On the Beach Group plc

ANNUAL
REPORT &
ACCOUNTS

FOR THE YEAR ENDED
30 SEPTEMBER 2017

On the Beach Group plc ANNUAL REPORT & ACCOUNTS For the year ended 30 September 2017

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

ABTA No K0813

TOTAL FINANCIAL PROTECTION

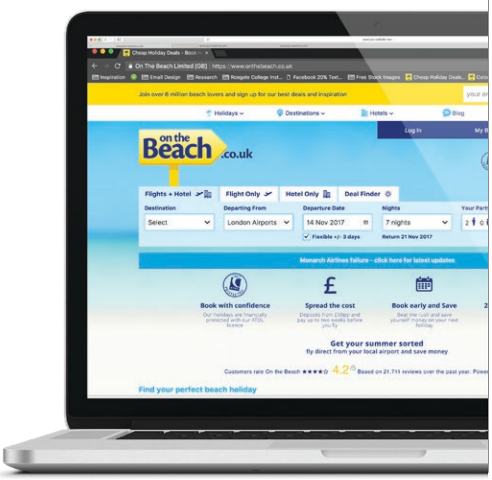
Welcome to On the Beach

With over 20% share of online sales in the short haul beach holiday market, we are one of the UK's largest online beach holiday retailers.

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.

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

Contents



Strategic Report

Governance

Financial Statements

Strategic Report

OUR HISTORY TIMELINE

2004

Established by CEO, Simon Cooper; On the Beach launched its first website.

2007

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

2011

79%

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 in TV advertising

2015

Launched an international platform in Sweden under the **"ebeach.se"** domain name. On 28 September 2015, On the Beach listed on the London Stock Exchange.

2016

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

2017

On 9 May 2017 we completed the acquisition of Sunshine.co.uk Limited, an online travel agent based in the UK, for a net consideration of

£12.0m

At a Glance

On the Beach has again experienced strong growth, both in the UK and Internationally, and made its first significant aquisition.

Financial highlights Group

- Group revenue increased 17.2% to £83.6m *(FY16: £71.3m)*
- Group operating profit before amortisation and exceptional costs increased 32.8% to £30.3m *(FY16: £22.8m)*
- Group profit before tax increased 24.9% to £21.1m *(FY16: £16.9m)* including a net charge associated with the recent failure of Monarch Airlines Ltd amounting to £2.0m *(FY16: £nil)*
- Group adjusted profit before tax[1] increased 33.8% to £28.5m *(FY16: £21.3m)*
- Basic and diluted earnings per share of 13.8p is a 25.4% increase on prior year *(FY16: 11.0p)*
- Adjusted proforma earnings per share[2] of 17.6p is a 35.4% increase on prior year *(FY16: 13.0p)*
- Strong cash conversion of 79% (underlying operating cash conversion 88%) *(FY16: 89%)*
- Net external cash[3] at year end of £33.0m *(FY16: £26.1m)*
- Proposed final dividend of 1.9p per share, totalling 2.8p per share for the year *(FY16:2.2p per share)*, an increase of 27.2%
- On 9 May 2017 we completed the acquisition of Sunshine.co.uk Limited, an online travel agent based in the UK, for a net consideration of £12.0m (Note 5, page 87)

Group Revenue £m
£83.6m
+17.2%
(FY16: £71.3m)

Group Operating profit before amortisation & exceptional costs £m
£30.3m
+32.8%
(FY16: £22.8m)

Group profit before tax £m
£21.1m
+24.9%
(FY16: £16.9m)

Group adjusted profit before tax[1] £m
£28.5m
+33.8%
(FY16: £21.3m)

Cash conversion
79%
(FY16: 89%)

Net external cash[3] £m
£33.0m
(FY16: £26.1m)

Basic & diluted EPS p
13.8p
+25.4%
(FY16: 11.0p)

Adjusted proforma EPS[2] p
17.6p
+35.4%
(FY16: 13.0p)

Dividend per share p
2.8p
+27.2%
(FY16: 2.2p per share)

(1) Group adjusted profit before tax is the profit before taxation excluding share based payments £0.5m (FY16: £0.1m), exceptional costs of £2.6m (FY16: £nil) and amortisation of acquired intangibles of £4.3m (FY16: £4.3m).

(2) Adjusted proforma earnings per share is Group adjusted earnings after tax[1] divided by the average no. of shares in issue during the year (reconciliation to GAAP measure shown in note 10 in the notes to the financial statements).

(3) Net external cash is defined as cash and cash equivalents excluding the trust accounts (reconciliation to GAAP measure shown in note 15 in the notes to the financial statements).

Financial highlights UK

- Revenue up 16.7% to £81.9m *(FY16: £70.2m)*, up 14% on a like for like basis[4]
- UK operating profit increased 37.6% to £26.0m *(FY16: £18.7m)*
- Revenue after marketing costs up 24.7% to £44.9m *(FY16: £36.0m)*
- UK EBITDA up 30.3% to £32.7m *(FY16: £25.1m)*
- UK EBITDA as a percentage of revenue increased to 39.9% *(FY16: 35.8%)*

UK Revenue[4] £m
£81.9m
+16.7%
(FY16: £70.2m)

UK Operating profit £m
£26.0m
+37.6%
(FY16: £18.7m)

UK Revenue after marketing costs £m
£44.9m
+24.7%
(FY16: £36.0m)

UK EBITDA £m
£32.7m
+30.3%
(FY16: £25.1m)

UK EBITDA % of revenue %
39.9%
(FY16: 35.8%)

(4) Revenue on a like for like basis is revenue excluding the acquisition of Sunshine.co.uk Limited, acquired on 9th May 2017.

At a Glance

Financial highlights International

- Revenue increased 48.0% to £1.7m *(FY16: £1.1m)*
- International EBITDA loss of £(2.0)m *(FY16: £(1.8)m)*, reflecting continued investment to drive market share growth in Sweden and launch of Norway
- Online cost per unique visitor increased 15% to £1.12 *(FY16: £0.98)* [5]

Revenue increase £m
£1.7m
+48.0%
(FY16: £1.1m)

International EBITDA loss £m
£(2.0)m
(FY16: £(1.8)m)

Operational highlights UK (excluding Sunshine.co.uk)

- Daily unique visitors increased by 13.6% to 66.0m *(FY16: 58.1m)* [5][6]
- Efficiencies in online marketing reduced spend as a percentage of revenue to 41.2% *(FY16: 44.7%)* [6]
- Branded and free traffic increased 6.7% to 59.3% of overall traffic *(FY16: 55.6%)* [6]
- Directly contracted hotel product increased to 65% *(FY16: 57%)* [6]
- Revenue per daily unique visitor maintained at £1.21 *(FY16: £1.21)* [5][6]

Daily unique visitors [5][6]
66.0m
+13.6%
(FY16: 58.1m)

Online marketing spend % [6]
41.2%
(FY16: 44.7%)

Branded & free traffic %
59.3%
+6.7%
(FY16: 55.6%)

Directly Contracted Hotels % [6]
65%
(FY16: 57%)

Revenue per daily UV [5][6]
£1.21
(FY16: £1.21)

[5] The Group now uses Google's Universal Analytics for website tracking which allows for more accurate data collection across all digital devices. Due to the differing methods of data collection between Universal Analytics and the old version of Google Analytics, there is a variance in UV reporting. UV's for the past 2 years have been provided on a like-for-like basis and from Universal Analytics. All future reporting will be based on Universal Analytics only.

[6] For comparability, these KPIs are stated excluding Sunshine.co.uk Limited which was acquired on 9 May 2017

Sunshine.co.uk

- Integration process now complete
- Sunshine's trading since acquisition in line with expectations

Business Model

STRUCTURAL MARKET GROWTH & MARKET SHARE GROWTH

ADDRESSABLE MARKET: Short haul beach holidays dynamically packaged X Online penetration

X OTB share of market traffic = **Unique visitors**

X

PERSONALISE CUSTOMER PROPOSITION & LEVERAGE £ REVENUE

£ Revenue per booking X Conversion = **Revenue per unique visitor**

=

Revenue

-

DRIVE EFFICIENT SHARE GROWTH & STRENGTHEN BRAND

Unique visitors X Marketing spend per unique visitor = **Marketing investment**

-

Fixed and Variable Costs

↓

SCALE DRIVES OPERATIONAL LEVERAGE

- OTB's business model is centred on driving efficient growth in market share while maintaining and improving both conversion and £ revenue per booking
- Our strategic initiatives are focused on driving the performance of all of these levers
- EBITDA growth is the cumulative effect of improvements in performance of all of the levers individually

= **PBT**

Chairman's statement

"On the Beach has swiftly and effectively adapted to being a listed company, whilst maintaining the dynamism and entrepreneurial flair that has powered its continued success. During FY17 the business continued to improve its market position, generate impressive financial results, expand internationally and undertake an acquisition."

A warm welcome to On the Beach's third annual report following its listing in September 2015. This report covers the financial year ending 30 September 2017 **(FY17)**. It is clear that On the Beach has swiftly and effectively adapted to being a listed company whilst maintaining the dynamism and entrepreneurial flair that has powered its continued success. During FY17 the business continued to improve its market position, generate impressive financial results, expand internationally and undertake an acquisition.

We reported last year that FY16 was a particularly challenging year for the travel industry, with terrorist attacks, the corporate failure of a large budget tour operator and the impact of the UK's vote to leave the European Union (Brexit). FY17 also brought its difficulties including further terrorist attacks and unpredictability caused by the uncertainties arising from Brexit, such as currency fluctuation. The extent of these challenges was evidenced at the commencement of FY18 when Monarch Airlines Limited went into administration. Despite this difficult and unstable trading backdrop, On the Beach's agility, cutting edge technology and focused approach enabled it to deliver Group Adjusted Profit Before Tax performance of £28.5m that was towards the upper end of expectations and an increase of 33.8% on prior year. At the same time, Adjusted Proforma EPS of 17.6p was up 35.4% on prior year. Given the headwinds facing the travel industry, I would like to praise and thank Simon Cooper and his team for this admirable performance.

At the year-end, On the Beach's balance sheet was strong with net external cash balances of £33.0m and the Board is pleased to declare a final dividend of 1.9p per share, totalling 2.8p per share for the year, an increase of 27.2%.

On the Beach is committed to investing in its people, technology and brand. The Group recognises the importance of recruiting, developing and retaining its talent and adapts its HR strategies to optimise employee satisfaction, recruitment and retention. To support our continued ability to out-innovate the market and attract and retain top talent we are actively considering the potential relocation of our head office within the Greater Manchester area, together with reviewing our reward mechanisms for top performers.

On the Beach's cutting edge technology means it can continue to enhance its product offering and improve its rate of conversion throughout the customer journey and it is also scalable, meaning it can support the significant growth generated by the business. Investment into the On the Beach brand, including online and offline marketing, means it is now one of the most visible online beach holiday brands. This has resulted in consumers having more trust and confidence in the brand; something that is highly valuable during uncertain and unstable times in the travel industry.

The marketing investment has delivered growth and means that On the Beach is well-placed to benefit from the continuing structural shifts in both the travel market and wider consumer behaviour.

Chairman's statement

The Board is committed to delivering both top and bottom line growth. Where circumstances are volatile, the business reviews its marketing spend to ensure it is effective and avoids chasing unprofitable bookings. UK revenue growth for FY17 was 16.7% ahead of FY16 on the back of a strong performance in the second half of the financial year (H2), where growth was 26%. Excluding the acquisition of Sunshine.co.uk Limited, UK revenue growth for the year was 14% ahead of prior year, with H2 performance up 21%.

The Board evaluates acquisition opportunities that are both strategic and earnings enhancing. Following the acquisition of Sunshine.co.uk Limited on 9 May 2017, I am delighted to report that the business has performed in line with expectations since the acquisition and that the integration is now complete.

On the Beach has continued to make good progress in our international markets, with full year revenue growth of 48%. Of particular note is the significant revenue growth in H2 of 70% and that the Group's net investment in international operations is in line with expectations. This FY17 performance supports plans to launch in our third international market, Denmark, in early 2018.

On the Beach is a fast moving business that grows with purpose and momentum. During FY17, the Group has made strong progress delivering material growth in both the UK and international markets and undertaken the Sunshine.co.uk Limited acquisition in its stride. Across every facet of the business, talented employees are working hard to develop the business further. Granular attention to detail is evident across all functions with the customer remaining at the core of everything the business does. This customer centric approach means that the business is innovative in nature and I'm excited by the opportunities that will be explored over the next few years. The team is focused on delivering excellent value beach holidays that meet the individual demands of a wide range of customers. Their capabilities, passion and commitment is apparent and on behalf of the Board I would like to thank all my colleagues within On the Beach for their hard work, efforts, dedication and continued support.

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 continual contribution and support. The Board works effectively as a team with the appropriate combination of examination, control, challenge, support and encouragement 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 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 the Board has the appropriate balance of skills, experience and perspectives on the Board, which operates effectually and is properly engaged. The Board remains committed to profitable growth and the delivery of long-term value for our shareholders. The performance in FY17 was pleasing and provided good momentum for FY18.

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group. The low cost carrier summer 2018 seat release came earlier than last year and in part helped to offset the disruption caused by the Monarch Airlines Limited failure and repeated flight cancellations borne out of air traffic control and pilot strikes.

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 2018.

The Board will provide a further update on trading at our AGM on 8 February 2018.

The business continues to invest across the organisation – in its people, technology and brand. On the Beach's strategic direction centres around the delivery of profitable market share growth through the provision of an excellent value proposition, exceptional performance, increasing customer retention, the attraction of new customers, controlling overheads and expanding the territories in which we operate. We will continue to grow organically (both in the UK and in international markets) as well as through properly evaluated acquisitions.

The Board recognises that world events can impact the backdrop within which On the Beach operates. The last two financial years have demonstrated the agility and resilient nature of the business. The Group has performed well, has invested smartly and is well-positioned to face the future with confidence. As a result, I remain excited 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 continue to grow and create value for our shareholders.

Our AGM will be held at 11am on 8 February 2018 at the Company's headquarters at Park Square, Bird Hall Lane, Cheadle, SK3 0XN. I look forward to welcoming shareholders.

Richard Segal
Chairman
30 November 2017

Chief Executive's report

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.

We have continued to grow market share, with daily unique visitors to site in the UK increasing 13.6% year-on-year (YOY)[(1)]. 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 40.9% (2016: 44.7%) and our revenue after marketing costs increased 24.7% to £44.9m (2016: £36.0m).

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 providing further evidence of our ability to gain market share from traditional tour operators and other online travel agents (OTAs).

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 13.6%[(1)] with revenue after marketing costs increasing 21% [(1)], and with a different profile of offline investment across the course of the year our prompted brand awareness at the end of summer was 46% [(1)] *(FY16: 34%).*
- Optimisation and personalisation of our market-leading multi-device customer proposition driving an increase in both the number of unique visitors, and the revenue per unique visitor. Smartphone bookings have increased 44% YOY.
- Increasing engagement by encouraging visitor login with logged in users up 40% YOY.
- Increasing the directness of our relationships with end suppliers to achieve 65% 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 29% YOY.
- Driving an increasing proportion of sales into exclusive product whilst maintaining our lean cost base and risk-free model.
- Investing to increase our market share in a cost-effective manner in Sweden and Norway with plans to extend this further under our eBeach brand into Denmark in early 2018.
- The acquisition of Sunshine.co.uk Limited, which supports our strategic goal to drive an efficient increase in market share.

(1) *UK only excluding Sunshine.co.uk*

Market

We believe that overall demand for short haul beach holidays was flat on the previous year, but that a continued growth in online penetration resulted in growth in our addressable market. As one of the most visible online beach holiday brands we remain well-placed to benefit from this ongoing structural shift in consumer behaviour.

We have observed the following market trends:

- Acts of terrorism in Egypt, Tunisia and Turkey in 2015 drove demand from the East to West Mediterranean and this demand for destinations in the Western Mediterranean remained stronger throughout 2017.
- The reprogramming of flight capacity out of the Eastern Mediterranean led to flight overcapacity into the Western Mediterranean and a continued mismatch between flight capacity and bed capacity.
- Average flight seat prices into the Western Mediterranean fell once again because of the supply / demand imbalance and this helped to offset any increase in basket values borne out of the weakness of sterling.
- Tour operators hedged a proportion of their summer 2017 currency before Brexit and held a significant advantage in the early sales period (October 2016 – March 2017).

Chief Executive's report

- Following the early sell out prior to summer 2016, Western Mediterranean hoteliers removed peak season early booking discounts in summer 2017 to slow intake and as a result there was strong availability and demand in the run into summer 2017.
- The terrorist attack in Barcelona in the middle of August 2017 led to a slowdown in short lead time bookings for Spanish destinations, but demand for forward bookings remains strong.

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, with increasing efficiency. The auction dynamics, which improved immediately after the Low Cost Travel Group's administration in July 2016, remained relatively benign throughout FY17 with transient periods of aggressive spending by a range of competitors.

Our brand continued to strengthen, supported by our investment into a fully national offline marketing activity and sponsorship of the ITV show Benidorm. We completed the internal build of an econometric model to allow us to monitor the effectiveness of our offline marketing spend and are well advanced with our planning for our largest ever campaign from December 2017. In the three years since we have launched iPhone, iPad and Android apps, we have achieved c.1 million 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

In January we welcomed our new CFO Paul Meehan. Paul has integrated into the business well and has built strong relationships both internally and externally.

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. We are delighted that our Net Promoter Scores have been maintained and that our repeat purchase rates continued to increase significantly through FY17. Our dedicated teams have helped to minimise the effect of the Monarch Airlines Limited failure as well as the impact of air traffic and pilot strikes on our valued customers.

The Group has continued to invest into its digital capabilities, to support our continued ability to out innovate the market and attract and retain the very best talent. We are also reviewing potential locations within Greater Manchester for our head office, and we have implemented long term incentive plans for top performing talent. To support our drive to a more exclusive supply position we are also investing into our service and supply functions whilst ensuring that our scalable business model continues to allow us to leverage our cost base by 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 and delivering 65% of total hotel buying through in house capability, with significant incremental margin contribution. The increasing proportion of directly contracted product has continued to support 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, ring-fenced capacity and OTA exclusivity while maintaining our no risk, lightweight business model.

