On the Beach
Group plc

ANNUAL REPORT & ACCOUNTS
For the year ended 30 September 2016

On the Beach is a fast-growing, leading online retailer of ***beach holidays***

ABTA
ABTA No K0813

TOTAL FINANCIAL PROTECTION

on the Beach .co.uk

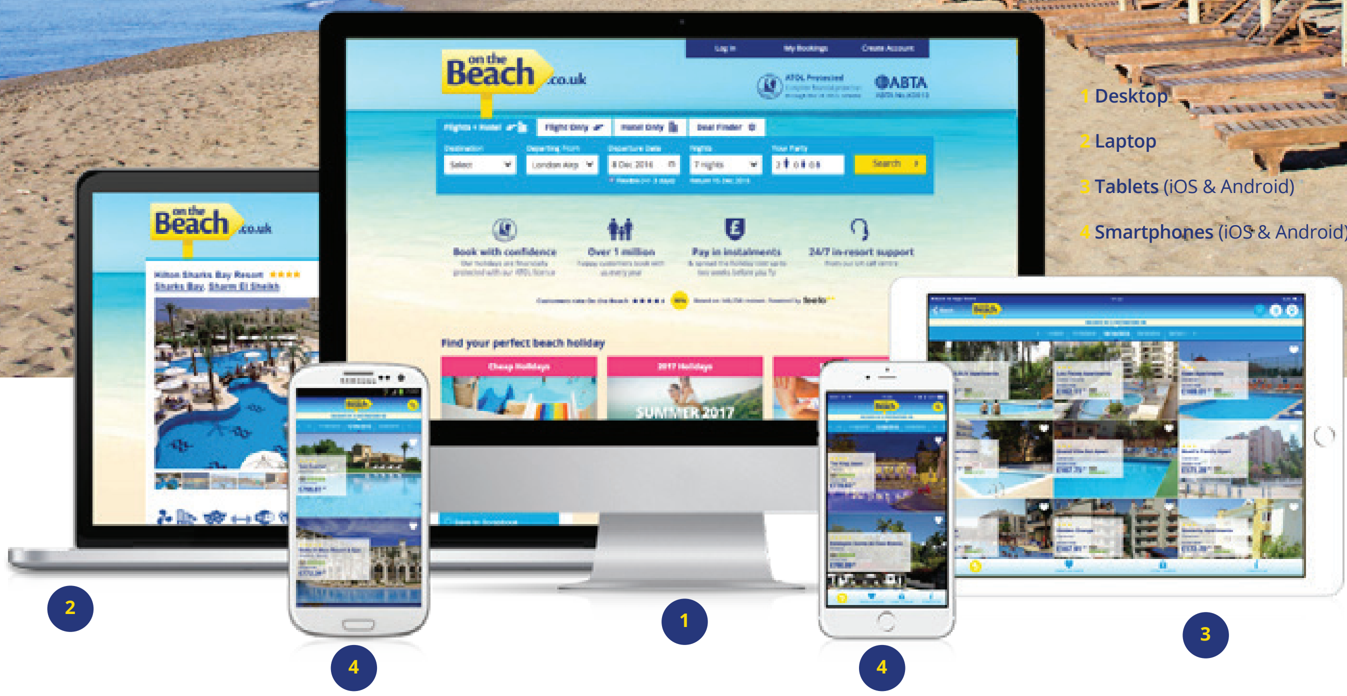
On the Beach Group plc
ANNUAL REPORT & ACCOUNTS
For the year ended 30 September 2016

WELCOME TO ON THE BEACH

One of the UK's largest online retailers of beach holidays with a 20% share of the online short-haul beach holiday market.

With significant opportunities for growth, we're on a long-term mission to become Europe's leading online retailer of beach holidays, so our story's only really just begun.

Here at On the Beach we're providing a significant structural challenge to legacy tour operators and travel agents as we continue our journey to disrupt the online retail of beach holidays with our scalable, flexible, innovative technology, a strong customer-value proposition and a low cost base. Our model is customer-centric, asset light, profitable and cash generative.



1 Desktop
2 Laptop
3 Tablets (iOS & Android)
4 Smartphones (iOS & Android)

Visit us online at
www.onthebeachgroupplc.com (Corporate)
www.onthebeach.co.uk (UK)
www.ebeach.se (Sweden)
www.ebeach.no (Norway)

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STRATEGIC REPORT

2004

Established by CEO Simon Cooper and launched its first website.

2007

Livingbridge acquired a majority stake in the Group for £36 million

2011

79 per cent of the Group's bookings were made online.

On the Beach launched its own proprietary technology platform.

2013

Inflexion Equity Partners acquired a majority stake in the Group from Livingbridge.

2014

On the Beach continued to optimise its technology platform, grew its direct contracting and invested into TV advertising

2015

Launched an international platform in Sweden under the "ebeach.se" domain name

On 28 September, On the Beach listed on the London Stock Exchange.

2016

On the Beach achieves outstanding profit growth against a challenging market backdrop

AT A GLANCE

On the Beach has experienced strong growth, recorded a high level of consumer engagement on mobile devices and invested in international expansion under the eBeach brand.

Financial highlights Group

- Group revenue increased 13.0% to £71.3m (FY15: £63.1m)
- Group operating profit before amortisation and exceptional costs increased 30.3% to £22.8m (FY15: £17.5m)
- Group operating profit increased 110.0% to £16.8m (FY15: £8.0m)
- Group profit before tax increased 776% to £16.9m (FY15: a loss of £2.5m)
- Adjusted underlying profit before tax (1) increased 46.9% to £21.3m (FY15: £14.5m)
- Basic and diluted earnings per share of 11.0p is a 290% increase on prior year (FY15: 5.8p)
- Adjusted proforma earnings per share of 13.0p is a 46.1% increase on prior year (FY15: 8.9p)
- Strong cash conversion of 90.1% (FY15: 99.5%)
- Net external cash (2) at year end of £26.1m (FY15: £10.9m)
- Maiden final dividend proposed of 2.2p per share (FY15: Nil)

(1) Group adjusted underlying profit before tax is the profit/(loss) before taxation excluding share based payments £0.1m (FY15: £nil), exceptional costs of £nil (FY15: £4.9m), amortisation of acquired intangibles of £4.3m (FY15: £4.3m), shareholder interest £nil (FY15: £7.8m) and exceptional finance costs £nil (FY15: £1.0m)

(2) Net external cash is defined as cash and cash equivalents excluding the trust accounts

Financial highlights UK

- Revenue up 12.3% to £70.2m (FY15: £62.5m)
- UK operating profit increased 87.1% to £18.9m (FY15: £10.1m)
- Revenue after marketing costs up 18.4% to £36.0m (FY15: £30.4m)
- UK EBITDA up 25.5% to £25.1m (FY15: £20.0m)
- UK EBITDA as a percentage of revenue increased to 35.8% (FY15: 32.0%)

Financial highlights International

- Revenue increased 57.1% to £1.1m (FY15: £0.7m)
- International EBITDA loss maintained at £1.8m (FY15: £1.8m), demonstrating continued investment to drive market share growth in Sweden
- Online cost per unique visitor reduced 18% to £1.0 (FY15: £1.2)

Operational highlights UK

- Daily unique visitors increased by 12.6% to 61.3m (FY15: 54.4m)
- Efficiencies in online marketing reduced spend as a percentage of revenue to 44.7% (FY15: 48.6%)
- Branded and free traffic increased 11.0% to 54.0% of overall (FY15: 54.8%)
- Directly contracted hotel product increased to 57% (FY15: 41%)
- Revenue per daily unique visitor maintained at £1.15 (FY15: £1.15)

CHAIRMAN'S STATEMENT

A COMPANY WITH OUTSTANDING TALENT, PIONEERING TECHNOLOGY AND HUGE POTENTIAL.

Richard Segal
CHAIRMAN

I am pleased to report that during the 2016 financial year the business continued to improve its market position and generate impressive growth in its profitability.

As widely reported, this financial year was particularly challenging for the travel industry, which had to adapt to terrorist attacks, the corporate failure of a large budget tour operator and the impact of currency fluctuations. Despite this difficult trading backdrop, On the Beach's agile business model and focused approach enabled it to deliver adjusted underlying Group profit before tax performance of £21.3m which was ahead of market expectations and up 46.9% on the prior year. At the same time, adjusted proforma EPS of 13.0p was up 46.1%. Given the difficult year for the travel industry, I would like to thank and commend Simon Cooper and his team for this admirable performance.

On the Beach's balance sheet remains strong with external cash balances at the year-end of £26.1m (2015: £10.9m). The Board is pleased to recommend a maiden final dividend of 2.2p per share for FY16.

During FY16, On the Beach's UK segment continued to gain market share, with daily unique visitors to site increasing 12.6% to 61.3m. Given the volatility experienced during the year, especially following a number of terrorist incidents, the Board made a conscious decision to accept slower revenue growth at 12.3% to £70.2m. This decision was taken to avoid the business chasing unprofitable growth. At the same time, marketing efficiencies were generated utilising On the Beach's bespoke bid management capability, which ensured that UK revenue after marketing costs was up 18.4% to £36.0m.

The Board believes that overall demand for short haul beach holidays was suppressed in FY16 versus the previous year; especially during the second calendar quarter, with the last quarter of the financial year showing greater resilience. Investment into the On the Beach brand in recent years has made it one of the most visible online beach holiday brands in the UK. This investment has delivered growth and means that On the Beach is well-placed to benefit from the ongoing structural shifts in consumer behaviour; especially with respect to gaining market share from traditional tour operators.

On the Beach's first international market, Sweden, launched in January 2015. During FY16 good progress was made in growing unique visitors and generating bookings and revenues. Daily unique visitors to the eBeach site in FY16 were up 53% to 2.3m, cost per visitor reduced by 18% and, importantly, branded visits increased by 113% to 445k visits or 19.8% of total traffic. Based on the performance in Sweden, the business will be launching its second international site in Norway during December 2016.

On a personal level, I am hugely enthused by the quality of what the On the Beach team delivers to our customers. The entire company is customer centric; from the provision of an extensive and diversified range of accommodation, flights and transfers, to our modular and agile technology that provides truly personalised holidays in real time across multiple devices; the creative and efficient marketing and first rate customer service. Employees throughout the Group are focused on delivering excellent-value beach holidays that meet the individual demands of a wide range of customers.

CHAIRMAN'S STATEMENT

This commitment to our customers drives the business to continuously innovate and improve and is helping to secure an ever-increasing level of repeat business from our loyal customers, as well as attracting new customers. I wish to thank every colleague within On the Beach for their hard work, efforts, dedication and continued support.

Following a carefully planned and thorough succession planning and recruitment process, we announced on 29 November 2016 that Wendy Parry will retire as Chief Financial Officer and will be succeeded by Paul Meehan in January 2017. Paul joins us from Gala Coral Interactive, where he was Finance Director, and (latterly) Director of Online Merger Integration overseeing the merger between Ladbrokes and Gala Coral. We are delighted that the completion of the merger means Paul can join us in January 2017, and we look forward to welcoming him. Paul is an excellent cultural fit and has a wealth of knowledge and experience that will be invaluable to the Group as it continues on its strong growth trajectory. Wendy (who remains a shareholder in the business) has kindly agreed to be available as long as is required to ensure a full and orderly handover. Wendy has been with the business since April 2010 and I would like to express my thanks for her valuable and insightful contribution. Everyone at On the Beach wishes Wendy and her husband, Mike, an enjoyable and fulfilling retirement.

The Board has a wide range of responsibilities and I would like to thank my fellow non-executive directors, Lee Ginsberg and David Kelly, for their contribution and support. The Board works effectively as a team with the right mix of enquiry and support of the Executive Directors from the Non-Executive Directors. The Board carefully reviews ongoing trading performance, agrees upon the Group's future strategic direction, monitors risk and control processes and ensures that general corporate governance is appropriately managed. During the year, we undertook an evaluation of the directors and the functioning of the Board and its committees.

This demonstrated that we have the appropriate balance of skills, experience and perspectives on the Board, which operates effectively and is properly engaged.

The Board is committed to profitable growth and the delivery of long-term value for our shareholders. The performance in FY16 was impressive and provided good foundations for the new financial year.

The first quarter of our financial year (calendar quarter four) is historically the quietest trading period for the Group and is influenced by the timing of when the low cost carriers release their spring/summer capacity.

Comparisons between this quarter and the same period last year are complicated by the widespread cancellations to Egypt experienced in November 2015 and the subsequent surge in re-bookings to alternative destinations. Taking these factors into account, the Board is pleased to report that current performance is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2017.

We expect and have planned for some of the key trends seen in FY16 to remain prevalent in FY17; namely the shift in demand from the Eastern Mediterranean, the overcapacity of seats versus demand on high-volume routes leading to aggressive seat-only pricing and pressure on bed capacity in key Western Mediterranean destinations in peak periods. The Board also believes that some of the wider macroeconomic trends will lead to a shortening of lead times throughout FY17, similar to those witnessed in the lead up to summer 2016. Notwithstanding these conditions, the Board remains confident of meeting market expectations for the financial year and will provide a further trading update at our AGM on 2 February 2017.

The business continues to invest across the organisation – in its people, technology and brand. Its strategic direction centres around the delivery of profitable market share growth through the provision of an excellent value-proposition, increasing customer retention, attracting new customers, margin optimisation, controlling overheads and expanding the territories in which we operate.

I remain enthusiastic about On the Beach's future and look forward to the continued development of the business. As a Board, we remain confident about our prospects and that our strategy and business plan will allow On the Beach to grow and create value for our shareholders.

Our AGM will be held at 11am on Thursday 2 February 2017 at the Company's headquarters at Park Square, Bird Hall Lane, Cheadle, SK3 0XN. I look forward to welcoming shareholders.

Richard Segal
CHAIRMAN
6 December 2016

CHIEF EXECUTIVE'S REPORT

ON THE BEACH CONTINUES TO DISRUPT THE ONLINE RETAIL OF BEACH HOLIDAYS BY USING ITS INNOVATIVE TECHNOLOGY PLATFORM TO DRIVE A MARKET-LEADING CUSTOMER PROPOSITION FOCUSED ON GREAT VALUE BEACH HOLIDAYS.

Simon Cooper
CHIEF EXECUTIVE OFFICER

On the Beach continues to be a dynamic, entrepreneurial and ambitious business. We deliver value for money beach holidays to our customers that are personalised to their individual needs. We maintain a daily focus to improve the quality of our customer proposition and the value that we provide to our growing customer base.

In a difficult market, we have continued to grow market share, with daily unique visitors to site in the UK increasing 12.6% to 61.3m (2015: 54.4m). We have focused on driving this share growth efficiently with improvements to our bespoke bid management capability driving online marketing spend as a percentage of revenue down 8% to 44.7% (2015: 48.6%) and our revenue after marketing costs increased 18.4% to £36.0m (2015: £30.4m).

Our continued growth has been delivered by executing a simple strategy to optimise our customer proposition to increase conversion and improve margin while driving an efficient increase in our market traffic share amidst difficult market conditions providing further evidence of our ability to gain market share from traditional tour operators.

Growth

Growth has come as a result of:

- driving an efficient increase in our share of market, while investment into our brand has also increased awareness (daily unique visitors increased 12.6% to 61.3m, revenue after marketing costs increased 18.4% and prompted brand awareness increased to 46%);
- optimisation and personalisation of our market-leading, multi-device customer proposition to maintain revenue per unique visitor despite the difficult market backdrop with an increase in smartphone bookings of 74% year-on-year("YOY");
- increasing engagement by encouraging visitor login with logged in users up 100% YOY;
- increasing the directness of our relationships with end suppliers to achieve 57% of hotels sourced directly;
- continuing to provide the highest possible level of customer service by investing in our service staff and function to increase repeat purchase volumes by 19.4% YOY;
- further leveraging our lean cost base versus asset-heavy tour operator competitors; and
- investing to increase our market share in Sweden and with plans to extend this further under our eBeach brand into further Scandinavian markets.

Market

As stated in the Group's trading update on 25 October 2016, demand for beach holidays remained resilient in the third calendar quarter despite the impact of repeated terrorist attacks on consumer confidence. We believe that overall demand for short-haul beach holidays was suppressed versus the previous year but that a continued growth in online penetration will have resulted in our addressable market being flat YOY. As one of the most visible online beach holiday brands we remain well-placed to benefit from this ongoing structural shift in consumer behaviour. The effect of events in 2016 was as follows:

- acts of terrorism in Egypt, Tunisia and Turkey drove demand from the Eastern Mediterranean to the Western Mediterranean;
- a reprogramming of capacity out of the Eastern Mediterranean led to flight overcapacity into the Western Mediterranean and a mismatch between flight capacity and bed capacity;

- average basket values fell because of flight overcapacity and loss of higher-value Eastern Mediterranean destinations;
- an increasing proportion of tour operator capacity was sold on a seat only basis and it is likely that tour operator risk capacity will be reprogrammed in FY17;
- further terrorist atrocities in France and Belgium dampened consumer confidence, leading to a shortening of lead times and ultimately transient shrinkage in the overall number of passengers taking short-haul beach holidays;
- late availability into key properties in key destinations in the Western Mediterranean was limited following a Europe-wide exodus from the Eastern Mediterranean;
- consumer confidence was impacted both and after the EU referendum; and
- Low Cost Travel Group disrupted the dynamics of the online beach holiday market from the start of 2016 until its failure in mid-July.

Investment in Brand

We have continued to invest in an efficient multi-channel approach supported by our sophisticated bid management capability (which optimises the value gained from our multi-channel marketing spend) and this in turn has allowed us to continue to take share of market traffic, more cost effectively than ever before. Despite the disruptive actions of Low Cost Travel Group immediately prior to its demise, our strong performance in the second half of the year is testament to our bid management capabilities as we focused on driving share efficiently with revenue after marketing in the second half of the year up 13.5% YOY. The auction dynamics improved immediately after the Low Cost Travel Group's administration and remained benign to the end of FY16.

Our brand continues to strengthen, supported by our investment into a fully national offline marketing activity and in FY16, we consolidated our position as the third best known beach holiday brand nationally. Planning for an extended offline campaign in FY17 is complete and our new advert will air nationally on Christmas Day. In the two years since we have launched iPhone, iPad and Android apps, we have achieved circa 800,000 downloads and an increasing percentage of traffic and bookings via our apps. We have also invested to build booking management capabilities into our apps so that customers can interact with us via the app throughout the period before, during and after their holidays.

Investment in People

We continue to invest in talent across the business and in particular in our customer facing functions and our digital and technological capability to ensure that we remain at the forefront of innovation in our sector. Leveraging our bespoke personalisation technology allows us to show the most relevant product to all users on all devices at the earliest possible opportunity and in turn this allows us to create deeper customer engagement and drive both conversion and margin. Our bespoke testing framework, which allows us to test variations of the user experience against a control, has also allowed us to drive further improvements to device level conversion and our traffic is now almost 70% from mobile devices with 46% from smartphones alone.

We have increased our investment to multi-skill our customer-facing staff to ensure that we can provide an even higher level of customer support for all of our valued customers and are delighted that our Net Promoter Scores have been maintained and that our repeat purchase rates continued to increase significantly through FY16. We have also realigned our UK and international marketing capabilities and ensured that we are well-positioned to merchandise our growing proportion of exclusive product to the widest possible customer audience.

While the Group has made these investments into digital and technology, service and supply, our scalable business model has continued to allow us to leverage our lightweight cost base, reducing fixed and variable costs as a percentage of revenue.

Investment in Product

We have been able to drive growth in our direct contracting function, building on the strong foundations which were put in place in previous years. From a standing start in early 2014 we have beaten our internal targets contracting 33% more hotels in FY16 and delivering 57% of total hotel buying through in house capability, with significant incremental margin contribution. The increasing proportion of directly contracted product also supports the improved customer satisfaction scores as complaint ratios on directly contracted product are significantly lower than third party sourced product.

Our continued focus to strengthen our relationships with key overseas suppliers is giving us increased access to exclusive rates, ringfenced capacity and OTA exclusivity while maintaining our no risk, lightweight business model. In FY16 for the first time we have partnered with a small number of overseas airlines to launch and distribute a proof of concept programme of 55,000 flight seats to some of our main destinations. Against a difficult market backdrop with significant oversupply into the Western Mediterranean and weak seat pricing we were pleased with the results with the best loaded routes 95% sold. During the course of the year we have built new capabilities internally to allow us to support an increased programme of flying in FY17.

We have also invested significantly in our search technologies to support our strategic objective to drive an increasing proportion of differentiated flight and hotel product and to allow us to build innovative search tools for customers who are destination agnostic.

International

Following the launch of our first international market, Sweden, in January 2015, we have continued to leverage our core capabilities to make progress in growing unique visitors and generating bookings and revenues. Our target in Sweden was defined as breakeven within three years of launch and our focus in our second full year in the market was to drive significant gains in market traffic share in a cost effective manner, while increasing awareness of our brand.

Daily unique visitors to site in FY16 were up 53% while cost per visitor reduced by 18%. Branded visits to site increased by 113% and reached 19.8% of total site traffic and our losses have narrowed in the second half of the year. We will further develop the strong growth of the brand that we have generated in Sweden with a TV campaign in December 2016. As a result we will be launching our second international site in Norway in the coming weeks.

Strategy and Growth

It continues to be the Group's mission to make it simple for customers to plan, find and book their perfect beach holiday with a vision to be Europe's leading online retailer of beach holidays.

