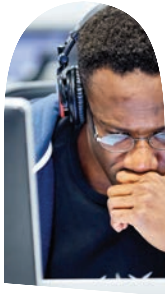

On the Beach Group plc

Annual Report & Accounts

For the year ended 30 September 2018

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 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.ebeach.dk (Denmark)
www.sunshine.co.uk (UK)
www.classiccollection.co.uk (UK travel agent)

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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, On the Beach completed the acquisition of Sunshine.co.uk Limited, an online travel agent based in the UK, for a net consideration of £12m.

2018

- Entered FTSE 250 in March 2018.
- Acquired Classic Collection Holidays for a net consideration of £20m in August 2018.
- Launched eBeach.dk in Denmark.

At a glance

On the Beach has again experienced strong growth and made a further strategic acquisition.

Financial highlights Group

- Group revenue[1] increased 24.5% to £104.1m *(FY17: £83.6m)*
- Group gross profit[2] increased 10.8% to £92.6m *(FY17: £83.6m)*
- Group operating profit before tax increased 17.9% to £33.6m *(FY17: £28.5m)*
- Group profit before tax increased 23.7% to £26.1m *(FY17: £21.1m)*
- Strong cash conversion of 79% *(FY17: 79%)* – adjusted operating cash conversion[5] 90% *(FY17: 88%)*
- Net external cash[6] at year end of £47.3m *(FY17: £33.0m)*
- Proposed final dividend of 2.2p per share, totalling 3.3p per share for the year *(FY17: 2.8p per share)*, an increase of 17.9%

Group gross profit [2] £m

£92.6m
+ 10.8%
FY17: £83.6m

Group operating profit before amortisation & exceptional costs £m

£34.0m
+12.2%
FY17: £30.3m

Group profit before tax £m

£26.1m
+23.7%
FY17: £21.1m

Group adjusted profit before tax[3] £m

£33.6m
+17.9%
FY17: £28.5m

Adjusted earnings per share[4]

21.2p
+20.5%
FY17: 17.6p

Net external cash[6] £m

£47.3m
FY17: £33.0m

Basic & diluted EPS pence

16.5p
+19.6%
FY17: 13.8p

Adjusted cash conversion [5]

90%
FY17: 88%

Total dividend per share pence

3.3p
+17.9%
FY17: 2.8p per share

(1) Group revenue includes revenue from Classic Collection Holidays Limited ("Classic") for the period since acquisition (15th August 2018) of £13.2m. Classic accounts for revenue on a "travelled" basis as a principal and therefore reports revenue on a gross basis
(2) Group gross profit includes revenue from Classic less cost of sales and agents' commission of £1.7m
(3) Group adjusted profit before tax is profit before tax, amortisation of acquired intangibles of £4.6m (FY17: £4.3m), share based payments £1.4m (FY17: £0.5m), exceptional costs of £0.6m (FY17: £2.6m) and one-off property and litigation costs of £0.9m (FY17: nil)
(4) Adjusted earnings per share is Group adjusted profit after tax divided by the average number of shares in issue during the period
(5) Underlying cash conversion is operating cash flow divided by EBITDA excluding the impact of the acquisition of Classic and capital expenditure for the new HQ
(6) Net external cash is defined as cash and cash equivalents excluding the trust accounts

Please see glossary of alternative performance measures (APMs) on page 136 for reconciliations to nearest GAAP number.

At a glance

Financial highlights Core (excludes Classic)

- Core revenue up 9.0% to £89.3m *(FY17: £81.9m)*
- Core revenue after marketing costs up 15.8% to £52.0m *(FY17: £44.9m)*
- Adjusted Core EBITDA[7] up 14.2% to £37.9m *(FY17: £33.2m)*
- Core EBITDA as a percentage of revenue increased to 42.4% *(FY17: 40.5%)*
- Branded and free traffic increased to 63.9% of overall traffic *(FY17: 59.3%)*
- Percentage of revenue spent on marketing decreased to 41.8% *(FY17: 45.2%)*

Core revenue £m

£89.3m

+9.0%

FY17: £81.9m

Core revenue after marketing costs £m

£52.0m

+15.8%

FY17: £44.9m

Adjusted core EBITDA[7] £m

£37.9m

+14.2%

FY17: £33.2m

Core EBITDA % of revenue

42.4%

FY17: 40.5%

[7] *Adjusted Core EBITDA excludes exceptional costs, share based payments and one-off property and litigation costs. See Glossary on page 136 for the reconciliation to the nearest GAAP measure.*

Financial highlights International

- After significant growth of 51.0% in H1, International revenue decreased by (5.9)% for the full year *(FY17: 48.0%)*. Revenue was heavily impacted by the unprecedented hot summer in Scandinavia leading to lower demand for holidays and widespread discounting of distressed product by Sweden's leading tour operators. We therefore reduced marketing activity to a background level, with a significant impact on revenue but a saving versus forecasted losses with a view to reinvesting at the start of the new financial year
- Launch of third international market in Denmark
- International EBITDA loss of £(2.2)m *(FY17: £(2.0)m)*

International EBITDA loss £m

£(2.2)m

+10.0%

FY17: £(2.0)m

Revenue £m

£1.6m

-5.9%

FY17: £1.7m

Financial highlights Classic

- Acquired 15 August 2018
- As it is a principal rather than an agent, Classic reports on a "travelled" basis
- EBITDA £1.1m in period since acquisition

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**

Chair of the Board report

"The Group's success is attributable to strong leadership, clear strategy and vision, investment in people and technology, a resilient business model and entrepreneurial, innovative and dynamic culture."

Lee Ginsberg
Chair of the Board, On the Beach Group plc

Group gross profit £m
£92.6m
+ 10.8%
FY17: £83.6m

Group profit before tax £m
£26.1m
+23.7%
FY17: £21.1m

Core revenue after marketing costs £m
£52.0m
+15.8%
FY17: £44.9m

Net external cash[3] £m
£47.3m
FY17: £33.0m

I am delighted to provide the Group's results for the year ended 30 September 2018 (FY18). On the Beach has seen another year of strong growth and is at an exciting time in its development. My fellow directors and I, and the executive team, look forward to working together to create further value for all stakeholders.

On the Beach success story: another milestone

One of the highlights of the year was On the Beach's entry into the FTSE 250 in March 2018 which marked an important milestone in the Group's history and reflected the success that On the Beach continues to enjoy.

The Group's success is attributable to a number of factors, including strong leadership, a dedicated and talented workforce, a clear strategy and vision, investment in people and technology, a strong and resilient business model and the Group's entrepreneurial, innovative and dynamic culture. On the Beach continues to focus on driving long-term, sustainable growth, building strong relationships with key stakeholder groups and establishing a culture which is aligned with the Group's strategy, vision and values.

FY18: financial performance and final dividend

In each of the three years since listing, On the Beach has encountered significant headwinds, including terrorism, the Brexit referendum, currency fluctuations, shifting consumer demand and reduced consumer confidence. FY18 presented its fair share of headwinds, including the collapse of Monarch airlines, flight capacity constraints, the hottest summer for 40 years and the football World Cup in which England performed strongly, all of which have affected consumer confidence and demand for beach holidays.

Despite this challenging and unstable trading backdrop, On the Beach has consistently delivered impressive growth in the face of these headwinds, underlining its strong and resilient business model, which is evident more than ever in the financial results for FY18.

In FY18, Group revenue was £104.1m *(FY17: £83.6m (+24.5%))*. This included £13.2m of revenue from Classic which was acquired on 15 August 2018. Group's gross profit increased 10.8% to £92.6m *(FY17: £83.6m)*. Although revenue growth was slower than expected, increased marketing efficiency led to strong growth in revenue after marketing which was £52.0m *(FY17: £44.9m (+15.8% year on year))* and Group adjusted profit before tax which was £33.6m *(FY17: £28.5m)*, an increase of 17.9% on the prior year.

At the year-end, On the Beach's balance sheet was strong with net external cash balances of £47.3m *(FY17: £33.0m)* and the Board is pleased to declare a final dividend of 2.2p per share, totalling 3.3p per share for the year, an increase of 17.9%.

Investment in people, technology & brand

On the Beach is committed to investing in its people, technology and brand.

To support our continued ability to out-innovate the market and attract and retain top talent in a fiercely competitive environment, we have relocated our head office to a bespoke, state of the art digital office space in central Manchester, and we will be refurbishing our current office space in Cheadle where our Contact Centre will continue to be based. We recently welcomed Stefan Nordin to the business as our new Chief Technology Officer, whose experience and leadership skills will support us to achieve our ambition to double the size of our tech team in the next three to five years.

On the Beach continues to develop its people strategy to align with overall business strategy, and the Remuneration Committee has expanded its remit to incorporate remuneration and benefits for the wider business rather than just Executive Directors and senior management. The Committee has introduced new reward mechanisms for top performers throughout the business, as well as reviewing the Directors' Remuneration Policy for Executive Directors, to ensure the business has the tools to attract and retain the talent it needs to achieve its strategy.

We have continued to invest in the On the Beach brand through both online and offline marketing. Our brand continues to strengthen, supported by a national TV marketing campaign and sponsorship of the ITV programme, Benidorm. As a result, On the Beach is now one of the most visible online beach holiday brands, leading to consumers having more trust and confidence in the brand.

Strategic expansion & international markets

As well as driving growth in the core business, On the Beach continues to explore further opportunities for strategic growth, including international growth, expansion of the Group's long-haul offering, distribution via travel agents through the Group's recent acquisition of Classic, and strategic acquisition opportunities.

On the Beach has continued to make progress in our international markets, with the launch of eBeach.dk in Denmark during the year, completing our Scandinavian rollout.

After significant growth of +51% in H1 FY18, the whole of Scandinavia experienced unprecedented warm weather from May until August, which weakened demand and severely affected eBeach's competitive position in the market due to heavy discounting by the tour operators. This led to a significant impact on full year revenue performance (International revenue decreased by 5.9% compared with +48% in FY17) but we reduced marketing spend in line with reduced demand.

Diversity & inclusion

The benefits of a diverse and inclusive leadership and workforce are clear, with the widest range of perspectives leading to increased creativity, innovation, debate, understanding and ultimately better decision making. Our company values are respect, innovation, simplicity, customer experience and communication. It therefore follows that diversity and inclusion have to be at the very heart of our culture and fully embedded in the business if we are to live up to our values and achieve our strategy.

As diversity and inclusion are so critical to the long-term success of the company, this has been an area of particular focus during FY18, and has been central to a number of initiatives during the year, including Board appointments, senior management appointments and succession planning, stakeholder engagement (both employee and shareholder), our people strategy, and our review of our corporate culture.

The appointment to the Board of Elaine O'Donnell has gone some way to addressing the gender imbalance on the Board, but the Board continues to consider its composition and the Nomination Committee will continue to focus on diversity in the widest form when considering any further Board vacancies. The Board will continue its focus on diversity and inclusion to ensure the Group's succession planning, people strategy, and culture supports an increasingly diverse pipeline of talent feeding into the most senior levels of the business.

Corporate governance and Board changes

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. We undertook an evaluation of the directors and the functioning of the Board and its committees during the year which demonstrated that the Board has the appropriate balance of skills and experience and operates effectively.

We had a number of Board changes during the year, which were overseen by the Nomination Committee.

Elaine O'Donnell was appointed as a Non-Executive Director in July 2018, and took up the post of Chair of Audit Committee in September 2018. We extend a warm welcome to Elaine, who brings to the Board a wealth of experience across a range of businesses and her expertise will be of enormous benefit.

Chair of the Board report

Richard Segal, who served as On the Beach's Chairman since 2013, stepped down in September 2018. The Directors express their sincere thanks for the valuable contribution made by Richard over the years and wish him every success for the future. Following the recommendation of the Nomination Committee, I took the role as Chair of the Board and of the Nomination Committee, and I stepped down from my role as Senior Independent Director and Chair of Audit Committee, in September 2018. At the same time, David Kelly was appointed as Senior Independent Director.

I will step down as Chair of the Board and of the Nomination Committee at the end of November in order to focus on other time-commitments, but I will continue to serve as Non-Executive Director of the Company. David Kelly will serve as Chair of the Board on an interim basis while the Nomination Committee oversees the search for a permanent Chair of the Board.

The Board is committed to ever-increasing standards of corporate governance. Although the 2018 UK Corporate Governance Code will not apply to the Company until the reporting year ending 30 September 2020, the Board is already taking steps to comply with the new code, in particular in relation to stakeholder engagement and corporate culture.

Current trading and outlook

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group. We are pleased to report a strong early trading performance, supported by a slightly earlier release of summer capacity by major low cost carriers, lower year-on-year seat prices for winter departures and a continued efficiency in marketing spend. This current performance is in line with our expectations and the Board believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2019.

Whilst the consumer environment continues to be challenging, we remain confident in the resilience and flexibility of our business model. The Board will also continue to evaluate acquisition opportunities that will both increase scale and deliver value for shareholders.

The Board will provide a further update on trading at the AGM on 7 February 2019.

AGM

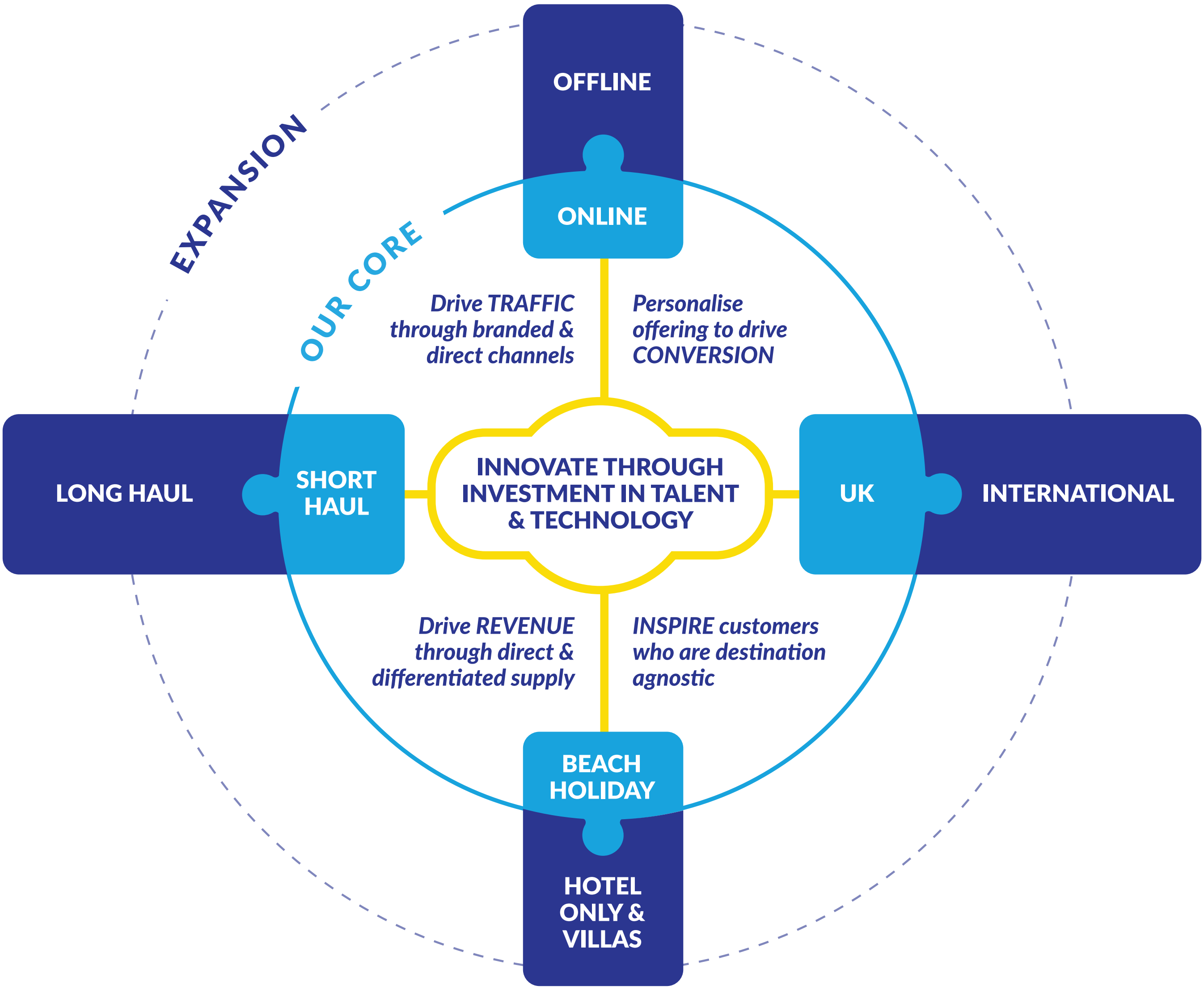
Our AGM will be held at 11am on 7 February 2019 at the Group's new headquarters at Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

We look forward to welcoming shareholders.

Lee Ginsberg
Chair of the Board, On the Beach Group plc
28 November 2018

OTB GROWTH STRATEGY

Huge opportunities exist to build significant share of our core and adjacent markets



Chief Executive Officer'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."

Simon Cooper
Chief Executive Officer

Group gross profit £m
£92.6m
+ 10.8%
FY17: £83.6m

Core revenue after marketing costs £m
£52.0m
+15.8%
FY17: £44.9m

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 focused on driving traffic to site efficiently with improvements to our bespoke bid management capability, driving Group online marketing spend as a percentage of revenue down 4.1 percentage points to 37.2% and our revenue after marketing costs increasing 15.8%.

Our continued growth has been delivered by executing a simple strategy to personalise our customer proposition to increase conversion and improve margin, and at the same time drive an efficient increase in our market traffic share. Our growth provides further evidence of our ability to gain market share from traditional tour operators and other online travel agents (OTAs) in a summer where unprecedented weather conditions weakened demand for beach holidays.

The business has also adapted to manage significant legislative change within the financial year including the implementation of the second Payment Services Directive (prohibition of credit card charges for consumers) **(PSD2)**, the General Data Protection Regulation **(GDPR)** and The Package Travel and Linked Travel Arrangements Regulations **(PTRs)**.

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 with branded share of traffic at its highest ever level of 63.9% of overall traffic *(FY17: 59.3%)*.
- 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 traffic is now 66% of total traffic and smartphone bookings have increased 48% year on year.
- Increasing the directness of our relationships with end suppliers to achieve 70% 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 14% year on year.
- Driving an increasing proportion of sales into exclusive product whilst maintaining our lean cost base and risk free model.
- Investing to increase the visibility of the Sunshine.co.uk brand in the paid search auction.
- The acquisition of Classic, which supports our strategic goal to gain a share of the offline market by providing third party agencies with an online portal which allows access to a wide range of value-for-money beach holiday product.

Market

We believe that overall demand for short haul beach holidays was slightly down on the previous year because of the unprecedented warm weather from May through to August. These weather conditions had a particularly noticeable effect on the lates market. We expect that continued growth in online penetration resulted in our addressable market remaining broadly flat year on year.