In FY17 more than 20% of our hotel product was contracted on an exclusive basis with us delivering significant incremental volume for our key partners and our focus will be to continue to build on this base throughout 2018. During the course of 2016 we built capabilities internally to allow us to support an in-house programme of flying. Against the backdrop of overcapacity into destinations in the Western Mediterranean we reduced the in-house programme and focused our attentions on innovative solutions to deliver incremental revenue for strategic partner airlines. We continue to monitor capacity at a route level and will scale our in-house programme if we believe the market conditions will allow.

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

After a slow start to FY17 where revenue growth was impacted by the tour operator currency hedge we have achieved full year revenue growth in line with our expectations by delivering a strengthening performance in H2 with significant gains in market traffic, a reduction in acquisition costs and an improvement in awareness of our brand. Our target in Sweden will now be to deliver a breakeven performance within the next financial year and to continue to build a presence in Norway in our second full year. As a result of the improvements in Sweden we will be launching our third international site in Denmark in early 2018.

Chief Executive's report

Strategy and Growth

It continues to be the Group's 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 FY18 remain as:

1. Out-innovating through agility and investment in talent and technology
- Continuing to invest into our people and our platform which allows us to innovate at an increasing pace and in doing so, stay ahead of the competition
- Introducing company-wide values based on innovation, simplicity, communication, respect and great customer experience
- Reviewing the location of our headquarters and reward schemes to ensure we are well placed to attract and retain the best talent

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 in conjunction with econometric modelling capability to strengthen brand awareness and to ensure marketing investment is efficient
- Driving performance improvements in Sunshine.co.uk Limited and reinvesting a proportion of these synergies to drive increased online visibility
- Seeking further 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
- Building our in-house capability to increase visibility of differentiated product
- Differentiating an 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 long haul offering to monetise existing search volumes
- Building tools to inspire customers who are destination agnostic

Current trading and outlook

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group. The low cost carrier summer 2018 seat release came earlier than last year and in part helped to offset the disruption caused by the Monarch Airlines Limited failure and repeated flight cancellations borne out of air traffic control and pilot strikes. On many of the routes from regional departure points where Monarch had a higher proportion of the flight capacity we are already seeing replacement capacity being positioned. In calendar Q4 last year sales for summer 2017 were impacted by the tour operator currency hedge and the Western Mediterranean hotel price inflation. Neither of these headwinds have been prevalent in the start to FY18. In addition to this, consumer appetite for and capacity travelling to destinations in the Eastern Mediterranean are strongly up year on year and against this backdrop 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 2018.

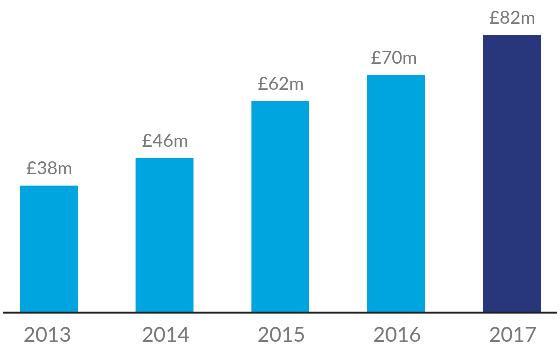
The Board will provide a further update on trading at our AGM on 8 February 2018.

Simon Cooper
Chief Executive Officer
30 November 2017

Key Performance Indicators

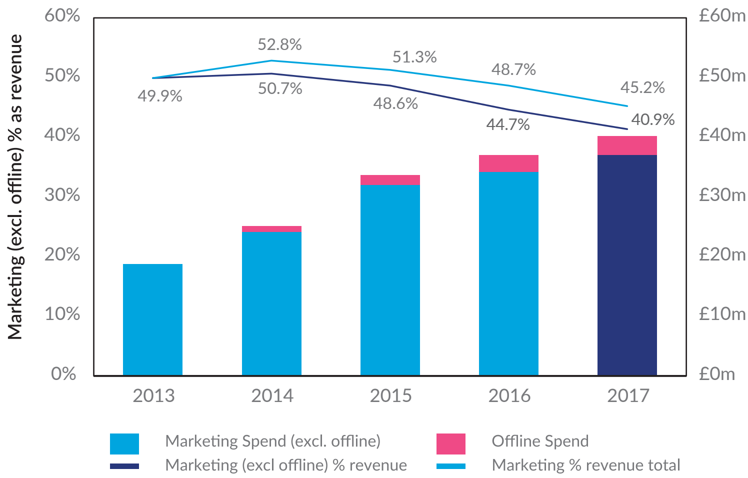
UK Segment: Revenue

Continuing growth with an increase of 16.7% on the prior year



Marketing spend as a percentage of revenue

Marketing % of revenue decreased to 40.9% (2016: 44.7%) excluding offline and to 45.2% (2016: 48.7%) including offline.



Daily UVs (millions) & revenue per daily UV [1] [2]

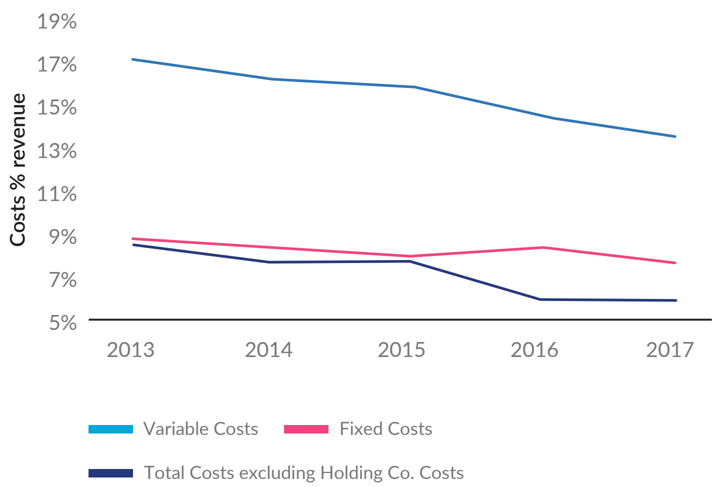
Daily UVs: Number of individuals, as defined by an IP address, visiting pages from the onthebeach.co.uk website during a 24 hour period

Daily UVs have increased by 14% whilst revenue per daily UV maintained at £1.21

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



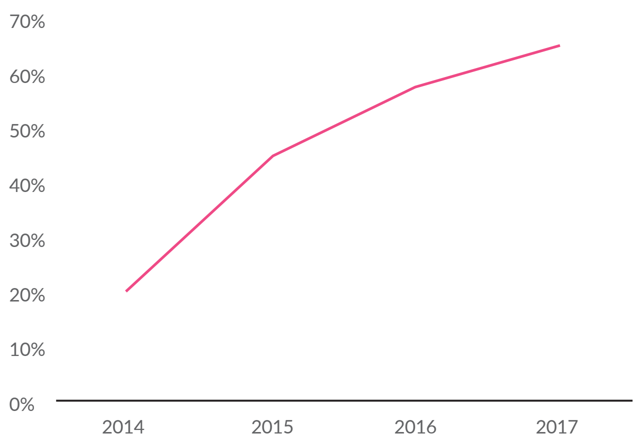
(1) UK only excluding Sunshine.co.uk

(2) The Group now uses Google's Universal Analytics for website tracking which allows for more accurate data collection across all digital devices. Due to the differing methods of data collection between Universal Analytics and the old version of Google Analytics, there is a variance in UV reporting and the associated metrics that use UV's (i.e. Cost per UV, revenue per UV). UV's, and associated metrics, for the past 2 years have been provided on a like-for-like basis and from Universal Analytics. All future reporting will be based on Universal Analytics only.

Key Performance Indicators

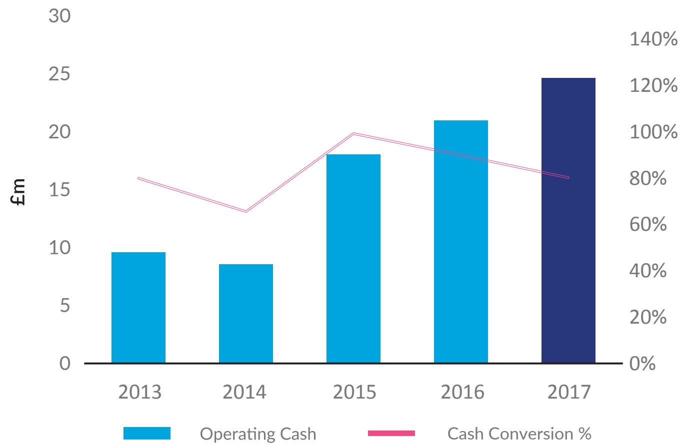
Direct contracting as a percentage of bed supply

Direct Contracting: sourcing hotel beds for customers directly from hotels rather than via third-party bed-banks as intermediaries
Continuing growth to 65%



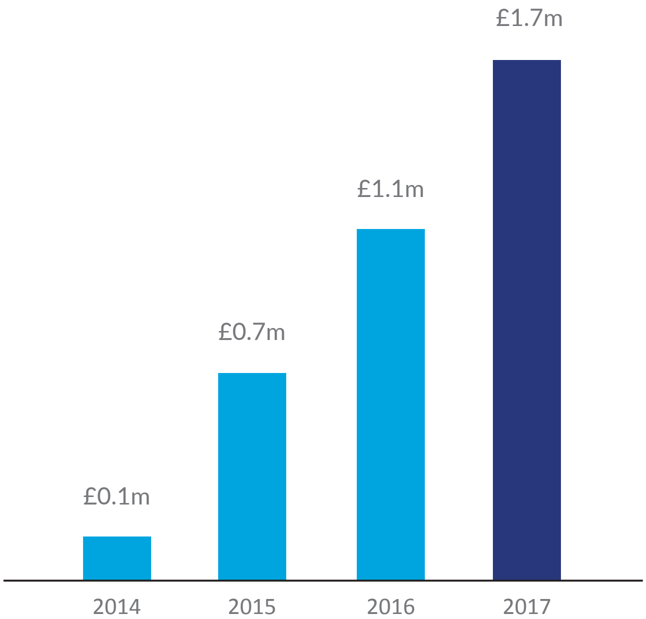
Operating cash and cash conversion as a percentage of adjusted EBITDA

Operating cash: Cash generated from continuing operations less capital expenditure
Cash conversion: Operating cash before exceptional items as % of adjusted EBITDA



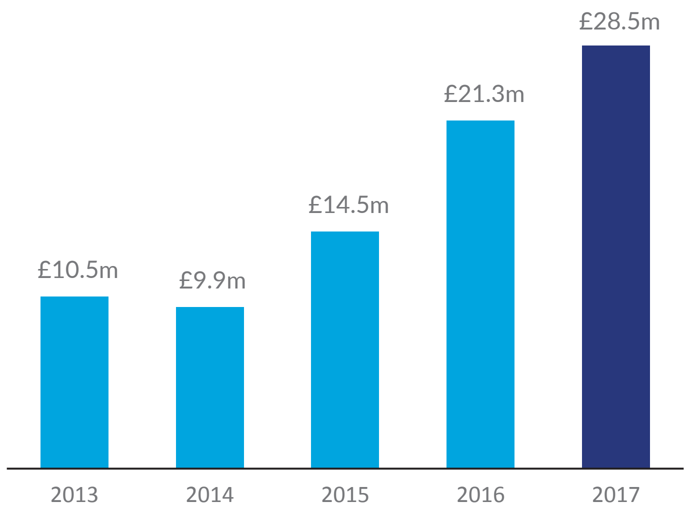
International Segment: Revenue

Share growth with an increase in revenue of 48%



Adjusted profit before tax

Adjusted profit before tax[3]
YOY growth 33.8%



[3] *Adjusted profit before tax is stated before exceptional costs of £2.6m (2016: £ nil), amortisation of acquired intangibles of £4.3m (2016: £4.3m), share based payments £0.5m (2016: £0.1m)*

Chief Financial Officer's report

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). For FY17, the UK segment includes the performance of Sunshine.co.uk from the date of acquisition, 9th May 2017. 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

	2017 £m	2016 £m	Change %
Revenue	81.9	70.2	16.7%
Revenue after marketing costs	44.9	36.0	24.7%
Variable costs	(4.9)	(4.3)	
Fixed costs	(6.2)	(6.0)	
Holding Company costs	(1.1)	(0.6)	
Depreciation and amortisation [1]	(2.4)	(2.0)	
EBIT	30.3	23.1	31.2%
EBITDA after Holding Company Costs	32.7	25.1	30.3%
EBITDA %	39.9%	35.8%	

(1) Excludes amortisation of acquired brand and website technology intangible assets of £4.3m (2016: £4.3m)

Revenue and marketing costs

Revenue increased by 16.7% to £81.9m *(FY16: £70.2m)*. On a like for like basis[2], revenue increased by 14.0% to £80.0m *(FY16: £70.2m)* with strong growth in H2 of 21%. Revenue per daily unique visitor was maintained at £1.21 *(FY16 £1.21)*[3] and revenue per booking was 2.5% higher at £179.6 per booking *(FY16: £175.1)*[3] this was largely due to further strengthening and increasing the directness in our relationships with our suppliers through the volume of in-house accommodation bookings to 64% *(FY16: 57%)*[3].

Marketing expenses (excluding offline) for the year to 30 September 2017 as a percentage of revenue decreased to 41.2% *(FY16: 44.7%)*[3] with total spend of £32.9m *(FY16: £31.4m)*[3] driving an efficient increase in our share as we continue to invest in the sophistication of our in house bid tools. We have again increased spending in the year on offline TV advertising campaigns to £3.5m *(FY16: £2.8m)*. Our continuation of a full national campaign together with sponsorship of the ITV Benidorm programme for the first time, to drive greater brand awareness.

(2) Revenue on a like for like basis is revenue excluding the acquisition of Sunshine.co.uk Limited, acquired on 9th May 2017. Revenue in respect of Sunshine.co.uk Limited for the period since acquisition amounted to £1.9m

(3) UK only excluding Sunshine.co.uk

(4) The Group now uses Google's Universal Analytics for website tracking which allows for more accurate data collection across all digital devices. Due to the differing methods of data collection between Universal Analytics and the old version of Google Analytics, there is a variance in UV reporting and the associated metrics that use UV's (i.e. Cost per UV, revenue per UV). UV's, and associated metrics, for the past 2 years have been provided on a like-for-like basis and from Universal Analytics. All future reporting will be based on Universal Analytics only.

Revenue increase £m
£81.9m
+16.7%
(FY16: £70.2m)

Revenue after marketing costs £m
£44.9m
+24.7%
(FY16: £36.0m)

UK EBITDA £m
£32.7m
+30.3%
(FY16: £25.1m)

UK EBITDA %
39.9%
(FY16: 35.8%)

Chief Financial Officer's report

EBITDA

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

Overhead as % of revenue

	2017	2016
Variable costs % revenue	6.0%	6.1%
Fixed costs % revenue	7.6%	8.5%
Holding Company costs % revenue	1.3%	0.9%
Total	14.9%	15.5%

Variable costs, which comprise mainly of contact centre wages and credit card fees, are closely linked to booking volumes and continue to improve from IT developments and in the ability for customers to manage their bookings more effectively online, to 6.0% of revenue *(FY16: 6.1%)*. Continued operational leverage and the revenue benefit of direct relationships reduced overhead costs as a percentage of revenue to 7.6% *(FY16: 8.5%)*.

Holding company costs have increased in the year by £0.5m to £1.1m *(FY16: £0.6m)* due to share based payment charges of £0.5m *(FY16: £0.1m)*.

EBITDA of £32.7m *(FY16: £25.1m)* increased by 30.3% and EBITDA as a percentage of revenue increased from 35.8% to 39.9%. The closest GAAP equivalent measure to EBITDA is UK operating profit which increased by 37.6% to £26.0m *(FY16: £18.9m)*.

International Segment performance

	2017 £m	2016 £m	Change %
Revenue	1.7	1.1	48.0%
Revenue after marketing costs	(1.6)	(1.4)	
Variable costs	(0.2)	(0.2)	
Fixed costs	(0.2)	(0.2)	
Depreciation and amortisation	(0.2)	(0.1)	
EBIT	(2.2)	(1.9)	
EBITDA	(2.0)	(1.8)	

In addition to the international platform in Sweden, operating under the 'www.ebeach.se' domain and launched early in 2015, the Group also launched a further international platform in Norway in FY17, operating under the 'www.ebeach.no' domain.

Losses are derived almost entirely from the marketing investment required to drive brand awareness and share of traffic which will in turn improve efficiency. The closest GAAP equivalent measure to EBITDA is operating loss which increased to £(2.2)m *(2016: £(1.9)m)*.

International Segment performance

Revenue £m

£1.7m

+48.0%

(FY16: £1.1m)

EBITDA £m

£(2.0)m

(FY16: £(1.8)m

Adjusted profit before tax

The Group reports adjusted 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.

Adjusted profit before tax	2017 £m	2016 £m	Change %
Group profit before taxation	21.1	16.9	24.9%
Amortisation of acquired intangibles	4.3	4.3	
Share Based Payments	0.5	0.1	
Exceptional Costs	2.6	-	
Adjusted profit before tax	28.5	21.3	33.8%

Finance costs

The finance cost for the year was £(0.1)m *(FY16: £0.1m)*. During the year, the Group extended its revolving credit facility from £30 million up to £35 million to cover the increased seasonal working capital requirements as a result of the acquisition of Sunshine.co.uk, but with strong cash management the maximum drawdown during the year was £22.0m.

Share based payments

The Group implemented a long term incentive plan in May 2016 as detailed in the remuneration report. Further options under the scheme were granted in May 2017. In accordance with IFRS2, the Group has recognised a non-cash charge of £0.5m *(FY16: £0.1m)*.