On the Beach has delivered significant growth within a growing market over the last three years by evolving a strategy based around the following principles:

1. Out-innovating through agility and investment in talent and technology
2. Driving an efficient increase in market share
3. Optimising and personalising our multi-device customer proposition
4. Leveraging increased revenue through direct and differentiated supply
5. Expanding our model into new source markets and products

Our key strategic pillars for FY17 are:

1. Out-innovating through agility and investment in talent and technology:
   - Continued investment into our people and our platform which allows us to innovate at an increasing pace and in doing so, stay ahead of the competition.

2. Driving an efficient increase in market share:
   - Investing in an efficient multi-channel approach supported by our sophisticated bid management capability
   - Increasing investment offline to strengthen brand awareness
   - Seeking value-enhancing merger and acquisition opportunities

3. Optimising and personalising our multi-device customer proposition:
   - Driving an increasingly simplified customer experience across multiple devices by continually testing changes to the website versus a control to increase conversion
   - Encouraging login and showing the most relevant product to all site visitors on all devices at the earliest possible opportunity
   - Building a multifunctional app to engage directly with users and provide a higher standard of service in an efficient manner

4. Leveraging increased revenue through direct and differentiated supply:
   - Building a programme of direct and differentiated supply to leverage margin and gain market share
   - Build in-house capability to increase visibility of differentiated product
   - Differentiate exclusive product offering through innovative and attractive customer and supplier payment terms

5. Expanding our model into new source markets and products:
   - Leveraging core capabilities to expand internationally, delivering improvements to key drivers of conversion, cost per unique visitor and branded share of traffic
   - Driving positive returns with a significant market share in Sweden
   - Rolling out fully formed proposition into further source markets
   - Expanding our product offering to address a wider customer demographic
   - Building tools to inspire customers who are destination agnostic

Current Trading and Outlook

The first quarter of our financial year (calendar quarter four) is historically the quietest trading period for the Group and is influenced by the timing of when the low cost carriers release their spring/summer capacity. Comparisons between this quarter and the same period last year are complicated by the widespread cancellations to Egypt experienced in November 2015 and the subsequent surge in re-bookings to alternative destinations. Taking these factors into account, the Board is pleased to report that current performance is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2017.

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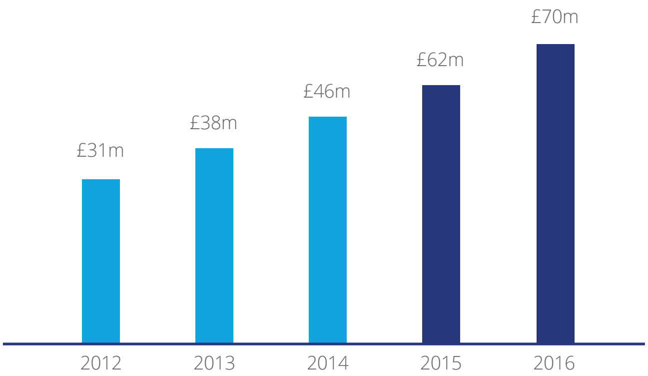
Simon Cooper
CHIEF EXECUTIVE OFFICER
6 December 2016

KEY PERFORMANCE INDICATORS

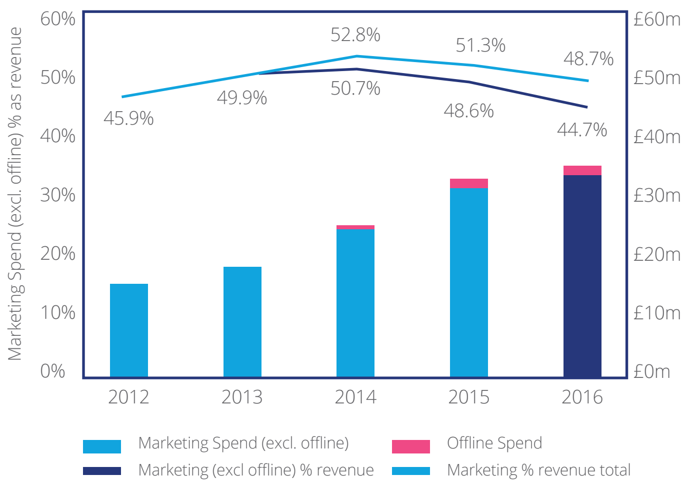
UK Segment: Revenue

Continuing growth with an increase of 12% on the prior year



Marketing spend as a percentage of revenue

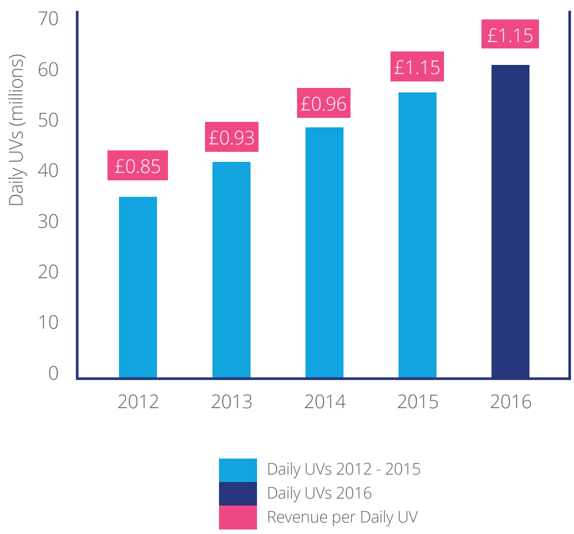
Marketing % of revenue decreased to 44.7% (2015: 48.6%) excluding offline and to 48.7% (2015: 51.3%) including offline.



Daily UVs (millions) & revenue per daily UV

Daily UVs: Number of individuals, as defined by an IP address, visiting pages from the onthebeach.co.uk website during a 24 hour period

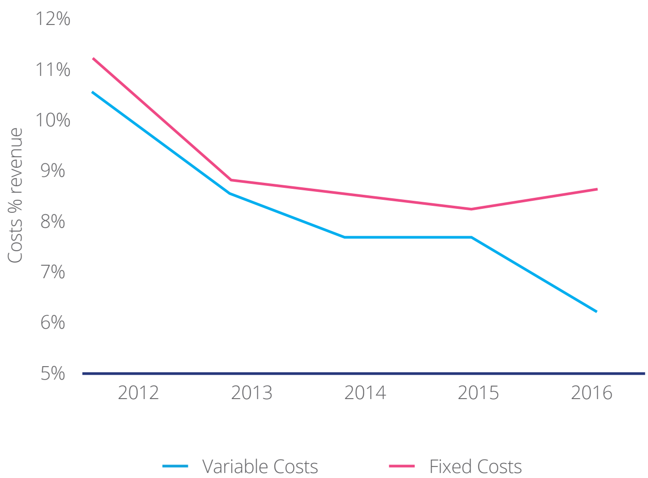
Daily UVs have increased by 12.6% whilst revenue per daily UV has been maintained



Costs as percentage of Revenue

Fixed Costs
Includes head office salaries, office related costs and IT expenditure

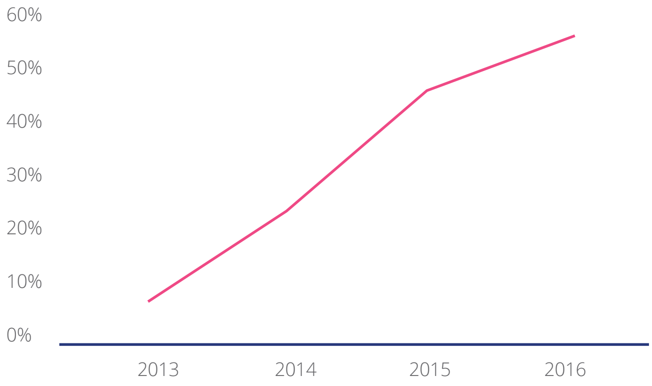
Variable Costs
Comprise mainly of contact centre wages and credit card fees



Direct contracting as a percentage of bed supply

Direct Contracting: sourcing hotel beds for customers directly from hotels rather than via third-party bed-banks as intermediaries

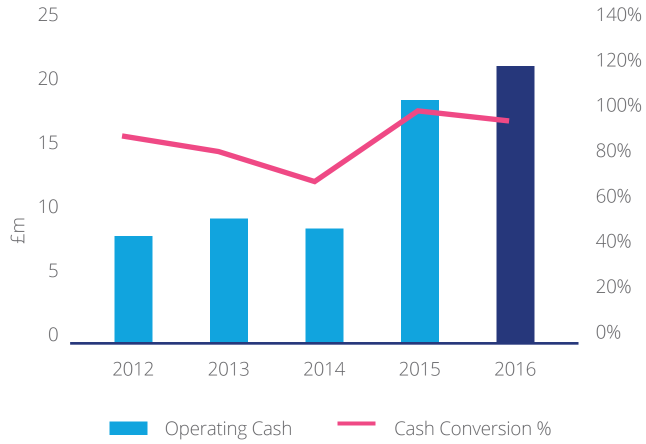
Continuing growth to 57%



Operating cash and cash conversion as a percentage of adjusted EBITDA

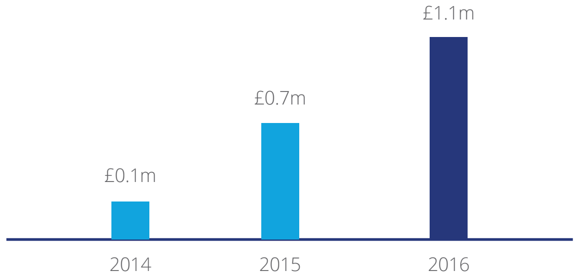
Operating Cash: cash generated from continuing operations less capital expenditure

Cash Conversion: Operating cash before exceptional items as a percentage of adjusted EBITDA



International Segment: Revenue

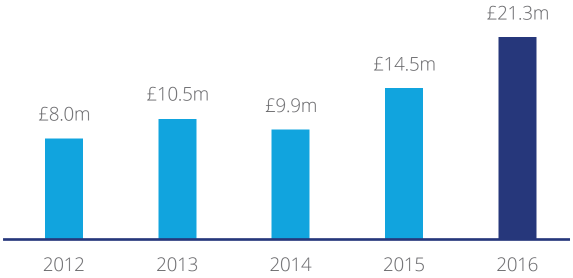
Share growth with an increase in revenue of 57%



Adjusted underlying profit before tax

Adjusted underlying profit before tax [1]

YOY growth 46.9%



[1] Adjusted underlying profit before tax is stated before exceptional costs of £nil (2015: £4.9m), amortisation of acquired intangibles of £4.3m (2015: £4.3m), share based payments £0.1m (2015: £nil) and shareholder interest £nil (2015: £7.8m)

CHIEF FINANCIAL OFFICER'S REVIEW

THE GROUP HAS ACHIEVED OUTSTANDING PROFIT GROWTH AGAINST A CHALLENGING MARKET BACKDROP WITH GROWTH IN ADJUSTED UNDERLYING GROUP PROFIT BEFORE TAX AT 46.9% AND CASH CONVERSION STRONG AT 90.1%.

Wendy Parry
CHIEF FINANCIAL OFFICER

The Group organises its operations into two principal financial reporting segments, being UK (the "UK Segment") (the Group's established market) and International (the "International Segment") (the Group's new markets). In each of the UK Segment and the International Segment, the Group offers dynamically packaged holidays but with options to book single element products such as flights or hotels.

UK Segment performance

	2016 £m	2015 £m	Change %
Revenue	70.2	62.5	12.3%
Revenue after marketing costs	36.0	30.4	18.4%
Variable costs	(4.3)	(4.9)	
Overhead costs	(6.0)	(5.1)	
Holding Company costs	(0.6)	(0.4)	
Depreciation and amortisation (1)	(2.0)	(1.7)	
EBIT	23.1	18.3	26.2%
EBITDA	25.1	20.0	25.5%
EBITDA % revenue	35.8%	32.0%	

(1) Excludes amortisation of acquired brand and website technology intangible assets of £4.3m (2015: £4.3m)

Revenue and marketing costs

Revenue increased by 12.3% to £70.2m (2015: £62.5m) with slower than expected revenue growth given the challenging market conditions. Revenue per daily unique visitor was maintained in the year at £1.15 (2015 £1.15) and revenue per booking was 7.5% higher at £175.2 per booking (2015: £162.9) largely due to increasing the directness of relationships with our suppliers through the volume of in-house accommodation bookings to 57.4% (2015: 40.7%).

Marketing expenses (excluding offline) for the year to 30 September 2016 as a percentage of revenue decreased to 44.7% (2015: 48.6%) with total spend of £31.4m (2015: £30.4m) driving an efficient increase in our share as we continue to invest in the sophistication of our in-house bid tools. We have increased spend in the year on the Group's offline TV advertising campaign to £2.8m (2015: £1.7m) as it was extended to a full national campaign resulting in an increase in prompted brand awareness to 46%.

UK segment EBITDA

We continue to leverage our lean cost base and as a result there has been a fall in costs as a percentage of revenue.

	2016	2015
Variable costs % revenue	6.1%	7.8%
Overhead costs % revenue	8.5%	8.2%
Holding Company costs % revenue	0.9%	0.6%
Total	15.5%	16.6%

Variable costs, which comprise mainly of contact centre wages and credit card fees, are closely linked to booking volumes and have improved from IT developments in the ability for Customers to manage their bookings more effectively online and the new EU fee interchange regulations, falling to 6.1% of revenue (2015: 7.8%). Continued operational leverage and the revenue benefit of direct relationships reduced overhead costs as a percentage of revenue to 7.8% (2015: 8.2%) however, as a result of the strong results a performance related bonus for Executive Directors and senior management of £0.5m has been included bringing the total costs as a percentage of revenue to 8.5%. Holding company costs have increased in the year by £0.2m to £0.6m (2015: £0.4m) due to additional expenditure required to fulfil the requirements of a listed company and share based payment charges of £0.1m (2015: nil).

EBITDA of £25.1m (2015: £20.0m) increased by 25.5% and EBITDA as a percentage of revenue increased from 32.0% to 35.8%. The closest GAAP equivalent measure to EBITDA is UK operating profit which increased by 87.1% to £18.9m (2015: £10.1m).

International Segment performance

	2016 £m	2015 £m	Change %
Revenue	1.1	0.7	57.1%
Revenue after marketing costs	(1.4)	(1.5)	6.7%
Variable costs	(0.2)	(0.1)	
Overhead costs	(0.2)	(0.2)	
EBITDA	(1.8)	(1.8)	0.0%

In early calendar year 2015, the Group launched an international platform in Sweden under the 'www.ebeach.se' domain. The Group has focused on growing market share both online and offline with a second year of a national TV campaign.

In the 12 months to 30 September 2016, the Swedish business generated revenue of £1.1m (2015: £0.7m) and an EBITDA loss was maintained at £1.8m (2015: £1.8m) with efficiencies gained from growth of the brand narrowing losses in the second half to 40% down YOY. Losses are derived almost entirely from the marketing investment required to drive branded awareness with branded share increasing to 19.8% (2015: 14.2%). The closest GAAP equivalent measure to EBITDA is operating loss which was maintained at £1.9m (2015: £1.9m).

Adjusted underlying profit before tax

The Group reports adjusted underlying profit before tax to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business.

	2016 £m	2015 £m	Change %
Group profit/(loss) before taxation	16.9	(2.5)	776.0%
Amortisation of acquired intangibles	4.3	4.3	
Share based payments	0.1	-	
Shareholder loan interest [1]	-	7.8	
Exceptional costs	-	3.9	
Exceptional finance costs	-	1.0	
Adjusted underlying profit before tax	21.3	14.5	46.9%

(1) Interest on shareholder loans will no longer be incurred following the IPO as shareholder loan notes were repaid in full by way of the issue of shares to loan note holders

Finance costs

The finance cost for the year was £0.1m (2015: £1.8m) and included amortisation costs of fees of £nil (2015: £0.3m) in respect of the term loan of £22.0 million raised on 4 October 2013 as part of the financing for the investment by Inflexion. This loan was repaid in full out of the Group's existing cash balances following admission in September 2015. The Group has a revolving credit facility of up to £35 million to cover seasonal working capital requirements but with strong cash management the maximum drawdown during the year was £13.5m.

Share based payments

The Group implemented a long term incentive plan in May 2016 as detailed in the remuneration report and, in accordance with IFRS2, has recognised a non-cash charge of £0.1m.

Exceptional items

Exceptional items for the year to 30 September 2016 were £nil (2015: £4.9m). The costs in 2015 related to deal costs in relation to the IPO.

Taxation

The Group tax charge of £2.6m represents an adjusted effective tax rate[1] of 12.5% (2015: 30.5%) which was lower than the standard UK rate of 20% (2015: 20.5%). In 2016 this was affected by a deferred tax credit of £0.9m (2015: £0.9m) released in line with the amortisation of £4.3m on the valuation of acquired intangibles. This has also been revalued in the year in line with the reduction in forward corporation tax rates to 17% leading to an additional deferred tax credit of £0.9m. In 2015 the effective rate was additionally affected by disallowed shareholder interest under the Advance Thin Capitalisation Agreement.

(1) Adjusted effective tax rate is calculated as taxation charge divided by adjusted underlying profit before tax plus shareholder interest

Earnings per share

Basic earnings per share, calculated for the current and comparative period, is based on the weighted average number of shares in issue and has improved to 11.0 pence in the current year from a loss per share in the previous year of 5.8 pence. The adjusted proforma basic earnings per share based on adjusted underlying earnings increased 46.1% to 13.0 pence (2015: 8.9 pence). The table below shows the adjustment from actual earnings:

	2016 £m	2015 £m
Profit/(Loss) for the year	14.3	(4.5)
Share based payments	0.1	-
Exceptional costs	-	4.9
Amortisation of acquired intangibles	4.3	4.3
Shareholder interest	-	7.8
Deferred tax asset on acquired intangibles	(1.8)	(0.9)
Underlying profit for the year	16.9	11.6
Number of ordinary shares in issue at year end; assumed to be outstanding for the full year comparative period (millions)	130.4	130.4
Adjusted proforma earnings per share (pence)	13.0	8.9

Cash flow and net debt

The Group continues to see strong cash generation with adjusted operating cash flows 15.5% higher at £20.9m (2015: £18.1m), resulting in strong cash conversion of 90.1% (2015: 99.5%).

	2016 £m	2015 £m
EBITDA	23.3	18.2
Share based payment charges	0.1	-
Capitalised development spend	(2.4)	(2.0)
Movement in working capital (1)	0.6	2.2
Capital expenditure	(0.6)	(0.3)
Adjusted operating cash flow	21.0	18.1
Operating cash conversion	90.1%	99.5%

(1) *Movement in working capital has been adjusted to exclude £3.1m inflow from IPO cost accruals at 30 September 2015 and an outflow of £3.0m in 2016*

Net debt has reduced in the year with cash at bank and in hand position at the year- end of £26.1m (2015 £10.9m).

Capital reduction

On 18 November 2015, the Company completed a reduction of capital, whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The capital reduction created significant distributable reserves that are available for future dividends and returns to shareholders.

Dividend

In line with previous stated policy, the Directors are recommending a final dividend for the year of 2.2 pence per ordinary share. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 2 February 2017, the dividend will be paid on 7 February 2017 to shareholders on the register of members at the close of business on 6th January 2017.

Wendy Parry
CHIEF FINANCIAL OFFICER
6 December 2016

RISK MANAGEMENT & PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that effective risk management is critical to ensure that the Group can deliver on its strategic objectives and to ensure long-term sustainable growth. As such, the Directors have carried out a robust assessment of the principal risks and uncertainty facing the company, including those which could threaten its business model, future performance, solvency or liquidity.

In this section of the Strategic Report, we explain our approach to risk management, set out the principal risks and uncertainties, together with an explanation of how those risks are managed and we outline how the risk profile has changed since the 2015 Annual Report.

RISK MANAGEMENT - RESPONSIBILITIES

Area of the business	Risk management role
Board	The Board has overall responsibility for ensuring maintenance of a sound system of internal control and risk management. It reviews the effectiveness of the Group's risk and control processes to support its strategy and objectives.
Audit Committee	The Audit Committee has the responsibility to review the Group's internal controls and risk management systems.
Executive management team	The executive management team are responsible for: › identifying, monitoring and managing risk on a daily basis; › promptly highlighting to the Board any major risks to the business of which the Board are not aware, together with their proposals for management of those risks; › implementing action plans for management of risks as agreed with the Board; and › maintaining risk registers and sharing these with the Board and Audit Committee as set out below.

RISK MANAGEMENT – PROCEDURES

1. Identification and evaluation of risks: Identify key risks, assess likelihood and quantify impact, identify current management and mitigation, and proposed action plan. Record in risk registers which are reviewed and approved by the Board.
2. Management of risks: the executive management implement the risk management plans agreed by Board and monitor changes in risks or risk management plans on an ongoing basis, reporting to Board as part of monthly Board meetings or on an ad hoc basis as appropriate. Where management identifies a major new risk, or a significant increase to an existing risk, management arrange a planning session with each area of the business represented to agree a bespoke and detailed risk management plan, so that if the risk materialises, it can be managed in an orderly fashion.
3. Monitoring: risk registers are reviewed and updated twice annually as a matter of course by the executive management team, as well as on an ad hoc basis as required. Risk registers are reviewed on an annual basis by the Board and the Audit Committee as part of their review of internal controls and risk management procedures.

CHANGE TO RISK PROFILE SINCE 2015 ANNUAL REPORT

The nature of the principal risks and uncertainties faced by the Group remain, on the whole, the same as last year, although the risk profile has changed in a number of areas. Two key factors affecting the Group's risk profile are Brexit and terrorism. We do not consider that these constitute new risks but rather, they are factors which exacerbate existing risks in a number of areas, as outlined below.