We have observed the following market trends:

- A strong return in appetite for customers to travel to destinations in the Eastern Mediterranean, most notably Turkey.
- A shortfall in seat capacity following the Monarch collapse for departures in the winter and spring followed by a significant increase in seat prices.
- Lower seat price inflation for summer departures because of a reprogramming of capacity and a reduction in demand in the lates market.
- Aggressive discounting by tour operators in the lates market to fill risk capacity.
- Strong demand for forward bookings with a slight weakness in the recent period, perhaps attributable to confusion / confidence over the outcome of Brexit negotiations.

Investment in brand

We have continued to invest in an efficient multi-channel approach supported by our sophisticated bid management capability and have enhanced our cross-device attribution capability, giving us greater clarity on the return on marketing investment of multi-device traffic. This has allowed us to continue to take share of market traffic, with increasing efficiency. The auction dynamics have remained relatively benign throughout FY18 with transient periods of aggressive spending by a range of competitors.

Our brand continues to strengthen, supported by our investment into a fully national offline marketing campaign and sponsorship of the ITV show Benidorm. We have optimised our in-house econometric modelling to allow us to monitor the effectiveness of our offline marketing spend and are well advanced with our planning for our largest ever campaign in 2019. In the three years since we launched iPhone, iPad and Android apps, we have achieved in excess of one million downloads, and an increasing percentage of traffic and bookings comes via our mobile apps. We have also invested to build booking management capabilities and reminder functionality into our apps so that customers can interact with us via the app throughout the period before, during and after their holidays.

Investment in people

We have increased our investment to multi-skill our customer-facing staff to ensure that we can provide an even higher level of customer support for all of our valued customers and support the sale of package holidays post the implementation of the new PTRs on 1 July 2018. We are delighted to have maintained our excellent Net Promoter Scores and that our repeat purchase rates have increased significantly through FY18.

The Group has now moved its headquarters into a bespoke facility close to the centre of Manchester and believes this will better support our drive to recruit and retain the best digital talent to allow us to out-innovate the market. The Contact Centre will continue to operate from its current base in Cheadle, where we will refit the existing contact centre with 50% more desk space to support our continued growth.

We continue to recruit and grow talent internally and have recently moved to a twice annual ‘Ruby Academy’ to train 20 internal and external candidates each year to add to our technology teams. In October we welcomed our new CTO Stefan Nordin into the business and we believe his prior experience will greatly assist us in our ambition to double the size of our digital capability over the next three-to-five years. We are also pleased to welcome on board the team of 124 staff from Classic who will continue to operate out of Classic’s existing office in Worthing.

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 70% 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. We have also added resource to build our portfolio of directly contracted hotel product in longer haul destinations to support our expansion into Dubai and over the coming year we will add resource and product in the Indian Ocean, Thailand and the Caribbean.

In FY18 more than 30% 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 2019 and to convert our differentiated supply position into incremental margin. We continue to explore opportunities to contract with partner airlines on a more strategic basis to deliver incremental revenue for partner airlines.

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 via an opaque booking path and to allow us to build innovative search tools for customers who are destination agnostic.

International

After significant growth of 51% in H1, the whole of Scandinavia experienced unprecedented warm weather for the period from early May until the middle of August. Against this backdrop, demand weakened and our competitive position in the market was severely impacted by widespread discounting of distressed product by Sweden’s leading tour operators.

Chief Executive Officer's report

In these conditions, across the four month period, the sensible course of action was to cut marketing activity to a background level, with a significant impact on revenue performance but a saving versus forcast losses with a view to reinvesting the savings made at the start of the new financial year.

During FY18 we launched ebeach.dk in Denmark to complete the Scandinavian rollout. Against the backdrop of the warm summer the investment into this brand was naturally limited by lack of demand in the background market.

Strategy and growth

It continues to be the Group's vision to be Europe's leading online retailer of beach holidays.

On the Beach continues to deliver significant growth in its core and adjacent markets 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 traffic through branded and direct channels
3. Personalising our customer proposition
4. Leveraging increased revenue through direct and differentiated supply
5. Expanding our model into new search technologies, source markets, destinations, channels and products

Our key strategic pillars for FY19 are:

1. Out-innovating through agility and investment in talent and technology;
   - Continuing to invest into our people and our platform to allow us to innovate at an increasing pace and in doing so, stay ahead of the competition.
   - Reinforce company-wide values based on innovation, simplicity, communication, respect and great customer experience.
   - Use our new digital HQ in central Manchester to ensure we are well placed to attract and retain the best talent.

2. Driving an efficient increase in traffic through branded and direct channels;
   - 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 and reinvesting a proportion of these synergies to drive increased online visibility.
   - Seeking further value-enhancing merger and acquisition opportunities.

3. Personalising our 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.
   - Enhancing personalisation by supplementing capabilities with data science and machine learning.
   - 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 search technologies, source markets, destinations, channels and products;
   - Building online functionality to inspire customers who are destination agnostic.
   - Leveraging our core capabilities to expand internationally.
   - Expanding our long haul offering to monetise existing search volumes.
   - Building and launching an online portal to allow third party agencies to offer our product to the five million holidaymakers booking through offline channels.
   - Expanding our product offering to include a wider range of hotel and villa product.

Current trading and outlook

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group. Demand for travel in 2019 has started off strongly supported by a slightly earlier release of summer capacity by major low cost carriers and lower year-on-year seat prices for winter departures. This has been supported by ongoing efficiencies in the Group's marketing spend.

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 2019.

The Board will provide a further update on trading at the AGM on 7 February 2019.

Simon Cooper
Chief Executive Officer
28 November 2018

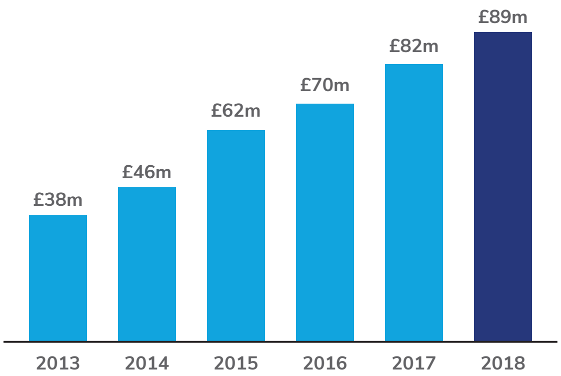
Our top destinations

Tremithousa
Limassol
Sliema Split Dalmatia
Costa Del Sol St Julians
Athens
Florida Costa De Almeria
Riviera Maya Rhodes Agadir Bugibba
Sardinia Mykonos Gran Canaria
Marsa Alam Larnaca
Varna Halkidiki
Dubai Ibiza Costa Brava
Venice
Goa
Hurghada Lanzarote
Neapolitan Riviera Crete
Costa Calida Bodrum Corfu Sunny Beach
Paphos
Skiathos
Dubrovnik Riviera Zante Tenerife
Mellieha Dalaman
Santorini Kos
Fuerteventura Antalya Marrakech Sicily
Kusadasi Area
Lisbon Qawra Barcelona
St Pauls Bay Majorca
Preveza
Monastir
Milan Kefalonia
Costa Blanca
Algarve
Costa Dorada Rome
Sal Island Menorca Izmir Area
Provence Alpes Cote d Azur

Key performance indicators

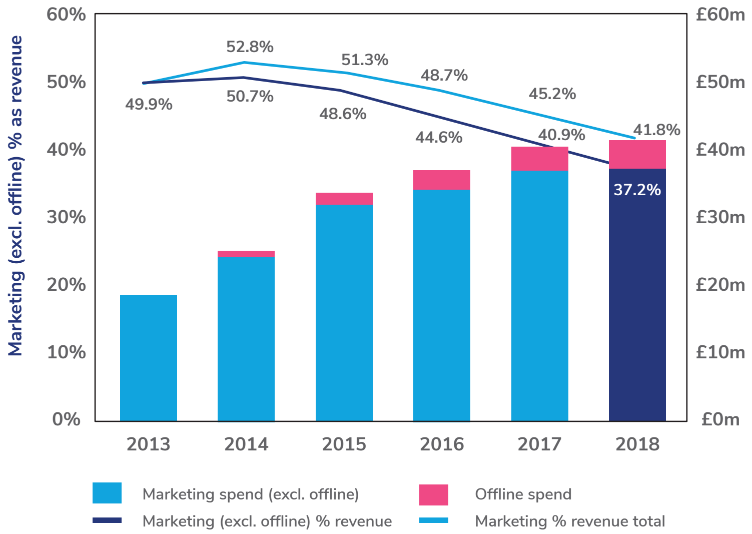
Core segment: revenue [1]

Continuing growth with an increase of 9.0% on the prior year



Marketing spend as a percentage of revenue [1]

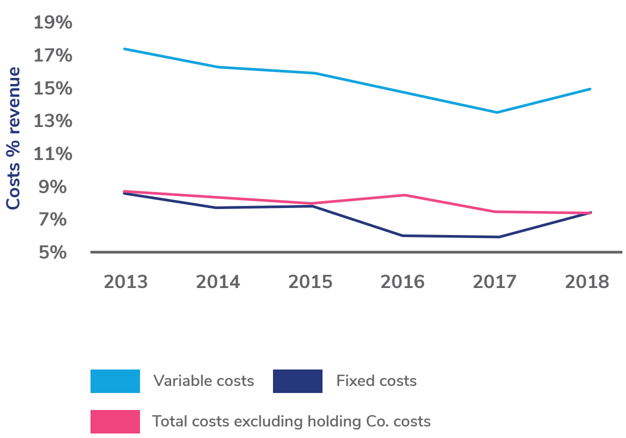
Marketing % of revenue decreased to 37.2% (2017: 40.9%) excluding offline and to 41.8% (2017: 45.2%) including offline



Costs as percentage of revenue [1]

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

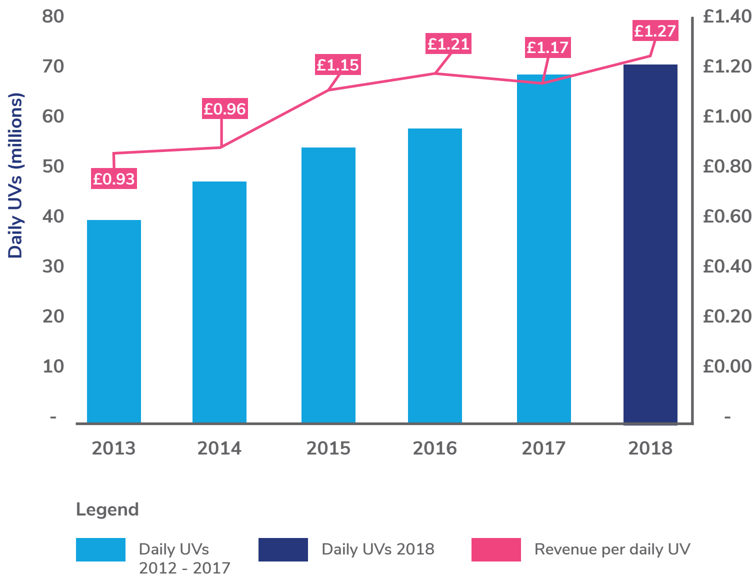
Variable costs: Comprise mainly of Contact Centre wages and credit card fees



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

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 1% whilst revenue per daily UV increased to £1.27 (2017: £1.17)

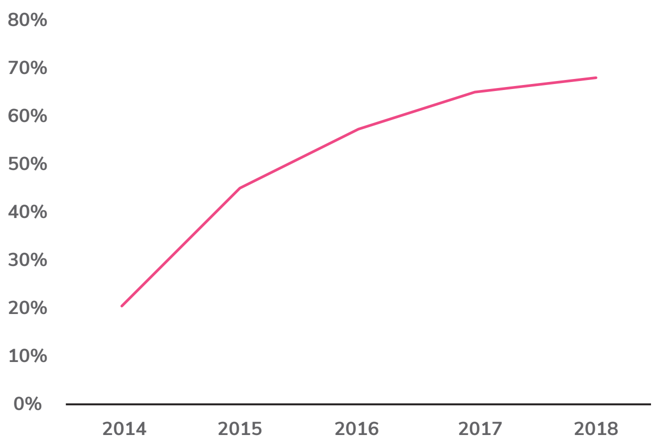


[1] *UK only excluding Classic Collection Holidays*

Direct contracting as a percentage of bed supply

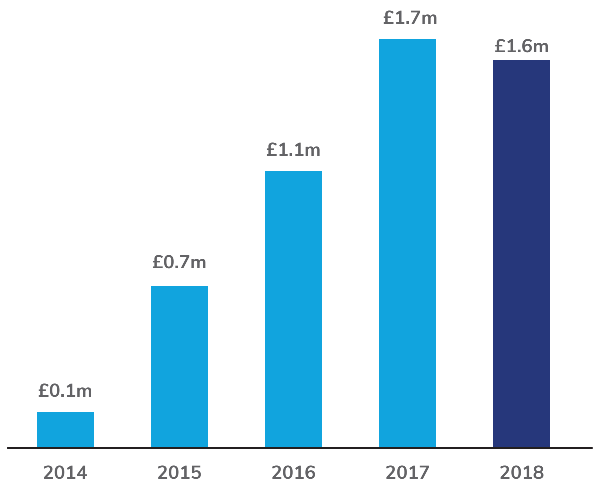
Direct contracting: Sourcing hotel beds for customers directly from hotels rather than via third-party bed-banks as intermediaries

Continuing growth to 70%



International segment: revenue

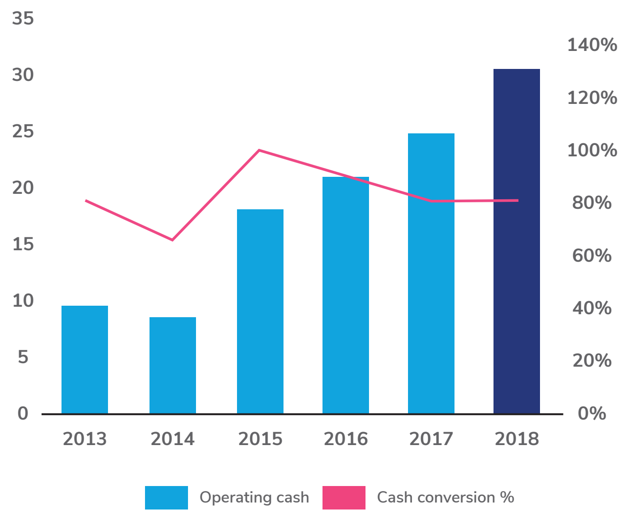
Decrease in revenue of 5.9% in FY18



Operating cash and cash conversion as a percentage of adjusted EBITDA

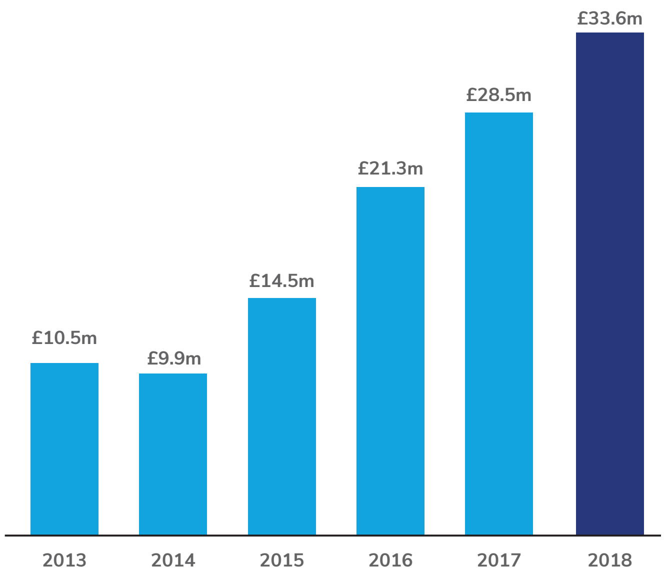
Operating cash: Cash generated from continuing operations less capital expenditure

Cash conversion: Operating cash before exceptional items as % of adjusted EBITDA



Adjusted profit before tax [2]

Adjusted profit before tax grows by 17.9% to £33.6m *(FY17: £28.5m)*



[2] *Group Adjusted profit before tax is profit before tax, amortisation of acquired intangibles of £4.6m (FY17: £4.3m), share based payments £1.4m (FY17: £0.5m) and non-underlying costs of £1.5m (FY17: £2.7m)*

Chief Financial Officer's report

"We completed a further acquisition, Classic Collection Holidays, which gives On The Beach a 'business to business' channel through which we can access the circa five million short haul beach holidays that each year are booked offline."

Paul Meehan
Chief Financial Officer

Group gross profit £m
£92.6m
+ 10.8%
FY17: £83.6m

Core revenue after marketing costs £m
£52.0m
+16.0%
FY17: £44.9m

Adjusted core EBITDA £m
£37.9m
+14.2%
FY17: £33.2m

Core EBITDA % of revenue %
42.4%
FY17: 40.5%

The Group now organises its operations into three principal financial reporting segments, being Core (the "Core segment"; the Group's established market), International (the "International segment" being the Group's international markets) and Business to Business (B2B) (the "B2B" segment is the Group's recently acquired business Classic Collection Holidays and its subsidiaries). For FY18, the B2B segment includes the performance of Classic and its subsidiaries from the date of acquisition, 15th August 2018. As a principal, Classic and its subsidiaries account for revenue on a "travelled" basis and therefore report revenue on a gross basis.

In each of the Core segment and the International segment, the Group offers dynamically packaged holidays but with options to book single element products such as flights or hotels, in each case acting as an agent rather than a principal.

Core segment performance

	2018 £m	2017 £m	Change %
Revenue	**89.3**	81.9	9.0%
Revenue after marketing costs	**52.0**	44.9	15.8%
Variable costs	**(6.6)**	(4.9)	
Fixed costs	**(6.7)**	(6.2)	
Holding Company costs	**(0.8)**	(0.6)	
Share based payments	**(1.4)**	(0.5)	
Depreciation and amortisation [1]	**(3.0)**	(2.4)	
EBIT	**33.5**	30.3	10.6%
Adjusted EBITDA[2]	**37.9**	33.2	14.2%
EBITDA %	**42.4%**	40.5%	

(1) *Excludes amortisation of acquired brand and website technology intangible assets of £4.4m (2017: £4.3m)*

(2) *EBITDA excludes share based payments*

Revenue and marketing costs

Revenue increased by 9.0% to £89.3m *(FY17: £81.9m)*. Revenue per daily unique visitor increased by 8.5% to £1.27 *(FY17 £1.17)*. During the year we also continued to increase the directness in our relationships with our suppliers through the volume of in-house accommodation bookings to 70% *(FY17: 65%)*.

Marketing expenses (excluding offline) for the year to 30 September 2018 as a percentage of revenue decreased to 37.2% *(FY17: 40.9%)* with total spend of £33.2m *(FY17: £33.5m)*. This reflects further optimisation of our online spend, a continued increase in the share of branded and direct traffic together with lower demand during the summer.

We have again increased spending in the year on offline TV advertising campaigns to £4.1m *(FY17: £3.5m)*. Continuation of the full national campaign, together with the second year of sponsorship of the ITV Benidorm programme, drove greater brand awareness.