Chief Financial Officer's report

Exceptional items

Exceptional items for the year to 30 September 2017 were £2.6m *(FY16: £ nil)*. These costs relate to deal costs in relation to the acquisition of Sunshine.co.uk.Limited amounting to £0.6m *(FY16: £nil)* and the net costs associated with the recent failure of Monarch Airlines Ltd. amounting to £2.0m *(FY16: £nil)*.

This represents the expected one-off costs associated with helping customers to organise alternative travel arrangements or providing refunds following the failure and is stated net of the anticipated claim of £5.0m, under the Scheduled Airline Failure Insurance policy or chargeback.

Taxation

The Group tax charge of £3.1m represents an adjusted effective tax rate[1] of 12.0% *(FY16: 12.5%)* which was lower than the standard UK rate of 19% *(FY16: 20.0%)*. In 2017 this was affected by a deferred tax credit of £0.6m *(FY16: £0.9m)* released in line with the amortisation of £4.3m on the valuation of acquired intangibles, together with a credit of £1.1m *(FY16: £nil)* in respect of the settlement of Advance Thin Capitalisation Agreements from FY14 and FY15.

[1] *Adjusted effective tax rate is calculated as taxation charge divided by adjusted profit before tax and exceptional items.*

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 by 25.4% to 13.8 pence in FY17 *(FY16: 11.0 pence)*.

The adjusted proforma basic earnings per share based on adjusted earnings increased 35.4% to 17.6 pence *(FY16: 13.0 pence)*. The table below shows the adjustment from actual earnings:

	2017 £m	2016 £m	Change %
Profit for the year	18.0	14.3	25.9%
Add backs:			
Share based payments (net of tax)	0.4	0.1	
Exceptional costs (net of tax)	2.2	-	
Amortisation of acquired intangibles	4.3	4.3	
Deferred tax asset on acquired intangibles	(0.9)	(1.8)	
Prior year tax adjustment	(1.1)	-	
Adjusted profit for the year	22.9	16.9	35.5%
Number of ordinary shares in issue at year end; assumed to be outstanding for the full year and comparative period (millions)	130.4	130.4	
Adjusted proforma earnings per share (pence)	17.6	13.0	35.4%

Group profit before taxation £m
£21.1m
+24.9%
(FY16: £16.9m)

Adjusted profit before tax £m
£28.5m
+33.8%
(FY16: £21.3m)

Profit for the year £m
£18.0m
+25.9%
(FY16: £14.3m)

Adjusted profit for the year £m
£22.9m
+35.5%
(FY16: £16.9m)

Basic EPS p
13.8p
+25.4%
(FY16: 11.0p)

Adjusted proforma EPS pence
17.6p
+35.4%
(FY16: 13.0p)

Chief Financial Officer's report

Cash flow and net debt

The Group continues to see strong cash generation with operating cash flows 17.6% higher at £24.6m *(FY16: £21.0m)*, resulting in cash conversion of 79% *(FY16: 89%)*. Excluding the working capital movement resulting from the acquisition of Sunshine.co.uk. Ltd. and the provision for exceptional costs at year end, underlying operating cash conversion is 88%.

Cashflow and Net Debt	2017 £m	2016 £m	Change %
EBITDA excluding Share based payments charges	31.2	23.4	33.3%
Capitalised development spend	(2.7)	(2.4)	
Movement in working capital	(3.4)	0.6	
Capital expenditure	(0.5)	(0.6)	
Adjusted operating cash flow	24.6	21.0	17.1%
Operating cash conversion	79%	89%	

Net external cash at the year-end was £33.0m *(2016: £26.1m)*.

Dividend

The Directors are recommending a final dividend of 1.9p per share, totalling 2.8p per share for the year *(FY16: 2.2p per share)*, an increase of 27.2%. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 8 February 2018, the dividend will be paid on **15 February 2018** to shareholders on the register of members at the close of business on **12 January 2018.**

Paul Meehan
Chief Executive Officer
30 November 2017

Adjusted operating cash flow £m
£24.6m
+17.1%
(FY16: £21.0m)

Operating cash conversion %
79%
(FY16: 89%)

Dividend per share p
2.8p
+27.2%
(FY16: 2.2p)

Net cash (£'m)
£33.0m
+26.4%
(FY16: £26.1m)

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 uncertainties facing the Group, including those that could threaten its business model, growth, 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 2016 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.

RISK MANAGEMENT – PROCEDURES

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.

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.

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. We also review annually the parameters within which we assess and quantify risk, reviewing the categories and quantification of impact, and the time period that should be taken into account when assessing likelihood that a risk will materialise.

Risk management & principal risks and uncertainties

GOING CONCERN AND VIABILITY STATEMENT

Going concern

The directors have prepared cash flow forecasts that include key assumptions in respect of the trading subsidiaries booking numbers, booking profiles, commission rates and debtor collection periods. 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 2016 revision of the UK Corporate Governance Code (the Code), the Directors have assessed the prospects of the Company over the three year period to 30 September 2020, 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 21 to 25 and the potential impact of these on the business model, future performance and liquidity over the period.

The Directors have also taken account of the Group's ability to renew the credit facility at an appropriate level.

CHANGE TO RISK PROFILE SINCE 2016 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. Three key factors affecting the Group's risk profile are Brexit, regulatory changes and security of supply. 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 Availability of flights	› As part of the Brexit negotiations, new aviation rights need to be agreed with the remaining EU member states and standalone agreements need to be reached with non-EU members. Without such a deal, planes cannot fly. Although it is considered almost inconceivable that no aviation deal will be done, there is a theoretical risk that if agreements are not reached, planes cannot fly, so the Group would be unable to offer flights to its customers which would have a catastrophic impact on the business and the whole travel industry. We are confident that this is purely a theoretical risk. However, it is feasible that a delay in agreeing a deal could lead to low cost carriers delaying their flight releases for 2019 if the positon relating to air traffic rights is not clear by summer 2018 which could result in a reduced opportunity for the Group to sell both flights and holidays. The Group continues to develop plans to mitigate this risk.

Risk management & principal risks and uncertainties

CHANGE TO RISK PROFILE SINCE 2016 ANNUAL REPORT

Factor	Risks impacted	Explanation
Vote to leave the European Union (known as "Brexit") (continued)	Consumer confidence Supply chain risk (supplier failure) Competition risk People risk Foreign exchange risk VAT complexity Regulatory risk Availability of flights	› 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. Tour operators purchase currency in advance, whereas OTAs tend to purchase currency to match orders so (as happened in 2017) if the pound weakens, the tour operators have an advantage over OTAs. The Group continues to monitor this issue and develop plans to mitigate this risk. › 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 (e.g. Monarch), but also mitigated the competition risk as competitors with less resilient business models could fail. › The Group employs many EU citizens who are not UK nationals, in key areas such as IT development, and restrictions on freedom of movement may restrict the Group's ability to attract and retain talent.
Regulatory Changes	Consumer confidence Reputation risk Regulatory risk	› There are a number of pieces of new legislation coming into force in 2018 which will bring regulatory challenge for the business. Any incorrect application of the new rules could lead to fines and / or damage the Group's reputation and there are costs to the business to comply with the new rules. › Pursuant to the Package Travel Directive (PTD), from 1 July 2018 each booking taken by the Group which comprises two or more services will be considered a "package". This means that the Group will have certain statutory liabilities in relation to the performance of each element of the package; this is not the case under existing legislation. Post implementation of the PTD the costs of conducting business are likely to increase and there is increased potential for reputational risk. Insurance will be put in place to mitigate the Group's exposure as well as the operational and legal infrastructure to deal with the new responsibilities. › The General Data Protection Regulation (GDPR) comes into force in May 2018 and will mean some changes to the way in which the Group collects, processes and uses data. Fines for non-compliance can be up to €20 million. The Group has a GDPR compliance steering group which is planning implementation to ensure compliance.

Risk management & principal risks and uncertainties

CHANGE TO RISK PROFILE SINCE 2016 ANNUAL REPORT

Factor	Risks impacted	Explanation
Regulatory Changes (continued)	Consumer confidence Reputation risk Regulatory risk	› In January 2018 the Second Payment Services Directive comes into force which means that the Group will not be permitted to charge for credit card payments but will continue to incur costs. › Any unfavourable interpretation of existing laws could adversely affect the Group's business and financial performance.
Security of Supply	Consumer confidence Supply chain risk (supplier failure)	› The Group relies entirely on third parties for the supply of flights, hotels and other holiday constituents and the challenging market backdrop increases the risk of supplier failure. The failure of a supplier can result in significant costs for the company (detailed in section 1.2.2 below). The costs of an airline failure are mitigated by the Group's ability to recover the flight costs (e.g. through chargeback rights and insurance). The group had scheduled airline failure insurance in place in relation to the failure of Monarch. Due to the unprecedented scale of the failure, the insurer is still in the course of processing the claim. The claim process is progressing well and the group is confident of the prospects of recovery. › Recent supplier failures (e.g. Monarch Airlines) makes customers nervous about booking holidays, however this is mitigated by the Group's ATOL protection and trust accounts. › The Group does not have relationship agreements in place with a number of low-cost airlines, certain of whom have sought to 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.

Risk management & principal risks and uncertainties

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 and suppliers (e.g. Monarch) 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.	↑
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.	↑
1.2.2 Supply Chain Risk (Supplier failure)	If a supplier were to collapse (e.g Monarch), 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 at extremely low risk of failure (even more so given they will have benefited from Monarch's 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. › In most cases, the group has means by which to recover the flight costs which it has to refund to customers.	↑

Risk management & principal risks and uncertainties

1. TRADING

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
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.	↔
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 more likely to fail, creating opportunities for OTB to take market share and to reduce paid search marketing costs.	↔
1.5 System & 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.	↔

Risk management & principal risks and uncertainties

1. TRADING

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
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. › The Group is currently reviewing the location of its head office to ensure it can attract and retain the best talent.	↑

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. › Tour operators purchase currency in advance, whereas OTAs tend to purchase currency to match orders so (as happened in 2017) if the pound weakens, the tour operators have an advantage over OTAs.	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.	↑
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.	↔
2.3 VAT complexity risk	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.	↔

Risk management & principal risks and uncertainties

3. LEGAL

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
3.1.1 Litigation risk (airline litigation)	**Airline 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 issued a motion to compel delivery of full and proper particulars in May 2017 and in response to this motion, Ryanair is proposing to make amendments to its original statement of claim. This has resulted in a further 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.	↔
3.1.2 Litigation risk (consumer litigation)	**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 currently 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 July 2018, the definition of package will change, and OTB will at that point be selling packages, so will have to defend customer 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" (until July 2018). 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 insurance cover to mitigate risk and also 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. › OTB is prepared for the implementation of the Package Travel Directive and has plans in place to deal with the expected increase in personal injury claims. OTB is well placed to deal with the new responsibilities given the narrower range of hotels it offers and the strong and direct relationships it has with hotels and other suppliers. This enables OTB to agree preferential contractual protection as well as support to defend claims when they arise.	↑

Risk management & principal risks and uncertainties

3. LEGAL

Operational Risks	Risk Description and Impact	Mitigation & Management	Direction of Change
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. The Package Travel Directive, General Data Protection Regulation and the Second Payment Services Directive all come into force during 2018 increasing the responsibilities and potential liabilities of the Group. It is also likely that the cost of conducting the Group's business will increase. Unfavourable changes to or interpretation of existing laws could adversely affect the Group's business and financial performance.	The Group has an in house legal team which advise 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 has been planning for the implementation of new legislation in 2018 and has arrangements in place, including appropriate insurance cover, to mitigate potential impacts. The Group reviews closely the draft proposals for law reform. The Group also participates in industry steering and advisory groups, through which it is able to lobby on legislative change.	↑

Corporate social responsibility

Our vision is to be Europe's leading online retailer of beach holidays. We're completely focussed on making it easy for people to find, book and enjoy their perfect beach holiday. To reach our goals, we work as a team to a clearly defined set of values; these are what make On the Beach a great place to work for our colleagues and help us deliver the best experience possible for our customers.

OUR **VALUES**

DELIVERING A GREAT CUSTOMER EXPERIENCE

Our mission is to make it easy for people to **find, book and enjoy** their perfect beach holiday.

INNOVATION

We are **creative and aspire to do things differently.** We deliver change with speed and learn quickly.

SIMPLICITY

Working together, we quickly **identify the simplest solution** for every challenge by being smart and can-do.

RESPECT

We appreciate and understand each other's **styles, experiences and approaches,** by being down to earth and empathetic. By bringing people on your journey, ideas can blossom and people can thrive.

COMMUNICATION

We help each other by **talking and collaborating.** We'll get there faster and it'll be more fun!

People are our business

Our people, coupled with our smart thinking and smart technology gives On the Beach the edge over its competition. Recruiting, engaging and retaining employees 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. We are continuing to grow our business and during the last financial year our workforce has grown by over 10 per cent.

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.

Culture is a critical part of OTB and flows through everything we do. Our values are lived throughout the business – from the research and development time we provide to ensure we continue to innovate, to the people policies have in place and continue to develop to ensure respect is entrenched in the workplace.

Employee Involvement & Engagement

We know the importance of good communication with our employees, and this year we have been focussing on ensuring that every team member's voice is heard.

Corporate social responsibility

Communicating

It's essential to keep employees informed on matters that concern them and we do this via our intranet, an all-employee "Communication Group" email address, our online HR system and notice boards throughout the office.

In addition to the above, during the year, we also launched our new colleague newsletter, Beach Life, designed to keep employees up-to-date with business news, internal changes and to give valuable insight into business performance. This is a quarterly newsletter created by colleagues, for colleagues and is a great vehicle to be able to talk to every employee and recognise their hard work.

We also make sure all employees are aware of the financial and economic factors affecting the performance of the Company, and this year we have increased our yearly performance update, to a bi-yearly update, delivered by senior management to the rest of the business at social events.

Collaborating

We make sure employees are consulted on a regular basis so their views can be taken into account, including through line managers, employee satisfaction questionnaires, employee suggestion boxes (physical and electronic) and, because of the flat structure and informal approach, through direct communication with the executive team (which is encouraged).

This year, we have really focussed on employee engagement, evidenced by a number of initiatives:

- We introduced **"HIVE"**, a new method for employee surveying and engagement.
- We introduced an Employee Engagement Committee comprising spokespeople from every department in the business to provide valuable insight to management on how employee satisfaction can be improved.
- We have set up an 'Ask the CEO' email address, providing a direct line to the CEO for anyone who wishes to submit any ideas on how we can improve the business even further.

As a result of the feedback we have received, working with the Remuneration Committee, we have updated a number of our employee policies including the introduction of enhanced maternity and paternity policies. We recognise that shaping our future employee proposition is an iterative process. Some of the new initiatives under development include mentoring schemes and the opportunity to spend time learning skills from other departments.

It is important to us that all employees are encouraged to feel part of the Company and be brought-in to its long-term future and our Remuneration Committee has considered employee incentives during the year in detail. For more details please see the Remuneration Committee report on page 46.

Corporate social responsibility

Equality and Diversity
The Group is committed to the avoidance of discrimination and encourages diversity amongst 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 pages 38 and 39 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 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
'Modern Slavery' is a crime which encompasses slavery, servitude, forced or compulsory labour and human trafficking. The Group has a zero tolerance approach to any form of modern slavery. We are committed to acting with integrity and transparency to help eradicate any modern slavery in our business and supply chain.

In accordance with the Modern Slavery Act 2015, the Group has a modern slavery statement which can be found on our website www.onthebeachgroupplc.com/responsibility.

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

This year, we have changed the pace of charity support and have launched our Charity Committee to help both colleagues and the business give back. This means there is more opportunity for colleagues to put in requests for charities they're passionate about, more events for people to get involved in and more support from the business in terms of time and financial aid. This year we have supported a number of charities including Children in Need, Comic Relief, The Fire Fighter Charity and Macmillan. In addition, for the third year running, 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 several 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 we welcome the opportunity to be involved with Rails Girls Manchester.

Environment
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 waste appropriately.

Corporate social responsibility

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.

Greenhouse Gas Emissions by Scope

	Unit	2017 Quantity[1]	2016 Quantity[2] (updated)	2016 Quantity[3] (estimated)
Scope 1				
Gas consumption	Tonnes CO_2e	**87.69**	66.37	85.28
Scope 2				
Electricity consumption	Tonnes CO_2e	**424.87**	412.16	455.07
Total emissions	Tonnes CO_2e	**512.56**	478.53	540.35
Relative emissions, by revenue	Tonnes CO_2e/£m revenue	**6.1**	6.7	7.6

1 *These figures are based on information from 1 June 2016 to 31 May 2017 so they do not correspond exactly to the reporting period, as the information is not yet available for the year from 1 October 2016 to 30 September 2017 but we believe energy consumption will closely correspond to the equivalent period in 2017. The updated figures for 2017 will be included in next year's annual report.*

2 *This reflects the actual figures for the period from 1 October 2015 to 30 September 2016.*

3 *These were the figures included in the 2016 annual report and related to the year from 1 June 2015 to 31 May 2016.*

Awards & Achivements

STOCKPORT BUSINESS AWARDS 2017
Business of the year (£5m+)

TRAVOLUTION AWARDS 2017
Best for Holidays

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

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

Governance

Chairman's statement

" We are committed to engaging and maintaining an active dialogue with all our shareholders "

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.

The Board continues to engage with its various different stakeholders as described both within this governance report and also within the corporate social responsibility statement set out on pages 26 to 29.

Compliance with UK Corporate Governance Code 2016

In April 2016 the Financial Reporting Council published an updated edition of the UK Corporate Governance Code (the "Code"). The Code, applied to the Company for the first time during the course of this year and I am delighted to confirm that the Company is in full compliance. The report which follows this introduction will set out in detail how the Company ensures compliance with the provisions of the Code.

Board Composition and Diversity

We were delighted to welcome Paul Meehan to the Board on 16 January 2017. Paul replaced Wendy Parry as Chief Financial Officer (CFO) following Wendy's retirement. Paul has already built strong relationships with internal and external stakeholders and has actively engaged with shareholders. We are pleased Paul has settled into the business so well.