Factor	Risks impacted	Explanation
Vote to leave the European Union (known as "Brexit")	Consumer confidence Supply chain risk (supplier failure) Competition risk People risk Foreign exchange risk VAT complexity Regulatory risk	› Since the referendum, the currency markets have destabilised and the pound has dropped significantly in value, making holidays more expensive and causing greater currency fluctuations. › Economists have warned that the UK may fall into a recession post Brexit and this could also impact on consumer confidence. › Uncertainty remains as to the impact of Brexit on UK law and VAT law. › The uncertain trading environment has increased risks to the business in terms of supplier failure, but also mitigated the competition risk as competitors with less resilient business models have failed (e.g. the failure of Low Cost Travel Group "LCTG"). › The Group employs many EU citizens, in key areas such as IT development, and restrictions on freedom of movement may restrict the Group's ability to attract and retain talent.
Terrorism	Consumer confidence Supply chain risk (supplier failure) Competition risk System risk (data security) People risk	› The rise in terrorism generally, and in particular in traditional beach holiday destinations, has had and will continue to have a significant impact on consumer confidence and it has reshaped the entire market dynamic for holidays with a shift in consumer preference from Eastern to Western Mediterranean destinations and a shortening of lead times. › The company's business model is resilient to transient shifts in consumer preference given that it does not commit to stock, but this creates a risk for the company in that the shortening of lead times and the lack of availability in key destinations at high season can restrict the company's ability to compete in a late market. › The challenging market backdrop increases the risk of supplier failure but also mitigates competition risk where competitors (such as smaller OTAs) fail. › Terrorists could seek to launch cyber-attacks, increasing the Company's data security risk. › A terrorist attack on the UK could put the Company's employees at risk (either at or outside the workplace).

1. TRADING

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
1.1. Consumer Confidence Risk	A recession or reduced economic growth can lead to reduced job security and a reduction in consumer leisure spending capacity. A weak pound makes holidays more expensive. The Brexit vote has increased this risk. Failures of other OTAs (e.g. LCTG) make customers nervous about booking holidays. Terrorist attacks, especially those in tourist resorts, undermine consumer confidence and cause consumer behaviour to shift: some may choose not to book a holiday, some will delay booking their holidays (causing a shortening of lead times), and some may choose a different destination (e.g. the shift from east to west Mediterranean destinations).	Innovative payment solutions to mitigate reduction in discretionary spending. Expansion of target audience to attract customers less affected Competitive pricing and value proposition as well as exclusive offers agreed with top hotels secure bookings even in a challenging market. ATOL and ABTA bonding as well as trust protection give customers confidence in booking with OTB. Robust and agile business model.	↑

Operational Risks	Risk Description and Impact	Mitigation & Management	
1.2.1 Supply Chain Risk (Security of supply)	The Group does not have relationship agreements in place with a number of airlines. The Group is currently able to use technology to access flight data and place bookings on behalf of customers. Certain airlines have sought to hinder or block the Group's access to their websites using technological, legal or other means and may do so in the future. If successful, the Group's offering may be less extensive which could have a material adverse effect on the Group's business.	The Group has a dedicated in-house team of IT experts whose purpose is to maintain and develop its proprietary technology, and it invests significantly in its technology and its people to ensure that it can continue to operate as it does currently. Any legal challenges will be vigorously defended.	↔

1. TRADING - continued

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
1.2.2 Supply Chain Risk (Supplier failure)	If a supplier were to collapse, this could result in significant direct and indirect costs for the Group (e.g. the cost of refunding customers the money paid for the flight, plus loss of margin on the accommodation element of the holiday). In the case of the failure of a major low cost carrier, this could have catastrophic consequences for the Group.	Easyjet and Ryanair are considered as extremely low risk of failure. The Group closely monitors supplier failure risk and puts in place risk management plans where appropriate. The failure of a bedbank or a hotel is of limited impact.	↑

Operational Risks	Risk Description and Impact	Mitigation & Management	
1.3. Reputation Risk	The Group relies on the strength of its brand to attract customers to its website and secure bookings. Any events or circumstances which give rise to adverse publicity could cause brand/ reputation damage and lead to a loss of goodwill.	The Group monitors customer satisfaction on a regular basis and acts on feedback received. Measures are put in place to prevent any reputational issues from occurring, and where any incidents do arise, these are handled by senior management with the assistance of our experienced public relations advisers where appropriate.	↔

Operational Risks	Risk Description and Impact	Mitigation & Management	
1.4. Competition Risk	The Group operates in a very competitive market. If competitors offer a more compelling proposition, this could have a material adverse effect on the Group's financial position and prospects. The shortening of lead times and the lack of availability in key destinations at high season could restrict the company's ability to compete in a late market.	The Group monitors competitor pricing constantly to ensure deals are priced competitively and offers unique payment options such as the low deposit scheme. The challenging market dynamics mean that smaller OTAs will be likely to fail, creating opportunities for OTB to take market share and to reduce paid search marketing costs.	↔

1. TRADING - continued

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
1.5. Systems & Technology Risk	A significant business interruption could impact on the Group's ability to trade and/or manage the business. The Group is exposed to risks of security breaches associated with online commerce security (e.g. loss of customer data). If the Group's technology can't keep up with growing demand, this could affect our ability to deliver planned growth. Changes in search engine algorithms or search engine relationships could adversely affect the ability to drive traffic to the website.	The Group has a comprehensive business continuity and disaster recovery plan, and robust back up and failover facilities. The Group has stringent security in place which is regularly tested and audited. The Group is PCI DSS compliant which involves regular external audits. The Group regularly assesses capacity and utilisation of the system, and carries out a full review every 6 months to ensure that the longer term infrastructure plan is aligned with predicted growth and capacity needs. Recent algorithm changes by Google have been advantageous to OTB.	↔

Operational Risks	Risk Description and Impact	Mitigation & Management	
1.6. People Risk	The Group's ability to achieve its strategic objectives is dependent on certain key personnel, plus its ability to attract and retain skilled staff. The Group's location means that it is competing with many other digital / technology-focused businesses for the best talent.	The Group has a comprehensive succession plan in place at executive and senior management level. The Group will continue to monitor and benchmark salaries and packages (including LTIPs and other share schemes) to ensure it remains competitive and adequately incentivises key management.	↑

2. FINANCE

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
2.1. Foreign Exchange Risk	The Group's costs of sale are incurred in a different currency to that in which it sells. If the currency in which the Group is buying changes unfavourably, this means the margin is uncertain/volatile.	The Group places forward contracts based on forecasted orders and sets prices to reflect the blended FX rate achieved in those contracts. Hedge effectiveness and stability of euro rates is monitored regularly.	↑

Operational Risks	Risk Description and Impact	Mitigation & Management	
2.2. Working Capital Risk	Given the seasonality of the business, cash flow is volatile which could lead to a lack of liquidity and an inability to trade.	The business maintains a working capital facility with Lloyds to cover seasonal requirements and the Group regularly monitors its liquidity position.	↔

Operational Risks	Risk Description and Impact	Mitigation & Management	
2.3. VAT Complexity	Due to the complexity of VAT rules in the travel industry, HMRC could disagree with the VAT treatment the Group has applied, which could result in additional unrecoverable VAT, plus interest and penalties, and the costs of litigation if we chose to challenge the decision.	The Group engages VAT specialists in the travel industry to provide advice on current VAT treatment and VAT developments. This enables us to budget appropriately and ensure our documentation and processes support our VAT position.	↔

3. LEGAL

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
3.1. Litigation Risk	**Ryanair litigation:** The Group is one of several online travel agents involved in litigation with Ryanair in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process is ongoing but remains at an early stage. The position remains as disclosed in our Prospectus, save that (with regard to paragraph 13.6 on page 185), OTB only received Ryanair's response to the Notice for Particulars in September 2016 so this has caused a delay to the anticipated timescales set out in the prospectus. Litigation is unpredictable and if Ryanair were to prevail, this could have a material impact on the Group's business.	The Group has instructed an expert legal team (including a specialist law firm and a senior QC) with particular expertise and experience in such cases to protect its legal position and maximise its chances of success.	↔

3. LEGAL - continued

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
3.1 (continued) Litigation Risk	**Personal injury claims:** Due to the proliferation of claimant law firms and claims companies offering "no-win-no-fee" arrangements, there has been an increase in personal injury claims across the industry (e.g. holiday sickness, trips and falls, swimming pool and balcony incidents). Despite the fact that OTB is an agent and does not sell "packages" as defined in the Package Travel Regulations, claimant solicitors often argue otherwise and if OTB were found by a court to have sold a "package" then OTB could be liable for damages as well as reputational damage if liability is proved. When the Package Travel Directive comes into force in 2018, the definition of package will change, and it is likely that OTB will at that point be selling packages, so will have to defend personal injury claims on the basis of liability.	OTB acts as a travel agent and not as principal in relation to each holiday element, and it does not sell "packages". OTB's processes, practices and paperwork firmly support this and it is considered to have the strongest agency/package defence in the industry. OTB has increased its insurance cover this year and has indemnities from a number of its key suppliers. OTB works with its suppliers to ensure that customers' health and safety is monitored throughout the supply chain.	↑

Operational Risks	Risk Description and Impact	Mitigation & Management	
3.2. Regulatory Risk	The Group's business is highly regulated and is subject to a complex regime of laws, rules and regulations concerning travel, online commerce, financial services, consumer rights, and data protection. A breach of these laws could have serious financial and reputational implications for the Group. Unfavourable changes to or interpretation of these laws or the introduction of new laws could adversely affect the Group's business and financial performance. For example, it is likely that reform of the Package Travel Directive could increase the costs of conducting the Group's business and subject it to additional responsibilities and liabilities.	The Company Secretary is a qualified lawyer and advises the Group on current and forthcoming legal requirements. The Group also has external legal advisers in place to provide proactive and responsive legal advice in relation to legal and regulatory requirements. The Group reviews closely the draft proposals for law reform at each stage of the legislative process, which enables it to perform impact assessments and to put in place arrangements to mitigate the impact of legislative change. The Group also participates in industry steering and advisory groups, through which it is able to lobby on legislative change.	↔

CORPORATE SOCIAL RESPONSIBILITY

On the Beach can be distilled into two words, 'Sunshine Innovation', which shines throughout our business's culture. Our bright, sunny and friendly people, coupled with our smart thinking and smart technology gives On the Beach the edge over our competition.

Our flat structure empowers employees to make decisions to improve customer experience and drive innovation throughout the Group.

People are our business

Recruiting, engaging and retaining staff with the right On the Beach DNA is critical to us and we have exciting plans to continue this investment and develop our fantastic working environment to further support our values and vision to be Europe's leading online retailer of beach holidays. We're proud to have a fantastic team culture too. To encourage this, our teams get state of the art technology to work with, a subsidised canteen, a casual dress code and a chill out area; as well as golf, bowls and badminton on site. We also offer staff research and development time to develop innovative ideas with their colleagues and help be part of a flourishing business.

We have relationships with local colleges and universities, plus On the Beach runs an annual 'Ruby Academy' to help support and develop graduates in gaining the skills to be successful within our Development Team and beyond, while attracting the brightest graduate talent to our team.

Employee Involvement & Engagement

The Group recognises the importance of good communication with its employees and engages with its employees to ensure that employees are:

- provided with information on matters of concern to them as employees, for example, via the Group's intranet, an all- employee "Communication Group" email address, the 'Octopus system' (for contact centre agents who do not have a company email address), and noticeboards throughout the office;
- consulted on a regular basis so the views of employees can be taken into account, including through line managers, employee satisfaction questionnaires, employee suggestion box (physical and electronic) and because of the flat structure and informal approach, through direct communication with the executive team (which is encouraged);
- encouraged to feel part of the Company and be 'bought-in' to its long-term future, including oversight by the Remuneration Committee to ensure employees are incentivised in line with the Group's strategy, the issue of shares (prior to listing) to certain key employees, participation in a bonus scheme linked to company performance, participation in an all-employee share incentive plan (and in due course, subject to the approval of shareholders at the AGM, through the launch of a sharesave/save as you earn plan), and for senior employees, participation in a long- term incentive plan; and
- aware of the financial and economic factors affecting the performance of the Company, including an annual business update presentation to employees and access to real-time management information, subscriptions to industry magazines, as well as regular communication via email.

Equality and Diversity

The Group is committed to the avoidance of discrimination and encouraging diversity amongst our employees. We treat all employees and applicants fairly and with respect. We seek to create an environment in which individual differences and the contributions of all our staff are recognised and valued. Please see the Diversity section on page 32 for further details and for a breakdown of the numbers of persons of each gender who are: directors of the company, senior managers of the company and company employees.

Employment of Disabled Persons

The Group'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 Group puts in place an 'Employee Wellbeing Plan' (EWP) with all disabled employees (and indeed 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.

Anti-corruption and Bribery

On the Beach is committed to operating ethically and employees do not actively seek gifts or favours from any of our suppliers, or from other persons or organisations with whom we associate. We have top level commitment to anti-bribery and corruption, and ensure all employees behave professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and implement and enforce effective systems to counter bribery.

We are set up to fully support our employees, should they need to raise concerns about unethical, criminal or dangerous activities within the Group, and as such provide a confidential whistleblowing telephone line, through an independent and impartial organisation.

Modern Slavery Act

The Modern Slavery Act 2015 has introduced changes in UK law focused on increasing transparency in supply chains. In relation to this Act, the Company is conducting an assessment of all supply chain processes, to highlight any potential areas of concern in relation to modern slavery. The Company is committed to ensuring modern slavery is not taking place within the business or any supply chains and the Company will look to strengthen any processes highlighted as part of our assessment. The Company will publish a statement approved by the board and will continue to monitor obligations under the Act. The statement will describe any steps taken to ensure modern slavery and human trafficking is not taking place within the business or any supply chain. The statement will be published on the Company's website within the next few months.

Community and Environment

We are passionate about giving back to the local community and always encourage and support employees who wish to arrange fundraising events or initiatives.

This year we sponsored Rails Girls Manchester, a local event which aims to open up technology and make it more approachable for girls and women. As well as sponsorship, we also sent two of our experienced developers to the event to be mentors to the attendees.

Our in-house development team and innovative technology has always been an aspect of the business we are extremely proud of, and this therefore felt like an area we could really give back to.

We understand our responsibility to protect the environment in which we operate and are committed to doing so. We encourage our employees to follow the same ethical code in their day to day roles; from only printing documents where necessary, to recycling any waste appropriately. We have also installed timed lighting in a number of our meeting rooms in order to reduce wasted energy.

Greenhouse Gas Emissions

Because the Group's business is online only, with no retail footprint, and the Group operates out of one head office location, with all employees currently located on two floors, the Group's environmental footprint is small, as demonstrated by the relative emissions, by revenue, as set out in the table below.

We have calculated our Scope 1 and 2 greenhouse gas emissions in accordance with the mandatory reporting requirements set out in the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Group's head office is a leasehold property and all electricity and gas is provided through and billed by the landlord. The Group has therefore relied on information provided by the landlord. We understand that the landlord followed the methodology of ISO 14064-1 using emission factors from UK Government Conversion Factors for Company Reporting 2014.

There has been an increase in overall emissions since those figures released in last year's annual report. This is due to the increased activity on site which is a consequence of the growth of the business (e.g. we have taken on more office space in our building). When revenue is taken into account, our relative emissions remain low.

Greenhouse Gas Emissions by Scope

	Unit	2016 Quantity[1]	2015 Quantity[2] (updated)	2015 Quantity[3] (estimated)
Scope 1				
Gas consumption	Tonnes CO_2e	85.28	28.46	27.36
Scope 2				
Electricity consumption	Tonnes CO_2e	455.07	326.45	306.35
Total emissions	Tonnes CO_2e	540.35	354.91	333.72
Relative emissions, by revenue	Tonnes CO_2e/£m revenue	7.6	5.6	5.3

1 *These figures are based on information from 1 June 2015 to 31 May 2016 so they do not correspond exactly to the reporting period, as the information is not yet available for the year from 1 June 2016 to 30 September 2016 but we believe energy consumption will closely correspond to the equivalent period in 2015. The updated figures for 2016 will be included in next year's annual report.*

2 *This reflects the actual figures for the period from 1 October 2014 to 30 September 2015.*

3 *These were the figures included in the 2015 annual report and related to the year from 1 June 2014 to 31 May 2015.*

AWARDS & ACHIEVEMENTS

On the Beach at MEN Awards 2015

On the Beach at The Sun Travel Editor's Awards 2016

TRAVOLUTION AWARDS 2016
Best Technology Team

TTG TOP 50 TRAVEL AGENTS 2016
Top Online Travel Agent

THE SUN TRAVEL AWARDS 2016
Travel Editor's Award

BVCA MANAGEMENT TEAM AWARDS 2016
National CEO of the Year - Simon Cooper

TRAVOLUTION AWARDS 2015
Best Travel Agent Website Award
Best Use of Search Engine Marketing Award

MEN AWARDS 2015
Business of the Year Award

TRAVOLUTION AWARDS 2014
Brand of the Year - On the Beach

NORTHERN TECH AWARDS 2014
Overall Winner – On the Beach

NORTH WEST FINANCE DIRECTOR AWARDS 2013
Finance Director of the Year - Wendy Parry

TOP 20 RISING STARS OF THE REGION'S TECHNOLOGY COMMUNITY
Awarded to On the Beach

GOVERNANCE

CHAIRMAN'S INTRODUCTION

Richard Segal
CHAIRMAN

I am pleased to present our corporate governance report, which outlines the details of our corporate governance arrangements and reports on the activities of the Nomination, Remuneration and Audit Committees during the year.

Compliance with UK Corporate Governance Code 2014

In our report last year, the Company had only been listed for three days prior to the end of the period and as a result, there were a small number of areas of non-compliance with the provisions of the UK Corporate Governance Code 2014 (the "Code").

These issues have been addressed during the course of the year and I am delighted to confirm that the Company is now in full compliance with the provisions of the Code and the report which follows this introduction will set out in detail how the Company ensures its compliance with the Code.

The UK Corporate Governance Code 2016, released in April 2016 (the "New Code"), applies to accounting periods beginning on or after 17 June 2016, so the New Code applies to the Company with effect from 1 October 2016. The Company is reviewing the new requirements to ensure that it complies with the New Code, and we will report on our compliance with the New Code in next year's annual report.

Board Composition

There were no Board changes during the financial year to 30 September 2016, but a key area of focus of the Board and the Nomination Committee during the year was to review succession planning arrangements for the Executive Directors and the senior management team to ensure that adequate arrangements are in place and also to consider diversity on the Board and across the organisation as a whole.

During the year, the Nomination Committee ran a specific succession planning and recruitment process focused on the Chief Financial Officer (CFO) role, in anticipation of Wendy Parry's retirement plans. The outcome of this exercise was the appointment of Paul Meehan as Wendy's successor with effect from January 2017. The report of the Nomination Committee provides further details on this exercise.

Board Evaluation

We have carried out a full, thorough and tailored Board Evaluation exercise this year. This covered the Board itself, each of the Committees, and an evaluation of each individual Director's performance. Details are provided on page 33.

Market Abuse Regulation

The Market Abuse Regulation ("MAR") came into force on 3 July 2016, and the Company has reviewed and updated its policies and procedures to ensure compliance with the provisions of MAR, which includes the creation of a new Disclosure Committee, whose job it is to monitor the Company's compliance with MAR, and make decisions about disclosure of information. More details are set out on page 30.

Shareholder Engagement

We are committed to engaging and maintaining an active dialogue with all our shareholders. Further details are set out on page 33. I would like to encourage our shareholders to attend our Annual General Meeting which will be held at 11am on 2 February 2017 at Park Square, Bird Hall Lane, Cheadle, SK3 0XN. It will provide an excellent opportunity to meet the Executive and Non-Executive Board Directors and to visit our head office.

I am satisfied that this Board is in the best position to be able to work effectively together to drive the long term growth and success of the Company. We will continue to review developments in Corporate Governance best practice and seek to apply them to the Company.

Richard Segal
NON-EXECUTIVE CHAIRMAN
On the Beach Group plc

DIRECTORS' BIOGRAPHIES

Simon Cooper
CHIEF EXECUTIVE OFFICER

The first Group company was established by CEO Simon Cooper in 2004, and became a trading subsidiary of On the Beach Limited in 2008. Simon was also a founder of On the Piste Travel Limited incorporated in 1996. The Group initially operated on a digital platform operated by Teletext Holidays, with bookings being taken via a call centre. The Company launched its first website in 2004 and expanded rapidly, securing private equity investment from Livingbridge in 2007. Simon recruited the current Executive team and continued to drive growth in On the Beach, securing further investment from Inflexion private equity in 2013.

Appointed to board:
17 August 2015

Independent:
N/A

External appointments:
None

Committee memberships:
Disclosure (Chairman)

Wendy Parry
CHIEF FINANCIAL OFFICER

Wendy Parry joined the Company in April 2010 as Chief Financial Officer. Wendy qualified as a chartered accountant at KPMG and, before joining the Company, she held a wide variety of senior commercial, financial and operational roles within large private and listed companies. She has held Managing Director, Commercial Director and Finance Director roles at divisions of Holidaybreak plc, she was Finance Director at Booker Foodservice Ltd and Liverpool John Moores University and she was Group Chief Accountant of Courtaulds Textiles plc.