EBITDA

Overheads excluding holding company costs increased to 14.9% of revenue, reflecting higher average booking values, operational investment ahead of Package Travel Regulations and the impact of Sunshine.co.uk acquisition.

Overheads as % of revenue

	2018	2017
Variable costs % revenue	7.4%	6.0%
Fixed costs % revenue	7.5%	7.6%
Overheads % revenue	**14.9%**	**13.6%**
Holding Company costs % revenue	1.0%	0.7%
Total	**15.9%**	**14.3%**

Holding company costs have increased in the year to £0.8m *(FY17: £0.6m)* due entirely to National Insurance charges on share based payments.

Adjusted Core EBITDA of £37.9m *(FY17: £33.2m)* increased by 14.2% and Adjusted Core EBITDA as a percentage of revenue increased from 40.5% to 42.4%. The closest GAAP equivalent measure to Adjusted Core EBITDA is Core operating profit which increased by 18.4% to £27.7m *(FY17: £23.4m)*.

International segment performance

	2018 £m	2017 £m	Change %
Revenue	1.6	1.7	5.9%
Revenue after marketing costs	(1.4)	(1.6)	12.5%
Variable costs	(0.3)	(0.2)	
Fixed costs	(0.5)	(0.2)	
Depreciation and amortisation	(0.2)	(0.2)	
EBIT	(2.4)	(2.2)	9.1%
EBITDA	(2.2)	(2.0)	10.0%

In addition to the international platforms in Sweden and Norway, operating under the 'www.ebeach.se' and 'www.ebeach.no' domains respectively, the Group also launched a further international platform in Denmark in FY18, operating under the "www.ebeach.dk" 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 International EBITDA is operating loss which increased to £(2.4)m *(2017: £(2.2)m)*.

International Segment performance

Revenue £m

£1.6m

-5.9%

FY17: £1.7m

EBITDA £m

£(2.2m)

-10.0%

FY17: £(2.0)m

B2B segment performance

	2018 £m
Revenue	13.2
Revenue after marketing costs	1.6
Variable costs	(0.1)
Fixed costs	(0.4)
Depreciation and amortisation	(0.2)
EBIT	0.9
EBITDA	1.1

On 15th August 2018, we completed a further acquisition, Classic Collection Holidays, which gives On The Beach a 'business to business' channel through which we can access the circa five million short haul beach holidays that each year are booked offline.

As a principal, Classic accounts for revenue on a 'travelled' basis and therefore reports revenue on a gross basis.

Group gross profit

Group gross profit now comprises core, international and B2B revenues and has increased by 10.8% in the year to £92.6m *(FY17: £83.6m)*. This is a result of growth in core revenue of 9.0% and the inclusion of Classic revenue since the date of acquisition. The resulting increase in Group profit before tax is 23.7% to £26.1m *(FY17: £21.1m)*, the prior year having been impacted by the exceptional costs relating to the Monarch failure.

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.

	2018 £m	2017 £m	Change %
Group profit before taxation	26.1	21.1	23.7%
Amortisation of acquired intangibles	4.6	4.3	
Share based payments	1.4	0.5	
Exceptional costs	0.6	2.6	
Non-underlying costs[1]	0.9	-	
Adjusted profit before tax	33.6	28.5	17.9%

[1] *Non-underlying costs comprise one-off property and litigation costs*

Chief Financial Officer's report

Finance costs

The net finance cost for the year was £0.1m *(FY17: £0.1m)*. With strong cash management the maximum revolving credit facility drawdown during the year was £29.5m. During the year, the Group extended the revolving credit facility to 31 December 2019 and reduced its facility from £35 million to £28.5 million to cover seasonal working capital requirements.

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, October 2017 and December 2017. In accordance with IFRS2, the Group has recognised a non-cash charge of £1.4m *(FY17: £0.5m)*.

Exceptional items

Exceptional items for the year to 30 September 2018 were £0.6m *(FY17: £2.7m)*. These costs relate to deal costs in relation to the acquisition of Classic. In FY17 exceptional costs included costs related to the failure of Monarch Airlines Ltd and the acquisition of Sunshine.co.uk Ltd amounting to £2.7m.

Taxation

The Group tax charge of £4.6m represents an effective tax rate of 17.6% *(FY17: 12.0%)* which was lower than the standard UK rate of 19.0% *(FY17: 19.0%)*.

Earnings per share

Basic and diluted 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 19.6% to 16.5 pence in FY18 *(FY17: 13.8 pence)*.

The adjusted earnings per share based on adjusted earnings increased 20.5% to 21.2 pence *(FY17: 17.6 pence)*. The table below shows the adjustment from actual earnings:

	2018 £m	2017 £m	Change %
Profit for the year	21.5	18.0	19.4%
Add backs:			
Exceptional costs	0.5	2.2	
Non underlying costs	0.7	-	
Amortisation of acquired intangibles	3.8	3.4	
Share based payments	1.2	0.4	
ATCA[1] tax adjustment	-	(1.1)	
Adjusted profit for the year	**27.7**	**22.9**	**20.9%**
Number of ordinary shares in issue at year end; assumed to be outstanding for the full year and comparative period (millions)	131.0	130.4	
Adjusted earnings per share (pence)	21.2	17.6	20.5%

[1] *The adjustment in respect of FY17 is in relation to an agreed Advanced Thin Capitalisation Agreement (ATCA) for financial years ended 30 September 2014 and 2015*

The adjustments above are stated net of tax at 19.0%

Group profit before taxation £m
£26.1m
+23.7%
FY17: £21.1m

Adjusted profit before tax £m
£33.6m
+17.9%
FY17: £28.5m

Profit for the year £m
£21.5m
+19.4%
FY17: £18.0m

Adjusted profit for the year £m
£27.7m
+20.9%
FY17: £22.9m

Basic EPS pence
16.5p
+19.6%
FY17: 13.8p

Adjusted proforma EPS pence
21.2p
+20.5%
FY17: 17.6p

Cash flow and net debt

The Group continues to see strong cash generation with operating cash flows 18.0% higher at £28.9m *(FY17: £24.6m)*, resulting in cash conversion of 79% *(FY17: 79%)*. Excluding the working capital movement resulting from the acquisition of Classic, and capital expenditure relating to the new HQ, underlying operating cash conversion[1] is 90%.

Cashflow and Net Debt	2018 £m	2017 £m	Change %
EBITDA excluding Share based payments charges	36.8	31.2	17.9%
Capitalised development spend	(3.8)	(2.7)	
Movement in working capital	(1.9)	(3.3)	
Capital expenditure	(2.2)	(0.6)	
Underlying operating cash flow	**28.9**	**24.6**	**18.0%**
Operating cash conversion	**79%**	**79%**	
Adjusted operating cash conversion	**90%**	**88%**	

(1) *Adjusted cash conversion is operating cash flow divided by EBITDA excluding the impact of the acquisition of Classic, and capital expenditure relating to the new HQ. Please see glossary on page 136 for reconciliation to nearest GAAP measure.*

Net external cash at the year-end was £47.3m *(2017: £33.0m)*.

Dividend

The Directors are recommending a final dividend of 2.2p per share, totalling 3.3p per share for the year (FY17: 2.8p per share), an increase of 17.9%. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 7 February 2019, the dividend will be paid on 14 February 2019 to shareholders on the register of members at the close of business on 11 January 2019.

Paul Meehan
Chief Finance Officer
28 November 2018

Adjusted operating cash flow £m
£28.9m
+18.0%
FY17: £24.6m

Operating cash conversion %
79%
FY17: 79%

Dividend per share pence
3.3p
+17.9%
FY17: 2.8p

Net external cash[3] £m
£47.3m
FY17: £33.0m

OUR VALUES: **SIMPLICITY**

Working with teams from across the business means that we're able to consider numerous perspectives and look at problems from different angles to make sure that we always deliver a simple solution that exceeds our customers' expectations.

James *Senior UX Designer*

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 which could threaten its business model, future performance, solvency or liquidity.

In this section of the strategic report, we explain our approach to risk management, set out the principal risks and uncertainties, together with an explanation of how those risks are managed and we outline how the risk profile has changed since the 2017 Annual Report.

RISK MANAGEMENT - RESPONSIBILITIES

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

RISK MANAGEMENT – PROCEDURES

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 the Board and monitor changes in risks or risk management plans on an ongoing basis, reporting to the 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.

Risk management & principal risks and uncertainties

CHANGE TO RISK PROFILE SINCE 2017 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.

Factor	Risks impacted	Explanation
The exit of the United Kingdom from the European Union ("Brexit")	Consumer confidence Supply chain risk Competition risk People risk Foreign exchange risk VAT complexity Regulatory risk	The UK will leave the EU on 29 March 2019 at 11pm. On the Beach has carried out a thorough Brexit impact assessment and has considered the impact of various Brexit outcomes on the business including its business model, future performance, solvency and liquidity. ***Risks if deal agreed*** Provided that a binding agreement can be reached on the terms of the withdrawal, and political agreement can be reached on the future relationship, there will be a transition period until at least 31 December 2020 in which a binding agreement will be reached on the terms of the future relationship. During the transition period, the UK remains within the single market and customs union so the rights of businesses and citizens remain largely untouched so the impact of the UK being outside the EU would be minimal in this period. If there is a delay in agreeing a deal, this could affect consumer confidence and consumer demand, particularly in the peak season for bookings in January. ***Risks if no deal agreed*** **Flight disruption** In the event that the UK exits the EU with no deal agreed, there could be disruption to flights for a short time while new aviation rights are agreed. The government says that even in the event of "no deal" it is likely to be able to agree a "bare bones aviation agreement" to prevent disruption to flights. If there was disruption to flights, On the Beach would incur costs in repatriating/accommodating customers stranded overseas, would lose margin on the holidays cancelled as a result of the disruption, and consumer appetite to book holidays during the period of disruption may be reduced. However, by virtue of its asset-light, flexible business model, where it does not carry flight or accommodation stock, the impact to On the Beach is inherently reduced when compared with airlines and tour operators. **Failure of suppliers or other travel companies** The biggest risk for On the Beach in the event of flight disruption is the higher likelihood of airline failures and the costs On the Beach would incur as a result (see supplier failure risk). However, the failure of competing travel companies would have a positive effect on On the Beach's competitive proposition.

CHANGE TO RISK PROFILE SINCE 2017 ANNUAL REPORT (CONT.)

Factor	Risks impacted	Explanation
The exit of the United Kingdom from the European Union ("Brexit") *continued.*		**Currency** A no deal scenario could have a destabilising effect on the currency markets. Our hedging policy removes transactional currency risk, but there is a risk that as the pound weakens, holidays are more expensive and this affects consumer demand, and makes On the Beach more expensive than tour operators who bulk-buy currency in advance. Conversely, if the pound were to strengthen, holidays become cheaper, mitigating competition risk. **Consumer confidence** Consumer confidence and appetite to book may be reduced in the event of a no deal scenario, especially if the UK falls into a recession. **People risk** The Group employs many EU citizens, in key areas of the business, 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 which came into force in 2018 which brought regulatory changes for the business. Any incorrect application of the new rules could lead to fines and / or damage the Group's reputation. › By virtue of the PTRs, each booking taken by the Group after 1 July 2018 which comprises two or more services will be considered a package. This means that, although On the Beach/Sunshine remain as agent and the customer's contracts are with the end suppliers, we will have statutory obligations to ensure the proper performance of the package by the suppliers and to compensate the customer where something goes wrong. The Group is therefore exposed to claims from customers and although we have insurance in place, and we can often recover from the relevant supplier, the costs of putting in place the insurance and handling claims are higher than before. › GDPR came into force in May 2018. Fines for non-compliance can be up to €20 million. The Group planned and prepared carefully to ensure it was compliant with GDPR. We continue to monitor GDPR compliance along with data security. › In January 2018 the Second Payment Services Directive came into force which means that it is prohibited to charge customers for credit card payments but the Group continues to incur costs. › Any unfavourable interpretation of existing laws could adversely affect the Group's business and financial performance, for example HMRC could challenge the VAT treatment the Group has applied which could result in additional unrecoverable VAT, plus interest and penalties.

Risk management & principal risks and uncertainties

CHANGE TO RISK PROFILE SINCE 2017 ANNUAL REPORT (CONT.)

Factor	Risks impacted	Explanation
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. › Recent supplier failures make customers nervous about booking holidays, however this is mitigated by the Group's ATOL and ABTA protection which gives consumers financial security. › The Group does not have relationship agreements in place with a number of low-cost airlines, some 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.

Principal risks & uncertainties

1. TRADING

Operational risks	Risk description and impact	Mitigation & management	Direction of change
1.1 Consumer confidence risk	› Brexit, and particularly the possibility of a "no deal" Brexit, with disruption to flights, affects consumer confidence. This is likely to worsen the longer the delay in agreeing a deal. › 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. › Failures of other OTAs and suppliers 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.	› 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 (no deal Brexit/ disruption to flights)	If the UK exits the EU with no deal, there could be a short period of disruption to flights while an aviation deal can be done. This would cause financial loss for the Group as well as indirect consequences including potential supplier failure, and reduced consumer demand.	› This is considered extremely unlikely because of the dire consequences for both the UK and the EU.	↑
1.2.2 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. › We are building strong relationships with certain airlines.	↑

Principal risks & uncertainties

1. TRADING (CONT.)

Operational risks	Risk description and impact	Mitigation & management	Direction of change
1.2.3 Supply chain risk (supplier failure)	If a supplier were to collapse, this could result in significant direct and indirect costs for the Group (e.g. the cost of replacing flights or refunding customers, 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.	› The airlines that would cause the most financial loss (easyJet and Ryanair) are considered at extremely low risk of failure. › The Group closely monitors supplier failure risk and puts in place risk management plans where appropriate. › The failure of a bedbank or a hotel is of limited impact.	↑
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. If the pound is weak, tour operators have a competitive advantage because they hedge currency in advance. If demand is low in late summer, the tour operators will heavily discount committed stock.	› The Group monitors competitor pricing constantly to ensure deals are priced competitively and offers unique payment options such as the low deposit scheme. › The challenging market dynamics mean that smaller OTAs will be likely to fail, creating opportunities for OTB to take market share and to reduce paid search marketing costs.	↑

1. TRADING (CONT.)

Operational risks	Risk description and impact	Mitigation & management	Direction of change
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 six months to ensure that the longer term infrastructure plan is aligned with predicted growth and capacity needs.	↔
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. A Brexit deal, or no deal, that restricts free movement of people restricts our ability to attract and retain EU staff.	› 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 has relocated its head office to a new digital HQ in central Manchester to ensure it can attract and retain the best talent.	↑

Principal risks & uncertainties

2. FINANCE

Operational risks	Risk description and impact	Mitigation & management	Direction of change
2.1 Foreign exchange risk	The Group's costs of sale are incurred in a different currency to that in which it sells. If the currency in which the Group is buying changes unfavourably, this means the margin is uncertain/volatile.	The Group places forward contracts based on forecasted orders and sets prices to reflect the blended FX rate achieved in those contracts. Hedge effectiveness and stability of euro rates is monitored regularly.	↑
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 Tax complexity	Due to the complexity of VAT rules in the travel industry, HMRC could disagree with the VAT treatment the Group has applied, which could result in additional unrecoverable VAT, plus interest and penalties, and the costs of litigation if we chose to challenge the decision.	The Group engages VAT specialists in the travel industry to provide advice on current VAT treatment and VAT developments. This enables us to budget appropriately and ensure our documentation and processes support our VAT position.	↔

3. LEGAL

Operational risks	Risk description and impact	Mitigation & management	Direction of change
3.1.1 Litigation risk (airline litigation)	**Ryanair litigation:** The Group is one of several online travel agents involved in litigation with Ryanair in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process is ongoing but remains at an early stage. The position remains as disclosed in our previous annual report, which was that 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 caused a delay to the anticipated timescales communicated in the Prospectus issued at the time of IPO. 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 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:** OTB receives personal injury claims from customers (e.g. holiday sickness, trips and falls, swimming pool and balcony incidents). For bookings made prior to 1 July 2018, OTB has no legal liability although 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. For package bookings made after 1 July 2018, On the Beach has liability as the package organiser for personal injury claims and has to defend these claims on the basis of liability, and to recover costs from the relevant suppliers and/or insurance.	› For bookings made before 1 July 2018: OTB acts as a travel agent and not as principal in relation to each holiday element, and it does not sell "packages". OTB's processes, practices and paperwork firmly support this and it is considered to have the strongest agency/package defence in the industry. › For bookings made after 1 July 2018, OTB has internal and external legal support to manage claims and mitigate risk. › 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.	

Principal risks & uncertainties

3. LEGAL (CONT.)

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 Regulation, General Data Protection Regulation and the Second Payment Services Directive all came into force during 2018 increasing the responsibilities and potential liabilities of the Group and the costs of doing business. Unfavourable changes to our interpretation of existing laws could adversely affect the Group's business and financial performance.	The Company has an internal legal team and external legal advisers to advise the Group on current and forthcoming legal requirements and to manage legal and regulatory issues as they arise. 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.	↑

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 2021, 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 23 to 32 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.

OUR VALUES: **DELIVERING A GREAT CUSTOMER EXPERIENCE**

“We’re here to ensure our customers enjoy their perfect beach holiday, and providing 24/7 support whilst they’re in resort means we’re only ever a quick phone call or email away.”

Lauren Senior Operations Advisor

Corporate social responsibility

We have a clear vision which lies at the heart of all that we do: To be Europe's leading retailer of beach holidays. Our purpose is to make it easy for people to find, book and enjoy their perfect beach holiday.

Remaining focused on our goal, and working hand in hand to get there, are critical to us achieving our aims. A clearly defined set of company values that run through the business and act as a guide, a thriving culture, and of course our people, are central to our success.

These five values run as a central seam through everything that we do: from the people that we recruit, to the time we devote to research and development in support of innovation, and from our emphasis on collaboration to our policies. Embedding these values at every level of the business ensures that we remain aligned and focused. These values also provide the pillars on which our company culture is built and thrives.

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.

COMMUNICATION

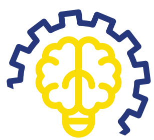
We help each other by **talking and collaborating.** We'll get there faster and it'll be more fun!

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.



INNOVATION

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

Our people and culture

Our people are the driving force behind On the Beach's success, so attracting, retaining and engaging colleagues that share our values is really important. We are therefore committed to making On the Beach a great place to work and ensuring that colleagues feel valued and happy in their careers. Our company culture, working environment and colleague engagement all play a pivotal role in this.

Company culture

In 2018 we undertook a piece of work to give us comprehensive insight into our company culture and its impact on our stakeholders. This will allow us to define what a successful culture for the business looks like and establish a cultural framework to embed this in the business. The first stage of this project has involved consulting with colleagues to understand what makes up the On the Beach DNA, how this impacts on our stakeholders, and identify how we continue to ensure that this thrives. This project will continue in the coming year as we implement a cultural framework that drives success.