Wendy's departure and Paul's appointment means that the Board is now entirely male. Gender and diversity as a whole were considered by the Nomination Committee during the year and continues to be an area of ongoing focus for the Board and management. We recognise the gender imbalance which is prevalent in the technology industry as a whole, and as an organisation we are committed to taking positive action to attract and retain women (as outlined on page 38 of our Corporate Governance Statement). We believe that this, in conjunction with the Group's policy on diversity and equality, will help to address the gender imbalance within the organisation and in time will filter through to provide a pipeline of candidates with senior, executive and board potential.

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 40.

Shareholder Engagement

We are committed to engaging and maintaining an active dialogue with all our shareholders. Further details are set out on page 40. I would like to encourage our shareholders to attend our Annual General Meeting which will be held at 11am on 8 February 2018 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 provide effective leadership to the business. We will continue to review developments in Corporate Governance best practice and we are mindful of the increasing focus on all stakeholders. With this in mind I am confident that the Board will continue to work effectively together to drive the long term growth and success of the Company.

Richard Segal
CHAIRMAN

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 large majority of 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:
Non-executive director of Current Body.com Limited

Committee memberships:
Disclosure (chairman)

Paul Meehan
CHIEF FINANCIAL OFFICER

Paul joined the business as CFO in January 2017. Prior to that, Paul was a Director at Gala Coral Interactive (Gibraltar) Ltd. (now part of the merged Ladbrokes Coral Group plc). Paul joined Gala Interactive as Finance Director in April 2012, as part of a new management team, successfully re-launching the online gaming business in Gibraltar. More recently, Paul was the director responsible for the Interactive business planning and integration aspects of the merger between Gala Coral Group Limited and Ladbrokes plc. Paul previously held CFO/FD positions in a number of businesses in the UK, including online, gaming and technology businesses.

Appointed to board:
16 January 2017

Independent:
N/A

External appointments:
None

Committee memberships:
Disclosure

Richard Segal
CHAIRMAN

Richard Segal is Chairman of the Company. He is also Chairman of Racing Post and Encore Tickets and (as at the date of this report) HostelWorld Group plc. 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. Richard will step down as Chairman of HostelWorld Group plc on 1 December 2017 and will leave their Board on 31 December 2017. 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 (until 31 December 2017)
Encore Tickets
Racing Post

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

Simon Cooper
CHIEF EXECUTIVE OFFICER

Paul Meehan
CHIEF FINANCIAL OFFICER

Richard Segal
CHAIRMAN

Directors' biographies

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 Dominos 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, Camelot UK Lotteries, Trinity Mirror plc and Holiday Extras. 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 Pure 360.

Appointed to board:
28 August 2015

Independent:
Yes

External appointments:
The Gym Group Plc
Holiday Extras
Pure 360
Simply Business
Camelot UK Lotteries
Trinity Mirror Plc
Prezola Limited

Committee memberships:
Audit, Nomination, Remuneration (chairman)

Lee Ginsberg
NON-EXECUTIVE DIRECTOR

David Kelly
NON-EXECUTIVE DIRECTOR

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 2016 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.

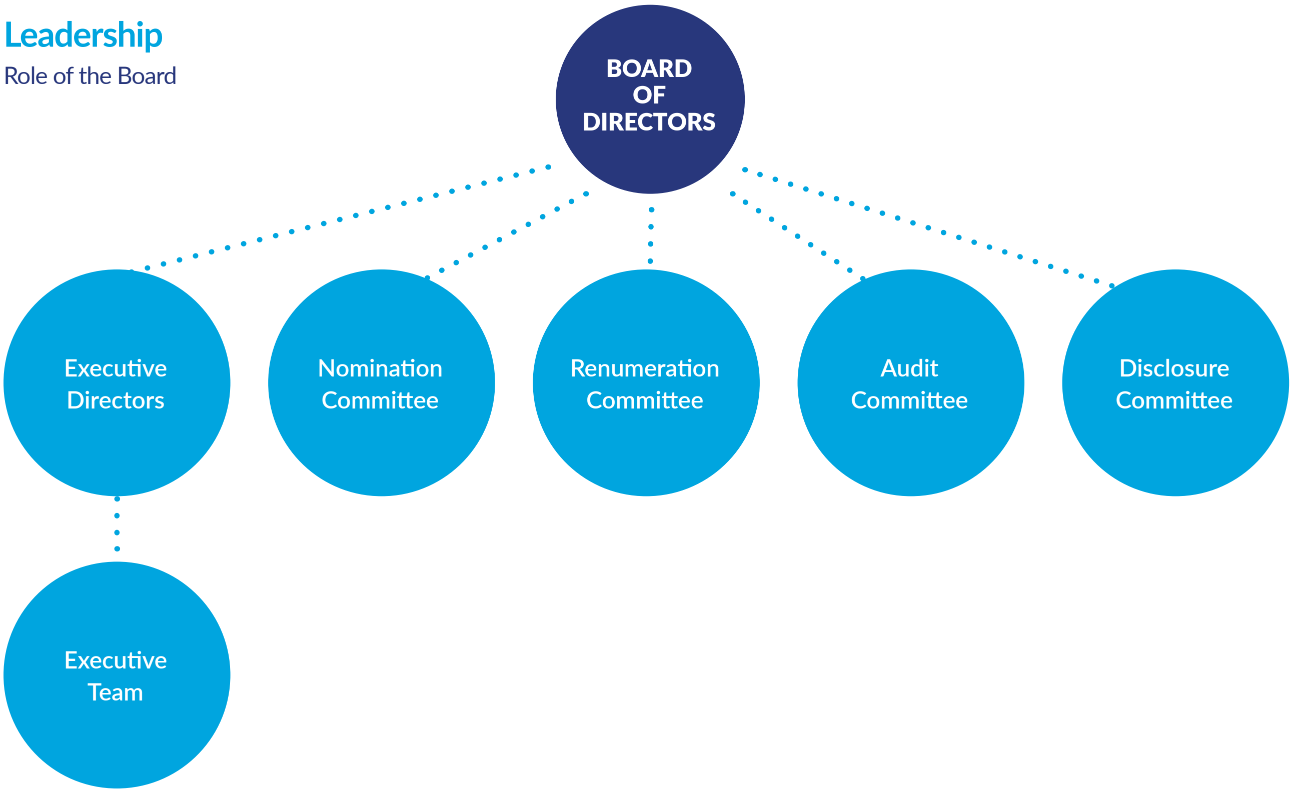
Compliance with the 2016 Code

The Company is committed to achieving and maintaining the highest standards of corporate governance. During the financial year ending 30 September 2017 (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 33 and 34.

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.

Corporate Governance Statement

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.

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	42
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	46
Nomination Committee	Reviews structure, size and composition of the Board and its Committees and makes appropriate recommendations to the Board.	Richard Segal (Chair) David Kelly Lee Ginsberg	41
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 Paul Meehan	N/A

Corporate Governance Statement

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 who were entitled to attend.

There have been 3 meetings of the Audit Committee, 8 meetings of the Remuneration Committee, 2 meetings of the Nomination Committee and 4 meetings of the Disclosure Committee (each attended by all members of the Committees).

Disclosure Committee

The Disclosure Committee maintains procedures, systems and controls for the identification, treatment and disclosure of inside information and ensures compliance with the obligations falling on the Company and its directors and employees under the Market Abuse Regulation (EU) No 596/2014 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.

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 exercised by different individuals. 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;
› 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

Corporate Governance Statement

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 41 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.

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

The Group is committed to eliminating discrimination and encouraging diversity amongst the workforce. We have an equality and diversity policy in place in order to promote a culture that actively values differences and recognises that people from different backgrounds and experiences can bring valuable insights to the workplace. We are aware of the need to keep under review the diversity of our organisation as a whole, including our Board, 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

Corporate Governance Statement

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 28 for more details).

We are also conscious of the gender imbalance on our Board, which is entirely male. The Nomination Committee considered this issue during the year 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 2017, the average age of our employees was 33 years old and the gender split between employees was as follows:

	Male	Female	Percentage of female employees
Directors of the Company	5	0	0%
Senior management	21	12	36%
Other employees	127	184	59%

AGM

Our third Annual General Meeting will be held at 11am on 8 February 2018 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, the Non-Executive Directors and the CEO each hold external directorships, and these are disclosed within their profiles on pages 33 and 34. The CEO took on an external non-executive directorship during the year which was considered and approved by the Board. The Board took the view that such appointment would not impact on the CEO's commitment to his role and could be of benefit to both the CEO and the Company.

The Board is comfortable that the external directorships 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 and the Chairman continually reviews the training needs of Directors according to their individual needs. This review is ongoing and forms part of the annual appraisal process.

The Directors attend development days during the year where they are provided with updates on developments and training on certain areas in order to deepen and develop their understanding of particular areas of the business. These development days are in addition to the regular training arranged by the Company Secretary. Directors also undertake individual training which gives them the opportunity to undertake a 'deep dive' into certain areas of the business.

Corporate Governance Statement

Information and Support

All Directors have access to the Company Secretary, who advises them on governance matters.

Directors receive and access their board papers via an electronic portal. Board papers are generally circulated five days before a meeting. The Chairman and the Company Secretary work together to ensure that board papers are clear, accurate and 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.

This year's board evaluation was the second undertaken by the Company and it was decided that it would be conducted in-house as this would be the most simple and effective method of evaluating the Board This allowed a first-hand 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 the issue of Board diversity should continue to be a priority and be considered by the Nomination Committee (see pages 41).

In accordance with the Code the Board will consider whether the 2018 evaluation should be facilitated externally.

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, pages 62 to 64 contain 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
30 November 2017

Report of the Nomination Committee

Richard Segal
Chairman, Nomination Committee

I am pleased to introduce the report of the Nomination Committee for the year ended 30 September 2017.

Members of the Nomination Committee

Richard Segal Chairman
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.

Two meetings were held during the year:

	Meetings attended/ Total meetings held	Percentage of meetings attended
Richard Segal	2/2	100%
David Kelly	2/2	100%
Lee Ginsberg	2/2	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.

Appointment of new CFO

During the year, the Committee finalised the recruitment of Paul Meehan as CFO. As reported last year, after Paul had been identified as the preferred candidate, the Committee recommended to the Board that an offer was made to him in line with the package recommended to the Board by the Remuneration Committee. Paul accepted the offer on 28 November 2016 and joined the business on 16 January 2017.

Succession Planning

Continuing the work undertaken in the 2015/2016 financial year, the Committee reviewed 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 monitored the risks 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.

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, particularly following the retirement of Wendy Parry and the appointment of Paul Meehan which led to the Board being entirely male. In addition to the gender imbalance there is also an ethnicity imbalance and the Committee considered diversity as a whole. The Nomination Committee leads Board appointments and it was agreed that 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 the appointment of 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 40 and has recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each Director, that all Directors will seek re-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
30 November 2017

Report of the Audit Committee

Lee Ginsberg
Chair of the Audit Committee

I am pleased to present the Audit Committee Report for 2017.

With the assistance of management and KPMG LLP, 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. There has been no correspondence from regulators, including the Financial Reporting Council, during the financial year.

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 Audit Committee

Lee Ginsberg Chairman
David Kelly
Richard Segal

- Composed of three independent Non-Executive Directors all of whom have experience in the sector in which the Group operates.
- 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 33 and 34).
- At least three meetings held per year
- Meetings are attended by the Chief Financial Officer, Chief Executive, Company secretary and external auditor by invitation

Three meetings were held during the year:

	Meetings attended/ Total meetings held	Percentage of meetings attended
Lee Ginsberg	3/3	100%
David Kelly	3/3	100%
Richard Segal	3/3	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 2017 half-year statement and Annual Report 2017.

Work undertaken by the Committee in relation to 2017

Financial Statements

The Committee has reviewed the content of the 2017 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

Report of the Audit Committee

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 2017 and for the year ended 30 September 2017.
- 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 LLP 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. 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. In 2017 there was a rotation of the Group's audit partner.

The Committee recommends the re-appointment of KPMG LLP and confirms that such recommendation is free from influence by a third party and no restrictive contractual terms have been placed on the Group.

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 £124,000). 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 (FY17), it was disclosed that fees totalling £6,000 were paid to KPMG LLP for non-audit services.

UK Corporate Governance Code

Each year the Committee conducts a detailed review of the Company's compliance with the UK Corporate Governance Code. This year particular focus was given to the new provisions and guidance relating to the composition of audit committees. The Committee was satisfied that it complied with all the provisions of the Code; Lee Ginsberg has substantial recent and relevant financial experience, along with experience in the technology sector and the other members of the Committee have experience in both the travel and technology sectors.

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.

Report of the Audit Committee

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

Report of the Audit Committee

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.
Failure of Monarch Airlines Ltd. - Recognition of potential cost and reimbursement asset The accounting for the recent failure of Monarch Airlines Ltd., involves judgement to estimate the value of both the potential liability and the debtor arising from the claim under the Scheduled Airline Failure Insurance policy (see page 85 for full disclosure).	The Committee have reviewed the accounting and are satisfied with the approach of Management. The Committee are satisfied with the accuracy of the potential liability and that the recoverability of the associated chargebacks / insurance debtor is virtually certain.
Valuation of intangibles arising on the acquisition of Sunshine.co.uk Limited The accounting for the acquisition of Sunshine involves judgement to calculate the value and category of intangible assets to be recognised on the balance sheet.	The Committee have reviewed the acquisition accounting and intangible and goodwill accounting and are satisfied with the approach of Management. The Committee are satisfied with the identification and value of intangible assets acquired.
Valuation of investments in subsidiaries The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	The Committee have reviewed the accounting and are satisfied with the approach of Management. The Committee are satisfied with the accuracy of the forecast prepared by management to support the carrying value of the investment.

Lee Ginsberg
Chair of the Audit Committee
30 November 2017

Remuneration Report

Annual Statement of the Chairman of the Remuneration Committee

David Kelly
Chair of the Remuneration Committee

Dear Shareholder,

As Chairman of the Remuneration Committee, I am pleased to present the Remuneration Report for the year to 30 September 2017.

Since floating in September 2015, the Remuneration Committee has continued to transition its approach to pay as it moves from being a private equity backed business to a larger public company. This is relevant both in terms of having much greater oversight into the pay and reward of individuals below main board level as well as ensuring that the executive directors continue to have a market competitive package in the listed environment.

As a consequence, and as noted last year, the Committee was involved in shaping a remuneration package for Paul Meehan which is in line with both our current remuneration policy and investor sentiment, and which also provides reward in line with delivering our strategy.

In our second full year as a listed entity, the Company has continued to demonstrate strong financial performance including an increase in Group profit before tax of 24.9%, an increase in Group adjusted profit before tax of 33.8%, an increase in adjusted proforma EPS of 39.1% and a total shareholder return of 90.3%.

The Committee remains satisfied that the policy continues to support the Company's strategy for the forthcoming year: to retain and motivate our management team, to drive strong returns for our shareholders and to promote the long-term success of the Company. Shareholders will not therefore be asked to approve any revisions to the policy at the 2018 AGM. However, it is the Committee's intention to undertake a thorough review of the policy during the course of 2018 to ensure that the remuneration of the Executive Directors is reflective of the Company's continued strong performance, including consultation with our major shareholders, ahead of seeking approval for policy renewal at the 2019 AGM.

Remuneration highlights for the 2017 financial year

In 2017, remuneration highlights included the following:

- As outlined in our 2016 report, the Executive Directors did not receive salary increases during the year. The Remuneration Committee reviewed salaries during the year and determined that increases of 2% would be awarded in line with increases awarded to the wider workforce, effective from 1 January 2018.
- Annual bonus measures were based on financial targets that link directly to both strategic and operational initiatives of the Company. Despite the strong performance of the Company over the year, due to the stretching nature of the threshold PBT target, no bonus in respect of the 2017 financial year will be paid.
- The second award under the 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 are based 70% on EPS performance and 30% on returns to shareholders.
- As part of wider employee engagement activities (details of which are set out on page 26 to 27), an employee engagement committee was formed during the year with the intention of strengthening the employee voice on matters such as remuneration. The Remuneration Committee has received reports on employee engagement activities and employee feedback and has been involved in considering changes required to pay and conditions for all staff. Matters considered included making changes to certain HR policies and how the Company's share schemes and other remuneration tools can be used to incentivise, reward and retain talent across the business, particularly top performers. The Committee intends to further formalise this engagement in FY18.

Members of the Remuneration Committee

David Kelly Chairman
Lee Ginsberg
Richard Segal

Remuneration Report

Key activities of the remuneration committee

The Remuneration Committee met 8 times during 2017 and its key activities were as follows:

		3 Nov 2016	30 Nov 2016	8 March 2017	27 March 2017	26 May 2017	31 May 2017	6 Sept 2017	28 Sept 2017
OVERALL REMUNERATION	Approval of FY17 performance and remuneration decisions for Executive Directors	✓							
	Review of remuneration package for new CFO	✓							
	Review of group-wide pay and conditions		✓						✓
	Review of FY16 year end compensation process and budgets for all employees			✓					
	Review of preliminary FY17 year end compensation budgets								✓
	Consideration of reward strategy for the broader employee population							✓	✓
	Review of Executive Directors' remuneration							✓	✓
ANNUAL BONUS	Assessment of FY16 performance	✓							
	Approval of FY17 annual bonus plan	✓							
	Preliminary review of FY18 annual bonus plan							✓	✓
GOVERNANCE	Approval of FY17 performance measures and awards		✓	✓	✓				
	Grant of LTIP awards					✓	✓		
	Review of all employee share schemes			✓					
	Approval of the FY16 DRR		✓						
	Planning for FY17 DRR								✓
	Review performance of independent advisers and fees over the year								✓
	Preparation for AGM		✓						
	Review of feedback received at AGM			✓					

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 2017 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM on 8 February 2018.

The Remuneration Committee is committed to ensuring that we are responsive to developments in best practice, and will proactively consider the implementation of our policy in the light of this. Additionally, the Committee will consult with Shareholders in FY18 as it prepares its Policy for re-voting in FY19. Should you have any queries or comments on this Report, or more generally in relation to the Company's remuneration, then please do not hesitate to contact me via the Company Secretary.