Appointed to board:
17 August 2015

Independent:
N/A

External appointments:
None

Committee memberships:
Disclosure

Richard Segal
CHAIRMAN

Richard Segal is Chairman of the Company. He is also Chairman of HostelWorld Group plc, Racing Post and Encore Tickets. Previously, Richard was Chairman for Esporta and Barratts PriceLess, a founding partner of 3i Quoted Private Equity, a non-executive director at The Kyte Group, Chief Executive Officer at PartyGaming Plc and Odeon Cinemas (where he led a management buy-out from the Rank Group) and Managing Director of Rank Group's entertainment sector. He holds a BA in economics from Manchester University and is a member of the Institute of Chartered Accountants of England and Wales.

Appointed to board:
17 August 2015

Independent:
Yes

External appointments:
Spread A Smile
Hostelworld Group plc
Encore Tickets
Racing Post

Committee memberships:
Audit, Nomination (chairman), Remuneration, Disclosure

Lee Ginsberg
NON-EXECUTIVE DIRECTOR

Lee Ginsberg joined the Company in August 2015 as Senior Independent Non-Executive Director and Chairman of the Audit Committee. He is a Chartered Accountant by profession and was previously Chief Financial Officer of Domino's Pizza Group plc. Lee joined Domino's Pizza in 2004 and retired on 02 April 2014. Prior to his role at Domino's Pizza Group plc, Lee held the post of Group Finance Director at Health Club Holdings Limited, formerly Holmes Place plc, where he also served for 18 months as Deputy Chief Executive.

Lee is a non-executive director and Chairman of the Audit and Risk Committee of Mothercare plc, a non-executive director and Chairman of the Audit and Risk Committee of Trinity Mirror plc and a non-executive director of Softcat Plc. Lee is also the non-executive Deputy Chairman, senior independent director and Chairman of the Audit Committee of Patisserie Valerie Holdings plc.

Appointed to board:
17 August 2015

Independent:
Yes

External appointments:
Softcat Plc
Oriole Restaurants
Mothercare Plc
Trinity Mirror Plc
Patisserie Holdings Plc

Committee memberships:
Audit (chairman), Nomination, Remuneration

David Kelly
NON-EXECUTIVE DIRECTOR

David Kelly joined the Company in August 2015 as a Non-Executive Director and Chairman of the Remuneration Committee. David is currently a Non-Executive Director of The Gym Group Plc. He was previously the Operations Director at Amazon from 1998 to 2000, the Chief Operating Officer at Lastminute.com from 2000 to 2003 the Vice President, Operations/Chief Operating Officer at eBay from 2003 to 2007 and Senior Vice President of International at Rackspace from 2010 to 2012

In 2007, David co-founded mydeco.com and, more recently, has built a wide portfolio of non-executive and advisory positions – including Chairman/Non-Executive Director of Love Home Swap and Pure 360.

Appointed to board:
28 August 2015

Independent:
Yes

External appointments:
The Gym Group Plc
Love Home Swap
Holiday Extras
Pure 360
Simply Business
Camelot UK Lotteries
Trinity Mirror Plc

Committee memberships:
Audit, Nomination, Remuneration (chairman)

CORPORATE GOVERNANCE STATEMENT

Introduction

This section explains key features of the Company's governance structure and how it complies with the UK Corporate Governance Code published in 2014 by the Financial Reporting Council. This section also includes items required by the Listing Rules and the Disclosure and Transparency Rules (DTRs). The Code is available on the Financial Reporting Council website at www.frc.org.uk.

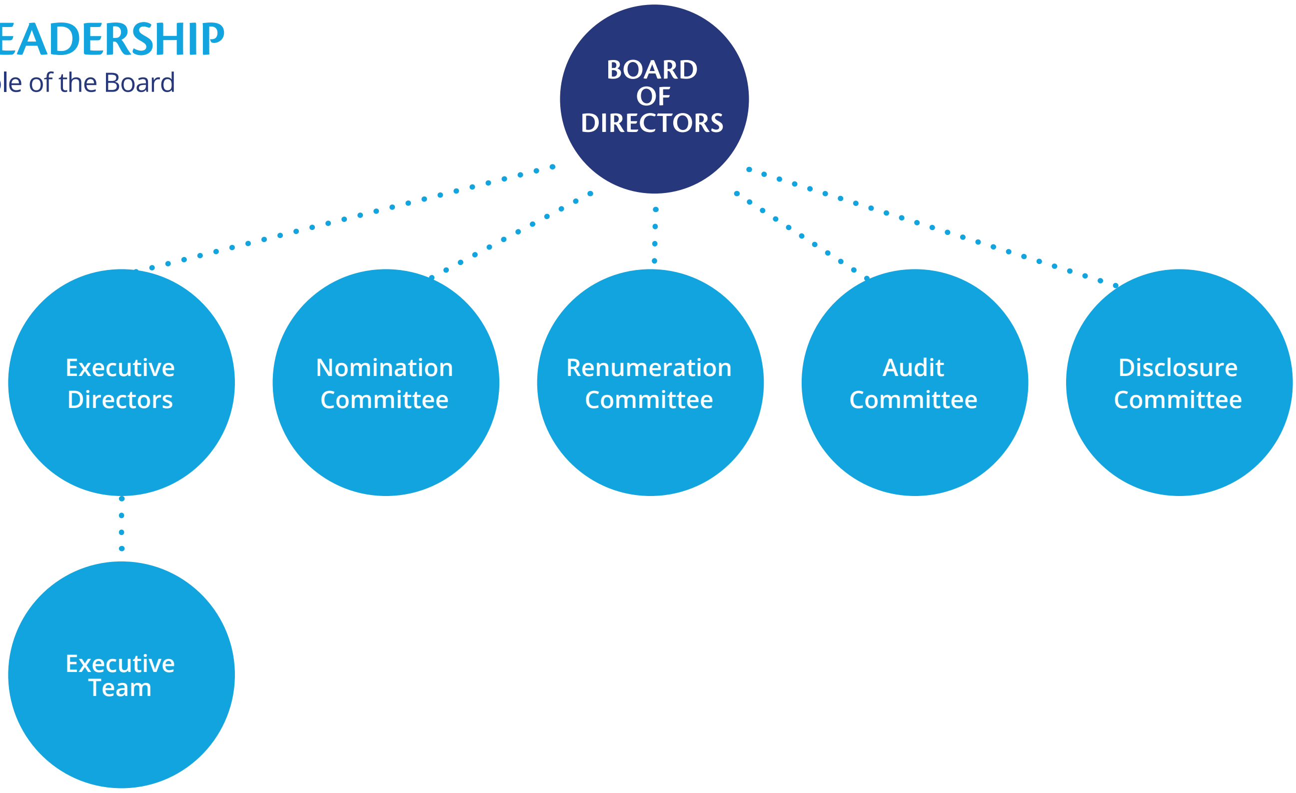
Compliance with the 2014 Code

The Company is committed to achieving and maintaining the highest standards of corporate governance. During the financial year ending 30 September 2016 (the "reporting period") the Company was compliant with the Code in its entirety. There are no areas of non-compliance and this was achieved through the strong governance structure in place.

Details and explanations of the application of the principles of corporate governance are set out in the following sections of this Corporate Governance Statement.

LEADERSHIP

Role of the Board



The Board is comprised of five members: the Chairman, two Executive Directors and two Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the profiles on pages 27 and 28.

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls and for reviewing the overall effectiveness of systems in place) and for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Executive Directors are supported by an executive team to whom the Board delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business, who cascade this responsibility throughout the Group. The Board has close contact with the wider executive team, who are regularly invited to attend meetings of the Board to provide functional presentations in relation to strategic matters of interest to the Board.

Matters Reserved to the Board

The Board has reserved certain specific matters to itself for decision. The full schedule of matters reserved to the Board is available in the Corporate Governance section of the Company's website, or from the Company Secretary upon request, but the key matters include:

- Approval of (and changes to) annual operating and capital expenditure budgets;
- Extension of the Group's activities into new business or geographic areas;
- Changes to the Group's capital or corporate structure, including acquisitions and disposals;
- Financial reporting and controls;
- Internal controls, including maintenance of a sound system of internal control and risk management;
- Approval of major contracts and commitments;
- Communication with shareholders;
- Board membership and senior appointments.
- Remuneration;
- Delegation of authority to committees and below board level;
- Corporate governance matters; and
- Approval of policies adopted by the Group.

Board Committees

The Board has delegated certain responsibilities to four Board Committees to assist it with discharging its duties. A summary of the terms of reference for each Committee is set out below but the full terms of reference are available on the Company's website and from the Company Secretary upon request.

Board and Committee Meetings

Board meetings (and Audit Committee meetings, where appropriate) are scheduled to coincide with the Company's financial reporting calendar, including the announcement of full and half year results, and the AGM.

The Company has a Board and Committee calendar, which is updated regularly and which sets out all matters to be covered by the Board and Committees over a rolling twelve-month period, including strategy, standard business, matters directly linked with financial reporting and results, corporate governance requirements and ongoing training for the Board.

During the reporting period, twelve Board meetings were held. All Board meetings were attended by all Directors.
There have been 5 meetings of the Audit Committee, 6 meetings of the Remuneration Committee, 3 meetings of the Nomination Committee and 4 meetings of the Disclosure Committee (each attended by all members of the Committees).

Disclosure Committee

In relation to the Market Abuse Regulation (EU) No 596/2014 which came into force on 3 July 2016, the company has established a Disclosure Committee. The role of the committee is to maintain procedures, systems and controls for the identification, treatment and disclosure of inside information and for complying with the obligations falling on the Company and its directors and employees under the Market Abuse Regulation and the Listing Rules of the London Stock Exchange.
The Disclosure Committee reviews market announcements, identifies potential inside information, creates and amends insider information lists and implements disclosure procedures.

Committee	Role and Terms of Reference	Members	Report on pages:
Audit Committee	Reviews and reports to the Board on the Group's financial reporting, internal control and risk management systems, whistleblowing, internal audit and the independence and effectiveness of the external auditors.	Lee Ginsberg (Chair) David Kelly Richard Segal	36
Remuneration Committee	Responsible for all elements of the remuneration of the Executive Directors and the Chairman, and other members of senior management.	David Kelly (Chair) Lee Ginsberg Richard Segal	39
Nomination Committee	Reviews structure, size and composition of Board and its Committees and makes appropriate recommendations to Board.	Richard Segal (Chair) David Kelly Lee Ginsberg	34
Disclosure Committee	Responsible for overseeing the Company's compliance with the Market Abuse Regulation and making decisions (with support of advisers) on when information must be disclosed to the market.	Simon Cooper (Chair) Richard Segal Wendy Parry	N/A

Insurance Cover

The Company has made arrangements for appropriate insurance cover to be put in place in respect of legal action against its directors.

Division of responsibilities

The roles of Chairman and Chief Executive Officer are not exercised by the same individual. The division of responsibilities between the Chairman and the Chief Executive Officer has been defined, formalised in writing, and approved by the Board.

The Chairman is responsible for:

- the leadership and effectiveness of the Board and setting its agenda and ensuring sufficient time is available for discussion of agenda items, in particular strategic issues;
- ensuring that all Directors receive accurate, timely and clear information on financial, business and corporate matters to make sound Board decisions;
- facilitating the effective contribution of non-executive Directors;
- ensuring constructive relations between executive and non-executive Directors;
- ensuring effective communication with shareholders; and
- ensuring that the performance of individual Directors, the Board as a whole and its Committees is evaluated at least once a year.

The Chief Executive Officer is responsible for managing the business and driving it forward, including the responsibility for:

- the operations of the Group;
- developing Group objectives and strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders;
- following presentation to, and approval by, the Board, for the successful implementation and achievement of those strategies and objectives;
- ensuring that the Group's businesses are managed in line with strategy and approved business plans, and comply with applicable legislation and Group policy;
- ensuring effective communication with shareholders; and
- setting Group human resource policies, including management development and succession planning for the senior executive team.

Non-Executive Directors and Senior Independent Director

In addition to the Chairman, the Company has two independent Non-Executive Directors, who are appointed to bring independence, impartiality, wide experience, special knowledge and personal qualities to the Board.

The Code recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. Lee Ginsberg has been appointed Senior Independent Director.
Regularly, following the end of board meetings the Chairman and Non-Executive Directors meet formally without the Executive Directors present in order to provide evaluation on the Executive Directors. Similarly, the Non-Executive Directors meet to evaluate and appraise the Chairman's performance. These regular appraisals are important to evaluate the knowledge and skills of members of the board.

Where directors have a concern which cannot be resolved about the company or a proposed action, their concern would be minuted by the Company Secretary following the relevant Board or Committee meeting.

EFFECTIVENESS

Composition of the Board: balance of skills and independence

The Code recommends that, as a "smaller company", the Company should have at least two independent non-executive directors. The Board consists of two Non-Executive Directors (excluding the Chairman) and two Executive Directors. The Company regards both of the Non-Executive Directors as "independent non-executive directors" within the meaning of the Code and free from any relationship that could materially interfere with the exercise of their independent judgement. The Board is satisfied that this is the case notwithstanding the fact that both Non-Executive Directors are also non-executive directors of Trinity Mirror plc, on the grounds that in the context of both Directors' wider business interests and activities, having two directorships in common does not threaten their independence from each other. Indeed, the Board believes that this common link strengthens the relationships within the Board.

Lee Ginsberg holds a minor shareholding in the Company of 16,300 Ordinary Shares, representing 0.013% of the Company's issued ordinary share capital. The Board does not consider this to threaten Lee's independence given the shareholding is minor and is not material in the context of Lee's wider business interests and shareholdings.

The UK Corporate Governance Code recommends that the chairman of a company admitted to the premium listing segment of the Official List should meet the independence criteria set out in the Code. The Board regards Richard Segal as an "independent non-executive director" within the meaning of the UK Corporate Governance Code. In reaching this determination, the Board has had regard to: (i) Richard's shareholding in the Company; and (ii) the material business relationships he has developed within the Group over his tenure as Non-Executive Chairman of OTB since October 2013. The Board is satisfied with the judgment, experience and approach adopted by Richard and has determined that Richard is of independent character and judgment, notwithstanding the circumstances described at (i) and (ii) above, on the grounds that in the context of Richard's wider business interests and shareholdings, this is not material and therefore unlikely to challenge his independence.

The Board considers, on the recommendation of the Nomination Committee, that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge of the Company taking into account the respective skills, experience, independence and knowledge of each of the Directors. This will continue to be monitored by the Nomination Committee.

Appointments to the Board

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. Please see page 34 for the report of the Nomination Committee.

The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for election by the shareholders.

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and are able to devote sufficient time to their duties. Accordingly, all Directors will seek election at the Company's forthcoming AGM (with the exception of Wendy Parry, who will retire with effect from 16 January 2017). Paul Meehan will seek election at the Company's forthcoming AGM. Non-executive directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Diversity

We are aware of the need to keep under review the diversity of our Board and our organisation as a whole in all respects including in terms of socio-economic background, race, ethnicity, gender, sexual orientation, age, physical abilities, religious beliefs, political beliefs and other ideologies.

It is important that we maintain a diverse workforce across all these areas, but one particular area of focus for the organisation is gender diversity. In the technology industry as a whole, there is a considerable gender imbalance, with significantly more men than women going into the industry. This trend is reflected in On the Beach's IT development team, but we are committed to taking steps to attract and retain women into our IT team (such as our recent involvement with Rails Girls Manchester, see page 22 for more details).

We are also conscious of the gender imbalance on our Board, which is predominantly male. The Nomination Committee considered this issue during the year (especially in light of Wendy Parry's retirement) and it was agreed that the Board should not specifically look to recruit a Director to address gender balance, and that any Board appointments would be overseen by the Nomination Committee and would be on the basis of merit against objective criteria to ensure we appoint the best individual for each role. However the Company will continue to monitor diversity both on the Board and across the business to ensure diversity and equal opportunities.

As at 30 September 2016, the average age of our employees was 32 years old and the gender split between employees was as follows:

	Male	Female	Percentage of female employees
Directors of the Company	4	1	20%
Exec / Senior management	15	5	25%
Other employees	132	153	53%

AGM

Our second Annual General Meeting will be held at 11am on 2 February 2017 at Park Square, Bird Hall Lane, Cheadle, SK3 0XN. All shareholders will have the opportunity to attend and vote, in person or by proxy, at the AGM.

The notice of the AGM is in the booklet which is enclosed with this report, and sets out the business of the meeting and an explanatory note. Separate resolutions are proposed in respect of each substantive issue.

All members of the Board will be present at the AGM and will be able to answer any questions from shareholders.

Commitment and External Directorships

Any external appointments or other significant commitments of the Directors require the prior approval of the Board.

The Chairman and the Non-Executive Directors each hold external directorships, and these are disclosed within their profiles on pages 27 and 28.

The Board is comfortable that these do not impact on the time that any Director devotes to the Company and in the Board's view, these external directorships enhance the collective experience of the Board.

Directors' Conflicts of Interests

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another Company. The Company's Articles of Association enable the Board to authorise potential conflicts of interest which may arise and to impose limits or conditions, as appropriate, when giving any authorisation.

Any decision of the Board to authorise a conflict of interest is only effective if it is agreed without the conflicted Director(s) voting or without their vote(s) being counted. In making such a decision, the Directors must act in a way they consider in good faith will be the most likely to promote the success of the Company.

The Company maintains a register of related parties and register of directors' interests, which is reviewed by the Board on a regular basis.

Development of Directors

The Company has an induction programme for all new directors joining the board. The Chairman will continue to review training needs for Directors according to their individual needs – this will be reviewed on an ongoing basis and as part of the formal annual appraisal process. The Company Secretary has arranged training sessions for Directors as part of Board Meetings on a quarterly basis.

Information and Support

All Directors have access to the Company Secretary, who advises them on governance matters. The Chairman and the Company Secretary work together to ensure that board papers are clear, accurate, delivered in a timely manner to Directors and are of sufficient quality to ensure the Board can discharge its duties.

Specific business-related presentations are given by senior management as part of board meetings where appropriate. As well as the support of the Company Secretary, Directors have access to the Company's professional advisers where considered necessary.

Board Evaluation

The Board is committed to, and understands the value and importance of the evaluation and appraisal of the performance of the Board, its Committees, and of the individual Directors and the Chairman. The Board has carried out an evaluation to review the composition, experience and skills to ensure that the Board and its Committees continue to work effectively and that the Directors are demonstrating a commitment to their roles.

A formal internal evaluation was undertaken. It was decided that it was not necessary to carry this out externally and that an in-house review would be the most simple and effective method of evaluating the Board, particularly as it is the first Board evaluation for the Company. This allowed a firsthand assessment in order to gain a clear picture of any improvements which could be made.

As part of the evaluation process, questionnaires were completed by each board member in order to compare performance against the Corporate Governance Code. The questionnaire covered leadership, effectiveness, accountability, shareholder relations, meetings and administration. The Board approved the agreed questionnaires and then these were completed electronically. Results were analysed and the Company Secretary prepared a report for the Chairman. This was tabled for discussion at a Board meeting.

The evaluation established that the Board and its Committees were operating effectively and efficiently, with good leadership and accountability. The Board dynamic works well, with great dedication and commitment of each of the Board Members, and with the appropriate level of support and challenge from Non-Executive Directors. No major issues arose, but it was agreed that Board Meeting agenda should be restructured to give more priority and dedicated time to discussions on strategy. It was also agreed that the issue of Board diversity be considered by the Nomination Committee (see pages 34 and 35).

INVESTOR RELATIONS

The Company is committed to engaging and maintaining an active dialogue with all of its shareholders. The Company has rolled out an investor relations programme enabling dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information which has already been made public.

The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time, in accordance with the legal requirements.

Questions from individual shareholders are generally dealt with by the Executive Directors.

All shareholders can access announcements, investor presentations and the Annual Report on the Company's corporate website (www.onthebeachgroupplc.com).

The Senior Independent Director, Lee Ginsberg, is available to shareholders if they have concerns which cannot be raised through the normal channels or if such concerns have not been resolved. Arrangements can be made to meet with him through the Company Secretary.

Compliance with 7.2.6R DTR

In accordance with the requirements of the Disclosure and Transparency Rules, Rule 7.2.6R, the Directors' Report on page 53 contains details of significant shareholdings, special rights attached to securities and voting rights and all other matters required to be disclosed.

Approved by the board and signed on its behalf:

K Vickerstaff
COMPANY SECRETARY
6 December 2016

REPORT OF NOMINATION COMMITTEE

Richard Segal
CHAIRMAN, NOMINATION COMMITTEE

I am pleased to introduce the report of the Nomination Committee for the year ended 30 September 2016.

Members of the Nomination Committee

Chairman	Members
Richard Segal	David Kelly
	Lee Ginsberg

- Composed of three independent Non-Executive Directors
- At least two meetings held per year
- Meetings are attended by the Chief Financial Officer, Chief Executive, Company secretary and other relevant attendees by invitation.

Three meetings were held during the year:

	Meetings attending/Total meetings held	Percentage of meetings attended
Richard Segal	3/3	100%
David Kelly	3/3	100%
Lee Ginsberg	3/3	100%

Role of the Committee

The Committee has primary responsibility for leading the process for board appointments and making recommendations to the board, bearing in mind the need for diversity and a balance of skills, experience, independence and knowledge across the Board, taking care to ensure that appointees have enough time available to devote to the position.

Succession Planning

The Committee carried out an extensive review of the Group's succession planning arrangements for the Executive Directors, the executive team and the senior management team, including the employees regarded as key for the ongoing success of the Group. The Committee examined the risks identified in the succession plan, and recommended that certain actions took place to address any risk areas, including working with the Remuneration Committee to ensure that the remuneration for these individuals was at an appropriate level and in an appropriate structure to incentivise and retain talent in the business.