Working environment

We are committed to providing a working environment that supports and reflects our values, and in which our employees can flourish. In November 2018, On the Beach opened a new, campus style digital headquarters at the Aeroworks building in Manchester's city centre, which has become home to the business' digital teams. This provides us with the opportunity to create a best in class office space and working environment that will allow us to attract and retain the very best digital talent in the region and beyond.

The plans for the office opening and relocation of our digital teams involved an extensive employee engagement initiative, which included one-to-one interviews, workshops and online surveys. As a result, the new space and its state-of-the-art facilities have been designed specifically for our employees and provide a working environment that allows us to become more collaborative, increasing our ability to innovate.

This office opening provides the space needed for the company to expand its digital teams from its current numbers of 200 to more than 350 in the next three to five years (bringing the total workforce to more than 500 employees by 2023).

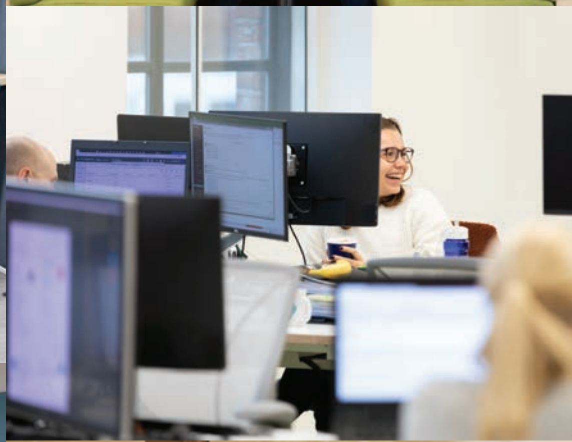
The Contact Centre will remain at the Group's Cheadle office, which will also undergo a major redesign and refit in January 2019, again creating a working environment which engages and enables employees.

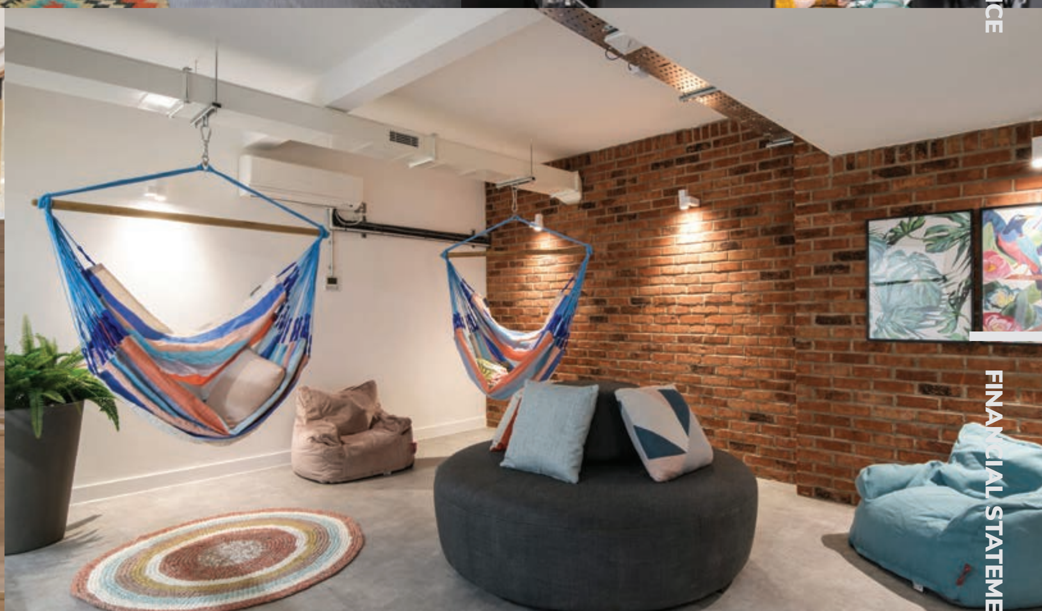
On the Beach new digital headquarters

The new office at Manchester's Aeroworks building is designed with our employees, our values and our company culture in mind. Features such as an auditorium and theatre, as well as plenty of collaborative workspace will allow teams to work together, share information and innovate more easily.

State-of-the-art communication and collaboration technology has been installed throughout the entire space and social areas, including a relaxation space, bar and a games room also provide the facilities to create a fun and engaging working environment that allows us to compete with the Northwest's leading digital businesses to attract and retain the very best talent.

On the Beach new digital headquarters






On the Beach

Corporate social responsibility

Colleague communication

With communication one of our core values, maintaining a two-way dialogue with employees is essential. To support this, a range of communication channels and tools are in place which not only keep employees informed of key business news, updates and developments, but also allow them to share their thoughts, ideas and feedback, helping to make sure that their voices are heard – and, importantly, listened to.

A quarterly company magazine, Beach Life, which is created by colleagues for colleagues, shares the latest news and updates from around the business and its brands, as well as colleague insight to help bring us closer together. It also celebrates our teams and business triumphs to help maintain our drive for success. Business updates are held on a quarterly basis and bring all employees together to hear from our Executive and senior leadership teams on the latest company performance and news.

A central communications email has been introduced, from which regular email updates are shared with colleagues to provide timely business insight – feedback to these emails is always encouraged and responded to.

Face to face 'Ask the CEO' sessions take place frequently on a departmental basis and provide teams with the opportunity to ask any questions they have regarding the business directly to our CEO, providing an excellent opportunity for feedback and two-way communication. An Ask the CEO email address supports these sessions, and allows people to email the CEO directly with questions or suggestions for the business and receive a direct response. An 'Ideas@' inbox is also in place to encourage creative thinking and foster a culture of innovation across the business.

As we approached the opening of the Manchester office, a number of communications activities were introduced to inform colleagues, seek their input and feedback and engage them ahead of the move. This includes the creation of a working group of departmentally-appointed representatives, the launch of a microsite housing video content, articles, a calendar for key dates and Trello board to provide an open insight into the planning process and its progression. Regular 'townhall'-style meetings have also been introduced as well as Q&A sessions with the working group. Surveys have been carried out on everything from office facilities to transport and travel to make sure that employee input is sought and considered.

Engagement

Engaged employees are essential to achieving our aims and realising our mission of becoming Europe's leading online retailer of beach holidays.

A number of initiatives are in place to support this:

- Hive, our employee survey tool was introduced in 2017 and twice yearly surveys have been carried out since then to gauge employee satisfaction and engagement. In May 2018's survey, completion rates increased by 15% and satisfaction scores increased by 9% on that of November 2017.
- An Employee Engagement committee, comprising spokespeople from every department, meets quarterly to provide feedback to senior management on satisfaction and engagement within teams and look at ways in which this can be constantly improved.
- Social events take place regularly within the business to help foster On the Beach's friendly and open culture, as well as encourage collaboration through forging stronger relationships between colleagues. These include the annual Christmas party, as well as a summer picnic and BBQ, along with departmental activities.
- Employees' length of service is rewarded and celebrated, with colleagues receiving Long Service Awards for their five and ten year anniversaries with the business.
- Hive Fives are a feature of our Hive employee survey tool, and allow employees to give a colleague a virtual 'Hive Five' in celebration of a job well done. They are serving as an excellent way for colleagues to share feedback whilst also motivating and celebrating employees.
- We have trialled wellbeing activities in the office, including free exercise and yoga classes to provide employees with an opportunity to focus on their own health and wellbeing, which is something which we intend to continue.

Community and fundraising

Making a meaningful contribution to the community is something which we are passionate about - whether that's supporting charity activities or giving local school children opportunities to explore technology and learn new skills.

This year we have been involved in a number of community initiatives:

- We provide work experience opportunities on a regular basis and this year hosted seven students on week-long placements across the business.
- As a part of the Manchester Digital group, we supported Tameside Hack – a week-long hack event for children in secondary school for which we provided mentors from our Development team.
- We attended the 2018 Manchester Digital Skills Festival where we talked to students about our graduate development opportunities.
- A number of our Development team are STEM (Science, Technology, Engineering, Mathematics) Ambassadors, meaning they provide support and mentoring to children aged 5 – 18.
- Each year we run our Ruby Academy – a training scheme for developers in using Ruby code – and this year we welcomed six onto the training scheme.

Corporate social responsibility

- With the opening of digital headquarters in Manchester, we plan to host a range of events to engage the city's growing technology and digital communities, including lightning talks, knowledge shares and showcases and an Events coordinator role is being introduced to oversee this.
- Our charity committee brings together employees to look at how we can support a range of causes. The committee is responsible for engaging people around the business to galvanise support for worthy causes and this year we have supported a number of charities, including Children in Need, Manchester Children's Hospital, Cancer Research and Macmillan.

Diversity and inclusion

The benefits of a diverse and inclusive leadership and workforce are clear, with the widest range of perspectives leading to increased creativity, innovation, debate, understanding and ultimately better decision making.

Our company values are respect, innovation, simplicity, customer experience and communication. Diversity and inclusion have to be at the very heart of our culture and fully embedded in the business if we are to live up to our values and achieve our strategy.

As diversity and inclusion are so critical to the long-term success of the company, this has been an area of particular focus during 2018, and has been central to a number of initiatives during the year, including Board appointments, senior management appointments and succession planning, stakeholder engagement (both employee and shareholder), our people strategy, and our review of our corporate culture.

We know this is an area that our stakeholders are passionate about, and it will continue to be an area of clear focus with top level commitment.

Gender pay gap

In March 2018 On the Beach published its first Gender Pay Gap Report, looking at the difference in average pay between all men and women in the company's workforce (as at April 2017). The report found, on average, hourly pay for a woman to be 26.7% less than a man.

This is due to the high proportion of men in technology and digital roles and the ratio of men to women in senior roles. As a result, the highest paid people in the organisation are made up more of men than women.

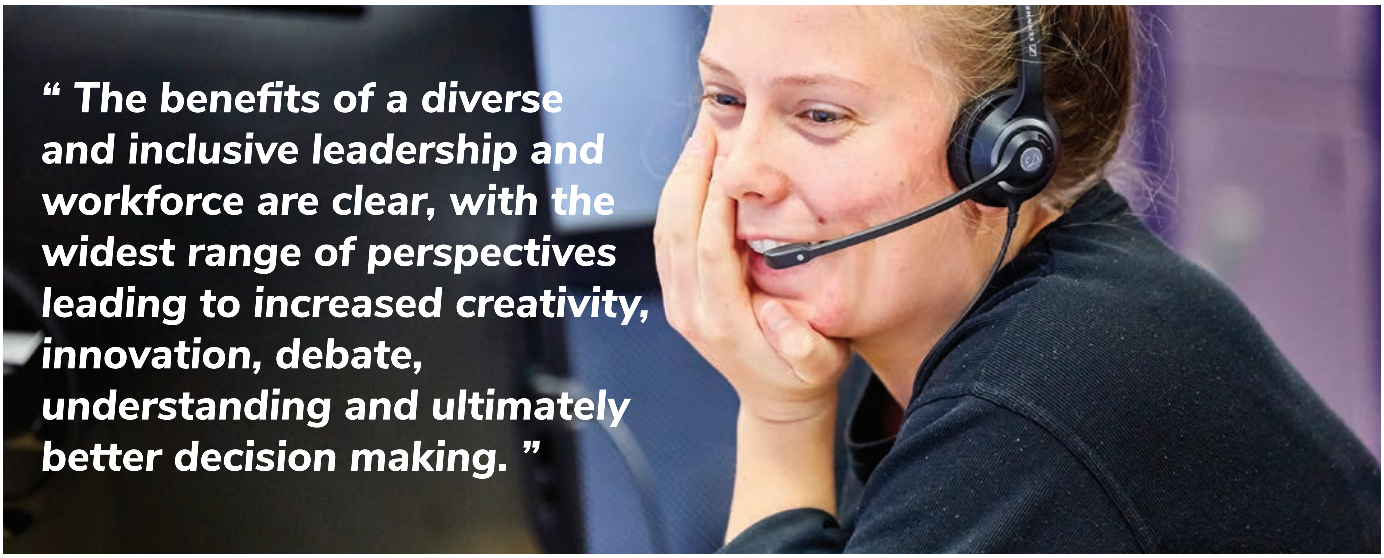
Whilst the pay gap at On the Beach is typical of tech businesses - and is considerably smaller than that of most businesses in the travel industry - it is by no means something which we are complacent about. We are committed to reducing the gender pay gap, as well as encouraging diversity throughout the business – beyond gender and in its widest form.

In response to this, an internal project has been established to focus on helping the business create an environment that supports the development and recruitment of women into its most senior and technology roles. Engaging a cross-section of women from around the business, the outputs of this project will include the introduction of mentoring schemes and coaching, educational activities such as unconscious bias workshops, and a review of our HR policies and our equality & diversity policy.

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.



Corporate social responsibility

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.

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.

Greenhouse gas emissions

Because the Group's business is online only, with no retail footprint, the Group's environmental footprint is small, as demonstrated by the relative emissions, by revenue, as set out in the table below. The Group's footprint has grown this year due to the fact that we took occupation of our new office in April 2018 and we became responsible for paying utilities on the new office at that point.

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 offices are leasehold and all electricity and gas is provided through and billed by the landlords. The Group has therefore relied on information provided by the landlords. The methodology used to calculate the numbers below used the UK Government GMG Conversion Factors for Company Reporting (2017/2018 as appropriate).

Greenhouse gas emissions by Scope

	Unit	2018 Quantity[2]	2017 Quantity[1]
Scope 1			
Gas consumption	Tonnes CO_2e	**88.18**	87.69
Scope 2			
Electricity consumption	Tonnes CO_2e	**422.95**	424.87
Total emissions	Tonnes CO_2e	**511.13**	512.56
Relative emissions, by revenue	Tonnes CO_2e/£m revenue	**5**	6.1

1 *These figures are based on information from 1 June 2016 to 31 May 2017 so they do not correspond exactly to the FY17 reporting period, but the actual energy consumption during the reporting period was not materially different from the stated period.*

2 *These figures are based on information from 1 June 2017 to 31 May 2018 so they do not correspond exactly to the FY18 reporting period, but we expect that the actual energy consumption during the reporting period will not be materially different from the stated period.*

Awards & achievements

TRAVOLUTION AWARDS 2018

Best Travel Agent Website

TRAVOLUTION AWARDS 2018

Most User-Friendly App

TRAVOLUTION AWARDS 2018

Best Use of Data

TRAVOLUTION AWARDS 2018

Travolution Lifetime Achievement Award - Simon Cooper

UK STOCKMARKET AWARDS 2018

Best Travel and Leisure PLC

HITWSE WISE AWARDS

Fastest Risers in Audience-Based Digital Marketing E-Commerce

FEEFO AWARDS 2017

Trusted Service Award 2017

TRAVOLUTION AWARDS 2017

Best for Holidays

TRAVOLUTION AWARDS 2016

Best Technology Team

THE SUN TRAVEL AWARDS 2016

Travel Editor's Award

BVCA MANAGEMENT TEAM AWARDS 2016

National CEO of the Year - Simon Cooper

TTG TOP 50 TRAVEL AGENTS 2016

Top Online Travel Agent

TRAVOLUTION AWARDS 2015

Best Travel Agent Website Award Best Use of Search Engine Marketing Award

Governance

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Introduction from Chair of the Board

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 illustrated on the opposite page.

Compliance with UK Corporate Governance Code 2016

The 2016 edition of the Financial Reporting Council (FRC) UK Corporate Governance Code (the "Code") applied to the Group during the course of this year and I am pleased to confirm that the Group is in full compliance. During FY18, the Group was classed as a "smaller company" for the purposes of the 2016 Code. Due to the Group's promotion to the FTSE 250 in FY18, the Group will cease to be a "smaller company" in FY19 and a number of additional provisions will apply to the Group during the course of FY19 and the Group is taking steps to facilitate compliance with the reporting requirements which will apply to it in FY19.

The FRC released an updated version of the Code on 16 July 2018 which applies to accounting periods beginning on or after 1 January 2019. The new Code will therefore apply to the Group during the course of the financial year ending 30 September 2020 (FY20). However, the Board is fully supportive of the new Code, particularly around the importance of stakeholder engagement and corporate culture, and the Board is taking steps to comply with the new Code in FY19.

The report which follows this introduction will set out in detail how the Group ensures compliance with the provisions of the 2016 Code and how it is moving towards compliance with the additional provisions of the 2016 Code which will apply in FY19, and its progress to preparing for compliance with the 2018 Code.

Board composition and diversity

There have been a number of changes to the Board during the course of the year.

Following a recruitment process (described in detail on page 56) we were delighted to welcome Elaine O'Donnell to the Board on 3 July 2018. Elaine has completed a thorough induction process and has immersed herself in the Group and, she continues to add value in a number of areas.

On 3 September 2018 I succeeded Richard Segal as Chair of the Board and Chair of the Nomination Committee. On the same day, David Kelly succeeded me as Senior Independent Director and Elaine O'Donnell succeeded me as Chair of the Audit Committee.

I will step down as Chair of the Board and of the Nomination Committee at the end of November in order to focus on other time-commitments, but I will continue to serve as Non-Executive Director of the Group. David Kelly will serve as Chair of the Board on an interim basis while the Nomination Committee oversees the search for a permanent Chair of the Board.

Elaine's appointment has gone some way to addressing the gender imbalance on the Board. However, the Board continues to consider its composition and diversity will continue to be a key matter considered by the Nomination Committee in any future Board recruitment process. Diversity and inclusion were considered by the Nomination Committee during the year and continue to be a key area of ongoing focus for the Board and management *(see pages 39 and 56)*.

Board evaluation

We have carried out a full, thorough and tailored internal 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 53.

Shareholder engagement

We are committed to engaging and maintaining an active dialogue with all our shareholders. I would like to encourage our shareholders to attend our Annual General Meeting which will be held at 11am on 7 February 2019 at our new headquarters at Aeroworks, 5 Adair Street, Manchester, M1 2NQ. It will provide an excellent opportunity to meet the Executive and Non-Executive Board Directors and to visit our new digital headquarters in Manchester.

We will continue to review developments in Corporate Governance best practice and we are mindful of the increasing focus on all stakeholders.

Lee Ginsberg
Chair of the Board

Stakeholder engagement in 2018

- Examples of engagement
- Examples of issues addressed by stakeholders

Employees

- HIVE (internal engagement barometer)
- Values and culture workshops
- Beach Life (Internal magazine)
- OTB employee council
- Role swaps
- R&D weeks (innovation weeks)
- Meet the CEO/ Ideas inbox
- OTB Big Breakfasts/Picnics/BBQ
- Townhall meetings
- Hack week
- Office relocation/refurbishment
- Employee satisfaction
- Gender Pay Gap Report
- Remuneration and benefits
- Development, Training & Qualifications
- Volunteering Opportunities
- Diversity & Inclusion
- Culture
- Spanish language classes
- Company performance
- Share schemes
- Innovations

Customers

- Customer Service
- 24/7 emergency assistance
- Assistance line for customers in resort
- Social Media
- Net Promoter Score
- Online surveys and focus groups
- Personalised experiences
- Flexible payment plans
- Holiday checklist
- Airline insolvency
- Resolve supplier issues
- Increase service quality
- Deliver product (supply) quality
- Enhance product e.g. payment plans
- Increase repeat purchase rates
- Pre-departure checks/assistance

Shareholders

- Annual general meeting
- Annual Report
- Individual meetings
- OTB growth strategy
- Corporate Governance
- Remuneration
- Diversity & Inclusion

Suppliers

- Conferences and forums
- Business tools and MI development
- Daily interactions and quarterly meetings
- Supply strategy – drive more volume into top selling partnerships
- Improve co-operation and partnerships
- Drive deeper relationships with key suppliers
- Customer service
- Package Travel Regulations

Directors' biographies

Simon Cooper
CHIEF EXECUTIVE OFFICER

Simon Cooper is the founder and Chief Executive Officer of On the Beach. Simon began his career in the travel industry while attending university when he founded ski holiday company On the Piste Travel Limited in 1996, which went on to be purchased by Thomson (now TUI) in 2008.