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

David Kelly
Chair of the Remuneration Committee
30 November 2017

Summary of Remuneration Policy

It is essential that a fair, competitive and attractive remuneration policy is in place in order to ensure the future success of the Company.

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 2018 AGM however we will re-design the Policy for FY19.

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 summarises each element of remuneration and how it supports the Company's short and long term strategic objectives.

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base Salary 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.	Salaries are reviewed annually and any changes are effective from 1 January in the financial year.	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. The Committee recognises that Simon Cooper's current base salary is below the market level, but when setting Simon's base salary has given regard to his considerable shareholding in the Company, and the desire to focus the remuneration structure on a long term strategy.	None

Summary of Remuneration Policy

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Benefits Provides a competitive level of benefits.	The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Remuneration Committee expects to be able to adopt benefits such as relocation expenses, car allowance benefit, death in service life assurance, travel expenses (including tax if any), tax equalisation and support in meeting specific costs incurred by directors. The Executive Directors currently receive benefits which include family private health cover.	The maximum will be set at the cost of providing the benefits described.	None
Pensions Paul Meehan currently receives an employer's contribution equal to 15% of his base salary. Due to his considerable shareholdings, Simon Cooper is not provided with pension funding.	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.	15% of base salary p.a.	None
Annual Bonus Plan 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.	For every £1 above the Board approved PBT budget, a proportion will go into a bonus pot which will be used to fund Executive bonuses. Annual bonuses are paid in cash after the end of the financial year to which they relate.	The maximum bonus opportunity is 100% of base salary.	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.

Summary of Remuneration Policy

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Long-Term Incentive Plan (LTIP) 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.	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.	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.	The performance conditions for awards are currently split between earnings per share ("EPS") growth (70%) and absolute total shareholder return ("TSR") (30%).
HMRC Share Incentive Plan To encourage wide employee share ownership and thereby align employees' interests with shareholders.	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).	UK scheme in line with HMRC limits as amended from time to time.	None
Shareholding Requirement To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	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.	150% of salary.	None
Non-Executive Director fees 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.	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.	The base fees for Non-Executive Directors are set at a market rate.	None

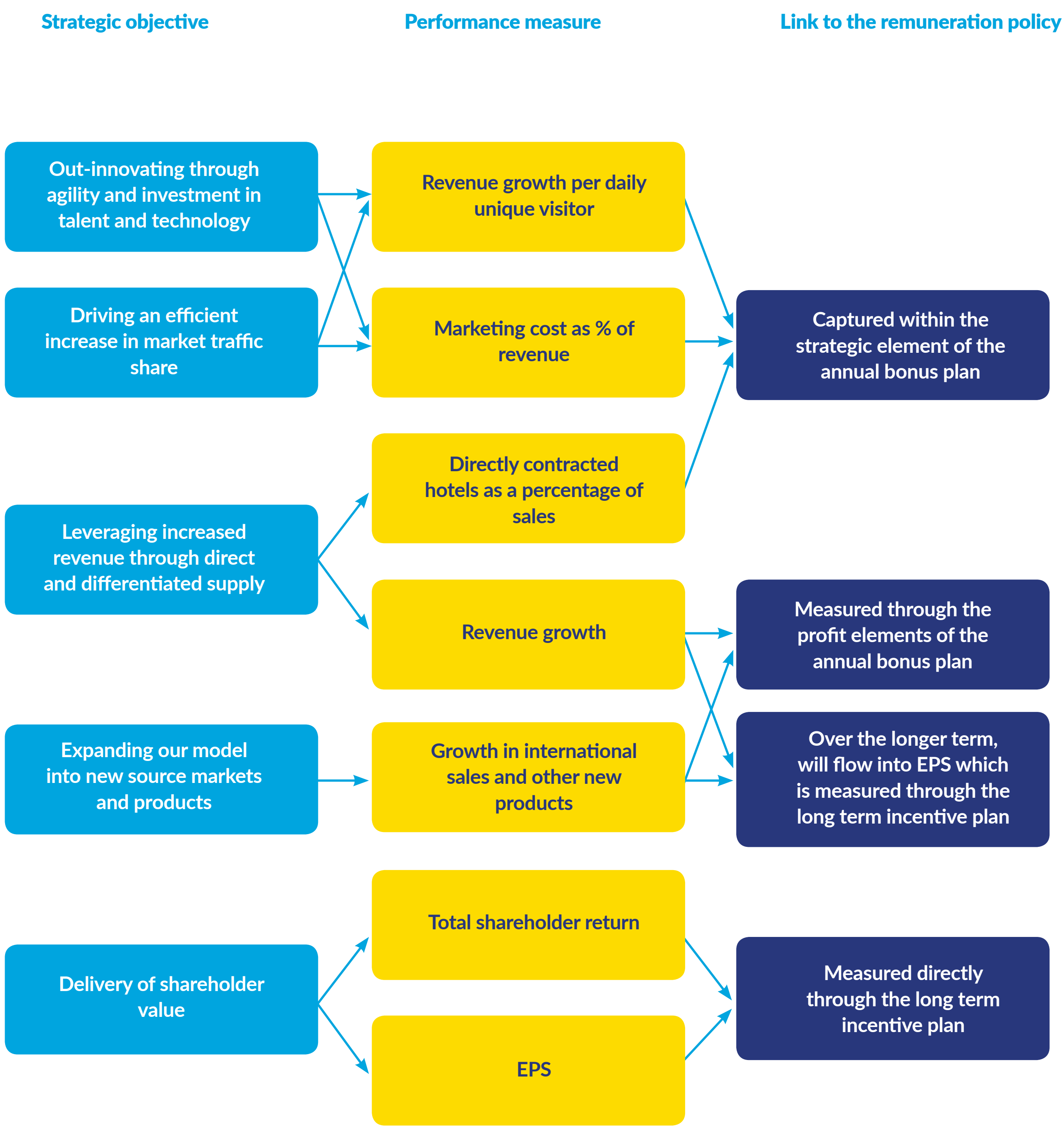
Summary of Remuneration Policy

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.

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 as set out in the CEO's statement on pages 8 to 10.

In the table below, we summarise how the Company's strategic priorities are aligned with the remuneration policy.



Annual Report on Remuneration

Single total figure of remuneration (audited)

Executive and Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2017 financial year. Comparative figures for the 2016 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 / Fee (£'000)		Benefits (£'000)		Bonus (£'000)		LTIP (£'000)		Pension (£'000)		Total (£'000)	
	2017[2]	2016[1]	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Simon Cooper	200	182	1	1	-	56	-	-	-	-	201	239
Paul Meehan[3]	178	-	1	-	-	-	-	-	22	-	201	-
Wendy Parry[4]	61	163	1	2	-	49	-	-	-	-	62	214
Richard Segal	100	100	-	-	-	-	-	-	-	-	100	100
Lee Ginsberg	58	58	-	-	-	-	-	-	-	-	58	58
David Kelly	50	50	-	-	-	-	-	-	-	-	50	50

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.*

(2) *No salary or fee increases were awarded during the year.*

(3) *Paul Meehan was appointed to the Board with effect from 16 January 2017. His FY17 base salary, benefits, pension and annual bonus relate to the period he served as an Executive Director.*

(4) *Wendy Parry retired on 16 January 2017, however she remained in the business until 31 January 2017 to ensure a full and orderly handover of her responsibilities to Paul Meehan. Her FY17 base salary and benefits relate to the period from 1 October 2016 to 31 January 2017.*

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)

2017 annual bonus awards and performance targets

A bonus pot for Executive bonuses is formed from a proportion of the excess PBT above a pre-determined target. For 2017, the Group Adjusted profit before tax excluding exceptional items was £27.7m[1] (before amortisation of acquired intangibles, share based payments and any bonuses are paid), which was in line with budget. As a result, the Remuneration Committee determined that no bonus pot was created for the bonus pot for Executive Directors.

The performance targets for the 2017 annual bonus award are set out below. Had a bonus pot been created, the Remuneration Committee would have determined individual allocations of this pot based on satisfaction of a matrix of key strategic targets including UK revenue, international revenue, traffic from branded and free sources and directly contracted hotels as a percentage of sales. However as no bonus pot was created, no consideration was given as to the extent to which strategic metrics had been met.

	Threshold	Maximum	Actual performance[1]	Excess over threshold	Bonus pool
Group Adjusted PBT	£27.7m	£33.3m	£27.7m	£0	£0

(1) Excluding the performance of Sunshine.co.uk Limited.

Annual Report on Remuneration

2016 annual bonus performance targets (audited)

The performance targets for the 2016 annual bonus awards were considered to be commercially sensitive at the time of completing the 2016 Directors' Remuneration Report. The Company committed to disclose these in full this year.

A bonus pot is only formed if budgeted PBT is met. The 2016 annual bonus pool was based on the achievement of a PBT target as set out below:

	Threshold	Maximum	Actual performance	Excess over threshold	Bonus pool
Adjusted UK PBT	£20.1m	£24.8m	£21.8m	£1.7m	£0.1m*

** Bonus pool including senior managers was £0.4m*

Following the stellar performance of the Company over the year, the outperformance of budgeted PBT and the resulting bonus pot which was created, the Remuneration Committee determined individual allocations of this pot based on satisfaction of a matrix of key strategic targets. These included UK revenue, international revenue, traffic from branded and free sources and directly contracted hotels as a percentage of sales.

Based on the Executive Directors' performance against this matrix of strategic targets, the Remuneration Committee determined that both Simon and Wendy were eligible to receive annual bonuses equal to 35.8% of their respective base salaries.

However, in order to reflect the strong performance of the senior management team in the Company's first year since listing and to provide additional bonus funding to reward them for this, Simon and Wendy requested that the Remuneration Committee exercise discretion to reduce their individual annual bonus allocation. This was approved by the Remuneration Committee and both Simon and Wendy received an annual bonus equal to 27.8% of base salary in respect of FY16.

It should be noted that as part of the policy renewal in 2019, the annual bonus will be an area of focus for the Committee to bring into line with best practice, including consideration of whether part of the bonus may be satisfied in shares. This is part of the Committee's continuing commitment to transition the Company's remuneration policy from a private company to fully listed business to ensure it remains fit for purpose in a highly competitive market for the best talent.

Long term incentives awarded in 2017 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2017 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	99,502	Nil	25%	30 September 2019	EPS (70%) Absolute TSR (30%)
Paul Meehan	LTIP – nil cost option	150% of salary	375	186,567	Nil	25%	30 September 2019	EPS (70%) Absolute TSR (30%)

Annual Report on Remuneration

The awards were granted on 26 May 2017. The number of shares awarded is calculated using the closing share price on 30 September 2016, which was 201p.

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

EPS for year ending 30 September 2019	Vesting
Less than 24.48p	0%
24.48p	25%
29.92p or above	100%
Between 24.48p and 29.92p	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 2019	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.

Annual Report on Remuneration

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

There were no such 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. 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 2017 are set out in the table below:

Director	Shareholding requirement (% of salary)	Current shareholding* (% of salary)	Beneficially Owned Shares	Unvested LTIP interests subject to performance conditions	Shareholding requirement met?
Simon Cooper	150%	4,018%	-	191,245	Yes
Paul Meehan(1)	150%	0%	-	186,567	No
Wendy Parry(2)	N/A	4,815%	N/A	80,275	N/A

Notes:

(1) *Paul Meehan joined the Company as CFO on 16 January 2017 and has five years to build up his shareholding requirement.*

(2) *Wendy Parry retired on 16 January 2017. The figures in the table above reflect Wendy's shareholding requirements and shareholdings as at this date. The share price of 267.5 pence as at 16 January 2017 has been taken for the purpose of calculating the shareholding as a percentage of salary at that date.*

*The share price of 395 pence as at 30 September 2017 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 2017 and the date of this report.

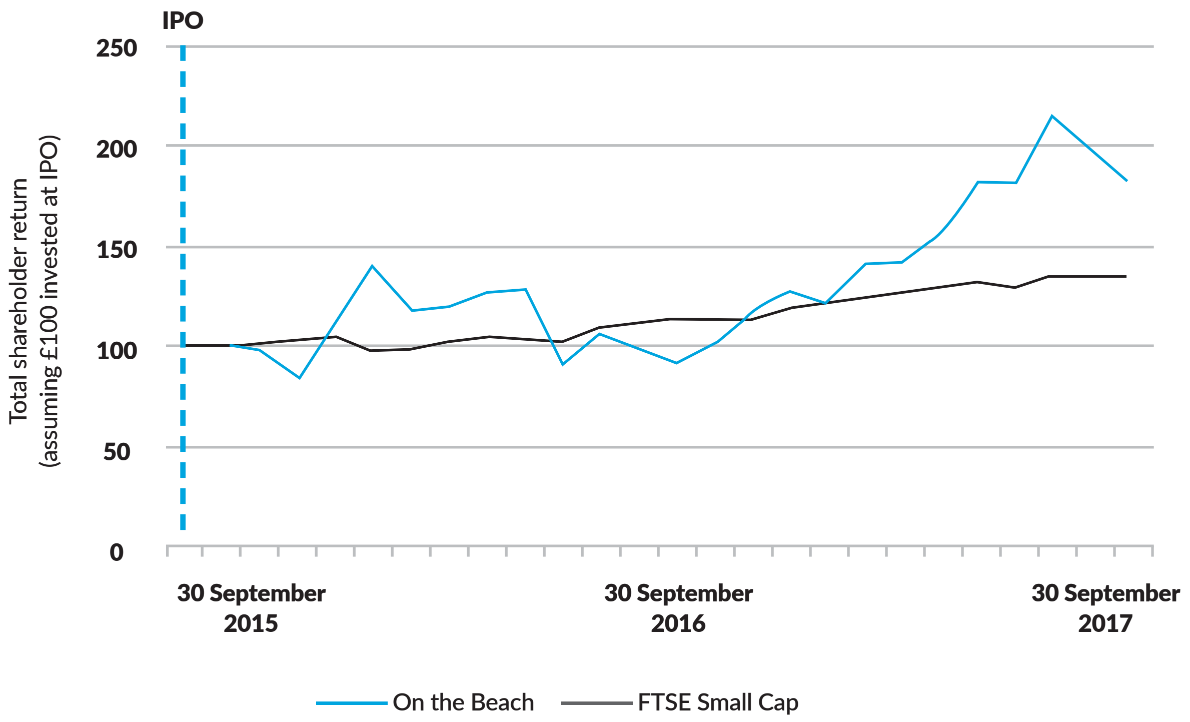
Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

Director	Shares held 30 September 2017
Richard Segal	406,680
Lee Ginsberg	16,300
David Kelly	-

Annual Report on Remuneration

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 2017.



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 four most recent financial years:

Chief Executive Officer	2017	2016	2015	2014
Total Single Figure (£000s)	201	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	N/A

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

Annual Report on Remuneration

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 2016 to 2017 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 which was 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 2016 and 2017. The same individuals have been included in each year to ensure a true like for like comparison. Consequently, 2016 figures have been updated. Part time employees have been excluded from the analysis, as have any employees who have been promoted or changed role.

	Salary			Taxable benefits			Bonus		
	£'000		Percentage change	£'000		Percentage change	£'000		Percentage change
	2017	2016		2017	2016		2017	2016	
Chief Executive Officer	200	182	10%	1	1	-	-	56	(100%)
Total for all employees	3,679	3,472	6%	21	20	5%	397	141	182%
Number of employees	96	96	0%	-	-	-	96	96	0%
Average per employee	38	36	6%	-	-	-	4	1	182%

An employee engagement committee was formed during the year with the intention of strengthening the employee voice on matters including remuneration. Further details can be found on pages 26 to 27.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2016 and 2017 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2017 financial year	Disbursements from profit in 2016 financial year	% change
	£m	£m	
Profit distributed by way of dividend	4.0	2.9	38%
Overall spend on pay including Executive Directors	10.0	8.6	16%

Annual Report on Remuneration

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 was subject to a shareholder vote at the AGM on 5 February 2016 and the Directors' Annual Report on Remuneration was subject to a shareholder vote at the AGM on 2 February 2017, the results of which were as follows:

Chief Executive Officer	For	Against	Abstentions
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 2016	94,110,445 (99.99%)	12,458 (0.01%)	0 (0%)

Implementation of remuneration policy in financial year 2018

The Remuneration Committee proposes to implement the policy for 2018 as set out below:

Salary

The Remuneration Committee has determined that salary increases of 2% will be applied, effective from 1 January 2018, in line with increases to be awarded to the wider workforce. The current salaries are set out below:

	Salary (£)		Percentage Change
	2018	2017	
Simon Cooper	£204,000	£200,000	+2%
Paul Meehan	£255,000	£250,000	+2%

Annual Report on Remuneration

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

Position	Fee
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	£5,000

These fees will be reviewed during FY18 to coincide with the end of the first three-year term of the appointments of the Non-Executive Directors.

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 and the proportion of the pot allocated to individuals will be based on the achievement of key strategic objectives.

Actual targets will be published 12 months after the end of the performance periods in line with established practice 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 FY18. 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.

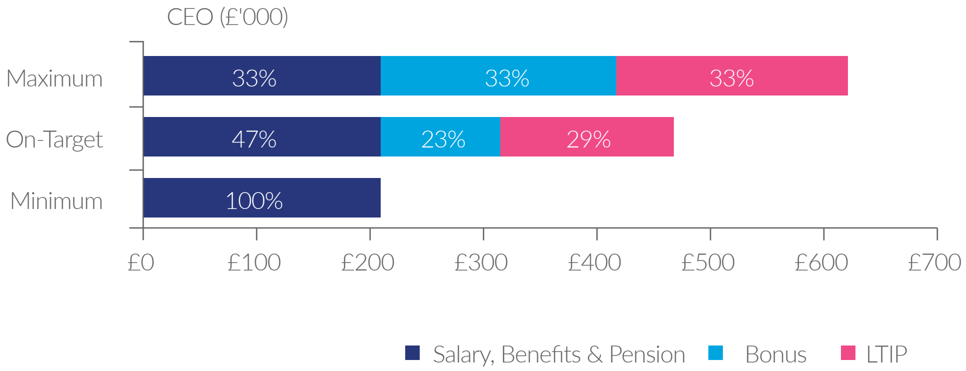
Illustration of remuneration in 2018

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.	50% of the maximum award.	100% of the maximum award.