Retirement and succession of CFO

During the year, Wendy Parry expressed a wish to retire during 2017, though she agreed to remain in the business until such time as a suitable successor could be identified and recruited. This enabled us to ensure that the CFO succession project was very carefully planned and managed. The key stages of the process were as follows:

1. Planning

- Review of the current scope of the CFO and preparation of a new CFO role profile with a list of skills, attributes and experience required from a new CFO
- Review and restructure of the current finance team and role descriptions
- Engagement of an external executive search firm, Skill Capital, to undertake a talent mapping exercise to assist the planning and timetable for the succession. Skill Capital has no other connection with the Group.

2. Recruitment

- Skill Capital approached candidates who met the criteria on a no-names basis. This led to a short list of potential candidates for review by the Company.
- Two individuals were identified as particularly strong candidates, and (having signed a strict non-disclosure agreement) were invited to interviews with the CEO, the Chairman and the Senior Independent Director.
- Paul Meehan was identified as the strongest candidate who was an outstanding fit for the business with fantastic skills and experience.

- Discussions were held with Paul (with the assistance of Skill Capital) with regard to package expectations (please see page 39 in the Remuneration Committee's report for further details).

3. Appointment & handover

- The Committee recommended to the Board that an offer be made to Paul in line with the package recommended to the Board by the Remuneration Committee.
- An offer was made to Paul, which was accepted on 28 November 2016 and a start date was agreed as 16 January 2017.
- A retirement date was agreed with Wendy of 16 January 2017 to tie in with Paul's start date, but Wendy has agreed to be available as long as is required to ensure a full and orderly handover.

Diversity

The Company values equality and diversity (in all respects including in terms of socio-economic background, race, ethnicity, gender, sexual orientation, age, physical abilities, religious and political beliefs) and understands the benefits of a diverse Board.

The Nomination Committee considered the diversity on the Board during the year, and in particular noted that there is a gender imbalance and ethnicity imbalance. The Nomination Committee leads Board appointments and it was agreed that, both specifically in relation to the appointment of the new CFO, and also generally in relation to Board appointments, diversity and equality remained a key value for the company, and that it was the utmost priority for the Committee to ensure that where there is a vacancy on the Board, selection is on the basis of merit against objective criteria to ensure we appoint the best individual for each role. It was also agreed that the Board should not specifically look to recruit a Director to address the current imbalance of gender and ethnicity. However the Company will continue to monitor diversity both on the Board and across the business to ensure diversity and equal opportunities.

Board Evaluation & Re-election of Directors

The Committee reviewed the results of the Board evaluation and Director appraisal process as described on page 33 and has recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each Director, that all Directors (with the exception of Wendy Parry, who will retire with effect from 16 January 2017) will seek re-election, and that Paul Meehan will seek election, at the Company's forthcoming AGM.

I will be available at the AGM to discuss any questions that shareholders have in relation to the work of the Committee.

Richard Segal
CHAIRMAN, NOMINATION COMMITTEE

REPORT OF THE AUDIT COMMITTEE

Lee Ginsberg
CHAIR OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee Report for 2016. This has been the first full year as a listed company.

With the assistance of management and the external auditor, the Committee has considered the main financial reporting issues, estimates and judgements, and we believe that the information in the Annual Report is fair, balanced, and understandable and clearly explains progress against our strategic and operating objectives.

We believe that rigorous internal controls and robust risk management processes are an essential part of delivering shareholder value. The Committee has assisted the Board in performing a review of effectiveness of the processes and systems in place.

Members of the Nomination Committee

Chairman	Members
Lee Ginsberg	David Kelly
	Richard Segal

- Composed of three independent Non-Executive Directors
- Lee Ginsberg is considered by the Board to have extensive recent and relevant financial experience and all members have had experience in large organisations (Directors' biographies appear on pages 27 and 28).
- At least three meetings held per year
- Meetings are attended by the Chief Financial Officer, Chief Executive, Company Secretary and external auditor by invitation

Five meetings were held during the year:

	Meetings attending/Total meetings held	Percentage of meetings attended
Lee Ginsberg	5/5	100%
David Kelly	5/5	100%
Richard Segal	5/5	100%

Financial Reporting

The primary role of the Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, result announcements, dividend proposals and any other formal announcement relating to the Group's financial performance.

The Committee has looked at the quality and appropriateness of the accounting principles and policies adopted and whether management had made appropriate underlying estimates and judgements. In carrying out this review, the Committee has looked at management reports in respect of the main financial reporting issues and judgements made, together with reports prepared by the external auditor on the 2016 half-year statement and Annual Report 2016.

Work undertaken by the Committee in relation to 2016 Financial Statements

The Committee has reviewed the content of the 2016 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Committee was provided with a draft of the Annual Report in order to assess the strategic direction and key messages being communicated. The Committee provided feedback highlighting any areas in which they felt that further clarity or information was required and this was then incorporated into the report provided for Audit Committee approval.

Internal audit

The Group did not have a stand-alone Internal Audit Department during the year. The Committee has reviewed the need for an internal audit function during the year and considers that having no internal audit function is appropriate on the grounds that:

- The business operates from a single site;
- Procedures and routines are well established across the business; and
- There is a significant degree of senior oversight, particularly in respect of ongoing business performance, involving both the CEO and CFO.

The Committee will, as part of its remit, continue to evaluate the effectiveness and robustness of the current system of control as the Group grows as to whether an independent Internal Audit Department would be more appropriate and to set down the guidelines for the operation of such a department.

In line with its terms of reference, during the year, the Audit Committee has undertaken reviews and internal audits on the Company's processes, procedures and safeguards, commissioning external independent reports where required.

External Auditor

The Committee oversees the Group's relationship with the external auditor. The Committee holds meetings with the auditor without management present with the purpose of understanding the auditor's views on the control and governance environment and management's effectiveness within it. To fulfil its responsibilities in respect of the independence and effectiveness of the external auditor, the Committee reviewed:

- The audit work plan for the Group;
- The detailed findings of the audit, including a discussion of any major issues that arose during the audit; The Audit Committee reviewed the findings of the external auditor in respect of both the financial statements for the six-month period ending 31 March 2016 and for the year ended 30 September 2016.
- The Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity. It has therefore reviewed, and is satisfied with, the independence of KPMG as the external auditor; and
- The audit fee and the extent of non-audit services provided during the year.

KPMG was appointed auditor to the Group in 2007. The mandatory firm rotation (MFR) rules in the UK introduce requirements that all EU public interest entities (PIEs) must tender their audit contract at least every 10 years and change or rotate their auditor at least every 20 years. As the Group is not FTSE 350, audit tenure is measured from the point at which the Group became a PIE, being 28 September 2015, the date on which the Group became listed. As such, the Group will need to run a tender process by 2025. However, the Audit Committee will continue to review the relationship with the external auditor, and may tender its audit contract earlier than this, if the Committee believes this is necessary or desirable.

Non-audit services

The Company's external auditor may also be used to provide specialist advice where, as a result of their position as auditors, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the external auditor to ensure that there is adequate protection of their independence and objectivity.

The Company's policy is that, except in exceptional circumstances, non-audit fees to the audit firm should not exceed 70% of the amount of the audit fee for the current financial year (audit fee £90,000). In addition, all non-audit work in excess of £15,000 should be the subject of a competitive tender.

It should be noted that, in the current year (FY16), it was disclosed that fees totalling £nil were paid to KPMG for non-audit services.

Whistleblowing

A whistleblowing policy has been adopted which includes access to a whistleblowing telephone service run by an independent organisation, allowing employees to raise concerns on an entirely confidential basis. The Committee receives regular reports on the use of the service, any significant reports that have been received, the investigations carried out and any actions arising as a result.

Risk Management and Internal Control

The primary role of the Audit Committee in relation to risk management and internal controls is to review the effectiveness of risk management systems and related internal controls to ensure that any issues that have arisen are properly dealt with, and that going forward the systems are fit for purpose. The Committee performs its duties by:

- Reviewing annually the Group's system of internal control; and
- Reviewing reports from the external auditors on any issues identified in the course of their work, including an internal control report on control weaknesses, and ensuring that there is an appropriate response from management.

The Group has in place internal controls and risk management systems in relation to its financial reporting process and preparation of consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The internal control systems include:

Component	Approach	Basis for assurance
Risk Management	Risks are highlighted through a number of different reviews and culminate in a risk register. The register identifies the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level.	Updated by Executive team twice a year and reviewed and approved by the Board annually
Financial Reporting	Consolidated Group management accounts are produced monthly and provide relevant, reliable and up-to-date financial and non-financial information to management and the Board including an income statement, balance sheet and cash flow statement.	Results are reviewed each month by management, the Executive team and the Board. Results are compared against expectations and significant variances are explained by management.
Budgeting and reforecasting	The Group produces an annual budget and quarterly reforecast against which management monitor the key business and financial activities towards achieving the financial objectives each month.	Performed using a bottom-up approach with reviews performed by the Executive team and the Board.
Monitoring of controls	There are policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. The review by the audit committee highlighted that effective risk management and internal controls are in place.	The Committee has performed a rigorous and robust review of internal controls during the year including: › Review of risk registers › Assessment of compliance with corporate governance code › Delegated authority and approval limits › Review of business continuity plan › Basis and monitoring of capitalised website development costs

The Committee, with the assistance of management and KPMG, identified areas of financial statement risk and judgement as described below:

Description of focus area	Audit Committee action
Capitalised website development costs The Group incurs significant internal costs in respect of the development of the On the Beach and ebeach websites. The accounting for these costs as either development costs which are capitalised as intangible assets (for enhancement of the website) or expensed as incurred (in respect of maintenance) involves judgement.	The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment of whether current projects meet the criteria required for costs to be capitalised and consider the approach and application of this policy to be appropriate.
Revenue recognition The timing and element of judgement included in recognition of Group revenue has been considered through review of the Group's accounting policies and discussions with management covering the internal controls in place.	The Committee reviewed the types of revenue, how each is accounted for, the key judgements and estimates involved in recognition and how these are managed by the business to ensure appropriate accounting can be applied. In respect of override income this is only recognised when we have confirmation of a figure from the supplier or when the cash has been paid and the Committee is satisfied that Management has established procedures which are embedded in the monthly and annual reporting cycles to ensure that accounting records reflect the current position in respect of these items.

Lee Ginsberg
CHAIR OF THE AUDIT COMMITTEE

REMUNERATION REPORT

Annual Statement of the Chairman of the Remuneration Committee

David Kelly
CHAIRMAN OF THE REMUNERATION COMMITTEE

As Chairman of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 30 September 2016.

The Directors' Remuneration Policy was subject to a binding shareholder vote at the 2016 AGM and the Remuneration Committee were very pleased to receive overwhelming support from our shareholders, with 92.95% of proxy votes being in favour. We believe that this policy is fit for purpose and therefore do not propose to make any amendments this year. For ease of reference, a summary of the policy has been included in this report.

As outlined last year, the remuneration policy is designed to support the strategic objectives of the Company and to enable the business to attract, retain and motivate the quality of senior management needed to shape and execute the business strategy, aligning all stakeholders' interests. This is achieved by the use of fair but challenging targets with an appropriate balance between fixed and variable pay, and short and long term remuneration.

In our first full year since listing, the Company's performance has been strong with growth in adjusted underlying PBT of 46.9% year-on-year. Our executive team, led by Simon and Wendy, have been instrumental in driving these results and have performed strongly in their roles.

As noted in the Chairman's statement and the report of the Nomination Committee, Wendy Parry is to retire with effect from January 2017 and will be succeeded by Paul Meehan. As part of the succession planning and recruitment process, the Committee was involved in shaping a remuneration package for the new CFO which is in line with our remuneration policy, investor sentiment and which provides rewards and incentives in line with strategy. We are delighted to welcome Paul in January and we wish Wendy a fantastic retirement.

Remuneration highlights for the 2016 financial year

2016 was the first full year for On the Beach as a public company. In 2016, remuneration highlights included the following:

- As outlined in our 2015 report, the Executive Directors received salary increases effective from 1 January 2016 following the review carried out at the time of listing. The Remuneration Committee reviewed salaries during the year and determined that no salary increases would be awarded in 2017.
- Annual bonus measures were based on financial targets that link directly to both strategic and operational initiatives of the Company. A bonus of 27.8% of salary was approved by the Remuneration Committee for the Executive Directors.
- The first Long-Term Incentive Plan award was granted during the year. This award will vest at the end of three years and will be subject to a further two year holding period. The performance metrics will be based 70% on EPS performance and 30% on returns to shareholders.

Key activities of the remuneration committee

The Remuneration Committee met 6 times during 2016 and its key activities were as follows:

- Reviewed the 2016 Remuneration Report;
- Launched the Company's all-employee share incentive plan;
- Discussed annual bonus awards for Executive Directors;
- Granted the Company's first Long-Term Incentive Plan (LTIP) to eligible participants;
- Discussed succession planning and the talent pipeline for senior management;
- Recommended to the Board a remuneration package for the incoming CFO;
- Reviewed the Executive Directors' remuneration arrangements for 2017; and
- Drafted the Company's Remuneration Report for 2016.

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the UK Corporate Governance Code. The report is split into three parts:

- This Annual Statement.
- A brief summary of the Company's remuneration policy for Directors.
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2016 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM on 2 February 2017.

I hope that you find the information in this Report helpful and informative and I look forward to your continued support at the Company's Annual General Meeting.

The Remuneration Committee values all feedback from shareholders and as a public company, we aim to engage with our investors on a regular basis. I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions on this Report or more generally in relation to the Company's remuneration.

David Kelly
CHAIR OF THE REMUNERATION COMMITTEE

REMUNERATION REPORT

SUMMARY OF REMUNERATION POLICY

Introduction

The Directors' Remuneration Policy (the 'Policy') was approved by shareholders at the AGM on 5 February 2016 (92.95% of votes cast being in favour) and became effective from that date. There are no proposals to amend the Directors' Remuneration Policy at the AGM on 2 February 2017.

A summary of the policy is included for reference to assist with the understanding of the contents of this report. The full policy is detailed in our 2015 Annual Report, which can be found in the 'Investors centre' section under 'Reports and presentations' on the Company's website.

The following table sets out each element of remuneration and how it supports the Company's short and long term strategic objectives.

Base Salary

Short and long term strategic objectives

Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.

Operation

Salaries are reviewed annually and any changes are effective from 1 January in the financial year.

Opportunity

Base salaries will be set at an appropriate level within a comparator group of listed companies of comparable size and will normally increase in line with increases made to the wider employee workforce.

Performance metrics used, weighting and time period applicable

None

Benefits

Short and long term strategic objectives

Provides a competitive level of benefits.

Operation

The Executive Directors receive benefits which include family private health cover.

Opportunity

The maximum will be set at the cost of providing the benefits described.

Performance metrics used, weighting and time period applicable

None

Pensions

Short and long term strategic objectives
Due to their considerable shareholdings, the current Executive Directors are not provided with pension funding.

Operation
On recruitment, the Committee maintains the ability to provide pension funding in the form of a salary supplement, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.

Opportunity
15% of base salary p.a.

Performance metrics used, weighting and time period applicable
None

Annual Bonus Plan

Short and long term strategic objectives
The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.

Operation
For every £1 above the Board approved PBT budget, a proportion will go into a bonus pot which will be used to fund Executive and Senior Manager bonuses.

Annual bonuses are paid in cash after the end of the financial year to which they relate.

Opportunity
The maximum bonus opportunity is 100% of base salary.

Performance metrics used, weighting and time period applicable
Performance is measured over the financial year.

A bonus pot is only formed if budgeted PBT is met. The bonus payout is then determined based on the satisfaction of a range of key strategic objectives.

Long-Term Incentive Plan (LTIP)

Short and long term strategic objectives
Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value.

Operation
Awards are granted annually to Executive Directors in the form of nil cost options. These will vest at the end of a three year period subject to:

- the Executive Director's continued employment at the date of vesting; and
- satisfaction of the performance conditions.

A further two year holding period post vesting will apply.

Malus is applied up to the date of the bonus determination and during the three year period from grant to vesting for the LTIP. Clawback will apply for two years from the date of bonus determination and for the two year period post vesting for the LTIP.

Opportunity
Maximum award of 150% of base salary.
At least 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. Straight line vesting between these points.

Performance metrics used, weighting and time period applicable
The performance conditions for awards are currently split between earnings per share ("EPS") growth (70%) and absolute total shareholder return ("TSR") (30%).

SUMMARY OF REMUNERATION POLICY

HMRC Share Incentive Plan

Short and long term strategic objectives
To encourage wide employee share ownership and thereby align employees' interests with shareholders.

Operation
The Company has a share incentive plan in which the Executive Directors are eligible to participate (which is HMRC registered and is open to all eligible staff).

Opportunity
UK scheme in line with HMRC limits as amended from time to time.

Performance metrics used, weighting and time period applicable
None

Shareholding Requirement

Short and long term strategic objectives
To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.

Operation
The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to a percentage of base salary.

Opportunity
150% of salary.

Performance metrics used, weighting and time period applicable
None

Non-Executive Director fees

Short and long term strategic objectives
Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.

Operation
Non-Executive Directors are paid a base fee and additional fees for chairmanship of committees. The chairman of the Company does not receive any additional fees for membership of committees.

Fees are reviewed annually based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors.

Opportunity
The base fees for Non-Executive Directors are set at a market rate.

Performance metrics used, weighting and time period applicable
None

How remuneration links with strategy

It is essential that a fair, competitive and attractive remuneration policy is in place in order to ensure the future success of the Company. Our remuneration policy is designed to be fair and competitive, support the strategic objectives of the Company, and motivate the Executive Directors to deliver the short and long term strategy. In the table below, we summarise the performance measures for our incentive arrangements and how they are aligned with the business strategy.

Strategic priority	Incentive measures	Incentive scheme
Out – innovating through agility and investment in talent and technology	Revenue growth and personal objectives	Annual Bonus Plan
Driving an efficient increase in market traffic share	Marketing cost as a % of revenue and personal objectives	Annual Bonus Plan
Optimisation and personalization of the customer proposition across multiple devices	Personal objectives	Annual Bonus Plan
Leveraging revenue through direct and differentiated supply	Revenue growth and personal objectives	Annual Bonus Plan
Expanding our model into new source markets and products	Growth in International sales and other new products and personal objectives	Annual Bonus Plan
Delivery of shareholder value	Absolute TSR and EPS	LTIP

REMUNERATION REPORT

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

Executive Directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2016 financial year. Comparative figures for the 2015 financial year have also been provided. Figures provided have been calculated in accordance with the new UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary [1] (£'000)		Benefits (£'000)		Bonus (£'000)		LTIP (£'000)		Pension (£'000)		Total (£'000)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Simon Cooper	182	127	1	1	56	-	-	-	-	2	239	131
Wendy Parry	163	127	2	2	49	-	-	-	-	-	214	129

Notes:

(1) Executive Director salaries were reviewed on Admission and increased with effect from 1 January 2016 to £200,000 for Simon Cooper and £175,000 for Wendy Parry.

Non-executive Directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-executive Director.

(In £s thousand)	2016			2015		
Name	Fees	Taxable Benefits	Total	Fees	Taxable Benefits	Total
Richard Segal Chairman	100	-	100	77	-	77
Lee Ginsberg Senior Independent Director, Chairman - Audit Committee	58	-	58	7	-	7
David Kelly Chairman - Remuneration Committee	50	-	50	5	-	5

Additional information regarding single figure table (audited)

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Bonus awards (audited)

A bonus pot for Executive and Senior Manager bonuses is formed from a proportion of the excess PBT above a pre-determined target. For 2016, the UK IFRS profit before tax excluding exceptional items was £21.8m (before any bonuses are paid), which was £1.7m above the target for the year. The Remuneration Committee has determined that the resulting bonus pot was £0.4m (excluding NI).

The Remuneration Committee determined that, due to strong performance against the key strategic objectives, it was appropriate to distribute this bonus pot to Executives and Senior Managers. The following bonus awards were approved by the Remuneration Committee:

Director	Maximum bonus opportunity (% of salary)	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (£'000)
Simon Cooper	100%	27.8%	27.8%	56
Wendy Parry	100%	27.8%	27.8%	49

Long term incentives awarded in 2016 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2016 financial year. Vesting will be determined according to the achievement of performance conditions as outlined below.

Director	LTIP	Value of award	Face value of award (£'000)	Number of shares awarded	Exercise Price (£)	Percentage of award vesting at threshold performance	Performance period end date	Performance conditions
Simon Cooper	LTIP – nil cost option	100% of salary	200	91,743	Nil	25%	30 September 2018	EPS (70%) Absolute TSR (30%)
Wendy Parry[1]	LTIP – nil cost option	100% of salary	175	80,275	Nil	25%	30 September 2018	EPS (70%) Absolute TSR (30%)

Notes:

(1) Wendy Parry will retire in January 2017. As she is retiring with the agreement of the Board, she will be a good leaver for the purposes of the LTIP scheme, so her award will be pro-rated to time and performance.

The awards were granted on 20 May 2016. The number of shares awarded is calculated using the closing share price on 30 September 2015, which was 218p, as disclosed in the Admission document.

The EPS condition applying to 70% of the awards is provided in the table below.

EPS for year ending 30 September 2018	Vesting
Less than 21.5p	0%
21.5p	25%
23.3p or above	100%
Between 21.5p and 23.3p	Straight line vesting between 25% and 100%

The Absolute TSR condition applying to 30% of the awards is provided in the table below.

Annualised TSR of the Company over the three year period to 30 September 2018	Vesting
Less than 15%	0%
15%	25%
25% or above	100%
Between 15% and 25%	Straight line vesting between 25% and 100%

Absolute TSR is averaged over a one month period prior to the beginning and end of the performance period or such shorter period as is available.

