax effect of expenses that are not deductible in determining taxable profit	337	147
Tax credit for the year/period	(70)	-

Finance Act 2016, which was enacted in September 2016, contained provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was substantively enacted at year end, the impact of the anticipated rate change is reflected in the tax provisions reported in these accounts.

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

7. Fixed asset investments

£'000

Cost and net book value

At 1 November 2018 and 31 October 2019

131,112

All shares are ordinary shares.

The Company has investments in the following subsidiary undertakings.

Held directly by Cannes Midco Limited:

Company	Country of Registration	% Shareholding
Cannes Midco II Limited (<i>registered office: Venus No.1, Old Park Lane, Manchester, England, M41 7HA</i>)	England & Wales	100

The Company indirectly holds following undertakings through its directly held subsidiaries:

Companies	Country of Registration	% Shareholding
Cannes Bidco Limited **	England & Wales	100
Travel Counsellors Limited **	England & Wales	100
Travel Counsellors (Ireland) Limited (<i>registered office: NSC Campus, Mahon, Cork</i>)	Ireland	100
Travel Counsellors Nederland BV (<i>registered office: Emmapark 8, 2595 ET The Hague</i>)	Netherlands	100
Travel Counsellors Proprietary Limited (<i>registered office: 4/34 Queen Street, Melbourne, Victoria 3000</i>)	Australia	100
Travel Counsellors Proprietary Limited ***	South Africa	48
TC BEECo Proprietary Limited ***	South Africa	52
Gazania Investments Three Hundred and Seventy-Two (Proprietary) Limited ***	South Africa	100
TC Africa DMC Proprietary Limited ***	South Africa	100
Travel Counsellors LLC (<i>registered office: dnata Travel Centre, Sheikh Zayed Road, Dubai</i>)	U.A.E.	49
Travel Counsellors Belgium BVBA (<i>registered office: Travel Counsellors Nederland BV, Emmapark 8, 2595 ET The Hague</i>)	Belgium	100
Travel Counsellors Overseas Limited **	England & Wales	100
Bob Sopel Travel Limited *, **	England & Wales	100
Travel Counsellors LLC *, **	USA	100
Travel Counsellors S.L. *, **	Spain	100
Travel Counsellors (Canada) Limited *, **	Canada	100
Travel Counsellors Group Limited **	England & Wales	100
TC Bidco Limited (<i>registered office: Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT</i>)	Jersey	100
TC Holdco 2 Limited (<i>registered office: Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT</i>)	Jersey	100
TC Holdco 1 Limited (<i>registered office: Elizabeth House, 9 Castle Street, St Helier, Jersey, JE2 3RT</i>)	Jersey	100

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

7. Fixed asset investments (continued)

The principal activities of the subsidiaries are as travel agents. The companies marked with a single asterisk are now dormant. All other companies are active.

** Registered office: Venus No 1 Old Park Lane, Trafford City, Manchester, England, M41 7HA

*** Registered office: Floor 11, Norton Rose Fulbright House, 8 Riebeek Street, Cape Town 8001

It has been deemed that Travel Counsellors Group Limited have control of Travel Counsellors LLC and its voting rights and therefore whilst the shareholding totals 49% this has been accounted for as a subsidiary undertaking.

It has been deemed that Travel Counsellors Group Limited have control of Travel Counsellors Proprietary Limited and its voting rights and therefore whilst the shareholding totals 48% this has been accounted for as a subsidiary undertaking.

8. Debtors: Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings	24,397	24,311

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and attract no interest.

9. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to parent undertakings	7,848	7,849

Amounts owed to the parent company are unsecured, repayable on demand and attract no interest.

10. Creditors: Amounts falling due after one year

	2019 £'000	2018 £'000
Loan notes (note 11)	19,143	17,235

Cannes Midco Limited

Notes to the financial statements (continued)

For the year ended 31 October 2019

11. Borrowings

	2019 £'000	2018 £'000
Unsecured borrowings		
Loan notes	19,143	17,235
<i>Amount due for settlement after 5 years:</i>		
Loan notes	19,143	17,235

On 31 May 2018, £15,520k of loan notes were issued to Red Rose SARL, £914k to management and £28k to a service provider as part of the acquisition of TC Holdco 1 Limited. Interest is accrued and compounded monthly at 11%. On 22 November 2018, £25k of loan notes were issued to management.

As at 31 October 2019, £2,656k of interest has been compounded and included within the loan notes balance above. The loan notes are repayable on 31 May 2028.

12. Share capital

	2019 £'000	2018 £'000
Authorised, issued and fully paid		
131,112,437 - Ordinary shares of £1	131,112	131,112

The Company has one class of ordinary shares which carry no right to fixed income. 131,112,437 shares were issued on 9 May 2018 to Cannes Topco Limited at £1 per share, settled for £131,112,437.

13. Related party transactions

Trading transactions

The Company has taken advantage of the exemption allowed by FRS 101:8, not to disclose any transactions with wholly owned subsidiaries that are included in the consolidated financial statements of Cannes Topco Limited. The group accounts of Cannes Topco Limited are available from the registered offices at Venus No. 1 Old Park Lane, Trafford City, Manchester, England, M41 7HA.

14. Controlling party

Cannes Topco Limited is the immediate and ultimate parent Company.

The smallest and largest group in which the results of the Company are consolidated is that headed by Cannes Topco Limited, which is incorporated in the UK.

The ultimate controlling party is Vitruvian Partners LLP, which manages various funds, holding 82.8% of the issued equity share capital of Cannes Topco Limited.

The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Cannes Topco Limited. The group accounts of Cannes Topco Limited are available from the registered offices at Venus No. 1 Old Park Lane, Trafford City, Manchester, England, M41 7HA.