Dividend equivalents have not been added to LTIP share awards.

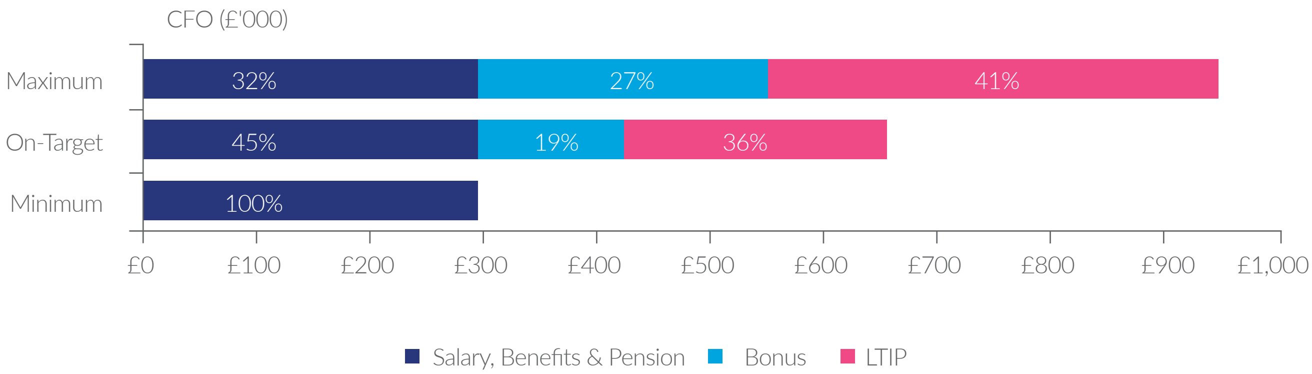
Annual Report on Remuneration

CEO (£'000)



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 113% of salary and at maximum, variable remuneration represents 200% of salary. Benefits are assumed to be in line with those received during 2017.

CFO (£'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 2017.

Annual Report on Remuneration

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 and were appointed on 28 September 2015. 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 8 times during 2017.

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 £22,250 for their advice during the year to 30 September 2017.

On behalf of the board

David Kelly
Chair of the Remuneration Committee
30 November 2017

Other Statutory and Regulatory Disclosures

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
Community	Strategic Report; Corporate Social Responsibility (page 26)
Employee involvement	Corporate Social Responsibility (page 26)
Employees with disabilities	Corporate Social Responsibility (page 28)
Future developments of the business	Strategic Report (page 10)
Going concern	Strategic Report (page 18)
Greenhouse gas emissions	Corporate Social Responsibility (page 29)
Risk management	Strategic Report (page 17) and note 21 to the consolidated financial statements
Significant related party agreements	Note 24 to the consolidated financial statements

Directors' Report

All sections under the heading "Governance" on page 31 of this document comprise the Directors' Report for On the Beach Group plc (company number 09736592) (the "Company") and its subsidiaries (together the "Group") for the financial year to 30 September 2017.

Strategic Report

All sections under the heading "Strategic Report" on page 2 of this document comprise the Strategic Report. The Strategic Report 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 17 to 25.

Management Report

This Directors' Report (pages 31 to 73) together with the Strategic Report (pages 2 to 30) form the Management Report for the purposes of DTR 4.1.5R.

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 page 35. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference.

Appointment and replacement of Directors

The appointment and replacement of directors is governed by the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The directors may from time to time appoint one or more directors. The Board may appoint any person to be a director (so long as the number of directors does not exceed the limit prescribed in the Articles). Under the Articles, any such director shall hold office only until the next AGM and shall then be eligible for election. The Articles also require that at each AGM any director who held office at the time of the two preceding AGMs and who did not retire at either of them must retire, and any director who has been in office, other than a director holding an executive position, for a continuous period of nine years or more must retire from office. Any director who retires at an AGM may offer himself for re-appointment by the shareholders.

All current directors will retire and stand for re-election at the 2017 AGM.

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 2017 comprised 130,434,763 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 97 of the financial statements.

Other Statutory and Regulatory Disclosures

Details of the movements in issued share capital during the year are provided in note 19 to the Group's financial statements contained on page 97. All the information detailed in note 19 on page 97 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 8 February 2018 the Directors will seek authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £869,595.10 (86,956,510 shares of £0.01 each). Half of this amount (being an aggregate nominal amount of £434,782.55 (representing 43,478,255 shares)) may be allotted or made the subject of rights to subscribe for or to convert any security into shares in any circumstances and the other half (being an aggregate nominal amount of £434,782.55 (representing 43,478,255 shares)) may be allotted or made the subject of rights to subscribe for or to convert any security into shares in connection with a rights issue, to existing shareholders in proportion (as nearly as may be practicable) to their existing shareholdings.

Employee share schemes

The Company has three employee share schemes in place:

1. A HMRC-approved Share Incentive Plan ("SIP") to encourage wide employee share ownership and thereby align employees' interests with shareholders;
2. 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; and
3. A Save As You Earn Plan ("SAYE") which is an all employee savings related share option plan. Although the SAYE was approved at the 2017 AGM, it has not yet been rolled out to employees and there are no immediate plans to do so.

Further details are provided in the Directors' Remuneration Report on pages 46 to 61.

Authority to purchase own shares

The Company was authorised by shareholders at the last AGM to purchase, in the market, up to 10% of the Company's ordinary share capital, as permitted by the Company's Articles of Association. No shares were bought back under this authority for the year ended 30 September 2017. This standard authority is renewable annually and the Directors will seek to renew the authority at the forthcoming AGM to allow 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 and the On the Beach Long Term Incentive Plan, where share interests of a participant in such schemes 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 poll and 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.

Other Statutory and Regulatory Disclosures

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 8 February 2018 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.

DTR 5 and Substantial shareholdings

Information provided to the Company pursuant to the DTRs is published via a RNS and also appears on the Company's website. As at 30 September 2017, the following information had been received since publication of the previous annual report, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

Name of Shareholder	Number of shares	Nature of holding as per disclosure	PDMR / PCA
Alistair Daly	3,149,943	2.41% (direct)[5]	PDMR
Hawksford Trustees Jersey Limited as trustees of Sule Cooper	9,296,649	7.13% (direct)	PCA of Simon Cooper[1]
Wendy Parry	3,149,943	2.41% (direct)[2]	PDMR until 16 January 2017
Jonathan Smith	3,149,943	2.41% (direct)[5]	PDMR
OTB Holdings Limited Partnership (Inflexion)	3,833,194	2.94% (direct)[3, 4]	None
Hargreave Hale Limited	6,850,960	5.25% (indirect)	None
Canaccord Genuity Group Inc.	8,236,734*	6.31% (indirect)	None

1 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).

2 and 3 These holdings may have changed since the Company was notified, however, notification of any change is no longer required as they are under the 3% threshold.

4 During the financial year OTB Holdings Limited Partnership also notified the company when their shareholding dropped to 23.51% (30,665,539 shares).

5 Although there is no longer a requirement to notify pursuant to DTR5, between 30 September 2017 and the date of this report the following interests were notified to the Company:

- *On 24 October 2017 Jonathan Smith sold 1,000,000 shares reducing his shareholding to 2,149,943 shares (1.65% of shares)*
- *On 24 October 2017 Alistair Daly sold 1,000,000 shares reducing his shareholding to 2,149,943 shares (1.65% of shares)*

** Figure amended on 12 February 2018 due to typographical error.*

Between 30 September 2017 and the date of this report the Company has been notified, on 21 November 2017, that the aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios has reached 5.33% (indirect) representing 6,953,122 shares.

Other Statutory and Regulatory Disclosures

Transactions with related parties
There were no related party transactions during the year.

Events post year end
Other than with the failure of Monarch Airlines Ltd immediately post year end (see Notes 2, 3 & 16 to the Financial Statements) there we no events post year end to report.

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. Such indemnities were in force throughout the period under review and are in force as at the date of this report.

Save for the indemnities disclosed in this report, there are no other qualifying third party indemnity provisions in force.

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.

Environmental
Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on page 29 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 98 to 103 in note 21 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 74 to 110.

The Group has adopted a progressive dividend policy. Whilst the Group operates a highly cash generative business model, a significant majority of profits are reinvested in the business to support further growth.

The Directors recommend payment of a final dividend of 1.9 pence per share, totalling 2.8 pence per share for the year (2016: 2.2 pence per share) to be paid on 15 February 2018 to shareholders on the register of members at 12 January 2018, subject to approval at the 2018 AGM.

Information to be disclosed under Listing Rule 9.8.4R
Information required to be disclosed pursuant to LR 9.8.4R(4) on long-term incentive schemes can be found on page 59.

There is no information to disclose in relation to LR 9.8.4R (1), (2), (5-14) (A) (B).

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 30 November 2017.

Approved by the board and signed on its behalf:

K Vickerstaff
Company Secretary
30 November 2017

KPMG

Independent auditor's report

to the members of On the Beach Group plc

1. Our opinion is unmodified

We have audited the financial statements of On the Beach Group Plc ("the Group") for the year ended 30 September 2017 which comprise the consolidated income statement and statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, company balance sheet, company statement of cash flows, company statement of changes in equity and the related notes, including the accounting policies in note 2.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 28 September 2015. The period of total uninterrupted engagement has been for the 3 financial years ended 30 September 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole		£1.1m (2016: £0.9m) 5% (2016: 5%) of Group profit before tax
Coverage		100% (2016:100%) of Group profit before tax
Risks of material misstatement		**vs 2016**
Recurring risks	Capitalised website development costs	◀▶
	Parent: Valuation of Investments in subsidiaries	◀▶
Event driven	**New:** Provision for Monarch Airlines	▲
Event driven	**New:** Monarch reimbursement asset	▲
Event driven	**New:** Valuation of brand arising on acquisition	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Capitalised website development costs (£2.6 million; 2016: £2.4 million) *Refer to page 45 (Audit Committee Report), page 82 (accounting policy) and page 93 (financial disclosures).*	**Accounting treatment** 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 project. 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), and there is a risk that the amounts capitalised as development could include an element of maintenance expenditure.	Our procedures included: — **Control design:** We evaluated the Group's processes and controls over the identification and classification of website development costs, which comprise primarily of internal staff costs — **Tests of detail:** We selected a sample of website development projects to determine whether they satisfied the requirements for capitalisation in accordance with accounting standards; — **Testing application:** We agreed a sample of capitalised development costs in the period back to payroll records to assess whether the expenditure 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. — **Our sector experience:** We challenged the judgements made over the level of capitalisation based on the company's accounting policies, knowledge of the sector and underlying nature of the projects; and — **Assessing transparency:** We considered the adequacy of the Group's disclosures detailing the judgement involved in recognition of intangible assets pertaining to the website development costs. **Our results** — We found the capitalised development costs to be acceptable.
Provision for Monarch Airlines (Provision of £7.0 million; 2016: £nil) *Refer to page 45 (Audit Committee Report), page 85 (accounting policy) and page 96 (financial disclosures).*	**Subjective estimate** The provision required for the cost of providing either alternative travel arrangements or refunds involves judgement over a number of assumptions around customer preferences and the cost of alternative travel arrangements. There is a risk that the assumptions and judgements underpinning this provision are not appropriate.	Our procedures included: — **Accounting analysis:** We assessed whether the provision met the requirements of accounting standards at the balance sheet date. — **Our sector experience:** We challenged assumptions within the provision such as the cost of alternative travel arrangements based on our knowledge of the sector. — **Tests of detail:** We assessed the reasonableness of the provision assumptions made around customer preferences and the cost of alternative travel arrangements by comparing the provision to actual costs incurred since year end; — **Sensitivity analysis:** We performed sensitivity analysis over the Group's provision calculation to determine whether the range of outcomes could lead to a materially different outcome; and — **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the sensitivity of the provision to certain assumptions. **Our results** — We found the estimate of the provision to be acceptable.

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2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Monarch reimbursement asset (Insurance debtor of £5.0 million; 2016: £nil) *Refer to page 45 (Audit Committee Report), page 81 (accounting policy) and page 95 (financial disclosures).*	**Accounting treatment** Under the terms of its SAFI policy, the Group is entitled to seek reimbursement from its insurers for any net loss suffered as a result of the Monarch Airlines administration. The Group is also entitled to seek reimbursement for amounts paid via the payment card provider. There is a risk that the amounts claimed from the payment card provider and from the Group's insurers under their SAFI policy are not determined to be appropriate and/or accepted by the counterparty, and as such there is a risk that these amounts did not meet the criteria for recognition as an asset at the balance sheet date.	Our procedures included: — **Accounting analysis:** We assessed whether the receivable met the requirements of accounting standards at the balance sheet date. — **Tests of detail:** We obtained a complete list of open bookings at the year-end and tested a sample of the Monarch bookings to check that they were included within the insurance claim. We also selected a sample of bookings that were included within the insurance claim to confirm that they related to Monarch. We obtained the Group's SAFI policy to evaluate whether the Group had complied with the terms and conditions relevant to the Monarch bookings. We selected a sample of transactions included within the claim and agreed to relevant documentation to establish whether the transaction was covered within the policy document. We obtained correspondence between the Group and its insurers, and between the Group and its legal advisors, to assess the validity of the claim; and — **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the judgements made in recognising the reimbursement asset. **Our results** — We found the recognition of the Monarch reimbursement asset to be acceptable.
Valuation of brand arising on acquisition (Sunshine brand of £1.5 million; 2016: £nil) *Refer to page 45 (Audit Committee Report), page 82 (accounting policy) and page 87(financial disclosures).*	**Forecast-based valuation** On 9 May 2017 the Group acquired 100% of the share capital of Sunshine.co.uk Limited. The accounting for this acquisition involves judgement in respect of the recognition and valuation of intangible assets, in particular the brand, due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: — **Assessing experts**: We assessed the competency of PwC who were commissioned by the Group to value the brand. Using our knowledge of the sector we challenged the conclusions reached; — **Assessing forecasts:** We evaluated the assumptions used in the forecasts, in particular the royalty rate that such a brand could achieve, using our own valuation specialists; — **Sensitivity analysis:** We performed sensitivity analysis over the royalty rate used in the brand valuation to determine its impact upon the valuation; — **Assessing transparency:** We assessed the adequacy of the Group's disclosures over the determination of the brand valuation. **Our results** — We found the fair value of the brand acquired as part of the Sunshine.co.uk Limited acquisition to be acceptable.

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2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Parent: Valuation of Investments in subsidiaries (£132.6 million; 2016: £132.6 million) *Refer to page 45 (Audit Committee Report), page 109 (accounting policy) and page 109 (financial disclosures).*	**Forecast-based valuation** The carrying amount of the parent company's investments in subsidiaries represents 64% (2016: 64%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: — **Control design:** Evaluating the Company's budgeting procedures upon which the cash flow forecasts are based; — **Our sector experience:** Evaluating assumptions used, in particular those relating to forecast revenue growth and profit margins for online travel agents sector. — **Benchmarking assumptions:** Comparing the assumptions to externally derived data in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates; — **Sensitivity analysis:** Performing breakeven analysis on the assumptions noted above; — **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and — **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of investments in subsidiary undertakings. **Our results** — We found the Group's assessment of the recoverability of the investments in subsidiaries to be acceptable.

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

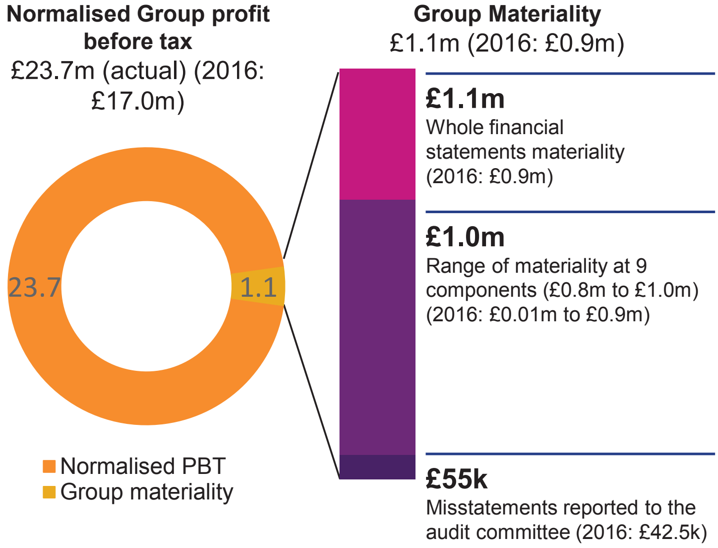
Materiality for the Group financial statements as a whole was set at £1.1 million determined with reference to a benchmark of group profit before tax, normalised to exclude this year's net exceptional costs as disclosed in note 6 of £2.7million, of which it represents 5% (2016: 5%)

Materiality for the Parent Company financial statements as a whole was set at £1.0 million (2016: £1.0 million), determined with reference to a benchmark of company total assets of £207.8 million of which it represents 0.5% (2016: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £55k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 9 (2016: 8) reporting components, we subjected 5 (2016: 4) to full scope audits for group purposes.

The components within the scope of our work accounted for 100% of the Group's revenue (2016: 100%), 100% of the Group's profit before tax (2016: 100%) and 99.9% (2016: 99.9%) of Group total assets.



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4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2b) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 18 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the viability statement that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

— adequate accounting records have not been kept 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 73, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

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

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

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

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
30 November 2017

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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

Each of the Directors, whose names and functions are listed on pages 33 to 34 confirm that to the best of their 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.

The Directors 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.