Payments to past Directors / payments for loss of office (audited)

There were no payments in the financial year.

Statement of Directors' shareholdings and share interests (audited)

Shareholding requirements in operation at the Company are currently 150% of base salary for the CEO and the CFO. Executive Directors are required to build up their shareholdings over a five year period, which as noted below has been met in full. The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 30 September 2016 are set out in the table below.

Director	Shareholding requirement (% of salary)	Current shareholding (1) (% of salary)	Beneficially Owned Shares	Unvested LTIP interests subject to performance conditions	Shareholding requirement met?
Simon Cooper	150%	2,042%	-	91,743	Yes
Wendy Parry	150%	4,761%	-	80,275	Yes

(1) The share price of 200.75 pence as at 30 September 2016 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP awards do not count towards satisfaction of the shareholding guidelines.

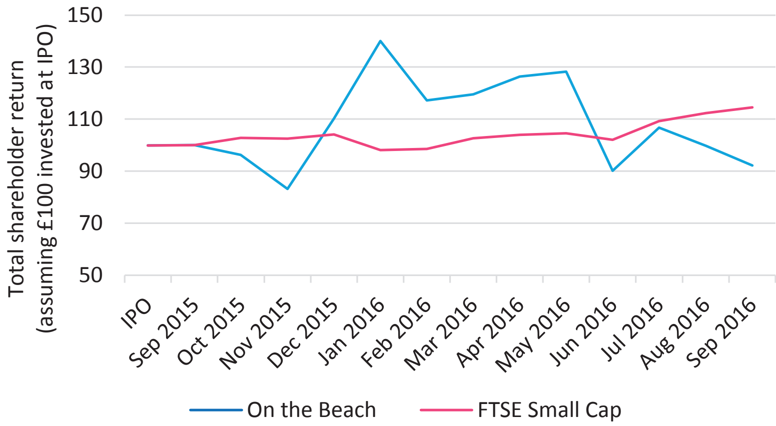
No changes in the above Directors' interests have taken place between 30 September 2016 and the date of this report.

Non-executive directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

Director	Shares held 30 September 2016
Richard Segal	406,680
Lee Ginsberg	16,300
David Kelly	-

Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE Small Cap index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment over the same period of dividend income. The Remuneration Committee considers that the FTSE Small Cap index is the appropriate comparator as On the Beach is a constituent of this index. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 September 2015 and therefore only has a listed share price for the period from 28 September 2015 to 30 September 2016.



Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last three years valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only for the three most recent financial years:

Chief Executive Officer	2016	2015	2014
Total Single Figure (£000s)	239	131	131
Annual bonus payment level achieved (% of maximum opportunity)	27.8%	-	-
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a

It should be noted that the Company only introduced the LTIP on Admission.

Change in Chief Executive Officer's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Chief Executive Officer from 2015 to 2016 compared with the average percentage change for employees.

The Chief Executive Officer's remuneration disclosed in the table below has been calculated to take into account base salary (with the salary increase effective from 1 January 2016 pro-rated for the year), taxable benefits, and annual bonus (including any amount deferred). The employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of full-time UK employees using P60 and P11d data from tax years 2015 and 2016. Part time employees have been excluded from the analysis, as have any employees who have been promoted or changed role.

	£'000	Salary £'000	Percentage Change	£'000	Taxable Benefits £'000	Percentage Change	£'000	Bonus £'000	Percentage Change
	2016	2015		2016	2015		2016	2015	
Chief Executive Officer	182	127	+43%	1	1	0%	56	-	N/A
Total pay	3,486	1,983	+43%	20	8	+150%	382	206	+85%
Number of employees	86	50	+72%	-	-	-	86	50	+72%
Average per employee	41	40	+2%	-	-	-	4	4	0%

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2015 and 2016 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2016 financial year (£m)	Disbursements from profit in 2015 financial year (£m)	Percentage change
Profit distributed by way of dividend	2.9	-	-
Overall spend on pay including Executive Directors	8.6	7.7	12%

Shareholder voting at general meeting

The Committee is committed to shareholder dialogue, seeks to ensure optimal alignment for all stakeholders and to ensure shareholders' views are taken into account in shaping remuneration policy and practice. The Directors' Remuneration Policy and Annual Report on Remuneration were subject to a shareholder vote at the AGM on 5 February 2016, the results of which were as follows:

Resolution	For	Against	For
Ordinary Resolution to approve the Directors' remuneration policy for the year ended 30 September 2015	92,568,002 (92.95%)	7,022,131 (7.05%)	0 (0%)
Ordinary Resolution to approve the Directors' remuneration report for the year ended 30 September 2015	99,590,133 (100%)	0 (0%)	0 (0%)

Implementation of remuneration policy in financial year 2017

The Remuneration Committee proposes to implement the policy for 2017 as set out below:

Name	Salary (£) 2017 (1)	Salary (£) 2016	Percentage Change
Simon Cooper	200,000	200,000	**0%**
Wendy Parry	175,000 (1)	175,000	**0%**

Notes:

(1) Wendy Parry will retire with effect from January 2017 and will be succeeded by Paul Meehan. The Remuneration Committee recommended to the Board a remuneration package for Paul of £250,000 basic salary and bonus, LTIP and other benefits in line with the remuneration policy. The salary agreed with Paul Meehan is considerably more than the salary that was paid to Wendy Parry on the grounds that Paul will not initially have the significant shareholding in the Company that Wendy has. The Committee is satisfied, having taken advice from PWC as external remuneration consultants, that Paul Meehan's package is in line with market practice.

Changes to NED Fees

No changes are proposed to the current fee components in place. The breakdown of fee components will remain as follows:

Chairman Fee	£100,000
Base Fee	£45,000
Additional fees are paid for:	
Senior Independent Director	£5,000
Chair of Audit Committee	£7,500
Chair of Remuneration Committee Fee	£5,000

Benefits and Pension

No changes are proposed to benefits or pension.

Annual Bonus Plan

The maximum bonus opportunity for the Executive Directors will remain at 100% of salary.

A bonus pot will be determined based on achievement of budgeted Group Profit Before Tax.

The proportion of the pot allocated to individuals will be based on the achievement of key strategic objectives which for the 2017 financial year will include:

- Achievement of group budgeted PBT;
- Generation of sales from international sites in line with budget;
- Growth in UK revenue in line with budget;
- Revenue growth per daily unique visitor;
- Reduction in core overheads costs; and
- Personal objectives.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus.

LTIP award

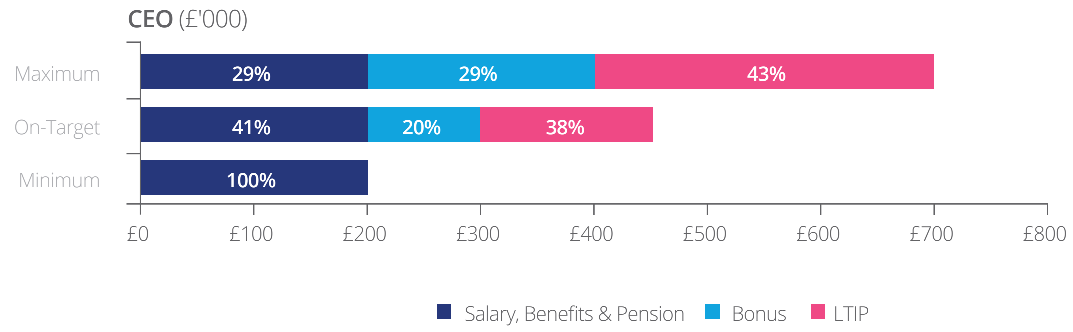
It is intended that a grant under the LTIP will be made during 2017. The maximum LTIP awards for the Executive Directors will be 150% of salary. The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three year period.

Illustrations of the application of the remuneration policy

Element	Description	Minimum	On-Target	Maximum
Salary, benefits and pension	Salary, benefits and pension (fixed)	Included	Included	Included
Annual Bonus	Annual bonus	No variable payable	50% of maximum bonus	100% of maximum bonus
Long-Term Incentive Plan	Award under the Long-Term Incentive Plan	No annual minimum Multiple year and variable	62.5% of the maximum award	100% of the maximum award

Dividend equivalents have not been added to LTIP share awards.

CEO (£'000)



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 144% of salary and at maximum, variable remuneration represents 250% of salary. Benefits are assumed to be in line with those received during 2016.

Given the change in CFO partway through the 2017 financial year we have not provided a graph illustrating the implementation of remuneration in 2017 for this role.

Composition and terms of reference of the Remuneration Committee

The Board has delegated to the Remuneration Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for the Chairman, Executive Directors and such other senior employees of the Group as the Board may determine from time to time. The terms of reference for the Remuneration Committee are available on the Company's website, onthebeachgroupplc.com, and from the Company Secretary at the registered office.

All members of the Remuneration Committee are independent Non-Executive Directors. The Remuneration Committee receives assistance from the CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met 6 times during 2016.

Advisers to the Remuneration Committee

During the financial year the Committee took advice from PricewaterhouseCoopers LLP (PwC) who were retained as external independent remuneration advisors to the Committee.
During the financial year, PwC advised the Company on all aspects of remuneration policy for Executive Directors and members of the Executive Team including the grant of the first LTIP award.

The Remuneration Committee is satisfied that the advice received was objective and independent. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.

PwC received fees of £11,250 for their advice during the year to 30 September 2016.

On behalf of the board

David Kelly
CHAIR OF THE REMUNERATION COMMITTEE
6 December 2016

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of On the Beach Group plc (the "Company") and its subsidiaries (together the "Group") for the financial year to 30 September 2016.

Statutory Information

Information required to be part of the Directors' Report can be found elsewhere in this document, as indicated in the table below and is incorporated into this Report by reference:

Section of Report	Page reference	
Amendment of the Articles	Directors' Report	(page 54)
Appointment and replacement of Directors	Directors' Report	(page 54)
Board of Directors	Corporate Governance Statement	(page 29)
Community	Strategic Report; Corporate Social Responsibility	(page 21)
Directors' indemnities	Corporate Governance Statement; Directors' Report	(pages 31 and page 55)
Directors' interests	Corporate Governance Statement	(page 32)
Directors' responsibility statement	Statement of Directors' Responsibilities	(page 59)
Disclosure of information to Auditors	Directors' Report	(page 56)
Employee involvement	Corporate Social Responsibility	(page 21)
Employees with disabilities	Corporate Social Responsibility	(page 22)
Future developments of the business	Strategic Report	(page 03)
Going concern	Directors' Report	(page 55)
Greenhouse gas emissions	Corporate Social Responsibility	(page 23)
Independent Auditors	Directors' Report	(page 56)
Names and details of all Directors	Directors' Biographies	(page 27)
Political donations	Directors' Report	(page 56)
Post-balance sheet events	Directors' Report	(page 55)
Powers for the Company to issue or buy back its shares	Directors' Report	(page 54)
Powers of the Directors	Corporate Governance Statement; Directors' Report	(page 54)
Research and development activities	Directors' Report	(page 55)
Restrictions on transfer of securities	Directors' Report	(page 54)
Results and dividends	Directors' Report	(page 56)
Rights attaching to shares	Directors' Report	(page 54)
Risk management	Strategic Report and note 19 to the consolidated financial statements	(page 14)
Share capital	Directors' Report	(page 54)
Significant related party agreements	Note 22 to the consolidated financial statements	(page 89)
Significant shareholders	Directors' Report	(page 55)
Statement of corporate governance	Corporate Governance Statement	(page 29)
Substantial shareholdings	Directors' Report	(page 55)

Management Report
This Directors' Report, on pages 53 to 56, together with the Strategic Report on pages 3 to 24, form the Management Report for the purposes of DTR 4.1.5R.

Strategic Report
The Strategic Report, which can be found on pages 3 to 24, sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties (including the financial risk management position) which is set out on pages 14 to 20.

UK Corporate Governance Code
The Company's statement with regards to its adoption of the UK Corporate Governance Code can be found in the Corporate Governance Statement on pages 29 to 33. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference.

Appointment and replacement of Directors
At each Annual General Meeting each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an Annual General Meeting in accordance with the Articles of Association of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director.

Amendment of Articles of Association
The Company's Articles of Association may only be amended by way of a special resolution at a general meeting of the shareholders. No amendments are proposed to be made at the forthcoming Annual General Meeting.

Share capital and control
The Company's issued share capital comprises ordinary shares of £0.01 each which are listed on the London Stock Exchange (LSE: OTB.L). The ISIN of the shares is GB00BYM1K758.

The issued share capital of the Company as at 30 September 2016 comprised 130,434,763 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 82 of the financial statements. Details of the movements in issued share capital during the year are provided in note 18 to the Group's financial statements contained on page 82. All the information detailed in note 18 on page 82 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company to be held on 2 February 2017 the Directors will seek authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £434,782.55 (43,478,255 shares of £0.01 each).

Employee share schemes
The Company has two employee share schemes in place:

- A HMRC-approved Share Incentive Plan ("SIP") to encourage wide employee share ownership and thereby align employees' interests with shareholders; and
- A Long Term Incentive Plan ("LTIP") under which nil cost share options are granted to Executive Directors and senior management linked to achievement in delivering goals which are closely aligned with the Company's strategy and the creation of value for shareholders.

Further details are provided in the Directors' Remuneration Report on pages 42 and 43.

At the AGM on 2 February 2017, the Company will seek shareholder consent to create a Save As You Earn/Sharesave Plan to further incentivise a wider population of its staff through share ownership. Further details are provided in the AGM Notice.

Authority to purchase own shares
The Directors will seek authority from shareholders at the forthcoming Annual General Meeting for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares either to be cancelled or retained as treasury shares. The Directors will only use this power after careful consideration, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will also take into account the effects on earnings per share and the interests of shareholders generally.

Rights attaching to shares
All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

No Shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the On the Beach Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the Scheme rules.

Voting rights
Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not than less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by him, unless all amounts presently payable by him in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities
The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Market Abuse Regulation and the Company's securities dealing code whereby all employees of the Company require approval to deal in the Company's securities.

Following the disposal of part of their shareholding in the Company on 9 August 2016, Inflexion entered into a deed whereby they agreed not to dispose of any ordinary shares for a period of 90 days (subject to waiver by Numis and to certain customary exceptions).

Change of control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

The Revolving Credit Facility contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Annual General Meeting

The Annual General Meeting will be held at 11 am on 2 February 2017 at the Company's registered office at Park Square, Birdhall Lane, Stockport, Manchester, SK3 0XN.

The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Substantial shareholdings

As at 30 September 2016[1], the following shareholders held 3% or more of the Company's issued shares. This reflects all notifications made to the company in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure and Transparency rules (DTR 5):

Name of Shareholder	Number of shares	% of issued shares	PDMR / PCA
OTB Holdings Limited Partnership (Inflexion)	38,432,801	29.5%	None
Hawksford Trustees Jersey Ltd as trustees of the Sule Cooper 2014 Settlement	12,129,387	9.3%	PCA of Simon Cooper[2]
Schroder Plc	9,577,667	7.33%	None
River and Mercantile Asset Management LLP	6,361,131	4.87%	None
Hargreave Hale Limited	6,406,578	4.91%	None
Independent Investment Trust	5,150,000	3.95%	None
Wendy Parry	4,149,943	3.18%	PDMR
Alistair Daly	4,149,943	3.18%	PDMR
Jonathan Smith	4,149,943	3.18%	PDMR

(1) No interests have been disclosed to the Company in accordance with DTR 5 between 30 September 2016 and the date of this report.

(2) Simon Cooper does not himself hold shares that exceed 3% of the issued shares. There has been no change to Simon's shareholding since IPO (he holds 2,034,301, being 1.56% of the issued capital).

Transactions with related parties

There were no related party transactions during the year.

Events post year end

There were no events post year end to report.

Going concern

The directors have prepared cash flow forecasts that include key assumptions in respect of the trading subsidiary's booking numbers, booking profiles, commission rates and trade debtor collection periods. In making their assessment, management have performed sensitivity analysis on the forecasts. After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future on both base case and sensitised forecasts. Accordingly, the financial statements have been prepared on a going concern basis.

Viability statement

In accordance with the provision of C.2.2. of the 2014 revision of the Code, the Directors have assessed the prospects of the Company over the three year period to 30 September 2019, being the period considered under the Group's three year strategic plan.

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. In making this statement the Directors have considered the Group's current position and prospects, the Group's strategy, and the principal risks facing the Group as detailed on pages 14 to 20 and the potential impact of these on the business model, future performance and liquidity over the period. In its assessment of the viability of the Group, the Directors have performed sensitivity analysis on the key assumptions underlying the cash flow forecasts of the Group, both individually and in unison, taking into account all of the risks in the risk management section on page 14 to 20. The Directors have also taken account of the Group's ability to renew the credit facility at an appropriate level.

Indemnities and insurance

The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006 in the Articles. Such indemnities contain provisions that are permitted by the Director liability provisions of the Companies Act and the Company's Articles.

Research and development

Innovation, specifically in the customer proposition on the website, is a critical element of the strategy, and therefore of the future success of the Group. Accordingly the majority of the Group's research and development expenditure is predominantly related to this area.

Suppliers

The Group's policy is to pay suppliers and creditors sums due in accordance with the payment terms agreed in the relevant contract with each such supplier/creditor.

Environmental

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on page 23 and forms part of this report by reference.

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are given on pages 83 to 87 in note 19 to the consolidated financial statements and forms part of this report by reference.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

External branches

The Group has a Swedish branch (identity number 516408-9186) to enable it to execute its strategy on international expansion.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 60 to 94.
The Directors recommend payment of a final dividend of 2.2 pence per share (2015: £Nil) to be paid on 7 February 2017 to shareholders on the register of members at 6 January 2017, subject to approval at the 2017 AGM.

Independent auditors

KPMG LLP has confirmed its willingness to continue in office as auditor of the Group. In accordance with section 489 of the Companies Act 2006, separate resolutions for the reappointment of KPMG LLP as auditors of the Group and for the Audit Committee to determine the remuneration will be proposed at the forthcoming AGM of the Company.

Disclosure of information to auditor

Each of the Directors has confirmed that:
(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(ii) the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself 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 Section 418 of the Companies Act 2006.

Approval of the Annual Report

The Strategic Report and Corporate Governance Report were approved by the Board on 6 December 2016.

Approved by the board and signed on its behalf:

Kirsteen Vickerstaff
COMPANY SECRETARY
6 December 2016

> "I love this company. I have already booked two holidays through them and the process was quick and easy. We were kept informed all the way through our booking process right up until our holiday. We have now booked another holiday through them and I shall be using On the Beach the next time as well. I cannot fault them in any way as any problems are dealt with straight away and they have excellent management. I highly recommend them. When I want a holiday this is the first place I look as I trust and respect them."
>
> CUSTOMER FEEDBACK

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ON THE BEACH GROUP PLC

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of On the Beach Group plc for the year ended 30 September 2016 set out on pages 60 to 94.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Capitalised website development costs £2.4m (2015:£2.0m)

Refer to page 36 (Audit Committee Report), page 68 (Accounting policies) and page 77 (Financial disclosure).

The risk – The Group incurs significant internal costs in relation to the ongoing website and development cost of the On the Beach and eBeach websites. The determination of whether these costs are capital or expenditure involves judgement and is dependent upon the nature of the related development. More specifically, the costs are either capital in nature (relating to the enhancement of the website) or expenditure in nature (relating to the operations and ongoing maintenance of the website).

Our response – In this area, our audit procedures included the following areas:

- We have evaluated the Group's processes and controls over the identification and classification of website development costs, which comprise primarily of internal staff costs.
- We selected a sample of website development projects to determine whether they satisfied the requirements for capitalisation in accordance with IAS 38, which included an assessment of the nature of the project.
- We considered whether or not the nature of the work performed meet the general requirements of IAS 38 criteria, including the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and its ability to reliably measure the expenditure attributable to the intangible asset during its development.
- We agreed a sample of capitalised development costs in the period back to payroll records to ensure that the spend had been incurred and that only persons employed as website developers had been included within the costs capitalised. We also made inquiries with a sample of IT developers to confirm their day to day responsibilities and the nature of the projects they worked on. We challenged the directors on their approach in identifying operations and development costs using their understanding of the IT team's day to day activities and job roles.
- We critically assessed the overall level of IT staff costs which were expensed of £384k (2015: £373k) and capitalised of £2.4m (2015: £2.0m) through a year on year comparison.
- We also considered the adequacy of the group's disclosures about the degree of judgement involved in the recognition of intangible assets relating to website development costs.

Our audit in the prior year included a significant risk in respect of the IPO accounting. We have not assessed the risk over the accounting of the IPO as one of the risks that had the greatest effect on our audit this year, due to the fact that this was a non-recurring transaction relating to last year, and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £0.9m (2015: £0.5m, determined with reference to a benchmark of Group profit before tax, of which it represents 5.0% (2015: 4.8% (normalised to exclude last year's exceptional costs).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £42,500 (2015: £25,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's eight reporting components (2015: eight), we subjected four (2015: five) to a full scope audit for Group reporting purposes. Four entities (2015: three) were out of scope for Group reporting purposes as they were not considered to be significant. Our full scope audit work covered 100% (2015: 100%) of the Group's profit before tax and revenues and 99.9% (2015: 99.9%) of total assets.