On the Beach was created in 2004 as a sister company, specialising in beach holidays and running on a platform operated by Teletext Holidays, with bookings taken via a call centre. The Company launched its first website in 2004 and expanded rapidly, securing private equity investment from Livingbridge in 2007 and going on to secure further investment from Inflexion private equity in 2013.

Simon led the business through its IPO in 2015 and its entry into the FTSE 250 in 2018.

Simon is also a Non-Executive Director of CurrentBody.com Limited

Appointed to Board:
17 August 2015

Independent:
No

External appointments:
Non-Executive Director of
Current Body.com Limited

Committee memberships:
Disclosure

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.

Paul previously held CFO/FD positions in a number of businesses in the UK, including online retail, gaming and technology businesses.

Appointed to Board:
16 January 2017

Independent:
No

External appointments:
None

Committee memberships:
Disclosure

Lee Ginsberg
NON-EXECUTIVE CHAIR OF THE BOARD

Lee Ginsberg joined the Company in August 2015 and became Chair on 3 September 2018. He is a Chartered Accountant by profession and was previously Chief Financial Officer of Domino's Pizza Group plc, having joined the business in 2004 and retired on 2 April 2014.

Prior to his role at Domino's Pizza Group plc, Lee held the post of Group Finance Director at Health Club Holdings Limited, formerly Holmes Place plc, where he also served for 18 months as Deputy Chief Executive.

Lee is a non-Executive Director and Chair of the Audit and Risk Committee of Reach plc and a Non-Executive Director and Senior Independent Director of Softcat Plc. Lee is also the Non-Executive Deputy Chair, Senior Independent Director and Chair of the Audit Committee of Patisserie Valerie Holdings plc.

Appointed to Board:
17 August 2015

Independent:
Yes

External appointments:
Softcat Plc
Oriole Restaurants
Reach Plc
Patisserie Valerie Holdings plc

Committee memberships:
Audit (Chair until 3 September 2018), Nomination (Chair from 3 September 2018), Remuneration

Directors' biographies

Richard Segal
NON-EXECUTIVE CHAIR OF THE BOARD UNTIL 3 SEPTEMBER 2018

Richard Segal served as the Non-Executive Chair of the Board until 3 September 2018 and as a Non-Executive Director until 28 September 2018. He is Chairman of Racing Post, Direct Ferries and Encore Tickets.

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

Appointed to Board:
17 August 2015 (resigned on 28 September 2018)

Independent:
Yes

External appointments:
Spread A Smile
Encore Tickets
Racing Post
Direct Ferries

Committee memberships:
Audit, Nomination (chairman until 3 September 2018),
Remuneration, Disclosure

David Kelly
NON-EXECUTIVE DIRECTOR & SENIOR INDEPENDENT DIRECTOR

David Kelly joined the Company in August 2015 as a Non-Executive Director and Chair of the Remuneration Committee. David was appointed Senior Independent Director on 3 September 2018. David is currently a Non-Executive Director of The Gym Group Plc. He was previously the Operations Director at Amazon from 1998 to 2000, the Chief Operating Officer at Lastminute.com from 2000 to 2003 the Vice President, Operations/ Chief Operating Officer at eBay from 2003 to 2007 and Senior Vice President of International at Rackspace from 2010 to 2012.

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

Appointed to Board:
28 August 2015

Independent:
Yes

External appointments:
The Gym Group Plc
Reach Plc
Holiday Extras
Pure 360
Simply Business
Camelot UK Lotteries
Prezola Limited
Atcore Technology Group Ltd

Committee memberships:
Audit, Nomination,
Remuneration (chair)

Elaine O'Donnell
NON-EXECUTIVE DIRECTOR

Elaine joined the company in July 2018 as a Non-Executive Director and is Chair of the Audit Committee. Elaine is also currently a Non-Executive Director at Findel Plc (where she is also Chair of Audit Committee), Games Workshop Group Plc (where she is Chair of Remuneration and Nomination Committee) and MSIF (where she is also Chair of the Board of the wholly owned subsidiary Alliance Fund Managers (AFM)).

Prior to that Elaine was a Partner at Ernst & Young LLP where she specialised in Corporate Finance, Mergers and Acquisitions. Elaine is a Chartered Accountant and holds a BA (Joint Hons) in Accountancy and Law.

Appointed to Board:
3 July 2018

Independent:
Yes

External appointments:
MSIF
Games Workshop
Findel plc

Committee memberships:
Audit (chair from 3 September 2018),
Nomination, Remuneration

OUR VALUES: **COMMUNICATION**

Two heads are nearly always better than one and our working environment, which supports collaboration and open communication, is brilliant for bringing teams together to share news and develop ideas.

Andrea Head of Communications and Content

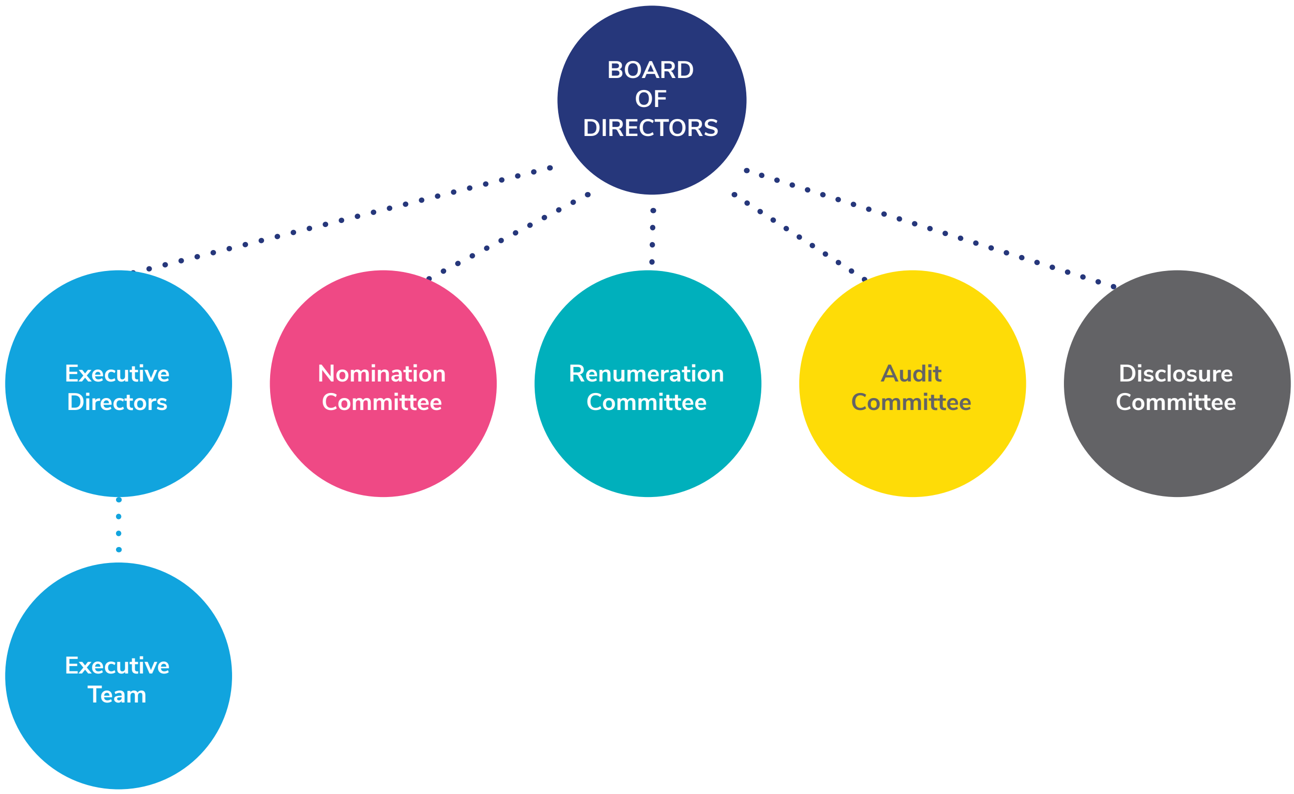
Corporate governance statement

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 Guidance 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 2018 (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.

Throughout the reporting period, the Company was a "smaller company" as defined in the Code. As the Company entered the FTSE 250 during the reporting period, the Company will cease to be a smaller company with effect from the reporting period commencing on 1 October 2018 and ending on 30 September 2019 (FY19).

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 Non-Executive Chair of the Board, two Executive Directors and two Non-Executive Directors (for the period between 3 July 2018 and 28 September 2018, there were three Non-Executive Directors). Details of the skills and expertise of each member of the Board is set out in the profiles on pages 45 and 46.

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

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

Matters reserved to the Board

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

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

Board Committees

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

Committee	Role and terms of reference	Members	Report on page
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.	**Elaine O'Donnell** (member since 3 July 2018, Chair from 3 September 2018) **Lee Ginsberg** (Chair until 3 September 2018) **David Kelly** **Richard Segal** (until 28 September 2018)	57
Remuneration Committee	Responsible for all elements of the remuneration of the Executive Directors and the Chair, and other members of senior management.	**David Kelly** (Chair) **Lee Ginsberg** **Richard Segal** (until 28 September 2018) **Elaine O'Donnell** (from 3 July 2018)	61
Nomination Committee	Reviews structure, size and composition of Board and its Committees and makes appropriate recommendations to Board.	**Lee Ginsberg** (Chair from 3 September 2018) **Richard Segal** (Chair until 3 September 2018, member until 28 September 2018) **David Kelly** **Elaine O'Donnell** (from 3 July 2018)	55
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) **Lee Ginsberg** (from 3 September 2018) **Richard Segal** (until 3 September 2018) **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 and 3 meetings of the Nomination 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 Chair and Chief Executive Officer are exercised by different individuals. The division of responsibilities between the Chair and the Chief Executive Officer has been defined, formalised in writing, and approved by the Board.

The Chair 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 Chair, 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 Chair 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 Chair, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. David Kelly was appointed Senior Independent Director on 3 September 2018 when Lee Ginsberg stepped down from this position upon his appointment as Chair of the Board.

Regularly, following the end of board meetings the Chair and Non-Executive Directors meet formally without the Executive Directors present in order to provide evaluation on the Executive Directors. Similarly, the Non-Executive Directors meet to evaluate and appraise the Chair'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

As a "smaller company", the Code recommends that the Company should have at least two independent non-executive directors. The Board consists of two Non-Executive Directors (excluding the Chair) 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.

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 Chair 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 each of Richard Segal (Chair until 3 September 2018) and Lee Ginsberg (Chair from 3 September 2018) 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) each Director's shareholding in the Company; and (ii) the material business relationships he has developed within the Group over his tenure with the Company. The Board is satisfied with the judgment, experience and approach adopted by each Director and has determined that each Director is of independent character and judgment, notwithstanding the circumstances described at (i) and (ii) above, on the grounds that in the context of each Director's wider business interests and shareholdings, this is not material and therefore unlikely to challenge their 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. The Nomination Committee were involved in all Board changes during the year. Please see page 55 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.

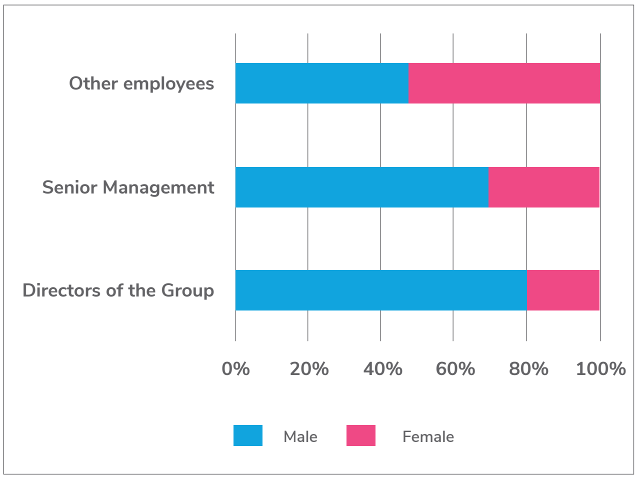
It is important that we maintain a diverse workforce across all these areas, but one particular area of focus for the organisation is gender diversity. In the technology industry as a whole, there is a considerable gender imbalance, with significantly more men than women going into the industry. This trend is reflected in On the Beach's IT development team, but we are committed to taking steps to attract and retain women into our IT team (see page 39 for more details).

Should a Board vacancy arise, the recruitment process will be led by the Nomination Committee who will ensure that diversity, in all forms, is taken into consideration. See the report of the Nomination Committee on page 55 for further details.

Corporate governance statement

As at 30 September 2018, 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	4	1	20%
Senior management	29	13	31%
Other employees	151	307	49%



AGM

Our Annual General Meeting will be held at 11am on 7 February 2019 at Aeroworks, 5 Adair Street, Manchester M1 2NQ. All shareholders will have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM is available on our corporate website 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 Chair, the Non-Executive Directors and the CEO each hold external directorships, and these are disclosed within their profiles on pages 45 and 46.

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 which was completed by Elaine O'Donnell during the year. The Chair 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.

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. The Chair 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 Chair. 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 third undertaken by the Company and was conducted in-house. Next year the Board will consider whether to consider to undertake an externally facilitated evaluation.

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 Chair. 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 and it was acknowledged that the appointment of Elaine O'Donnell had improved diversity on the Board which was previously a concern.

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.

David Kelly, as Chair of the Remuneration Committee, has engaged major shareholders in advance of the proposed changes to the remuneration policy (see pages 65 to 72).

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, David Kelly, 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 85 to 87 contains details of significant shareholdings, special rights attached to securities and voting rights and all other matters required to be disclosed.

Approved by the Board and signed on its behalf:

K Vickerstaff
Company Secretary
28 November 2018

OUR VALUES: **INNOVATION**

As a tech driven company, innovation isn't just a buzz word to us. We're proud to punch above our weight, and we're aiming every day to out-innovate the market, be they industry stalwarts or Silicon Valley start-ups.

Chris Director of Product and Innovation

Report of the Nomination Committee

I am pleased to introduce the report of the Nomination Committee for the year ended 30 September 2018.

Members of the Nomination Committee

Richard Segal (until 28 September 2018, Chair until 3 September 2018)
Lee Ginsberg (Chair from 3 September 2018)
David Kelly
Elaine O'Donnell (from 3 July 2018)

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

Three meetings were held during the year:

	Meetings attended/ Total meetings held	Percentage of meetings attended
Richard Segal	3/3	100%
David Kelly	3/3	100%
Lee Ginsberg	3/3	100%
Elaine O'Donnell	N/A	N/A

Role of the Committee

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

Succession planning - Board

In accordance with its Terms of Reference the Committee must ensure progressive refreshing of the Board, taking into account the challenges and opportunities facing the Company and what balance of skills and expertise are needed on the Board in the future. At the Committee meeting in May 2018, the Committee noted that the current Board had been in place since the Company listed in September 2015 and therefore it was a natural point for directors to consider their future with the Board.

Appointment of new Chairman - May 2018

Richard Segal expressed his intention to step down following an orderly succession management process. In line with Code Provision B.3.1, the Committee prepared a job specification including an assessment of the time commitment expected, recognising the need for availability in the event of crises.

I was identified by the Committee as an obvious and suitable candidate to succeed Richard as Non-Executive Chair of the Board.

The Committee concluded that I met the requirements of the role specification, was independent for the purposes of the Code and could devote sufficient time to the role. It was further noted that as Senior Independent Director, and having served as a Director for three years, I was well qualified for the role of Chair, so it was not necessary or desirable to undertake an external search.

The Committee therefore recommended the appointment of Lee to the Board of the Company as Non-Executive Chair of the Board.

"Diversity is critical to the future success of the business and the Committee fully appreciates the benefit of a diverse Board in ensuring the broadest range of views, constructive debate and challenge and in good decision making."

Lee Ginsberg
CHAIRMAN, NOMINATION COMMITTEE

Report of the Nomination Committee

Appointment of Senior Independent Director - May 2018

My appointment to Non-Executive Chair of the Board meant that there was a need to appoint a new Senior Independent Director (SID).

The purpose of the SID, as set out in the Code, was to provide a sounding board for the Chair and to serve as an intermediary for the other Directors when necessary. The SID would also be available to shareholders if they had concerns which could not be addressed through the usual channels.

The Committee concluded that David Kelly, who had served as Non-Executive Director and Chair of Remuneration Committee for three years, had the appropriate skills to be able to discharge the role of SID and therefore the Committee recommended this appointment to the Board.

Appointment of additional Non-Executive Director and Chair of Audit Committee - July 2018

My appointment to Non-Executive Chair of the Board meant that there was a need to appoint a new Chair of Audit Committee and a new Non-Executive Director and the Committee led the search for a new Director that had the skills to fulfil this role. The Committee engaged the services of PWC LLP to assist with the search.

Appointments to the Board continue to be made on the basis of merit against objective criteria to ensure the appointment of the best candidate for the role. However, given the importance of diversity, the Committee requested that the shortlist of candidates was as diverse as possible and that there be a fair gender balance. The strongest candidate for the role by far was Elaine O'Donnell, who was not only an excellent cultural fit but also whose wealth of experience in finance and across a range of businesses (including M&A expertise) was clearly of enormous benefit to the Group.

Succession planning

Continuing the work undertaken in the 2017 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.

In particular, the Committee was involved in the succession management processes for:

- Alistair Daly (formerly Chief Marketing Officer), who was succeeded by Alan Harding, who stepped up into a Marketing Director role in April 2018; and
- Jonathan Smith (formerly Chief Technology Officer), who was succeeded by Stefan Nordin as the new CTO in October 2018.

Diversity

Diversity (in all respects including in terms of socio-economic background, race, ethnicity, gender, sexual orientation, age, physical abilities, religious and political beliefs) is critical to the future success of the business and the Committee fully appreciates the benefit of a diverse Board in ensuring the broadest range of views, constructive debate and challenge and in good decision making.

The Nomination Committee considered the diversity on the Board during the year, particularly the fact that following the retirement of Wendy Parry and the appointment of Paul Meehan in 2017, the Board became all-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 agreed that the Board should not specifically look to recruit a Director purely 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.

Further Board changes - November 2018

I will step down as Chair of the Board and of the Nomination Committee at the end of November in order to focus on other time commitments, but I will continue to serve as Non-Executive Director of the Company. David Kelly will serve as Chair of the Board on an interim basis while the Nomination Committee oversees the search for a permanent Chair of the Board.