Paul Meehan
Chief Financial Officer
30 November 2017

Financial Statements

Consolidated Income Statement and Statement of Comprehensive Income

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Revenue	4	**83,555**	**71,321**
Administrative expenses	6	(62,407)	(54,499)
Group operating profit before amortisation and exceptional costs		**30,257**	**22,793**
Exceptional costs	6	(2,667)	-
Amortisation of intangible assets		(6,442)	(5,971)
Group operating profit		**21,148**	**16,822**
Finance costs	8	(177)	(100)
Finance income	8	97	230
Net finance (costs)/income		**(80)**	**130**
Profit before taxation		**21,068**	**16,952**
Taxation	9	(3,068)	(2,645)
Profit for the year		18,000	14,307
Other comprehensive income		-	-
Total comprehensive income for the year		**18,000**	**14,307**
Attributable to:			
Equity holders of the parent		**18,000**	**14,307**
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:			
Basic and diluted earnings per share	10	13.8p	11.0p
Adjusted proforma basic earnings per share*	10	17.6p	13.0p
Adjusted profit measure			
Adjusted PBT (before amortisation of acquired intangibles and exceptional costs)*	6	28,515	21,315

* This is a non GAAP measure, refer to note 6d

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

The notes on pages 79 to 106 form part of the financial statements.

Consolidated Balance Sheet

At 30 September 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets	11	72,512	64,662
Property, plant and equipment	12	1,396	747
Total non-current assets		**73,908**	**65,409**
Current assets			
Trade and other receivables	14	56,508	29,933
Cash and cash equivalents	15	71,569	51,632
Derivative financial instruments	21	-	1,683
Total current assets		**128,077**	**83,248**
Total assets		**201,985**	**148,657**
Equity			
Share capital	19	1,304	1,304
Retained earnings	20	226,849	212,427
Capital contribution reserve	20	500	500
Merger reserve	20	(132,093)	(132,093)
Total equity		**96,560**	**82,138**
Non-current liabilities			
Deferred tax	18	6,441	7,007
Total non-current liabilities		**6,441**	**7,007**
Current liabilities			
Corporation tax payable		2,406	3,647
Trade and other payables	16	89,453	55,865
Provisions	16	7,000	-
Derivative financial instruments	21	125	-
Total current liabilities		**98,984**	**59,512**
Total liabilities		**105,425**	**66,519**
Total equity and liabilities		**201,985**	**148,657**

The financial statements from pages 75 to 106 were approved by the Board of Directors and authorised for issue

Paul Meehan
Chief Financial Officer
30 November 2017
On the Beach Group plc. Reg no 09736592

Consolidated Statement of Cashflows

Year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Profit before taxation		21,068	16,952
Adjustments for:			
Depreciation		442	397
Amortisation of intangible assets		6,442	5,971
Finance costs		177	100
Finance income		(97)	(230)
Share based payment charges		465	105
		28,497	**23,295**
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(9,589)	247
Increase in trade and other payables		10,950	1,999
Decrease in trust account		(4,729)	(1,661)
		(3,368)	**585**
Cash generated from underlying operating activities		**25,129**	**23,880**
IPO costs paid		-	(3,010)
Cash generated from operating activities		**25,129**	**20,870**
Tax paid		(5,110)	(2,780)
Net cash inflow from operating activities		**20,019**	**18,090**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(475)	(617)
Purchase of intangible assets	11	(2,651)	(2,407)
Interest received		97	230
Acquisition of subsidiary, net of cash acquired		(5,795)	-
Net cash outflow from investing activities		**(8,824)**	**(2,794)**
Cash flows from financing activities			
Equity dividends paid		(4,043)	-
Interest paid		(177)	(100)
Net cash outflow from financing activities		**(4,220)**	**(100)**
Net increase in cash at bank and in hand		6,975	15,196
Cash at bank and in hand at beginning of year	15	26,052	10,856
Cash at bank and in hand at end of year		**33,027**	**26,052**

Consolidated Statement of changes in Equity

Year ended 30 September 2017

	Share capital	Share premium	Merger reserve	Capital contribution reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
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 income for the year	-	-	-	-	14,307	14,307
Balance at 30 September 2016	**1,304**	**-**	**(132,093)**	**500**	**212,427**	**82,138**
Share based payment charges	-	-	-	-	465	465
Dividends paid during the year	-	-	-	-	(4,043)	(4,043)
Total comprehensive income for the year	-	-	-	-	18,000	18,000
Balance at 30 September 2017	**1,304**	**-**	**(132,093)**	**500**	**226,849**	**96,560**

The notes on pages 79 to 106 form part of these financial statements

Notes to the Consolidated Financial Statements

Year ended 30 September 2017

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 111.

2. Accounting Policies

a) 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.

These financial statements are presented in pounds sterling (£'000) because that is the currency of the primary economic environment in which the Group operates.

b) Going concern

The financial results relating to the Group have been prepared on the going concern basis. The Directors believe the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

c) New standards, amendments and interpretations

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).

  IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. Our initial impact assessment of IFRS 15 included a systematic review to ensure the new standard is fully understood in advance of the effective date. Management expect there to be no material impact upon adoption of this standard on either revenue from customers or overrides from suppliers.

  With respect to revenue from customer bookings, management believes adopting IFRS15 will have no material impact because of the following: The Group's revenue is earned as an agent in consumer purchases of travel products from third party suppliers and therefore recognised on a booked basis when our performance obligations are met as per the Group's terms of business and booking conditions.

  With respect to revenue from supplier overrides, management believes adopting IFRS15 will have no material impact because of the following: For the majority, according to the override agreement, the Group's performance obligations are met and overrides are earned when the customer has either booked or travelled depending on the agreement. Therefore overrides, once agreed with suppliers, are recognised on a booked or travelled basis, in line with the agreement.

  Although we do not consider there will be a material impact upon adoption of the standard, we will continue to monitor adoption in the travel industry as we progress towards the date of adoption.

› IFRS 9 Financial Instruments (European Union effective date 1 January 2018).

  The revised standard replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidance for classification and measurement, impairment of financial instruments and hedge accounting. On the basis of our inital impact assessement our view of the new standard is that we expect there to be no material impact upon adoption of this standard. The new standard represents a more principle based standard. This is not expected to impact the Group's ability to hedge account, although there will be additional disclosures required to complement its principle based approach.

› IFRS 16 Leases (European Union effective date 1 January 2019).

  IFRS 16, "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure material leases will be reflected on the balance sheet. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. We intend to quantify the impact of the changes (if any) no later than in the Annual Report and Financial Statements for the year ended 30 September 2018.

Notes to the Consolidated Financial Statements

d) 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. Sunshine.co.uk Limited was acquired on 9 May 2017. The Company's results have been consolidated from the date of acquisition to the 30 September 2017.

i. 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.

e) 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 units 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 recognised for goodwill is not reversed. Impairment losses recognised for other assets are reversed only if the reasons for the impairment have ceased to apply.

f) 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.

g) Financial instruments

i. Derivative financial instruments, including hedge accounting

Fair value hedges

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 21 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.

Notes to the Consolidated Financial Statements

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 and call deposits. 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 (Zedra Trust Company Limited and Travel Trust Services Limited) 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 including deferred consideration are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

h) 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 websites (www.onthebeach.co.uk, www.sunshine.co.uk and www.onthebeachtransfers.co.uk)
(ii) "International" - activity via Swedish and Norweigan websites (eBeach.se and eBeach.no)

i) 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 data 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. Override income is only recognised when the Group has either confirmation of a figure from the supplier or when the cash has been received. These are recognised within revenue.

j) Dividend distribution
Final dividend distribution to the Group's 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.

Notes to the Consolidated Financial Statements

k) 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 on 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.

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 the income statement.

l) 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:

Fixtures, fittings and equipment	3-5 years
Buildings freehold	50 years
Buildings leasehold	50 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.

m) 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. On acquisition of Sunshine.co.uk Limited by On the Beach Travel Limited on 9 May 2017, consideration has been given to other intangibles that are recognisable under IFRS 3 Business Combinations and the Sunshine brand name has been identified and recognised separately from goodwill at fair value.

Notes to the Consolidated Financial Statements

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:	10-15 years

n) 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 cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs 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 CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

o) 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.

p) 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.

Notes to the Consolidated Financial Statements

q) 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.

r) 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 assess better trends in financial performance.

s) 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.

t) 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.

u) 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.

v) 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.

Notes to the Consolidated Financial Statements

w) 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.

x) 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 IFRSs 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 2m above are met.

Monarch insolvency

The ongoing viability of Monarch Airlines Limited ('Monarch'), a major supplier of low cost flights, was increasingly uncertain at the balance sheet date. On 2 October 2017, Monarch announced that it had ceased trading and entered administration. Bound by their terms of business and obligations under the ATOL regulations, the Group has a responsibility to organise alternative travel arrangements or provide a refund to affected customers. As a result of the increasing uncertainty at the balance sheet date the Directors considered a present obligation arising from a past event for which a provision was required. A £7 million provision (note 16) has been recognised in the balance sheet relating to these obligations. Further, through chargebacks and holding Scheduled Airline Failure Insurance ('SAFI'), the Directors considered part of the provision could be mitigated and accordingly a £5 million receivable (note 14) relating to the amounts expected to be reclaimed from either chargebacks or insurance was recognised.

Determining the amounts to be provided for the remaining bookings involves judgement and is dependent upon a number of assumptions by management including the number of suitable alternative flights for the customer and fluctuations in flight pricing. Sensitivity analysis for these remaining bookings was performed based on various scenarios and the range of resulting losses were not considered to be material on the provision recognised. Management expect the remaining 14% of affected bookings to have been dealt with before the end of the first half of 2018 and further to be no material effect on the carrying value of the assets and liabilities affected.

At the time of signing the accounts, the Group had either found a suitable alternative replacement flight or refunded 86% of the affected bookings which crystalised a number of the assumptions used at year end.

Monarch reimbursement asset

As noted in IAS 37, paragraph 53, when some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

The Directors have exercised judgement in determining whether the threshold of virtual certainty has been met in recognising the Monarch reimbursement asset. In arriving at this judgement the Directors have considered the level of cover introduced within the policy, the right to recover amounts from the payment card provider, correspondence and discussions with insurers to date and relevant legal advice they have sought.

Notes to the Consolidated Financial Statements

Valuation of intangible assets arising on acquisition

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. To determination of the fair value of the assets and liabilities management sought the assistance of an independent professional advisor, however to a considerable extent, these advisors are reliant on information and forecasts prepared by management. Management have prepared the forecasts using assumptions based on historical evidence and their extensive knowledge and experience of the market. In determining the fair value of the brand intangible, one of the key assumptions used by the independent professional advsior was the royalty rate. In order to ensue that this rate was reasonable, with the assistance of the professional advisors, management was able to benchmark this rate against a number of similar transactions within the market.

4. Segmental report

As explained in note 2h, 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.

Sunshine.co.uk Limited is disclosed within the "Core" segment. The 2017 numbers include transactions since acquisition.

	2017			2016		
	Core £'000	International £'000	Total £'000	Core £'000	International £'000	Total £'000
Income						
Revenue	81,865	1,690	83,555	70,177	1,144	71,321
EBITDA (before holding company costs)	33,724	(1,996)	31,728	25,599	(1,802)	23,797
Holding company costs	(1,029)	-	(1,029)	(607)	-	(607)
EBITDA	**32,695**	**(1,996)**	**30,699**	**24,992**	**(1,802)**	**23,190**
Depreciation and amortisation	(6,729)	(155)	(6,884)	(6,257)	(111)	(6,368)
Segment operating profit/(loss)	25,966	(2,151)	**23,815**	18,735	(1,913)	**16,822**
Exceptionals	(2,667)	-	(2,667)	-	-	-
Group operating profit	**23,299**	**(2,151)**	**21,148**	**18,735**	**(1,913)**	**16,822**
Finance costs			(177)			(100)
Finance income			97			230
Profit before taxation			**21,068**			**16,952**
Non-current assets						
Goodwill	31,624	-	**31,624**	21,544	-	**21,544**
Other intangible assets	40,636	252	**40,888**	42,853	265	**43,118**
Property, plant and equipment	1,396	-	**1,396**	747	-	**747**

Notes to the Consolidated Financial Statements

5. Business combinations

Acquisition of Sunshine.co.uk Limited

On 9 May 2017 the Group acquired the entire share capital of Sunshine.co.uk Limited in exchange for cash and contingent consideration. The primary reason for the business combination was to increase the Group's market share.

Asset acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	Recognised values on acquisition £'000
Net assets acquired	
Intangible assets	1,561
Property plant and equipment	616
Trade and other receivables	25,815
Cash and cash equivalents	3,205
Trade and other payables	(29,018)
Deferred tax liabilities	(259)
Net identifiable assets and liabilities	**1,920**
Consideration	
Cash paid	12,980
Contingent consideration	3,000
Total consideration	**15,980**
Net working capital cash adjustment	(3,980)
Net consideration	**12,000**
Goodwill	**10,080**

Under IFRS 3 Business Combinations, the Sunshine.co.uk brand, including the domain name, has been identified as an asset separate from Goodwill with a value of £1,456,000. The recognition of the brand has resulted in a deferred tax liability of £256,000.
The Goodwill balance represents the realisation of the potential increase in market share and efficiencies as a result of economies of scale provided by the existing Group infrastucture. None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

The Board believes the acquisition will be earnings enhancing because of the Group's ability to quickly leverage its modular technology platform to deliver a market leading customer proposition, access directly sourced, higher margin product and deliver proprietary personalisation and bid management technology. The acquisition will accelerate On the Beach's growth and the compelling economic benefits of scale will create short to medium term synergies and further margin opportunity.

The fair value of the contingent consideration at acquisition amounts to £3,000,000, which is the agreed payment amount. There is one condition attached which may result in any expenses incurred being deducted from this consideration but the occurence of this condition is considered to be remote by management.

Acquisition related costs amounting to £667,000 have been excluded from the consideration transferred and were recognised as an expense in the profit and loss account within the exceptional costs line. The agreed purchase price for Sunshine.co.uk was £12,000,000. Excess working capital was paid upon acquisition as additional consideration. Included in the operating profit for the period ended 30 September 2017 is £535,000 attributable to the additional business generated by Sunshine.co.uk Limited.

Had the business combination been effected as 1 October 2016, the revenue for the Group would have been £86,191,000 and the operating profit for the period would have been £22,159,000. Revenue for the year ended 30 September 2017 includes £1,859,000 in respect of Sunshine.co.uk.

Notes to the Consolidated Financial Statements

6. Operating profit

a) Operating expenses

Expenses by nature including exceptional items and impairment charges:

	2017 £'000	2016 £'000
Marketing	40,270	35,591
Depreciation	442	397
Staff costs	6,916	7,808
IT hosting, licences & support	1,054	878
Credit / debit card charges	2,168	1,519
Other	2,448	2,335
Total administrative expenses before exceptional cost and amortisation of intangible assets	**53,298**	**48,528**
Exceptional costs	2,667	-
Amortisation of intangible assets	6,442	5,971
Total exceptional and cost amortisation	**9,109**	**5,971**
Total administrative expenses	**62,407**	**54,499**

b) Exceptional items

Exceptional items in the period include £667,000 of costs incurred in relation to the purchase of Sunshine.co.uk Limited and a £2,000,000 net charge following the failure of the Monarch Travel Group on 2nd October 2017. The £2,000,000 net charge is the net of a £5,000,000 asset relating to the amounts expected to be reclaimed from either chargebacks or from insurers and a provision of £7,000,000 relating to our obligations under ATOL regulations to arrange refunds or alternative flights for our affected customers.

c) Services provided by the company auditor

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

	2017 £'000	2016 £'000
Audit of the parent company financial statements	66	90
Amounts receivable by the Company's auditor and its associated in respect of:		
– Audit of financial statements of subsidiaries pursuant to legislation	37	-
– Review of interim financial statements	21	-
– Other assurance services	6	3
	130	**93**

d) Adjusted PBT

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

	2017 £'000	2016 £'000
Profit before taxation	21,068	16,952
Exceptional acquisition costs	667	-
Monarch charge (net)	2,000	-
Amortisation of acquired intangibles	4,315	4,258
Share based payments charge	465	105
Adjusted PBT	**28,515**	**21,315**

Notes to the Consolidated Financial Statements

7. Employees and Directors

a) Payroll costs

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	10,063	8,618
Defined contribution pension cost	61	46
Social security costs	977	799
Share-based payment charges	465	105
	11,566	**9,568**

Staff costs above include £2,651,000 (2016: £2,407,000) employee costs capitalised as part of software development.

b) Employee numbers

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

	2017 No.	2016 No.
By reportable segment:		
UK	322	299
International	15	16
	337	**315**

c) Directors' emoluments

The remuneration of Directors was as follows:

	2017 £'000	2016 £'000
Aggregate emoluments	849	623
Defined contribution pension	22	-
Share-based payment charges	112	29
	983	**652**

Remuneration was paid by On the Beach Limited and On the Beach Beds Limited, both subsidiary companies of the Group.
The remuneration of the highest paid director was as follows:

	2017 £'000	2016 £'000
Aggregate emoluments	290	206
Share-based payment charges	63	15
	353	**221**

Notes to the Consolidated Financial Statements

d) Key management compensation

Key management comprised the six members of the executive team.
Remuneration of all key management (including directors) was as follows:

	2017 £'000	2016 £'000
Wages and salaries	1,152	759
Short-term non-monetary benefits	22	8
Post-employment benefits	25	-
Share-based payment charges	338	75
	1,537	**842**

e) Retirement benefits

Pension contributions payable by the Group are £61,000 (2016: £46,000) of which £22,000 (2016: £nil) is made to a personal pension scheme in relation to one Executive Director.

8. Finance income and finance costs

a) Finance costs

	2017 £'000	2016 £'000
Rolling credit facility interest	177	100
Finance costs	**177**	**100**

b) Finance income

	2017 £'000	2016 £'000
Bank interest receivable	97	230
Finance income	**97**	**230**

Notes to the Consolidated Financial Statements

9. Taxation

	2017 £'000	2016 £'000
Current tax on profit for the year	4,956	4,318
Adjustments in respect of prior years *	(1,063)	-
Total current tax	**3,893**	**4,318**
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(825)	(776)
Impact of change in tax rate	-	(897)
Total deferred tax (note 18)	**(825)**	**(1,673)**
Total tax charge	**3,068**	**2,645**

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.

* The adjustment in respect of prior years is in relation to an agreed Advanced Thin Capitalisation Agreement (ATCA) for financial years ended 30 September 2014 and 2015.