The Group audit team carried out the work on all components at the Group's offices in Cheadle. The component materialities, which ranged from £0.01m to £0.9m, were set by the Group audit team having regard to the mix of size and risk profile of the Group across the reporting components.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement titled Viability Statement on pages 55, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 3 years to 30 September 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee. Under the Companies Act 2006 we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 55, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 29 to 33 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 59, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE

6 December 2016

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Wendy Parry
CHIEF FINANCIAL OFFICER
6 December 2016

FINANCIAL STATEMENTS

Year ended 30 September 2016

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Revenue	4	71,321	63,124
Administrative expenses before amortisation and exceptional costs	5	(48,528)	(45,657)
Group operating profit before amortisation and exceptional items		**22,793**	**17,467**
Exceptional costs	5	-	(3,831)
Amortisation of intangible assets		(5,971)	(5,622)
Group operating profit		**16,822**	**8,014**
Finance costs	7	(100)	(1,796)
Shareholder interest	7	-	(7,845)
Exceptional finance costs	7	-	(1,037)
Finance income	7	230	206
Net finance income/(costs)		**130**	**(10,472)**
Profit/(loss) before taxation		**16,952**	**(2,458)**
Taxation	8	(2,645)	(2,030)
Profit/(loss) for the year		14,307	(4,488)
Other comprehensive income		-	-
Total comprehensive income loss for the year/period		**14,307**	**(4,488)**
Attributable to:			
Equity holders of the parent		14,307	(4,488)
Profit/(loss) attributable for the year		**14,307**	**(4,488)**
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:			
Basic and diluted earnings per share	9	11.0p	(5.8p)
Adjusted proforma basic earnings per share*	9	13.0p	8.9p
Adjusted profit measure			
Adjusted underlying PBT (before Shareholder interest, amortisation of acquired intangibles and exceptional costs)*	5	21,315	14,513

**This is a non GAAP measure, refer to note 9*

The company has no other comprehensive income in the current or prior period.

The notes on pages 65 to 89 form part of the financial statements

CONSOLIDATED BALANCE SHEET

At 30 September 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Intangible assets	10	64,662	68,226
Property, plant and equipment	11	747	529
Total non-current assets		**65,409**	**68,755**
Current assets			
Trade and other receivables	13	29,933	29,998
Cash and cash equivalents	14	51,632	34,775
Derivative financial instruments	19	1,683	677
Total current assets		**83,248**	**65,450**
Total assets		**148,657**	**134,205**
Equity			
Share capital	18	1,304	195,652
Share premium		-	13,856
Retained earnings		212,427	(10,239)
Capital contribution reserve		500	550
Merger reserve		(132,093)	(132,093)
Total equity		**82,138**	**67,726**
Non-current liabilities			
Deferred tax	17	7,007	8,680
Total non-current liabilities		**7,007**	**8,680**
Current liabilities			
Corporation tax payable		3,647	2,110
Trade and other payables	15	55,865	55,689
Total current liabilities		**59,512**	**57,799**
Total liabilities		**66,519**	**66,479**
Total equity and liabilities		**148,657**	**134,205**

The financial statements from pages 61 to 89 were approved by the Board of Directors and authorised for issue.

Wendy Parry
CHIEF FINANCIAL OFFICER
6 December 2016
On the Beach Group plc. Reg no 09736592

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Profit/(Loss) before taxation		16,952	(2,458)
Adjustments for:			
Depreciation		397	477
Amortisation of intangible assets		5,971	5,622
Finance costs		100	10,678
Finance income		(230)	(206)
IPO costs		-	3,831
Share based payment charges		105	-
		23,295	**17,944**
Changes in working capital:			
Decrease/(increase) in trade and other receivables		247	(4,877)
Increase in trade and other payables		1,999	10,559
Decrease in trust account		(1,661)	(3,466)
		585	**2,216**
Cash generated from underlying operating activities		**23,880**	**20,160**
IPO costs paid		(3,010)	(729)
Cash generated from operating activities		**20,870**	**19,431**
Tax paid		(2,780)	(1,736)
Net cash inflow from operating activities		**18,090**	**17,695**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(617)	(352)
Purchase of intangible assets	10	(2,407)	(1,995)
Interest received		230	206
Net cash outflow from investing activities		**(2,794)**	**(2,141)**
Cash flows from financing activities			
Proceeds from issue of share capital following Group restructure		-	10,000
Proceeds from issue of share capital		-	75
Repayment of borrowings	16	-	(20,500)
Capital contribution		-	500
Interest paid		(100)	(1,422)
Payment of shareholder interest		-	(3,568)
Share issue costs		-	(333)
Net cash (outflow) from financing activities		**(100)**	**(15,248)**
Net increase/(decrease) in cash and cash equivalents		15,196	306
Cash at beginning of year	14	10,856	10,550
Cash at end of year		**26,052**	**10,856**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2016

	Share capital	Share premium	Merger reserve	Capital contribution reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 September 2014	111,437	-	(111,042)	-	(5,751)	(5,356)
Issue of shares	21,176	-	(21,051)	-	-	125
Debt for equity	54,887	12,391	-	-	-	67,278
New shares issued (primary offerings)	8,152	1,848	-	-	-	10,000
Capital contribution	-	-	-	500	-	500
Transaction costs offset against equity	-	(333)	-	-	-	(333)
Redemption of preference share	-	(50)	-	50	-	-
Total comprehensive loss for the period	-	-	-	-	(4,488)	(4,488)
Balance at 30 September 2015	**195,652**	**13,856**	**(132,093)**	**550**	**(10,239)**	**67,726**
Capital reduction	(194,348)	(13,856)	-	(50)	208,254	-
Share based payment charges	-	-	-	-	105	105
Total comprehensive profit for the year	-	-	-	-	14,307	14,307
Balance at 30 September 2016	**1,304**	**-**	**(132,093)**	**500**	**212,427**	**82,138**

As contemplated in the prospectus dated 23 September 2015 for Company's IPO and pursuant to a resolution of the shareholders of the Company passed on 21 September 2015, the Company has completed a reduction of both share capital and capital contribution reserve and cancellation of share premium account (the "Reduction & Cancellation").

The Reduction & Cancellation was formally approved by the High Court of Justice, Chancery Division, on 18 November 2015. Following registration of the order of the High Court with Companies House, the Reduction & Cancellation became effective on 18 November 2015.

Following the Reduction & Cancellation, the issued share capital of the Company consists of 130,434,763 ordinary shares of £0.01 each, as at 18 November 2015.

The effect of the Reduction & Cancellation is to create distributable reserves to support the Board's future dividend policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2016

1. General Information

On the Beach Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 95.

2. Accounting Policies

a) Summary of impact of Group restructure and Initial Public Offering

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The financial information presented is at and for the financial years ended 30 September 2016 and 30 September 2015.

On 28 September 2015, the Group listed its shares on the London Stock Exchange. In preparation for the Initial Public Offering ("IPO") the Group was restructured. The restructure has impacted a number of the comparative primary financial statements and notes.

For the consolidated financial statements of the Group, prepared under IFRS, the principles of reverse acquisition accounting under IFRS 3 "Business Combinations" have been applied. The steps to restructure the Group had the effect of On the Beach Group Plc ("plc") being inserted above On the Beach Topco Limited of which the shareholders exchange their shares and loan notes for shares in plc.

By applying the principles of reverse acquisition accounting for the prior year, the Group is presented as if Plc has always owned the On the Beach Topco Group. The comparative year consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of Plc as if it had always existed, adjusted for movements in the underlying On the Beach Topco share capital and reserves until the share for share exchange.

b) Basis of preparation

The consolidated financial statements presented in this document have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

c) Going concern

The financial results relating to the Group have been prepared on the going concern basis. After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least one year from the date these financial results. For these reasons they continue to adopt the going concern basis in preparing these financial statements.

d) New standards, amendments and interpretations not yet adopted

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. The Group is currently assessing the effect of these standards on the financial statements.

- IFRS 15 Revenue from contracts with customers (European Union effective date 1 January 2018).
- FRS 16 Leases (European Union effective date 1 January 2019).

The following Adopted IFRSs have also been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (European Union effective date 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (European Union effective date 1 January 2016).
- Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41 (European Union effective date 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (European Union effective date 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (European Union effective date 1 January 2016).
- Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (European Union effective date 1 January 2016).
- Disclosure Initiative – Amendments to IAS 7 (European Union effective date 1 January 2017).
- IFRS 9 Financial Instruments (European Union effective date 1 January 2018).
- Annual improvements to IFRS – 2012 to 2014 Cycle.

e) Basis of consolidation

The group's consolidated financial statements consolidate the financial statements of On the Beach Group plc and all of its subsidiary undertakings.

i. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over the investee, the company is exposed, or has rights to variable returns from its involvement with the subsidiary and the company has the ability to use its power of the investee to affect the amount of investor's returns.

ii. Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

f) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and trade and assets represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently remeasured at cost less any accumulated impairments losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purposes of impairment testing, goodwill is allocated to the cash generating unit expected to benefit from the combination. If the recoverable amount is less than the carrying amount of the unit, the impairment loss is allocated to first reduce the amount of goodwill allocated to the unit and then the other assets in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.
Foreign exchange differences arising on translation are recognised in the income statement.

h) Financial instruments

i. Derivative financial instruments, including hedge accounting

The group enters into forward foreign exchange contracts to manage exposure to foreign exchange rate risk. Further details of these derivative financial instruments are disclosed in note 19 of these financial statements.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in understanding the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are charged immediately in the profit and loss account.

ii. Trade and other receivables

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

iii. Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. All customer monies are held in a trust account until after the provision of the holiday service. The trust account is governed by a deed between the Group, the Civil Aviation Authority Air Travel Trustees, ABTA and independent trustees (Barclays Wealth), which determines the inflows and outflows from the account.

All customer receipts are paid into the trust account in full before the holiday departure date. These payments are held in the trust account until the service is provided—for flights on payment to the supplier and for hotels and ancillaries on the customer's return from holiday. The Group does not therefore use customer prepayments to fund its business operations.

iv. 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.

i) Segment reporting

IFRS 8 requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team, including the Chief Executive Officer and Chief Finance Officer. For management purposes, the Group is organised into segments based on location, and information is provided to the management team on these segments for the purposes of resource allocation and segment performance management and monitoring.

The management team considers there to be two reportable segments:

(i) Core—activity via UK website ("UK")
(ii) Sweden—activity via Swedish website (eBeach.se) ("International")

j) Revenue recognition

Commission is measured at the fair value of consideration received or receivable, net of VAT, cancellations, discounts and other associated taxes. Cancellations are estimated at the reporting date based on the historical profile of bookings. Revenue on bookings is recognised on the date of booking.
The Group's commission is earned as an agent for the supplier or consumer in purchases of travel products such as flight tickets or hotel accommodation from third party suppliers. Overrides are also earned from suppliers when specific thresholds are met. These are recognised within revenue when the Group becomes entitled to it based on supplier terms, which is when relevant thresholds are met.

k) Dividend distribution

Final dividend distribution to the Groups' shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

l) Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date at which control is transferred to the Group.

For acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Office equipment	3 years
Fixtures and fittings	5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.
Assets held under finance leases are depreciated over their expected useful economic lives on the same bases as owned assets, or where shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

n) Intangible assets

i. Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred. Expenditure on development activities directly attributable to the design and testing of identifiable and unique software products are capitalised if the product or process meet the following criteria:

- the completion of the development is technically and commercially feasible to complete,
- adequate technical resources are sufficiently available to complete development,
- it can be demonstrated that future economic benefits are probable,
- the expenditure attributable to the development can be measured reliably

Development activities involve a plan or design for the production of new or substantially improved products or processes. Directly attributable costs that are capitalised as part of the software product, website or system include employee costs. Other development expenditures that do not meet these criteria as well as ongoing maintenance are recognised as an expense as incurred.

Development costs for software, websites and systems are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding five years) at the point in which they come into use.

ii. Brand

Upon acquisition of the Group by OTB Topco, the On the Beach brand was identified as a separately identifiable asset.

iii. Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Website technology	10 years
Website & development costs	3 years
Brand	15 years

o) Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangibles 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 the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the cash-generating unit, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, the CGU to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

q) Employee benefits

i. Pension scheme

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

ii. Share-based payment transactions

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

r) Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

s) Exceptional costs

The Group presents on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior years and to better assess trends in financial performance.

t) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

u) Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities where in substance they have features of debt instruments, otherwise they are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity attributable the Group's owners.

v) Share premium and other reserves

The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in 'share premium'. The amount subscribed for the preference shares in excess of the nominal value of these new preference shares is recorded in 'other reserves'.

Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

w) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

As explained in the basis of preparation accounting policy, the Group's financial statements reflect the continuation of the pre-existing group headed by On the Beach Topco Limited. The 2015 weighted average number of shares has been stated as the weighted average number of shares in the period from the date of the Group reorganisation to the balance sheet date.

x) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

y) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. The group specifically provides for the cancellation of bookings. The provision is estimated by applying historical cancellation data to bookings not travelled at the reporting date.

3. Critical accounting estimates and judgements

The Group'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 IFRS 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.

Capitalisation of website development costs

Determining the amounts to be capitalised involves judgement and is dependent upon the nature of the related development; namely whether it is capital (as relating to the enhancement of the website) or expenditure (as relating to the ongoing maintenance of the website) in nature. Development costs that are directly attributable to the design and testing of identifiable and unique software products, websites and systems controlled by the group are recognised as intangible assets if the recognition criteria set out in the accounting policies 2n(i) above are met.

4. Segmental reporting

As explained in note 2i, the management team considers the reportable segments to be "Core" and "International". All segment revenue, operating profit, assets and liabilities are attributable to the group from its principal activities as an online travel agent.

	2016			2015		
	Core £'000	International £'000	Total £'000	Core £'000	International £'000	Total £'000
Income						
Revenue	70,177	1,144	71,321	62,451	673	63,124
EBITDA before holding company costs	25,739	(1,802)	23,937	20,438	(1,782)	18,656
Holding company costs	(607)	-	(607)	(456)	-	(456)
EBITDA after holding company costs	**25,132**	**(1,802)**	**23,330**	**19,982**	**(1,782)**	**18,200**
Depreciation and amortisation	(6,257)	(111)	(6,368)	(6,023)	(74)	(6,097)
Exceptional acquisition costs	-	-	-	(3,831)	-	(3,831)
Segment operating profit/(loss)	18,875	(1,913)	**16,962**	10,128	(1,856)	**8,272**
Non-underlying costs			(140)			(258)
Group operating profit			**16,822**			**8,014**
Finance costs			(100)			(1,796)
Shareholder interest			-			(7,845)
Exceptional finance costs			-			(1,037)
Finance income			230			206
Profit/(loss) before taxation			**16,952**			**(2,458)**
Non-current assets						
Goodwill	21,544	-	21,544	21,544	-	21,544
Other intangible assets	42,853	265	43,118	46,505	177	46,682
Property, plant and equipment	747	-	747	529	-	529

5. Operating profit

a) Operating expenses

Expenses by nature including exceptional items and amortisation charges:

	2016 £'000	2015 £'000
Marketing	35,591	33,359
Depreciation	397	477
Staff costs	7,808	6,189
IT hosting, licences & support	878	969
Credit / Debit Card Charges	1,519	2,445
Other	2,335	2,218
Total Administrative expenses	**48,528**	**45,657**
Exceptional costs	-	3,831
Amortisation of intangible assets	5,971	5,622
Total exceptional and cost amortisation	**5,971**	**9,453**
Total expenses	**54,499**	**55,110**

b. Exceptional items

Prior year exceptional costs relate to costs associated with the Initial Public offering of On the Beach Group plc shares on the London Stock Exchange on 28 September 2015.

In the prior year, a total of £5,201,000 costs were incurred as a result of the IPO. A total of £333,000 of these costs have been recognised directly in equity as they are costs that relate to the issue of new shares, £3,831,000 have been recognised within exceptional. Other exceptional costs totalling £1,037,000 were recognised in the prior year. These relate to loan arrangement fees associated with the old facility and have been recognised as exceptional interest costs.

c. Services provided by the company auditors

During the year, the Group obtained the following services from the operating company's auditors.

	2016	2015
	£'000	**£'000**
Fees payable for the audit of the Company and consolidated financial statements	90	45
Fees payable for other services:		
– audit related assurance services	-	50
– other assurance services	3	15
	93	110

d. Adjusted underlying PBT

Management measures the overall performance of the Group by reference to adjusted underlying PBT, a non-GAAP measure:

	2016	2015
	£'000	**£'000**
Profit/(loss) before taxation	16,952	(2,458)
Exceptional costs	-	3,831
Amortisation of acquired intangibles	4,258	4,258
Shareholder interest	-	7,845
Exceptional finance costs	-	1,037
Share based payments charge	105	-
Adjusted underlying PBT	**21,315**	**14,513**

This adjusted profit measure is applied by management to understanding the earnings trend of the Group and is considered the most meaningful measure by which to assess the true operating performance of the Group.

6. Employees and Directors

a) Payroll costs

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	8,618	7,735
Defined contribution pension cost	46	41
Social security costs	799	729
Share-based payment charges	105	-
	9,568	**8,505**

Staff costs above include £2,407,000 (2015: £1,995,000) employee costs capitalised as part of software development

b) Employee numbers

Average monthly number of people (including Executive Directors) employed:

	2016	2015
	£'000	£'000
By reportable segment:		
UK	299	309
International	16	10
	315	**319**

c) Directors' emoluments

The remuneration of Directors was as follows:

	2016	2015
	£'000	£'000
Aggregate emoluments	623	386
Defined contribution pension	-	2
Share-based payment charges	29	-
	652	**388**

All remuneration was paid by On the Beach Limited, a subsidiary company of the Group.

The remuneration of the highest paid director was as follows:

	2016	2015
	£'000	£'000
Aggregate emoluments	206	143
Defined contribution pension	-	2
Share-based payment charges	15	-
	221	**145**

d) *Key management compensation*

Key management comprised the six members of the executive team.

Remuneration of all key management (including directors) was as follows:

	2016	2015
	£'000	**£'000**
Wages and salaries	759	739
Short-term non-monetary benefits	8	8
Post-employment benefits	-	2
Share-based payment charges	75	-
	842	**749**

e) *Retirement benefits*

The Group offers membership to a defined contribution pension scheme to eligible employees, the only pension arrangements operated by the Group. The schemes are defined contribution schemes and the pensions cost in the year was £46,000 (2015: £41,000).

7. Finance income and finance costs

a) *Finance costs*

	2016	2015
	£'000	**£'000**
Bank loan interest	-	1,488
Rolling credit facility interest	100	-
Amortisation of bank loan arrangement fees	-	308
Finance costs	**100**	**1,796**
Share holder interest	-	7,845
Exceptional finance costs - bank loan arrangement fees	-	1,037
Total finance costs	**100**	**10,678**

The group opted to settle its interest rate swap agreement as part of its Group restructure on 28th September 2015. The Group incurred a charge as a result of the transaction which was expensed fully in the year ended 30 September 2015.

b) *Finance income*

	2016	2015
	£'000	**£'000**
Bank interest receivable	**230**	**206**

8. Taxation

	2016	2015
	£'000	£'000
Current tax on profit/(loss) for the year	4,318	2,973
Adjustments in respect of prior years	-	45
Total current tax	**4,318**	**3,018**
Deferred tax on profits for the year	-	-
Origination and reversal of temporary differences	(776)	(988)
Impact of change in tax rate	(897)	-
Total deferred tax (note 17)	**(1,673)**	**(988)**
Total tax charge	**2,645**	**2,030**

The differences between the total taxation shown above the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operating are as follows. The Group earns its profits primarily in the UK therefore the rate used for taxation is the standard rate for UK corporation tax.

	2016	2015
	£'000	£'000
Profit/(loss) on ordinary activities before tax	16,952	(2,458)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 20% (30 September 2015: 20.5%)	3,390	(504)
Effects of:		
Other expenses not deductible	152	2,489
Adjustments in respect of prior years/periods	-	45
Effect of rate changes on deferred tax	(897)	-
Total taxation charge	**2,645**	**2,030**

The tax charge for the year is based on the effective rate of UK Corporation tax for the period of 20% (2015: 20.5%). There has been reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) with further reductions to 19% (effective from 1 April 2017) and 17% (effective 1 April 2020) which was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 30 September 2016.

9. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of On the Beach Group plc by the weighted average number of ordinary shares issued during the year.

Adjusted pro-forma basic earnings per share figures are calculated by dividing adjusted profit after tax for the year by the weighted average number of shares.

Basic and diluted earnings per share are the same as there is no difference between the basic and diluted number of shares.