Board evaluation & re-election of Directors

The Committee reviewed the results of the Board evaluation and Director appraisal process as described on page 53 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.

Lee Ginsberg
Chair, Nomination Committee
28 November 2018

Report of the Audit Committee

I am pleased to present the Audit Committee Report for 2018, my first as Chair of Audit Committee.

With the assistance of management and KPMG, 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 audit 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

Elaine O'Donnell (member since 3 July 2018, Chair since 3 September 2018)
Lee Ginsberg (Chair until 3 September 2018)
Richard Segal (member until 28 September 2018)
David Kelly

- Composed of three independent Non-Executive Directors
- **Elaine O'Donnell** 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 45 and 46).
- 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	Percentage of meetings attended
Lee Ginsberg	3/3	100%
David Kelly	3/3	100%
Richard Segal	3/3	100%
Elaine O'Donnell	1/1	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 2018 half-year statement and Annual Report 2018.

Work undertaken by the Committee in relation to 2018 Financial Statements

The Committee has reviewed the content of the 2018 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.

"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."

Elaine O'Donnell
CHAIR, AUDIT COMMITTEE

Report of the Audit Committee

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 (in particular with the move to two head-office sites, and the acquisition of Classic Collection) as to whether an independent Internal Audit Department would be more appropriate and to set down the guidelines for the operation of such a department, or alternatively, whether the Group should operate a rolling programme of internal audit with the support of an external adviser.

In line with its terms of reference, during the year, the Audit Committee has undertaken reviews on the Company's processes, procedures and safeguards.

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 findings of the external auditor in respect of both the financial statements for the six-month period ending 31 March 2018 and for the year ended 30 September 2018.
- The Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity. It has therefore reviewed, and is satisfied with, the independence of KPMG as the external auditor; and
- The audit fee and the extent of non-audit services provided during the year.

KPMG was appointed auditor to the Group in 2007. The mandatory firm rotation (MFR) rules in the UK introduce requirements that all EU public interest entities (PIEs) must tender their audit contract at least every 10 years and change or rotate their auditor at least every 20 years. 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, due to the length of time that KPMG have been auditors to the Group (11 years), the Committee considers that it is in the best interests of the Group to undertake a tender of the external audit.

The Group will shortly commence a tender process for the appointment of an external auditor. The tender process will be supervised by the Committee, who will then make a recommendation to the Board on the appointment or reappointment of the audit (as applicable).

In the meantime, the Group will be propsing the re-appointment of its current auditor at the 2019 AGM.

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 £0.2m). 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 (FY18), it was disclosed that fees totalling £nil were paid to KPMG 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. The Committee was satisfied that it complied with all the provisions of the Code; Elaine O'Donnell has (and prior to her appointment, Lee Ginsberg had) substantial recent and relevant financial experience, along with experience in the technology and/or consumer sector and the other members of the Committee have experience in both the travel and technology and/or consumer 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 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.

No whistleblowing reports were recevied during the year.

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 the 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	Reviews structure, size and composition of the Board and its Committees and makes appropriate recommendations to the Board.	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*
Valuation of intangibles arising on the acquisition of Classic Collection Holidays Limited The accounting for the acquisition of Classic Collection 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 accuracy of the completion accounts for the acquisition of Classic Collection and the post-sale funds flow.

Remuneration report

Annual Statement of the Chairman of the Remuneration Committee

Dear Shareholder,

As Chairman of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 30 September 2018.

The Group has continued to deliver strong financial results this year, including an increase of Group profit before tax of 23%, an increase in Group adjusted profit before tax of 17.9%, an increase in adjusted proforma EPS of 20.5% and a total shareholder return of 25.3%

In the context of this performance and as noted last year, one of the main activities of the Committee over the past 12 months has been to review the Remuneration Policy (the "Policy") which was approved by shareholders following the Group's IPO in September 2015 and is therefore due for renewal at the 2019 AGM. The Committee's review also took into consideration the significant progress of the business since flotation.

As set out earlier in the report, the strategy of the business has evolved since the Group's IPO as evidenced by the M&A activity in particular. In order to support this, the Board understood the need to carefully underpin the values and behaviours in the business and reinforce the culture required to drive the business forward. This has touched many parts of the business including the investment into a new office in the heart of Manchester city centre. From a remuneration perspective, the Committee has sought to enhance the remuneration strategy to ensure continued strong alignment with the delivery of business objectives and reward the successful delivery of these.

As a consequence, the Committee undertook a detailed review which highlighted that the link between performance and reward needed to be strengthened to enable the Group to ensure it can recruit and retain key talent at all levels. The Committee's review therefore has been focussed on ensuring an appropriate mix of fixed versus variable pay in order that the senior team remain aligned with shareholders by creating shareholder value, balanced with ensuring that the level of variable pay that can be realised is enhanced when robust performance conditions are met.

Following this review and having taken into account developing market practice and feedback received from shareholders through a detailed consultation process, the Committee will be putting forward a new Policy for approval at the AGM on 7 February 2019.

Full details of the proposed Policy are set out on pages 65 to72, but the key changes are:

- The introduction of bonus deferral, such that up to 50% of future annual bonus awards will be deferred into shares for two years;
- The introduction of non-financial bonus performance measures to increase alignment with the wider business strategy, while retaining a primary focus on stretching financial performance;
- The LTIP opportunity will increase from 150% to 200% of base salary; and
- The shareholding requirement will increase from 150% to 200% of base salary.

The Committee has also begun to consider how it will meet the requirements of the new UK Corporate Governance Code (the "Code") from next year. The Group already has an established employee engagement programme in place, with regular employee engagement meetings chaired by the CEO, separate working groups for specific projects (including diversity & inclusion and the new office), and the Committee has determined that the most appropriate approach to ensure an effective two-way dialogue between the wider employee population and the Board is to appoint a Non-Executive Director responsible for this role. Over the coming year the Group will identify which of the Independent Non-Executive Directors will take on this responsibility and formalise how and when their involvement will be incorporated into the existing employee engagement framework.

"The Committee has sought to enhance the remuneration strategy to ensure continued strong alignment with the delivery of business objectives "

David Kelly
CHAIR, RENUMERATION COMMITTEE

Remuneration report

While the Committee already has oversight of the remuneration practices of the senior management and across the wider business, the Committee's terms of reference will also be reviewed to formally reflect the requirements of the new Code, including the extension of remit.

Remuneration highlights for the 2018 financial year

In 2018, remuneration highlights included the following:

- As part of its wider review of remuneration this year the Committee also reviewed base salaries during the year. The Chief Financial Officer's base salary was increased to £310,000 from 1 October 2018 to reflect his strong performance since appointment and increased responsibilities around M&A activity and shareholder engagement.
- The Committee recognises that the Chief Executive Officer's current base salary is below the market level, but when setting his base salary has continued to have regard to his considerable shareholding in the Company and so no increase will be awarded this year.
- The annual bonus measures were based on financial targets which 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 2018 financial year will be paid.
- The performance period for the LTIP awards which were granted following our IPO ended on 30 September 2018. Performance was assessed against EPS (70% weighting) and returns to shareholder (30% weighting). EPS performance in 2018 was 21.3 pence and therefore 0% of this element of the LTIP awards vested. Exceptional value was created for shareholders over the three year performance period with an annualised TSR of 32.4%. As a result, 100% of the TSR element of the LTIP awards vested. Overall therefore 30% of the first grant of LTIP awards vested.
- LTIP awards for the 2018 financial year were granted on 20 December 2017. The awards will vest at the end of a three year performance period and will be subject to a further two year holding period. In line with previous awards, the performance metrics for these awards are based 70% on EPS performance and 30% on returns to shareholders.
- The Committee approved the award of restricted stock to a number of key members of the senior management team in October 2017 in order to maximise alignment between the senior management team and shareholders and address the retention challenges being faced by the Company at this level. The awards will vest in October 2020. No awards were made to Executive Directors.

Key activities of the remuneration committee

The Remuneration Committee met 8 times during the 2018 financial year and its key activities were as follows:

		27 Oct 2017	2 Nov 2017	27 Nov 2017	20 Dec 2017	26 March 2018	28 June 2018	24 July 2018	12 Sept 2018
Overall remuneration	Approval of FY17 performance and remuneration decisions for Executive Directors		✓						
	Review of group-wide pay and conditions			✓					
	Review of FY17 year end compensation process and budgets for all employees								✓
	Consideration of reward strategy for the broader employee population and employee engagement			✓				✓	
	Review of Executive Directors' remuneration						✓	✓	
	Review of gender pay report					✓			
Bonus & LTIP	Assessment of FY17 performance			✓					
	Approval of FY18 annual bonus plan		✓						
	Preliminary review of FY19 annual bonus plan in light of policy review						✓	✓	
	Approval of FY18 performance measures and awards		✓	✓					
	Grant of LTIP awards				✓				
	Approval of FY18 restricted share award	✓							
	Review of proposal for FY19 restricted share awards							✓	
	Review of in-flight awards							✓	✓
Governance	Approval of the FY17 DRR		✓	✓					
	Planning for FY18 DRR								✓
	Review performance of independent advisers and fees over the year							✓	
	Preparation for AGM			✓					
	Market update session								✓
	Review Terms of Reference							✓	
	Update on Remuneration Policy review					✓		✓	✓

Remuneration report

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.
- The *Directors' Remuneration Policy,* which sets out the Company's proposed remuneration policy for directors, the key factors which were taken into consideration in setting the policy and details of the changes from the current policy. The proposed policy will be put to a binding shareholder vote at the 2019 AGM and will apply for three years from the date of approval.
- The *Annual Report on Remuneration* which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2018 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the 2019 AGM.

The Committee is committed to ensuring that we are responsive to developments in best practice, as well as a transparent approach in respect of executive pay. 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 helpful and informative, and I look forward to your continued support at the Company's Annual General Meeting

David Kelly
Chair of the Remuneration Committee
28 November 2018

Remuneration policy

Introduction

This section describes the Committee's Policy on the remuneration of Directors. The Policy will be put to shareholders for approval at the AGM on 7 February 2019. If approved, it will come into effect from the date of the AGM and is intended to apply for a period of three years.

The Remuneration Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practices, while delivering appropriate remuneration for the performance, responsibility, skills and experience of Executive Directors.

The Policy is therefore designed around the following key principles:

- **Shareholder alignment -** Ensure a strong link between reward and individual and Company performance to align the interests of Executive Directors, senior management and employees with those of shareholders;
- **Competitive remuneration** - Maintain a competitive package against businesses of a comparable size and nature in order to attract, retain and motivate high calibre talent to help ensure the Company's continued growth and success;
- **Strategic alignment** - Provide a package with an appropriate balance between short and longer term performance targets linked to the delivery of the Company's business plan;
- **Performance focused compensation** - Encourage and support a high performance culture; and
- **Setting appropriate performance conditions** - in line with the agreed risk profile of the business.

Changes to the remuneration policy that were approved by shareholders at the AGM in 2016

The Committee has undertaken a review of the existing remuneration policy to ensure it is fit for purpose following the Company's transition into a more mature, business over the last three years since IPO. As a result, the Committee is proposing to make changes to the incentive plans as well as to increase the shareholding requirement, as outlined below.

Element of remuneration	Current policy	Amendment to policy	Reason for change
Base salary and benefits	Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. A competitive level of benefits is provided.	No change	N/A
Pension	15% of base salary for existing Executive Directors. Pension contribution will be aligned with the wider workforce for any future recruited Executive Director.	No change	N/A
Annual bonus	Up to 100% of base salary. For every £1 above the Board approved PBT budget, a proportion goes into a bonus pot which is used to fund Executive and Senior Manager bonuses.	Up to 100% of base salary, with up to 50% of any award deferred into shares for a period of two years. The majority of the annual bonus will be based on performance against stretching PBT targets, with the balance based on non-financial metrics which are aligned to the business strategy.	Introduction of bonus deferral aligns with market best practice and ensures that performance is sustained over the longer term. Adjustment of performance measures ensures stronger alignment between performance of the business and annual bonus outcomes and enables measurement of non-financial metrics which are core to the wider business strategy, while maintaining an appropriate level of stretch.

Remuneration policy

Element of remuneration	Current policy	Amendment to policy	Reason for change
Long term incentive plan	Up to 150% of base salary. Three year performance period plus a two year post-vesting holding period. Performance based on EPS and TSR performance.	Up to 200% of base salary. Three year performance period plus a two year post-vesting holding period. Performance based on EPS and TSR performance.	Maximise alignment between Executive Directors and shareholders by increasing weighting on the long term elements of the remuneration policy. Increase alignment with more typical incentive levels in the wider market.
Shareholding requirement	150% of base salary	200% of base salary	Maximise alignment between Executive Directors and shareholders.

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 normally effective from 1 January in the financial year. When determining an appropriate level of salary, the Remuneration Committee considers: › remuneration practices within the Company; › the performance of the individual Executive Director; › the individual Executive Director's experience and responsibilities; › the general performance of the Company; › salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and › the economic environment.	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. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. 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
Benefits Provides a competitive level of benefits.	The Executive Directors receive benefits which include family private health cover. 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 maximum will be set at the cost of providing the benefits described.	None

Remuneration policy

Element of remuneration	*Operation*	*Opportunity*	*Performance metrics used, weighting and time period applicable*
Pensions Paul Meehan currently receives an employer's contribution equal to 15% of his base salary. Due to his considerable shareholding, 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. for existing Executive Directors. The Committee intends to align the pension contribution with the wider workforce for any Executive Directors recruited in the future.	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.	Annual bonuses are part paid in cash and part in shares. Up to 50% of any award will be deferred into shares for two years. Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.	The maximum bonus opportunity is 100% of base salary.	Performance is measured over the financial year. The majority of the annual bonus will be based on performance against stretching PBT targets, with the balance based on non-financial metrics which are aligned to the business strategy. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the bonus outcome is not a fair and accurate reflection of business performance.

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. The use of earnings per share ("EPS") ensures Executive Directors are focused on ensuring the annual profit performance targeted by the Annual Bonus Plan flows through to long-term sustainable EPS growth. The use of absolute TSR measures the success of the implementation of the Company's strategy in delivering a minimum level of return.	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. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. A further two year holding period post vesting will apply. Malus will apply for the period from grant to vesting with clawback applying for the two year period post vesting.	Maximum award of 200% of base salary. 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%). The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the vesting outcome is not a fair and accurate reflection of business performance.
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

Remuneration policy

Element of remuneration	*Operation*	*Opportunity*	*Performance metrics used, weighting and time period applicable*
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. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200% 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.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee and additional fees for acting as chair of committees. The Chair of the Board does not receive any additional fees for membership of committees. Fees are typically reviewed every three years based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Fees may be reviewed more regularly than this in exceptional circumstances, such as a significant increase in the size or complexity of the business. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.	The base fees for Non-Executive Directors are set at a market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	None

Discretion

The Remuneration Committee has discretion in several areas of Policy as set out in this report. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Remuneration Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

Differences in policy from the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. As with many companies, the Group operates variable pay plans primarily focussed on mid to senior management level.

Recruitment policy

The Company's approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out in the remuneration policy table above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes.

The Remuneration Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved policy. Given a new Executive Director would not have the significant shareholding of the current Executive Directors, the base salary on recruitment may be higher than the incumbent.

In the year of recruitment, the maximum variable pay will be 300% of salary (other than in exceptional circumstances where up to 400% of salary may be made if sign-on compensation is provided). The pension contributions for a newly recruited Executive Director will be in line with the wider workforce.

The Remuneration Committee's policy is not to provide sign on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and subject to the satisfaction of performance targets. The maximum value of this one off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 100% of salary.

The Committee will carefully consider this matter to ensure consistency with the principles outlined earlier, particularly in relation to shareholder alignment, and will take appropriate external advice before finalising a decision in this regard and where practical consult with the Company's key shareholders.

The Remuneration Committee's policy is not to provide buyouts as a matter of course. However, should the Remuneration Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated taking into account the following:

- the proportion of the performance period completed on the date of the Director's cessation of employment;
- the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and
- any other terms and condition having a material effect on their value ("lapsed value").

The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements.

Remuneration policy

Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service agreements and letters of appointment

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving 6 months' notice. The Remuneration Committee's policy for setting notice periods is that a 6 month period will apply for Executive Directors. The Remuneration Committee may in exceptional circumstances arising on recruitment, allow a longer period of up to 12 months, which would in any event reduce to 6 months following the first year of employment.

The Non-Executive Directors of the Company (including the Chair of the Board) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment which set out the terms and conditions of their appointment.

The dates of appointment of the Non-Executive Directors and their notice periods are as stated in the table below.

The terms of the Non-Executive Directors' positions are subject to their re-election by the Company's shareholders at the AGM scheduled to be held on 7 February 2019 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

Non-Executive Director	Date of original appointment	Notice period
Lee Ginsberg	28 September 2015	3 months
David Kelly	28 September 2015	3 months
Elaine O'Donnell	3 July 2018	3 months

OUR VALUES: **RESPECT**

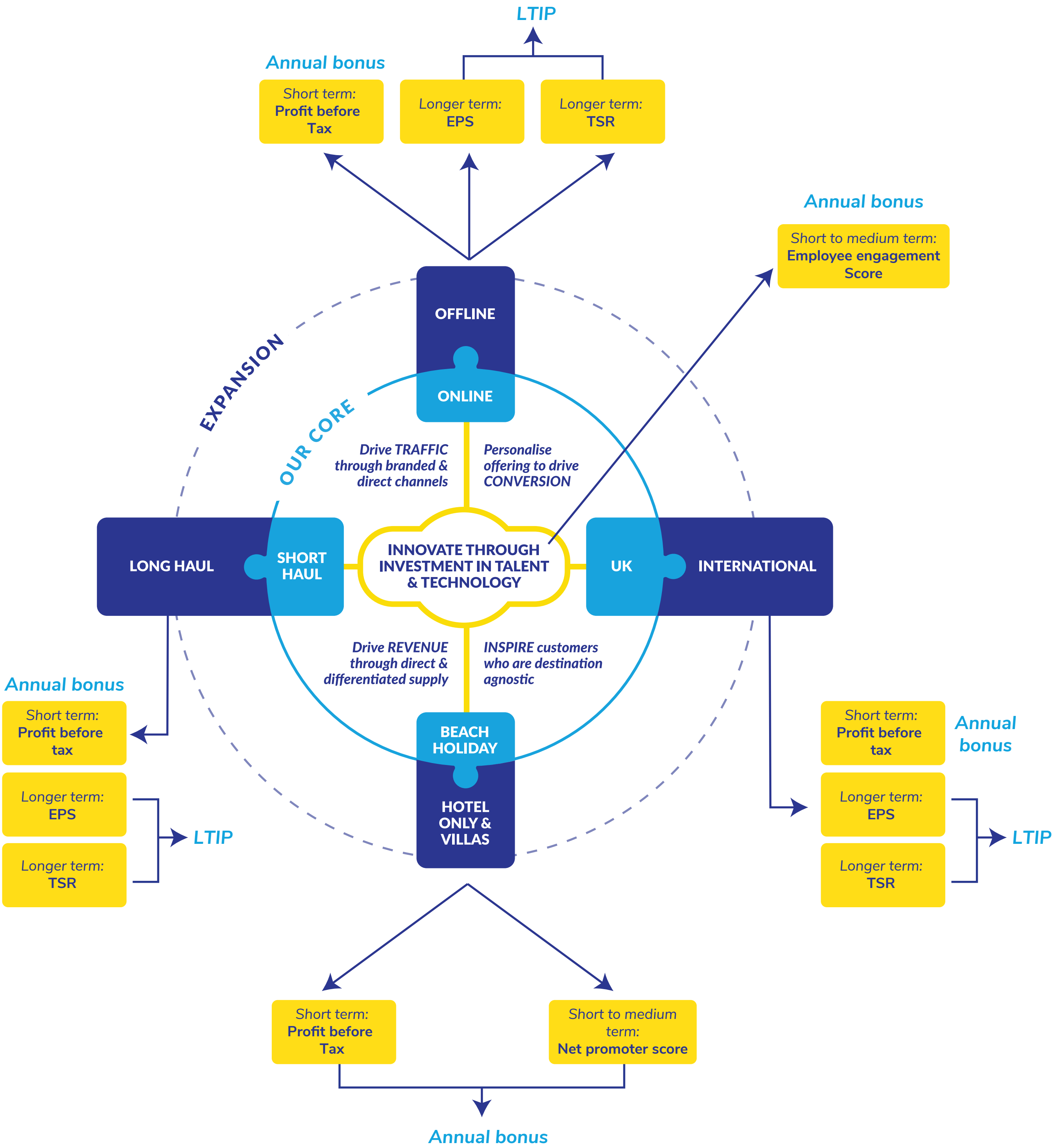
“Our regular employee engagement surveys, as well as our employee engagement committee, provide opportunities for everyone to express their view and have their voice heard. And we really listen to what they have to say – it helps us perform better and build stronger teams.”