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	21,068	16,952
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19.5% (2016: 20%)	4,109	3,390
Effects of:		
Other expenses not deductible	-	152
Adjustments in respect of prior years	(1,063)	-
Effect of rate changes on current tax	22	-
Effect of rate changes on deferred tax	-	(897)
Total taxation charge	**3,068**	**2,645**

The tax charge for the year is based on the effective rate of UK Corporation tax for the period of 19.5% (2016: 20%). A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) on to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 September 2017 has been calculated based on these rates.

Notes to the Consolidated Financial Statements

10. 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 earnings per share figures are calculated by dividing adjusted earnings 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.

	Basic weighted average number of Ordinary Shares (m)	Total earnings '000	Pence per share
Year ended 30 September 2017			
Basic and diluted EPS	130.4	18,000	13.8p
Adjusted proforma EPS	130.4	22,946	17.6p
Year ended 30 September 2016			
Basic and diluted EPS	130.4	14,307	11.0p
Adjusted proforma EPS	130.4	16,922	13.0p

Adjusted earnings after tax is calculated as follows:

	2017 £'000	2016 £'000
Profit for the year after taxation	18,000	14,307
Exceptional acquisition costs (net of tax at 19%)	540	-
Monarch net charge (net of tax at 19%)	1,620	-
Amortisation of acquired intangibles	4,315	4,258
Share based payment charges (net of tax at 19.3%) *	375	105
Adjustments in respect of prior years	(1,063)	-
Deferred tax movements relating to amortisation of acquired intangibles	(841)	(1,748)
Adjusted earnings after tax	**22,946**	**16,922**

* The share based payment charges are in relation to options which are not yet exercisable.

Notes to the Consolidated Financial Statements

11. Intangible assets

	Brand £'000	Goodwill £'000	Website & development Costs £'000	Website technology £'000	Total £'000
Cost					
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 1 October 2016	30,079	21,544	3,802	22,513	77,938
Assets acquired on acquisition	1,456	10,080	105	-	11,641
Additions	-	-	2,651	-	2,651
At 30 September 2017	**31,535**	**31,624**	**6,558**	**22,513**	**92,230**
Accumulated amortisation					
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 1 October 2016	6,015	-	504	6,757	13,276
Charge for the year	2,062	-	2,127	2,253	6,442
At 30 September 2017	**8,077**	**-**	**2,631**	**9,010**	**19,718**
Net book amount					
At 30 September 2017	**23,458**	**31,624**	**3,927**	**13,503**	**72,512**
At 30 September 2016	**24,064**	**21,544**	**3,298**	**15,756**	**64,662**

Assets acquired on acquisition

These assets were recognised upon acquisition of Sunshine.co.uk Limited. The amounts recognised are at fair value at acquisition date.

Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to one cash generating unit, which is the core segment. 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 2017 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 11 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.

Notes to the Consolidated Financial Statements

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 domain name acquisition costs and 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 78%. 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.

12. Property, plant and equipment

	Freehold property £000	Buildings leasehold equipment £000	Fixtures, fittings and £000	Total £000
Cost				
At 1 October 2015	-	-	1,304	1,304
Additions	-	-	617	617
Disposals	-	-	(610)	(610)
At 1 October 2016	-	-	1,311	1,311
On Acquisition	300	299	17	616
Additions	-	-	475	475
At 30 September 2017	**300**	**299**	**1,803**	**2,402**
Accumulated deprecation				
At 1 October 2015	-	-	775	775
Charge for the year	-	-	397	397
Disposals	-	-	(608)	(608)
At 1 October 2016	-	-	564	564
Charge for the year	2	3	437	442
At 30 September 2017	**2**	**3**	**1,001**	**1,006**
Net book amount				
At 30 September 2017	**298**	**296**	**802**	**1,396**
At 30 September 2016	**-**	**-**	**747**	**747**

£616,000 (2016: £nil) of these assets were recognised upon acquisition of Sunshine.co.uk Limited on 9 May 2017 The amounts recognised are at fair value at acquisition date which equates to the net book value of these assets

The depreciation expense of £442,000 for the year ended 30 September 2017 and the depreciation expense of £397,000 for the year ended 30 September 2016 have been recognised within administrative expenses.

Notes to the Consolidated Financial Statements

13. 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 registered address for each subsidiary is Park Square, Birdhall Lane, Cheadle, SK3 0XN.

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

Subsidiary	Nature of business	Proportion of ordinary shares held by the Group
On the Beach Topco Limited	Holding company	100%
On the Beach Limited*	Internet travel agent	100%
On the Beach Beds Limited	Bedbank	100%
On the Beach Bidco Limited	Holding company	100%
On the Beach Travel Limited	Holding company	100%
On the Beach Trustees Limited	Employee trust	100%
On the Beach Holidays Limited	Dormant	100%
Sunshine.co.uk Limited	Internet travel agent	100%
Sunshine Abroad Limited	Dormant	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.

14. Trade and other receivables

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade receivables – net	47,375	27,764
Other receivables	8,296	1,272
Prepayments	837	328
Other taxes and social security reclaimable	-	569
	56,508	**29,933**

Other receivables includes £5m receivable in respect of the Monarch Reimbursement Asset following the failure of the Monarch Group on 2 October 2017.

15. Cash and cash equivalents

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

	2017 £'000	2016 £'000
Cash at bank and in hand	33,027	26,052
Trust account	38,542	25,580
	71,569	**51,632**

Notes to the Consolidated Financial Statements

16. Trade, other payables and provisions

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

Current	2017 £'000	2016 £'000
Trade payables	79,602	47,562
Accruals and deferred income	6,851	8,303
Contingent consideration	3,000	-
Total trade and other payables	**89,453**	**55,865**
Provision	7,000	-
Total	**96,453**	**55,865**

The £7,000,000 provision is in respect of the Monarch airline failure. The amount recognised is an estimate of the cost the Group will incur to fulfil its obligations to customers under the ATOL regulations to arrange refunds or alternative flights.

The £7,000,000 represents the gross costs incurred by the Group, of which £5,000,000 is expected to be recovered from the Groups insurers (see note 14).

17. Borrowings

Bank Facility

The Company entered into a revolving credit facility on 18 September 2015 with Lloyds (the "Facility") in an aggregate amount of up to £35m.

The Company renewed the Facility on 9 May 2017 with Lloyds to extend the Facility until 31 December 2018.

The borrowing limits under the Facility will vary monthly throughout the period of the Facility to reflect the seasonal borrowing requirements of the Group, ranging from £2m in one month to the full £35m in another month. 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 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.

Notes to the Consolidated Financial Statements

18. Deferred tax

	Intangible asset revaluation	Property, plant and equipment	Capitalised development Costs	Other	Tax assets /(liabilities)
	£'000	£'000	£'000	£'000	£'000
2017					
Assets	-	43	-	-	43
Liabilities	(6,484)	-	-	-	(6,484)
Total	**(6,484)**	**43**	**-**	**-**	**(6,441)**
2016					
Assets	-	16	-	46	62
Liabilities	(7,069)	-	-	-	(7,069)
Total	**(7,069)**	**16**	**-**	**46**	**(7,007)**

	Intangible asset revaluation	Property, plant and equipment	Capitalised development Costs	Other	Total
	£'000	£'000	£'000	£'000	£'000
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)
Acquired on acquisition	(256)	(3)	-	-	(259)
Recognised in income	841	30	-	(46)	825
30 September 2017	**(6,484)**	**43**	**-**	**-**	**(6,441)**

19. Share capital

	2017	2016
	£'000	£'000
Allotted, called up and fully paid		
130,434,763 Ordinary shares @ £0.01 each (2016:130,434,763 @ £0.01 each)	1,304	1,304
	1,304	**1,304**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

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.

Notes to the Consolidated Financial Statements

20. Reserves

The analysis of movements in reserves is shown in the statement of changes in equity.

Details of the amounts included in other reserves are set out below:

The merger reserve arose on the purchase of On the Beach TopCo Limited in the year ended 30 September 2015.

The capital redemption reserve arose as a result of the redemption of preference shares in the year ended 30 September 2015.

21. 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:

	2017 £'000	2016 £'000
Financial Assets		
Derivative financial assets		
Forward exchange contracts used for hedging	-	1,683
Loans and receivables		
Cash and cash equivalents	71,569	51,632
Trade and other receivables (note 14)	55,671	29,036
Total financial assets	**127,240**	**82,351**
Financial liabilities		
Trade and other payables (note 16)	(79,602)	(47,562)
Contingent consideration (note 5)	(3,000)	-
Forward exchange contracts used for hedging	(125)	-
Total financial liabilities	**(82,727)**	**(47,562)**

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

	FV Level	2017 £'000	2016 £'000
Forward exchange contracts	2	(125)	1,683
Contingent consideration	3	(3,000)	-

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

Notes to the Consolidated Financial Statements

a) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(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 exchange contracts			
As at 30 September 2017	-	(125)	-
As at 30 September 2016	-	1,683	-
Contingent consideration			
As at 30 September 2017	-	-	(3,000)

The forward contracts have been fair valued at 30 September 2017 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

The contigent consideration has been fair valued at 30 September 2017 using a discounted cashflow to determine the present value of the expected future payment.

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 Group level by the purchase of foreign currency contracts for use as a commercial hedge. 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.

Notes to the Consolidated Financial Statements

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:

	2017	2016
Euro	**€'000**	**€'000**
Cash	8,437	5,110
Trade payables	(63,290)	(46,497)
Forward exchange contracts	50,797	44,875
Balance sheet exposure	(4,056)	3,488

	2017	2016
US Dollar	**$000**	**$000**
Cash	168	218
Trade payables	(1,008)	(559)
Forward exchange contracts	655	350
Balance sheet exposure	(185)	9

	2017	2016
Swedish Krona	**Kr '000**	**Kr '000**
Cash	6,683	3,667
Trade payables	(64)	(137)
Trade receivables	4,810	3,379
Forward exchange contracts	(2,650)	(3,220)
Balance sheet exposure	8,779	3,689

	2017	2016
Norwegian Krona	**Kr '000**	**Kr '000**
Cash	2,987	-
Trade receivables	496	-
Trade payables	(38)	-
Forward exchange contracts	(1,700)	-
Balance sheet exposure	1,745	-

Notes to the Consolidated Financial Statements

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:

	2017	2016
Euro	**£'000**	**£'000**
Weakening - 10%	(168)	(335)
Strengthening - 10%	205	274
US Dollar		
Weakening -10%	(13)	(1)
Strengthening - 10%	15	1
SEK		
Weakening -10%	73	37
Strengthening - 10%	(89)	(30)
NOK		
Weakening -10%	15	-
Strengthening - 10%	(18)	-
DKK		
Weakening -10%	(3)	-
Strengthening - 10%	4	-

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:

	2017			2016		
	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	36,772	32,401	7	31,275	25,637	1,400
3 to 6 months	9,775	8,701	(80)	5,950	4,960	183
6 to 12 months	4,250	3,782	(34)	7,650	6,516	97
Greater than 12 months	-	-	-			
Total	**50,797**	**44,884**	**(107)**	**44,875**	**37,113**	**1,680**

	2017			2016		
	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	480	371	(12)	295	217	10
3 to 6 months	170	130	(3)	50	37	2
6 to 12 months	5	4	(1)	5	3	-
Total	**655**	**505**	**(16)**	**350**	**257**	**12**

Notes to the Consolidated Financial Statements

SEK 30 September	2017 Foreign currency Kr '000	2017 Notional value £'000	2017 Fair value £'000	2016 Foreign currency Kr '000	2016 Notional value £'000	2016 Fair value £'000
Less than 3 months	(2,450)	(213)	(2)	(3,120)	(272)	(8)
3 to 6 months	(200)	(18)	(0)	(100)	(8)	(1)
Total	**(2,650)**	**(231)**	**(2)**	**(3,220)**	**(280)**	**(9)**

NOK 30 September	2017 Foreign currency Kr '000	2017 Notional value £'000	2017 Fair value £'000	2016 Foreign currency $'000	2016 Notional value £'000	2016 Fair value £'000
Less than 3 months	(1,700)	(159)	-	-	-	-
Total	**(1,700)**	**(159)**	**-**	**-**	**-**	**-**

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 £'000	Past due 0-30 days £'000	Past due >30 days £'000	Total £'000
At 30 September 2017	47,284	68	23	47,375
At 30 September 2016	27,756	4	4	27,764

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

Notes to the Consolidated Financial Statements

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-17	**£'000**	**£'000**	**£'000**
Trade payables	79,602	79,602	79,602
Accrruals and deferred income	6,851	6,851	6,851
	86,453	86,453	86,453
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

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 17) and equity of the Group as disclosed in note 19.

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

Notes to the Consolidated Financial Statements

22. Share based payments

At 30 September 2017, the Group has the following share-based payment arrangement.

2016 LTIP

On the 26th May 2016, the Group awarded 633,282 nil cost options under the scheme. 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 a relative 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.

2016 LTIP	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

Notes to the Consolidated Financial Statements

2017 LTIP Award
On the 26th May 2017, the Group awarded 602,425 to key management. On the 31 May 2017, the Group awarded 204,668 to senior managers.

The extent to which such awards will vest will depend on the Group's performance over a three year period commencing from 1 October 2016. The vesting in September 2019 (Vesting Date) of 30% of the award will be dependent on a relative 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.

2017 LTIP	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 2017 (TSR dependent)	4.120	Nil	30.00	3.0	0.07%	0.75%	0.0	2.890
26 May 2017 (EPS dependent)	4.120	Nil	-	3.0	0.07%	0.75%	0.0	4.050
31 May 2017 (TSR dependent)	3.910	Nil	30.00	3.0	0.07%	0.79%	0.0	2.590
31 May 2017 (EPS dependent)	3.910	Nil	-	3.0	0.07%	0.79%	0.0	3.840

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

	2017 No of options	2016 No of options
Outstanding at the beginning of the year	633,282	-
Granted during the year	807,093	633,282
Forfeited during the year	(97,431)	-
Outstanding at the year end	**1,342,944**	**633,282**

The total share based payment charge for the year ended 30 September 2017 is £465,000 (2016: £105,000). The company charge for the year was £465,000.

Notes to the Consolidated Financial Statements

23. Commitments and contingencies

a) Capital commitments

The company had no capital commitments for the years ended 30 September 2017 and 2016

b) Operating lease commitments

	2017 Land & Buildings £'000	2016 Land & Buildings £'000
One year	340	340
Two to Five Years	1,359	1,359
Over 5 years	1,019	1,359
	2,718	3,058

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 £214,000 (2016: £333,000) 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.

24. Related party transactions

No related party transactions have been entered into during the year.

Transactions with key management personnel have been disclose in note 7(d).

Company balance sheet

At 30 September 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	4	132,613	132,613
Current assets			
Debtors	5	73,978	75,303
Cash at bank		76	-
		74,054	75,303
Creditors: amounts falling due within one year	6	(2,863)	(394)
Corporation tax		(85)	(85)
		(2,948)	(479)
Net assets		**203,719**	**207,437**
Equity			
Share capital		1,304	1,304
Capital contribution reserve		500	500
Retained earnings		201,915	205,633
		203,719	**207,437**

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

Paul Meehan
Chief Financial Officer
30 November 2017
On the Beach Group plc. Reg no 09736592

Company statement of changes in equity

Year ended 30 September 2017

	Share capital £'000	Share premium £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
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 profit for the year	-	-	-	408	408
Balance at 30 September 2016	**1,304**	**-**	**500**	**205,633**	**207,437**
Share based payment charges	-	-	-	465	465
Dividends paid during the year	-	-	-	(4,043)	(4,043)
Total comprehensive loss for the year	-	-	-	(140)	(140)
Balance at 30 September 2017	**1,304**	**-**	**500**	**201,915**	**203,719**

Notes to the Company financial statements

Year ended 30 September 2017

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.

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 2017 and 30 September 2016
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 loss for the year ended 30 September 2017 dealt with in the financial statements of the parent company is £140,000 (2016: £408,000 (profit)).

In these financial statements, the Company is considered to be qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following;

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cashflow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the Company include the equivalent disclosure, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures;

- Certain disclosures required by *FR 102.26 Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not failing within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows.

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. Director's emoluments

The Company has no employees other than the Directors. Full detail of the Directors' remuneration and interests are set out in the Annual Report on Renumeration on pages 46 to 61.

3. Shared based payments

The Company recognised total expenses of £0.5m (2016: £0.1m) in the year in relation to the Long Term Incentive Plan. Details of this scheme is described in note 22 to the consolidated financial statements.

4. Investments

The £132,613,000 investment in subsidiary undertakings made in 2015 relates to the capital re-organisation of the Group. There has been no movement in the current year.

Notes to the Company financial statements

5. Debtors

Amounts falling due within one year:	2017 £'000	2016 £'000
Amounts owed by group undertakings	73,886	75,159
Other taxes and social security	25	130
Prepayments	67	14
	73,978	**75,303**

6. Creditors due within one year

Current	2017 £'000	2016 £'000
Amounts owed to group undertakings	2,696	-
Bank overdraft	-	211
Trade payables	-	38
Accruals	167	145
	2,863	**394**

7. Called-up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
130,434,763 Ordinary shares @ £0.01 each (2016: 130,434,763 @ £0.01 each)	1,304	1,304
	1,304	**1,304**

8. 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 2017 was £nil (2016: £nil).

Shareholder Information

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Web: www.ebeach.se (Sweden)
Web: www.ebeach.no (Norway)
Web: www.sunshine.co.uk (UK)

Investor relations: corporate@onthebeach.co.uk

Cautionary statement

The purpose of this Annual Report is to provide information to the members of the Company. The Company and its Directors accept no liability to third parties in respect of this Annual Report save as would arise under English law.

This Annual Report contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. Forward looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates'. These forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements, including factors outside the Company's control. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Company Secretary

Kirsteen Vickerstaff
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SK3 0XN

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EC4M 7LT

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Registrar

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OUR VALUES

INNOVATION

COMMUNICATION

SIMPLICITY

RESPECT

CUSTOMER EXPERIENCE

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