	Weighted average number of Ordinary Shares (m)	Total earnings £'000	Pence per share
Year end 30 September 2016			
Basic and diluted EPS	130.4	14,307	11.0
Adjusted proforma basic EPS	130.4	16,922	13.0
Year end 30 September 2015			
Basic EPS	78.0	(4,488)	(5.8)
Adjusted proforma basic EPS	130.4	11,630	8.9
Adjusted basic EPS	78.0	11,630	14.9

Adjusted underlying earnings after tax is calculated as follows:

	2016	2015
	£'000	£'000
Profit/(loss) for the year before taxation	14,307	(4,488)
Deferred tax movements relating to amortisation of acquired intangibles	(1,748)	(853)
Amortisation of acquired intangibles	4,258	4,258
Share based payments charge	105	-
Exceptional costs	-	3,831
Shareholder interest	-	7,845
Exceptional finance costs	-	1,037
Adjusted underlying earnings	**16,922**	**11,630**

10. Intangible assets

	Brand	Goodwill	Website & development Costs	Website Technology	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2014	30,079	21,544	3,028	22,513	77,164
Additions	-	-	1,995	-	1,995
At 1 October 2015	30,079	21,544	5,023	22,513	79,159
Additions	-	-	2,407	-	2,407
Disposals	-	-	(3,628)	-	(3,628)
At 30 September 2016	**30,079**	**21,544**	**3,802**	**22,513**	**77,938**
Accumulated amortisation					
At 1 October 2014	2,005	-	1,055	2,251	5,311
Charge for year	2,005	-	1,364	2,253	5,622
At 1 October 2015	4,010	-	2,419	4,504	10,933
Charge for the year	2,005	-	1,713	2,253	5,971
Disposals	-	-	(3,628)	-	(3,628)
At 30 September 2016	**6,015**	**-**	**504**	**6,757**	**13,276**
Net book amount					
At 30 September 2016	**24,064**	**21,544**	**3,298**	**15,756**	**64,662**
At 30 September 2015	**26,069**	**21,544**	**2,604**	**18,009**	**68,226**

Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to one cash generating unit, this being the Group as a whole. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The Group performed its annual impairment test as at 30 September 2016 on the cash generating unit ("CGU"). The recoverable amount of the CGU has been determined based on the value in use calculations using cash flow projections derived from financial budgets and projections covering a five year period. The initial three years grow 20 percent over the period, years' four and five are extrapolated at a growth rate of 5 percent; the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent, this being the Directors' estimated view of the long term compound growth in the economy. This is deemed appropriate because the CGU is considered to be a long term business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU. The discount rate applied is 7.53 percent (all other periods 7.53 percent.). The main assumptions on which the forecast cash flows were based include the level of sales and administrative expenses within the business and have been set by the Directors based on their past experience of the business and its industry, together with their expectations of the market. The level of sales depends upon the size of the markets in which the Group operates together with the Directors' estimations of its market share and competitive pressures, including the level of supplier overrides.

Administrative expenses are dependent upon the net costs to the business of purchasing services. Expenses are based on the current cost base of the Group adjusted for variable costs and known plans for the business.

Development costs

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.
Additions in the year relate to the development of software. The amortisation period for website development costs is 3 years straight line. Domain names are amortised over 10 years. Amortisation has been recognised within operating expenses.

Sensitivity to changes in assumptions

Sensitivity analysis has been completed on key assumptions in isolation, and the headroom taken is significant. This indicates that the value in use will be equal to its carrying amount following a reduction in EBITDA of 93%. 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.

11. Tangible assets

Cost	Fixtures & Fittings £'000	Office Equipment £'000	Total £'000
At 1 October 2014	213	750	963
Additions	2	350	352
Disposals	-	(11)	(11)
At 1 October 2015	**215**	**1,089**	**1,304**
Additions	16	601	617
Disposals	(20)	(590)	(610)
At 30 September 2016	**211**	**1,100**	**1,311**
Accumulated depreciation			
At 1 October 2014	16	290	306
Charge for the year	146	331	477
Disposals	-	(8)	(8)
At 1 October 2015	162	613	775
Charge for the year	16	381	397
Disposals	(20)	(588)	(608)
At 30 September 2016	**158**	**406**	**564**
Net book amount			
At 30 September 2016	**53**	**694**	**747**
At 30 September 2015	53	476	529

The depreciation expense of £397,000 for the year ended 30 September 2016 and the depreciation expense of £477,000 for the year ended 30 September 2015 have been recognised within administrative expenses.

12. Investments

Principal subsidiary undertakings of the Group consists of the parent company, On the Beach Group plc, incorporated in the UK and a number of subsidiaries held directly by On the Beach Group plc, which is incorporated in the UK.

The table below shows details of the wholly owned subsidiaries of the Group.

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Group
On the Beach Topco Limited	Holding Company	UK	100%	100%
On the Beach Limited*	Internet travel agent	UK	100%	100%
On the Beach Beds Limited	Internet travel agent	UK	100%	100%
On the Beach Bidco Limited	Holding company	UK	100%	100%
On the Beach Travel Limited	Internet travel agent	UK	100%	100%
On the Beach Trustees Limited	Employee trust	UK	100%	100%
On the Beach Holidays Limited	Dormant	UK	100%	100%

*On the Beach Limited has a Swedish trading division which has a corporate identity number of 516408-9186

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries.

13. Trade and other receivables

	2016	2015
Amounts falling dues within one year:	**£'000**	**£'000**
Trade receivables – net	27,764	28,047
Other receivables	1,272	1,255
Prepayments	328	309
Other taxes and social security reclaimable	569	387
	29,933	**29,998**

14. Cash and cash equivalents

Trust accounts are restricted cash held separately and only accessible at the point the customer has travelled.

	2016	2015
	£'000	**£'000**
Cash at bank and in hand	26,052	10,856
Trust account	25,580	23,919
	51,632	**34,775**

15. Trade and other payables

	2016	2015
Current	**£'000**	**£'000**
Trade payables	47,562	45,865
Accruals	8,303	9,824
	55,865	**55,689**

16. Borrowings

Bank facility

The Company entered into the Second Lloyds Facility on 18 September 2015 with Lloyds. A revolving credit facility is being made available under the terms of the Second Lloyds Facility in an aggregate amount of up to £35,000,000.

The borrowing limits under the facility will vary monthly throughout the period of the Second Lloyds Facility to reflect the seasonal borrowing requirements of the Group, ranging from £2,000,000 in one month to the full £35,000,000 in another month. The Second Lloyds Facility will be available up to the second anniversary of the closing date (or for a shorter period of time at the Company's discretion). It is to be repaid in monthly instalments which vary in accordance with the Group's seasonal requirements. No early prepayment fees are payable.

The margin contained in the Second Lloyds Facility is dependent on gross leverage ratio and the rate per annum ranges from 1.10% to 1.90% for the utilised facility and 0.39% to 0.67% for the non-utilised facility.

The terms of the facility include the following financial covenants:

(i) that the ratio of total debt to EBITDA in respect of any relevant period shall not exceed 2:1 (with a one-off increase to a ratio of 2.5:1); and
(ii) that the ratio of EBITDA to finance charges in respect of any relevant period shall not be less than 5:1.

The Company renewed the existing Lloyds Facility on 3rd November 2016 with Lloyds to extend the facility until 30 September 2018. The terms of this renewed facility continue as per the description above.

17. Deferred tax

Additions in the year relate to the development of software. The amortisation period for website development costs is 3 years straight line. Domain names are amortised over 10 years. Amortisation has been recognised within operating expenses.

	Intangible asset revaluation	Property, plant and equipment	Capitalised development Costs	Other	Tax assets /(liabilities)
	£'000	£'000	£'000	£'000	£'000
2016					
Assets	-	16	-	46	62
Liabilities	(7,069)	-	-	-	(7,069)
Total	(7,069)	16	-	46	(7,007)
2015					
Assets	-	173	-	-	173
Liabilities	(8,818)	-	(35)	-	(8,853)
Total	(8,818)	173	(35)	-	(8,680)

	Intangible asset revaluation	Property, plant and equipment	Capitalised development Costs	Other	Total
	£'000	£'000	£'000	£'000	£'000
30 September 2014	(9,670)	110	(108)	-	(9,668)
Recognised in income	852	63	73	-	988
30 September 2015	(8,818)	173	(35)	-	(8,680)
Recognised in income	1,749	(157)	35	46	1,673
30 September 2016	(7,069)	16	-	46	(7,007)

18. Share capital

	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
130,434,763 Ordinary shares @ £0.01 each (2015:130,434,763 @ £1.50 each)	1,304	195,652
	1,304	**195,652**

The share capital of the Group is represented by the share capital of the parent company, On the Beach Group plc. This company was incorporated on 17 August 2015 to act as a holding company of the Group. Prior to this the share capital of the Group was represented by the share capital of the previous parent, On the Beach Topco Limited.

On 18 November 2015 the Company completed a reduction of share capital (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account and capital redemption reserve were cancelled. The Capital Reduction has created a significant amount of distributable reserves for the Company as disclosed in the consolidated statement of changes in equity.

19. Financial instruments

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the statement of accounting policies.

At the balance sheet date the Group held the following:

	2016 £'000	2015 £'000
Financial Assets		
Derivative financial assets		
Forward exchange contracts used for hedging	1,683	677
Loans and receivables		
Cash and cash equivalents	51,632	34,775
Trade and other receivables (note 13)	29,036	29,302
Total financial assets	**82,351**	**64,754**
Financial liabilities		
Trade payables (note 15)	(47,562)	(45,865)
Total financial liabilities	**(47,562)**	**(45,865)**

The following table provides the fair values of the Group's financial assets and liabilities:

	FV Level	2016 £'000	2015 £'000
Derivative financial assets			
Forward exchange contracts	2	1,683	677

There is no difference between the carrying value and fair value of cash and cash equivalents, trade and other receivables and trade and other payables.

a) Fair value estimation

There is no difference between the carrying value and fair value of cash and cash equivalents, trade and other receivables and trade and other payables.

(i) **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

(iii) **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 £'000	Level 2 £'000	Level 3 £'000
Forward Contracts			
As at 30 September 2016	-	1,683	-
As at 30 September 2015	-	677	-

b) Financial Risk Management

In the course of its business the Group is exposed to market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and technology risk. The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

c) Market Risk

The Group's key financial market risks are in relation to foreign currency rates. Foreign currency risk results from the substantial cross-border element of the Group's trading and arises on sales and purchases that are denominated in a currency other than the functional currency of the business. Group cash resources are matched with the net funding requirements sourced from three sources namely internally generated funds, loan facilities and bank funding arrangements.

The foreign currency risk is managed at subsidiary level by the purchase of foreign currency contracts for use as a commercial hedge; this is managed by On the Beach Limited and On the Beach Beds Limited. During the course of the period there has been no changes to the market risk or manner in which the Group manages its exposure. The Group is exposed to interest rate risk that arises principally through the Group's revolving credit facility.

Liquidity risk, credit risk and capital risk is considered below. The executive team is responsible for implementing the risk management strategy to ensure that appropriate risk management framework is operating effectively, embedding a risk mitigation culture throughout the Group. The Board are provided with a consolidated view of the risk profile of the Group. All major exposures are identified and mitigating controls identified and implemented. Regular management reporting and assessment of the effectiveness of controls provide a balanced assessment of the key risks and the effectiveness of controls.

The Group does not speculate with derivatives or other financial instruments.

d) Interest rate risk

The Group only have a revolving credit facility which is subject to fluctuations in LIBOR.

e) *Foreign currency risk management*

The majority of the Group's purchases are sourced from outside the United Kingdom and as such the Group is exposed to the fluctuation in exchange rates (currencies are principally Sterling, US Dollar, Euro and Swedish Krona). The Group places forward cover on the net foreign currency exposure of its purchases. The Group foreign currency requirement is reviewed twice weekly and forward cover is purchased to cover expected usage.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2016	2015
Euro	**€'000**	**€'000**
Cash	5,110	3,648
Trade payables	(46,497)	(44,708)
Forward exchange contracts	44,875	40,079
	3,488	(981)

	2016	2015
US Dollar	**$000**	**$000**
Cash	218	283
Trade payables	(559)	(2,187)
Forward exchange contracts	350	2,110
	9	206

	2016	2015
Swedish Krona	**Kr '000**	**Kr '000**
Cash	3,667	1,901
Trade payables	(137)	(119)
Trade receivables	3,379	2,145
Forward exchange contracts	(3,220)	(2,100)
	3,689	1,827

Foreign currency sensitivity

The following table details the Group sensitivity to a percentage change in Pounds Sterling against these currencies with regards to equity. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on a 10 per cent change taking place at the beginning of the financial period and held constant throughout the reporting period:

	2016	2015
Euro	**£'000**	**£'000**
Weakening - 10%	(335)	81
Strengthening - 10%	274	(66)
US Dollar		
Weakening -10%	(1)	12
Strengthening - 10%	1	(15)
Swedish Krona		
Weakening -10%	37	(16)
Strengthening - 10%	(30)	13

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

	2016			2015		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
EUR 30 September	**€'000**	**£'000**	**£'000**	**€'000**	**£'000**	**£'000**
Less than 3 months	31,275	25,637	1,400	29,204	21,289	477
3 to 6 months	5,950	4,960	183	5,050	3,667	95
6 to 12 months	7,650	6,516	97	5,825	4,255	85
Total	**44,875**	**37,113**	**1,680**	**40,079**	**29,211**	**657**

	2016			2015		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
USD 30 September	**$'000**	**£'000**	**£'000**	**$'000**	**£'000**	**£'000**
Less than 3 months	295	217	10	1,390	902	12
3 to 6 months	50	37	2	545	352	6
6 to 12 months	5	3	-	175	113	2
Total	**350**	**257**	**12**	**2,110**	**1,367**	**20**

	2016			2015		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
SEK 30 September 2016	**Kr '000**	**£'000**	**£'000**	**Kr '000**	**£'000**	**£'000**
Less than 3 months	(3,120)	(272)	(8)	1,800	140	-
3 to 6 months	(100)	(8)	(1)	300	24	-
Total	**(3,220)**	**(280)**	**(9)**	**2,100**	**164**	**-**

f) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash balances and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables, financial guarantees and committed transactions. Credit risk is managed separately for treasury and operating related credit exposures.

The ageing of trade receivables at the balance sheet date was:

	Not past due	Past due 0-30 days	Past due >30 days	Total
	£'000	£'000	£'000	£'000
At 30 September 2016	27,756	4	4	**27,764**
At 30 September 2015	28,043	3	1	**28,047**

The maximum exposure to credit risk at each reporting date is the fair value of financial assets and trade receivables.

g) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

It is Group policy to maintain a balance of funds, borrowing, committed bank loans and other facilities sufficient to meet anticipated short-term and long-term financial requirements. In applying the policy the Group continuously monitors forecast and actual cash flows against the maturity profiles of financial assets and liabilities. It is Group policy to ensure that a specific level of committed facilities is always available based on forecast working capital requirements. Cash forecasts identifying the group's liquidity requirements are produced and are sensitised for different scenarios including, but not limited to, decreases in profit margins and weakening of sterling against other functional currencies.

The following are the contractual maturities of financial liabilities:

Financial liabilities at amortised cost	Carrying amount	Contractual cash flows	Within 1 year
Sept-16	£'000	£'000	£'000
Trade payables	47,562	47,562	47,562
Other payables	8,303	8,303	8,303
	55,865	**55,865**	**55,865**
Sept-15	£'000	£'000	£'000
Trade payables	45,865	45,865	45,865
Other payables	9,824	9,824	9,824
	55,689	**55,689**	**55,689**

h) Capital management

It is the Group's policy to maintain an appropriate equity capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The capital structure of the Group consists of the net cash (borrowings disclosed in note 16) and equity of the Group as disclosed in note 18.

The Group is not subject to any externally imposed capital requirements.

20. Share based payments

At 30 September 2016, the Group has the following share-based payment arrangement.

Long-term incentive plan (equity-settled)

The group operates a long term incentive plan "LTIP" for Executive Directors and certain key senior managers. During the year, the Group awarded 633,282 nil cost options under the scheme. For the purposes of IFRS 2, the grant date was deemed to be 26 May 2016. The extent to which such awards will vest will depend on the Group's performance over a three year period commencing from 1 October 2015. The vesting in September 2018 (Vesting Date) of 30% of the award will be dependent on an absolute 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 target measured at the end of the performance period.

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received.
The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted.
The LTIP awards have been valued using the Monte Carlo model for the TSR element and the Black Scholes model for the EPS element and the resulting share-based payment charge is being spread evenly over the period between the grant date and the Vesting Date.

	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option Life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting conditions (%)	Fair value at grant date (£)
26 May 2016 (TSR dependent)	2.595	Nil	30%	3.0	0.44%	2.00%	0.0	0.806
26 May 2016 (EPS dependent)	2.595	Nil	-	3.0	0.44%	2.00%	0.0	2.470

Expected volatility is estimated by considering historic average share price volatility at the grant date.

	2016 No of options	2015 No of options
Outstanding at the beginning of the year	-	-
Granted during the year	633,282	-
Forfeited during the year	-	-
Outstanding at the year end	**633,282**	**-**

The total share based payment charge for the year ended 30 September 2016 is £105,000 (2015: £nil). The company charge for the year was £105,000.

21. Commitments and contingencies

a) Capital commitments

The company had no capital commitments for the years ended 30 September 2016 and 2015.

b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	Land & Buildings	Land & Buildings
	£'000	£'000
One year	340	114
Two to Five Years	1,359	800
Over 5 years	1,359	457
	3,058	1,371

The Group's lease commitments relate to its head office. During the year the Group signed a ten year lease on its head office; the head office remains in the same location and has expanded the floor space available. During the year £333,000 (2015: £220,000) was recognised as an expense in the income statement in respect of operating leases.

c) Contingencies

In September 2010, proceedings were initiated against On the Beach Limited by Ryanair alleging infringement of, inter alia, its intellectual property rights. Proceedings remain at an early stage and there have been no material developments. Therefore the amount of the claim by Ryanair is unquantified as at the date of this document. The Group expects that final resolution of the dispute might take some time.

22. Related party transactions

Prior to 28 September 2015, On the Beach Topco was controlled by Inflexion Private Equity Partners LLP.

The following transactions were carried out with related parties:

	2016	2015
	£'000	£'000
Fees charged by:		
Inflexion	-	1,180

Fees charged by related parties are settled in cash. All amounts owing had been settled prior to the year-end date. Included in the prior year management fee above, an exit fee totalling £902,656 was paid to inflexion following admission. The Exit Fee is equal to the sum of 1% of the enterprise value of the Company (reduced proportionately to reflect the fact that the listing of the Company is not a disposal of the entire issued share capital of the Company).

COMPANY BALANCE SHEET

At 30 September 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments	3	132,613	132,613
Current assets			
Debtors	4	75,303	71,502
Cash at bank		-	5,353
		75,303	76,855
Creditors: amounts falling due within one year	5	(394)	(2,544)
Corporation tax		(85)	-
		(479)	(2,544)
Net assets		**207,437**	**206,924**
Equity			
Share capital		1,304	195,652
Share premium		-	13,856
Capital contribution reserve		500	550
Retained earnings		205,633	(3,134)
		207,437	**206,924**

The financial statements were approved by the Board of directors and authorised for issue.

Wendy Parry
CHIEF FINANCIAL OFFICER
6 December 2016
On the Beach Group plc Registered number 09736592

COMPANY STATEMENT OF CASH FLOWS

Year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Profit/(loss) before taxation		511	(3,134)
Share based payment charges		105	-
		616	(3,134)
Changes in working capital:			
(Decrease)/increase in trade and other payables	5	(2,361)	2,544
(Increase) in trade and other receivables	4	(3,819)	(71,502)
		(6,180)	(68,958)
Net cash outflow from operating activities		**(5,564)**	**(72,092)**
Cash flows from investing activities			
Acquisition of shares in Group	3	-	(132,613)
Net cash outflow from investing activities		**-**	**(132,613)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	209,508
Capital contribution		-	550
Net cash inflow from financing activities		**-**	**210,058**
Net (decrease)/increase in cash and cash equivalents		(5,564)	5,353
Cash and cash equivalents at beginning of year		5,353	-
Cash and cash equivalents at end of year		**(211)**	**5,353**

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2016

	Share capital	Share premium	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance on incorporation	-	-	-	-	-
Group restructure, share for share exchange	195,652	13,856	550	-	210,058
Total comprehensive loss for the period	-	-	-	(3,134)	(3,134)
Balance at 30 September 2015	195,652	13,856	550	(3,134)	206,924
Capital reduction	(194,348)	(13,856)	(50)	208,254	-
Share based payment charges	-	-	-	105	105
Total comprehensive loss for the period	-	-	-	408	408
Balance at 30 September 2016	1,304	-	500	205,633	207,437

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

On the Beach Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The company was incorporated on 17 August 2015.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial information presented is at and for the years ended 30 September 2016 and 30 September 2015.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of On the Beach Group plc. The profit for the year ended 30 September 2016 dealt with in the financial statements of the parent company is £408,000 (2015: £3,134,000).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historical cost basis.

The directors have used the going concern principal on the basis that the current financial projections and facilities of the consolidated group will continue in operating for the foreseeable future.

Investment in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable, if such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

Related party transactions

Under the provisions of FRS 102.33.1A, the company is exempt from disclosing the details of related party transactions on the basis that they are wholly owned subsidiaries.

2. Directors' emoluments

The Company has no employees other than the Directors. Full detail of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 39 to 52.

3. Investments

The £132,613,000 investment in subsidiary undertakings made in the prior year relates to the capital re-organisation of the Group last year. There has been no movement in the current year.

4. Debtors

	2016	2015
Amounts falling due within one year:	**£'000**	**£'000**
Amounts owed by group undertakings	75,159	71,502
Other taxes and social security	130	-
Prepayments	14	-
	75,303	**71,502**

Amounts owed by Group undertakings are non-interest bearing, unsecured and repayable on demand. The amounts are due from On the Beach Topco limited, a wholly owned subsidiary.

5. Creditors due within one year

	2016	2015
Current	**£'000**	**£'000**
Bank overdraft	211	-
Trade payables	38	-
Accruals	145	2,544
	394	**2,544**

6. Called-up share capital

	2016	2015
	£'000	**£'000**
Allotted, called up and fully paid		
130,434,763 Ordinary shares @ £0.01 each (2015:130,434,763 @ £1.50 each)	1,304	195,652
	1,304	**195,652**

The movement on share capital and share premium is as follows:

	Share capital	Share premium
	£'000	**£'000**
Balance at 30 September 2015	195,652	13,856
Capital reduction	(194,348)	(13,856)
Balance at 30 September 2016	1,304	-

7. Contingent liabilities and guarantees

The company is a guarantor to a borrowing facility relating to a rolling credit facility provided to the Group.

The amount borrowed under this agreement at 30 September 2016 was £nil (2015: £nil).

SHAREHOLDER INFORMATION

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M60 8HS

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