Charlene HR Advisor

Annual Report on Remuneration

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 12 to 14. In the diagram below, we summarise how the Company's strategic priorities are aligned with the remuneration policy.

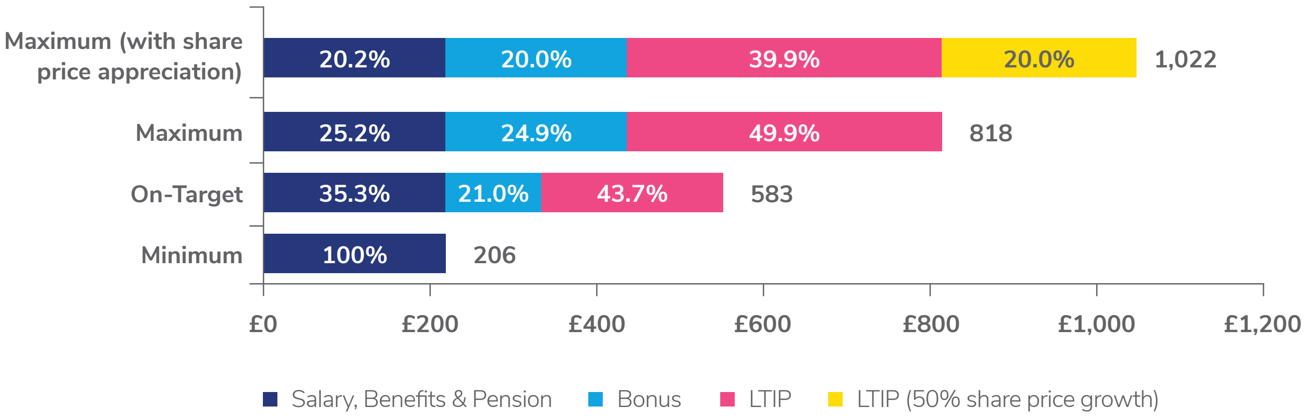


Illustrations of application of remuneration policy

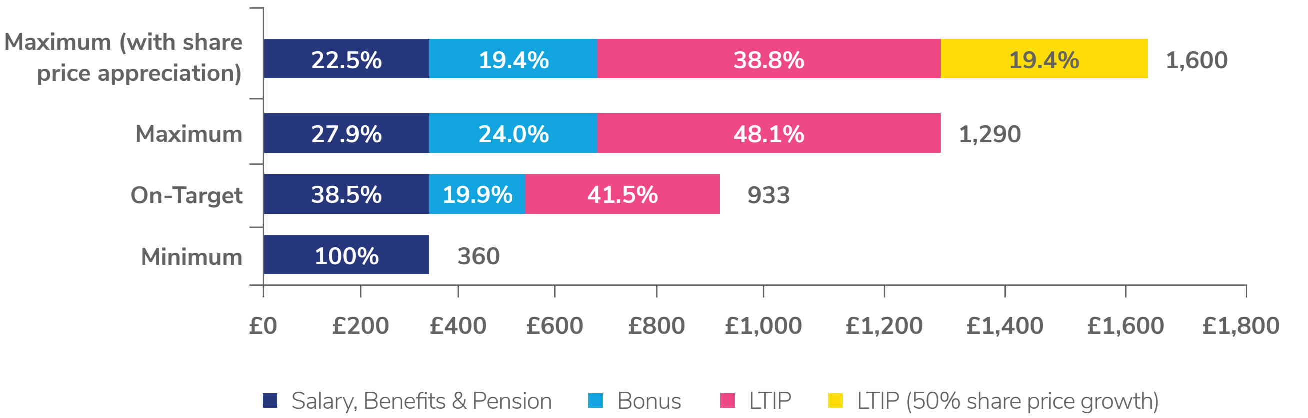
The charts below illustrate how the potential future remuneration of the Executive Directors may vary at different levels of performance and the percentage each element may form together with the possible total value. For the purpose of this chart, the following assumptions have been made:

- The base salary levels are those in effect as at the date of the 2019 AGM.
- Fixed elements comprise of base salary, pension and other benefits.
- Benefits levels are assumed to be the same as in the 2018 financial year for each Executive Director.
- Bonus opportunity and LTIP award levels are the maximum levels set out in the Policy table above.
- For target performance, assumptions of bonus payout of 60% of maximum and LTIP vesting at 62.5% of maximum.
- For maximum performance, assumptions of bonus payout of 100% of maximum and maximum vesting (100%) for LTIP.
- No share price increase has been assumed, save for in the scenario which illustrates the impact of 50% share price appreciation on the potential value of future remuneration.
- Dividend equivalents have not been added to LTIP share awards.

CEO (£'000)



CFO (£'000)



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 185% of salary and at maximum, variable remuneration represents 300% of salary for both the CEO and CFO.

On the basis of 50% share price growth over the three year LTIP performance period the maximum value of one year's remuneration for the CEO and CFO would increase to £1,022,000 and £1,600,000 respectively as illustrated above.

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 2018 financial year. Comparative figures for the 2017 financial year have also been provided.

Figures provided have been calculated in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Name	Salary / Fee (£'000)		Benefits (£'000)		Bonus (£'000)		LTIP (£'000)		Pension (£'000)		Total (£'000)	
	2018[1]	2017[2]	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Simon Cooper	**203**	200	2	1	-	-	111[3]	-	-	-	316	201
Paul Meehan[4]	**253**	178	3	1	-	-	-	-	42	22	298	201
Richard Segal	**95**[5]	100	-	-	-	-	-	-	-	-	95	100
Lee Ginsberg	**61**[6]	58	-	-	-	-	-	-	-	-	61	58
David Kelly	**50**[7]	50	-	-	-	-	-	-	-	-	50	50
Elaine O'Donnell	**12**[8]	-	-	-	-	-	-	-	-	-	12	-

Notes:

(1) *Executive Director salaries were increased with effect from 1 January 2018 to £204,000 for Simon Cooper and £255,000 for Paul Meehan.*

(2) *No salary or fee increases were awarded during FY17.*

(3) *The value of the LTIP for 2018 relates to the 2016 award, which had a three-year performance period ending 30 September 2018. Based on performance over this period, the Remuneration Committee determined that 30% of the maximum award vested on 27 November 2018, equivalent to 27,522 nil-cost options. The value of the award included above is therefore £110,638.44 based on the closing share price of 402 pence at the vesting date. £50,640.48 of this is attributable to share price appreciation over the period to the vesting date based on the original share price of 218 pence used to determine the original number of awards on grant.*

(4) *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 during FY17.*

(5) *From 3 September 2018, Richard Segal stepped down as Non-Executive Chair of the Board and Chair of the Nomination Committee and stepped down from the Board on 28 September 2018.*

(6) *From 3 September 2018, Lee Ginsberg stepped down as Senior Independent Director and Chair of the Audit Committee. From this date, he succeeded Richard Segal as Non-Executive Chair of the Board and Chair of the Nomination Committee.*

(7) *From 3 September 2018, David Kelly succeeded Lee Ginsberg as Senior Independent Director.*

(8) *Elaine O'Donnell was appointed to the Board with effect from 3 July 2018 and succeeded Lee Ginsberg as Chair of the Audit Committee on 3 September 2018.*

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)

2018 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 2018, the Group Adjusted profit before tax excluding exceptional items was £33.6m (before amortisation of acquired intangibles, share based payments and any bonuses are paid) which was lower than the bonus target set. As a result, the Remuneration Committee determined that no bonus pot was created for the Executive Directors.

The performance targets for the 2018 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	Excess over threshold	Bonus pot
Group adjusted PBT	£34.3m	£35.7m	£33.6m	£0	£0

Long term incentives awarded in 2018 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2018 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	50,441	Nil	25%	30 September 2020	EPS (70%) Absolute TSR (30%)
Paul Meehan	LTIP – nil cost option	150% of salary	375	94,578	Nil	25%	30 September 2020	EPS (70%) Absolute TSR (30%)

Annual report on remuneration

The awards were granted on 20 December 2017. The number of shares awarded was calculated using the closing share price on 30 September 2017, which was 396.5 pence.

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

EPS for year ending 30 September 2020	*Vesting*
Less than 29.25p	0%
29.25p	25%
35.75p or above	100%
Between 29.25p and 35.75p	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 2020	*Vesting*
Less than 8%	0%
8%	25%
15% or above	100%
Between 8% and 15%	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.

Long term incentives awarded in 2016 with performance period ending in 2018 (Simon Cooper only)

The Company's first long term incentive award was granted on 20 May 2016 with a three year performance period commencing on 1 October 2015 and ending on 30 September 2018. The award vested on 27 November 2018. Performance under the awards was based on EPS (70% weighting) and annualised TSR (30% weighting), as set out below.

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

EPS for year ending 30 September 2018	*Vesting*
Less than 21.5p	0%
21.5p	25%
23.3p or above	100%
Between 21.5p and 23.3p	Straight line vesting between 25% and 100%
Actual EPS: 21.3p	**0%**

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

Annualised TSR of the Company over the three year period to 30 September 2018	*Vesting*
Less than 15%	0%
15%	25%
25% or above	100%
Between 15% and 25%	Straight line vesting between 25% and 100%
Actual TSR: 32.4%	**100%**

Based on the above performance outcomes, 30% of the awards vested on 27 November 2018 which is equivalent to 27,522 nil-cost options. The value of the award included above is therefore £110,638.44 based on the closing share price of 402 pence at the vesting date. £50,640.48 of this is attributable to share price appreciation over the period to the vesting date based on the original share price of 218 pence used to determine the original number of awards on grant.

Annual report on remuneration

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

Wendy Parry, former Chief Financial Officer, was granted 80,275 nil-cost options on 20 May 2016 under the Company's first LTIP grant alongside Simon Cooper. She retired from the Board as a good leaver on 16 January 2017. As such, her entitlement to awards under the 2016 grant will be pro-rated for time and performance on vesting, such that 7.9% of the maximum award will vest, equivalent to 6,368 nil-cost options. The value of these awards is £25,599.36 based on the closing share price of 402 pence at the vesting date 27 November 2018.

Statement of directors' shareholdings and share interests (audited)

Shareholding requirements in operation at the Company as 28 September 2018 were 150% of base salary for the CEO and the CFO. These will increase to 200% from the date of the 2019 AGM subject to approval of the proposed Remuneration Policy. 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 2018 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%	4,936%	-	241,686[2]	Yes
Paul Meehan[1]	150%	0%	-	281,145	No

Notes:
(1) Paul Meehan joined the Company as CFO on 16 January 2017 and has five years from this date to build up his shareholding requirement.
(2) Under the 2016 LTIP, 27,523 nil cost options vested on 27 November 2018. The remaining 64,220 nil cost options lapsed on this date.

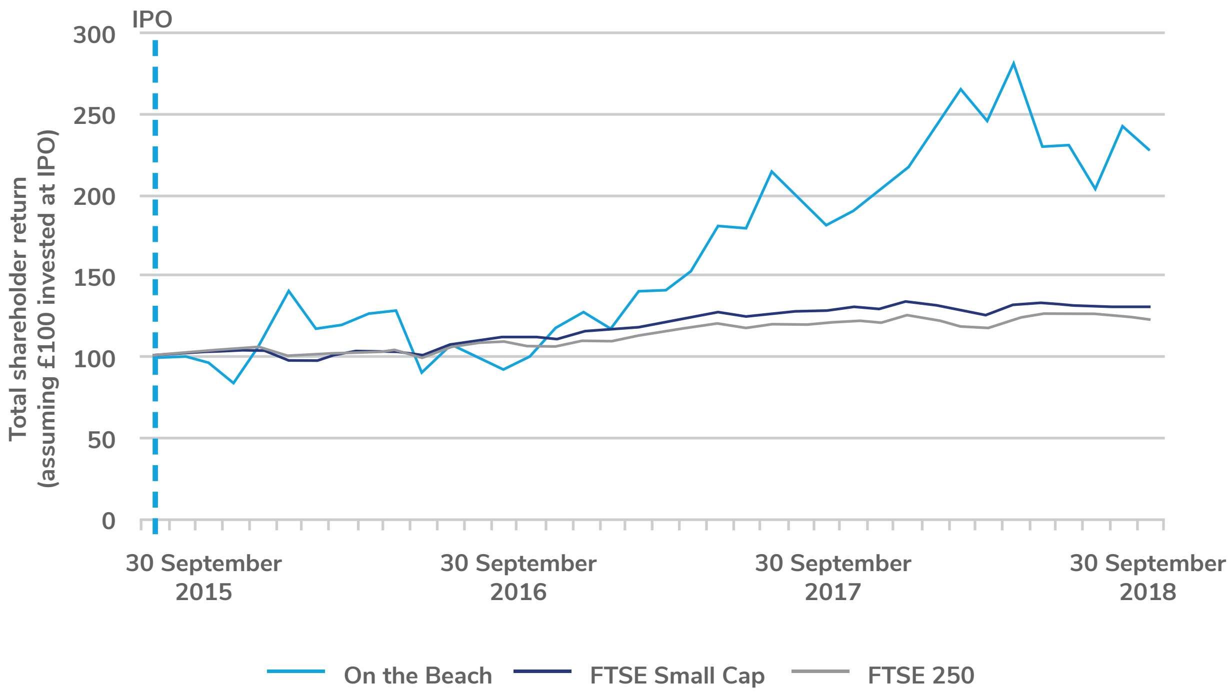
*The share price of 495 pence as at 28 September 2018 (the last business day of the financial year ending 30 September 2018) has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP awards do not count towards satisfaction of the shareholding guidelines. No changes in the above Directors' interests have taken place between 27 September 2018 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 2018
Richard Segal	406,680
Lee Ginsberg	16,300
David Kelly	0
Elaine O'Donnell	0

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 both the FTSE 250 and FTSE Small Cap indices. 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 250 index is the appropriate comparator as On the Beach became a constituent of this index over the last financial year. The comparison against the FTSE Small Cap index is included for consistency with previous years. 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 2018.



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 five most recent financial years:

Chief Executive Officer	2018	2017	2016	2015	2014
Total Single Figure (£000s)	316	201	239	131	131
Annual bonus payment level achieved (% of maximum opportunity)	-	-	27.8%	-	-
LTIP vesting level achieved (% of maximum opportunity)	30%	N/A	N/A	N/A	N/A

It should be noted that the Company only introduced the LTIP on Admission, with the first grant made in May 2016.

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 2017 to 2018 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, 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 2017 and 2018. The same individuals have been included in each year to ensure a true like for like comparison. Consequently, 2017 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
	2018	2017		2018	2017		2018	2017	
Chief Executive Officer	203	200	1.5%	2	1	100%	-	-	-
Total for all employees	5,432	4,972	9%	26	21	24%	207	184	13%
Number of employees	152	152	-	-	-	-	152	152	-
Average per employee	36	33	9%	-	-	-	1	1	-

The employee engagement committee formed last year and other engagement initiatives continue to meet and have a tangible input into all matters affecting the company, including remuneration and benefits. Further details on these initiatives can be found on pages 34, 38 to 39.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2017 and 2018 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2018 financial year	Disbursements from profit in 2017 financial year	% change
	£m	£m	
Profit distributed by way of dividend	4.3	4.0	7.5%
Overall spend on pay including Executive Directors	13.3	10.0	33%

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' Annual Report on Remuneration was subject to a shareholder vote at the AGM on 8 February 2018, the results of which were as follows:

Resolution	For	Against	Abstentions
Ordinary Resolution to approve the Directors' remuneration report for the year ended 30 September 2017	92,479,656 (99.76%)	221,627 (0.24%)	0 (0%)

Implementation of remuneration policy in financial year 2019

The Remuneration Committee proposes to implement the policy for 2019 as set out below:

Salary

The Remuneration Committee has determined that a salary increase of 22% will be applied for Paul Meehan, effective from 1 October 2018. No salary increase will be awarded to Simon Cooper. The current salaries are set out below:

	Salary (£)		Percentage Change
	2019	2018[1]	
Simon Cooper	£204,000	£204,000	0%
Paul Meehan	£310,000	£255,000	+22%

Note:

[1] *Salaries effective from 1 January 2018*

Changes to NED fees

The NED fees approved by the Board at IPO were in place for the period from 28 September 2015 for a period of three years. Following a thorough benchmarking process, the Board approved the following fees for a period of three years from 28 September 2018. The breakdown of fee components is as follows:

Position	Fee
Chair of the Board	£161,000
Non Executive Director	£48,000
Additional fees are paid for:	
Senior Independent Director	£6,000
Chair of Audit Committee	£9,000
Chair of Remuneration Committee	£9,000

No additional fee is paid to the Chair of the Nomination Committee

Annual report on remuneration

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 with up to 50% of any award being deferred into shares for two years.

In line with the proposed Policy, 70% of the annual bonus for the 2019 financial year will be based on PBT performance, with the remaining 30% based on performance against non-financial targets aligned with the company's strategy. For the 2019 financial year the non-financial metrics will be based on Net Promoter Score and Employee Engagement Score.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed performance targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets will be published following the end of the performance period 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 FY19. The maximum LTIP awards for the Executive Directors will be 200% of salary in line with the proposed Policy. The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three year period.

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 currently under review to ensure alignment with the new UK Corporate Governance Code, and the current terms of reference 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, with the exception of Elaine O'Donnell who was appointed on 3 July 2018. 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 2018.

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 and it's implementation for Executive Directors and members of the Executive team.

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 £54,900 for their advice during the year to 30 September 2018.

On behalf of the board

David Kelly
Chair of the Remuneration Committee
28 November 2018

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 38)
Employee involvement	Corporate social responsibility (pages 34, 38 to 39)
Employees with disabilities	Corporate social responsibility (page 39)
Future developments of the business	Strategic report (page 14)
Going concern	Strategic report (page 32)
Greenhouse gas emissions	Corporate social responsibility (page 40)
Risk management	Strategic report (page 23 to 32) and note 23 to the consolidated financial statements
Significant related party agreements	Note 25 to the consolidated financial statements

Directors' report
All sections under the heading "Governance" on page 42 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 2018.

Strategic report
All sections under the heading "Strategic report" on page 4 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 23 to 32.

Management report
The Directors' report (pages 42 to 94) together with the Strategic report (pages 4 to 41) 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 43. 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 AGM on 7 February 2019.

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 2018 comprised 131,042,510 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 121 of the financial statements. Details of the movements in issued share capital during the year are provided in note 21 to the Group's financial statements contained on page 121. All the information detailed in note 21 on page 121 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 7 February 2019 the Directors will seek authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £873,616.73 (87,361,673 shares of £0.01 each.

Other statutory and regulatory disclosures

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. The Company also makes grants of nil cost share options under the LTIP plan in the form of restricted stock awards to key employees (not including the Executive Directors) for retention purposes, and these are accompanied by a CSOP market value option for tax efficiency purposes; 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 69.

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 2018. 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 them, 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.

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 on a change of control.

Annual General Meeting
The Annual General Meeting will be held at 11am on 7 February 2019 at the Company's new headquarters at Aeroworks, Adair Street, Manchester.

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.

Interests in voting rights

During the year the Company has been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR5) of the following increases or decreases in significant interests in the issued ordinary share capital of the Company.

These figures represent the number of shares and percentages held as at the date of notification to the Company. These holdings may have changed since notification however notification of any change is not required until the next applicable threshold is crossed.

Name of Shareholder	Number of shares	Nature of holding as per disclosure	Date of notification
Standard Life	6,953,122	5.33%	20/11/17
Standard Life	6,366,841	4.88%	28/03/18
Schroders plc	5,881,081	4.51%	18/04/18
Royal London Asset Management	6,666,441	5.11%	24/05/18
Armor Advisors	4,033,400	3.00%	25/07/18

Between 30 September 2018 and the date of this report, no further interests have been notified to the Company in accordance with DTR5.

Transactions with related parties

There were no related party transactions during the year.

Events post year end

There are 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 40 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 123 to 127 in note 23 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.

Other statutory and regulatory disclosures

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 96 to 135.

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 2.2 pence per share, totalling 3.3 pence per share for the year (2017: 2.7 pence per share) to be paid on 14 February 2019 to shareholders on the register of members at 11 January 2019, subject to approval at the 2019 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 78

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. The Group will shortly commence a tender process for the appointment of the external auditor. The tender process will be supervised by the Audit Committee, who will then make a recommendation to the Board on the appointment or reappointment of the external auditor. Following the appointment, an annoucement will be made. In the meantime, a resolution to re-appoint KPMG LLP as external auditor will be proposed at the AGM on 7 February 2019.

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 Group'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 Group'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 28 November 2018.

Approved by the board and signed on its behalf:

K Vickerstaff
Company Secretary
28 November 2018

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 Company") for the year ended 30 September 2018 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 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 2018 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 first appointed as auditor by the directors on 28 September 2015. The period of total uninterrupted engagement is for the 4 financial years ended 30 September 2018. 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		£1.3m (2017: £1.1m) 5% (2017: 5%) of Normalised Group profit before tax
Coverage		100% (2017:100%) of Group profit before tax
Risks of material misstatement		**vs 2017**
Event driven	**New:** Valuation of brand, customer relationships (agents) and customer relationships (individuals) arising on the Classic Collection acquisition	▲
Recurring risks	Parent: Valuation of Investments in subsidiaries	◀▶

Following Monarch Airline entering administration on 2 October 2017, two event driven risks were noted in our report last year; Provision for Monarch Airlines and Monarch Reimbursement Asset which are not included this year.

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
Valuation of brand, customer relationships (agents) and customer relationships (individuals) arising on the Classic Collection acquisition Brand of £4.4m million Customer relationships (agents) of £4.4m Customer relationships (individuals) of £2.1m *Refer to page 57 (Audit Committee Report), page 104 (accounting policy) and page 115 (financial disclosures).*	**Forecast-based valuation** On 15 August 2018 the Group acquired Classic Collection Holidays Limited and its subsidiaries. The accounting for this acquisition involves judgement in respect of the recognition and valuation of intangible assets, in particular the brand and customer relationships due to the inherent uncertainty involved in forecasting and discounting future cash flows which are the basis for the valuation of these intangibles.	Our procedures included: — **Assessing experts**: We assessed the competency of PwC who were commissioned by the Group to value the brand, customer relationships with agents and customer relationships with individuals. Using our knowledge of the sector we challenged the basis used to derive the valuations and the conclusions reached; — **Sensitivity analysis:** We performed sensitivity analysis over assumptions used in the determining the valuation of the Classic Collection brand, customer relationships with agents and customer relationships with individuals in order to identify the key assumptions over which to focus our work. — **Assessing forecasts**: We evaluated the assumptions used to calculate the fair value of the brand, customer relationships with agents and customer relationships with individuals, in particular the royalty rate that such a brand could achieve using our valuation specialists and the attrition rates attributed to customer relationships with agents. We also assessed the assumptions driving the cash flow forecasts for the brand and both customer relationships. — **Assessing transparency:** We assessed the adequacy of the Group's disclosures over the determination of the Classic Collection brand, customer relationships with agents and customer relationships with individuals' valuations. **Our results** — We found the fair value of the brand, customer relationship (agents and customer relationships (individuals) acquired as part of the Classic Collection acquisition to be acceptable.

We continue to perform procedures over the capitalisation of website development costs. However, as the subjectivity required in the process for determining the costs that are capitalised has reduced we have not assessed this as one of the most significant risks in our current year audit. Therefore, it is not separately identified in our report this year.

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

	The risk	Our response
Recoverability of parent company's investment in subsidiary (£132.6 million; 2017: £132.6 million) *Refer to page 57 (Audit Committee Report), page 134 (accounting policy) and page 134 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent company's investment in subsidiary represents 64% (2017: 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.	Our procedures included: — **Test of detail:** Comparing the carrying amount of the investment with the subsidiary's draft balance sheet to identify whether its net assets, audited as part of the Group's audit and being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessing whether the subsidiary has historically been profit-making; and — **Comparing valuations:** Comparing the carrying amount of the investment to the group's market capitalisation to assess whether there are any indicators of investment's impairment. **Our results** — We found the Group's assessment of the recoverability of the Parent Company's investment in subsidiary to be acceptable.

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

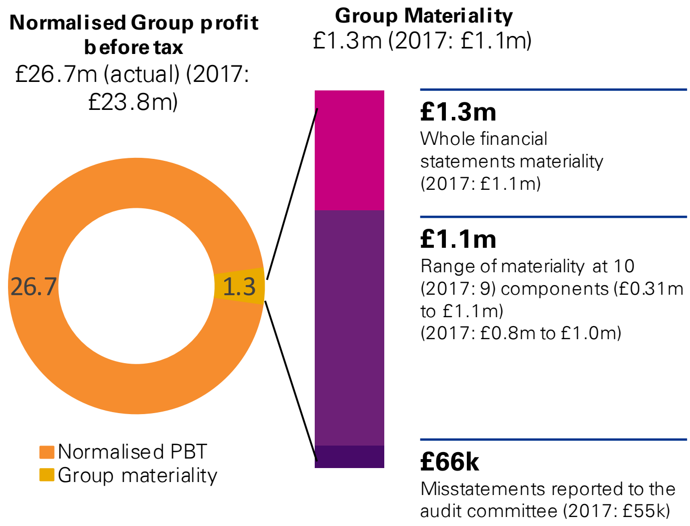
Materiality for the Group financial statements as a whole was set at £1.3 million determined with reference to a benchmark of group profit before tax, normalised to exclude this year's Classic Collection acquisition costs of £0.6million (2017: normalized to exclude exceptional costs of £2.7m as set out in Note 6), of which it represents 5% (2017: 5%)

Materiality for the Parent Company financial statements as a whole was set at £1.1 million (2017: £1.0 million), determined with reference to a benchmark of company total assets of £206.5 million (2017: £206.7m of which it represents 0.5% (2017 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £70k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 10 (2017: 9) reporting components, we subjected 4 (2017: 5) to full scope audits for group purposes.

The components within the scope of our work accounted for 100% of the Group's revenue (2017: 100%), 100% of the Group's profit before tax (2017: 100%) and 99.9% (2017: 99.9%) of Group total assets. All work was performed by the group audit team.



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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 32 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 94, 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.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, and through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of the ATOL regulation and The Package Travel and Linked Travel Arrangements Regulations recognising the financial and regulated nature of the group's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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
28 November 2018

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Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

Directors Responsibility Statement

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 46 to 46 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
28 November 2018

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Consolidated Income Statement and Statement of Comprehensive Income

Year ended 30 September 2018

	Note	2018 £'m	2017 £'m
Revenue**	4	104.1	83.6
Cost of sales		(11.5)	-
Gross profit		**92.6**	**83.6**
Administrative expenses	6	(66.4)	(62.4)
Group operating profit before amortisation and exceptional costs*	6	**34.0**	**30.3**
Exceptional costs	6	(0.6)	(2.7)
Amortisation of intangible assets		(7.2)	(6.4)
Group operating profit		**26.2**	**21.2**
Finance costs	8	(0.3)	(0.2)
Finance income	8	0.2	0.1
Net finance costs/(income)		**(0.1)**	**(0.1)**
Profit before taxation		**26.1**	**21.1**
Taxation	9	(4.6)	(3.1)
Profit for the year		**21.5**	**18.0**
Total other comprehensive income		-	-
Total comprehensive income for the year		**21.5**	**18.0**
Attributable to:			
Equity holders of the parent		**21.5**	**18.0**
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:			
Basic and diluted earnings per share	10	**16.5p**	**13.8p**
Adjusted earnings per share *	10	**21.2p**	**17.6p**
Adjusted profit measure *			
Adjusted PBT (before amortisation of acquired intangibles, exceptional & non underlying costs and share based payments) *	6	**33.6**	**28.5**

* *This is a non GAAP measure, refer to notes*

** *In 2018 revenue is a combination of revenue received as an agent and revenue received as a principal. This is a result of the acquisition of Classic Collection which accounts for revenue on a "travelled" basis and therefore reports revenue and cost of sales on a gross basis.*

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

The notes on pages 100 to 131 form part of the financial statements.

Consolidated Balance Sheet

Year ended 30 September 2018

	Note	2018 £'m	2017 £'m
Assets			
Non-current assets			
Intangible assets	11	88.1	72.5
Property, plant and equipment	12	4.5	1.4
Investment property	13	0.8	-
Total non-current assets		**93.4**	**73.9**
Current assets			
Trade and other receivables	15	71.1	56.5
Assets held for sale	16	0.5	-
Derivative financial instruments	23	0.1	-
Corporation tax receivable		0.7	-
Cash and cash equivalents	17	85.7	71.6
Total current assets		158.1	128.1
Total assets		**251.5**	**202.0**
Equity			
Share capital	21	1.3	1.3
Retained earnings	22	245.6	226.9
Capital contribution reserve	22	0.5	0.5
Merger reserve	22	(129.5)	(132.1)
Total equity		**117.9**	**96.6**
Non-current liabilities			
Deferred tax	20	7.2	6.4
Total non-current liabilities		**7.2**	**6.4**
Current liabilities			
Corporation tax payable		-	2.4
Trade and other payables	18	126.4	89.5
Provisions	18	-	7.0
Derivative financial instruments	23	-	0.1
Total current liabilities		**126.4**	**99.0**
Total liabilities		133.6	105.4
Total equity and liabilities		**251.5**	**202.0**

The financial statements from pages 96 to 131 were approved by the Board of Directors and authorised for issue

Paul Meehan
Chief Financial Officer
28 November 2018
On the Beach Group plc. Reg no 09736592

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Consolidated Statement of Cashflows

Year ended 30 September 2018

	Note	2018 £'m	2017 £'m
Profit before taxation		26.1	21.1
Adjustments for:			
Depreciation		0.5	0.4
Amortisation of intangible assets		7.2	6.4
Finance costs		0.3	0.2
Finance income		(0.2)	(0.1)
Share based payments		1.4	0.5
		35.3	**28.5**
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(7.8)	(9.6)
Increase in trade and other payables		6.1	11.0
Increase in trust account		(0.2)	(4.7)
		(1.9)	(3.3)
Cash flows from operating activities			
Cash generated from operating activities		33.4	25.2
Tax paid		(7.1)	(5.1)
Net cash inflow from operating activities		**26.3**	**20.1**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(2.2)	(0.6)
Purchase of intangible assets	11	(3.8)	(2.7)
Interest received		0.2	0.1
Contingent consideration		(3.0)	-
Acquisition of subsidiary, net of cash acquired (note 5)	5	1.0	(5.8)
Net cash outflow from investing activities		**(7.8)**	**(9.0)**
Cash flows from financing activities			
Equity dividends paid		(3.9)	(4.0)
Interest paid		(0.3)	(0.2)
Net cash outflow from financing activities		**(4.2)**	**(4.2)**
Net increase in cash at bank and in hand		14.3	6.9
Cash at bank and in hand at beginning of year	17	33.0	26.1
Cash at bank and in hand at end of year	17	**47.3**	**33.0**

The notes on pages 100 to 131 form part of the financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 September 2018

	Share capital £'m	Merger reserve £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
Balance at 30 September 2016	1.3	(132.1)	0.5	212.4	82.1
Share based payment charges	-	-	-	0.5	0.5
Dividends paid during the year	-	-	-	(4.0)	(4.0)
Total comprehensive income for the year	-	-	-	18.0	18.0
Balance at 30 September 2017	**1.3**	**(132.1)**	**0.5**	**226.9**	**96.6**
Share based payment charges	-	-	-	1.2	1.2
Share issued during the year	-	2.6	-	-	2.6
Dividends paid during the year	-	-	-	(4.0)	(4.0)
Total comprehensive income for the year	-	-	-	21.5	21.5
Balance at 30 September 2018	**1.3**	**(129.5)**	**0.5**	**245.6**	**117.9**

On 15th August 2018 the Group issued 607,747 shares as part of the acquisition of the Classic Collection Group. 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.

The notes on pages 100 to 131 form part of these financial statements

Notes to the Consolidated Financial Statements

Year ended 30 September 2018

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 139.

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 (£'m) 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 have concluded that there will 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 IFRS 15 will have no material impact because of the following:

› For customer bookings made as agent, the group performance obligations, to make the travel arrangements on behalf of the customer, will be met once the booking has been confirmed to them, this is at the same point under IAS 18.
› For customer bookings made as principal, the Group will recognise revenue once it has fulfiled its performance obligations to provide the package holiday. This is at the same point under IAS 18.

With respect to revenue from supplier overrides, management believes adopting IFRS 15 will have no material impact. For the majority, according to the override agreement, the Group's performance obligations are met and overrides are earned when the customer has booked. 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 initial impact assessment 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. The Group's property lease commitments will be brought onto the consolidated statement of financial position using the prospective method, as a liability with a corresponding asset. Total costs incurred remain unchanged over the life of the lease but the timing of when those costs are recognised within the consolidated income statement will be impacted. Based on analysis of property lease commitments held by the group at 30 September 2018, and using an estimated discount rate, the net impact on profit is not expected to be material. There is no impact on the Group's cash flows.

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. Classic Collection Holidays Limited was acquired on 15 August 2018. The Company's results have been consolidated from the date of acquisition to 30 September 2018.

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. Intercompany 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 is 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 23 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 of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

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

ii. *Trade and other receivables*

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

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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 accounts are 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.

For bookings made as agent, 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.

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 activity, 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 three reportable segments:

(i) *"Core"* - activity via UK websites (www.onthebeach.co.uk, www.sunshine.co.uk and www.onthebeachtransfers.co.uk)
(ii) *"B2B"* - activity via the newly acquired Tour Operator, Classic Collection Holidays Limited and its subsidiary
(ii) *"International"* - activity via Swedish, Norwegian and Danish websites (eBeach.se, eBeach.no and eBeach.dk)

i) Revenue recognition

Revenue is recognised as follows:

As agent:

The Group acts as agent when it is not the primary party responsible for providing the components that make up the customer's booking. Revenue comprises the fair value of the consideration received or receivable in the form of commission. Commissions are earned from the supplier or consumer in purchases of travel products such as flight tickets or hotel accommodation from third party suppliers. Commission is recognised when all the significant risks and rewards of ownership is transferred to the customer, usually on delivery of the booking confirmation.
Cancellations are estimated at the reporting date based on the historical profile of bookings.

As principal:

The Group acts as principal when it is the primary party responsible for providing the components that make up the customer's booking. Revenue represents amounts received or receivable for the sale of package holidays and other services supplied to the customers. Revenue is recognised when all the significant risks and rewards of ownership are transferred to the customer, usually at the date of departure.
Revenue is stated net of discounts, rebates, refunds and value added tax.

Override income

The Group has agreements with suppliers whereby volume-related rebates are received in connection with the travel arrangements made with the customer. The income received from suppliers relates to an increase in commission received, and as such is considered part of the Group's revenue. The Group has some agreements whereby receipt of the income is conditional on the Group achieving agreed volume targets.

For agreements not linked to volume targets, override income is recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract, which is usually once the booking has been confirmed with the supplier.

For agreements where volume targets are in place, income is recognised once the target has been achieved. For volume targets which span the year end the Group is required to make estimates in determining the amount and timing of recognition of override. In determining the amount of volume-related allowances recognised in any period, management estimate the probability that the Group will meet contractual target volumes, based on historical and forecast performance.

Amounts due but not yet recovered relating to override income are recognised within trade and other receivables.

j) Dividend distribution

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

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) Investment property

Properties are externally valued on the basis of fair value at the balance sheet date. Any surplus or deficit arising on revaluing investment properties is recognised as other income in the income statement.

n) Held for sale assets

Assets are classified as held for sale if their carrying amount is expected to be recovered or settled principally through sale rather than through continuing use. The asset must be available for immediate sale and the sale must be highly probable within one year of the reporting date. Held for sale assets are measured at the lower of carrying value and fair value less costs to sell.

o) 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; and
- 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. Acquisitions of Sunshine.co.uk Limited and Classic Collection Holidays Limited has resulted in the brand of each as being identified and recognised separately from goodwill at fair value.

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
Agent relationships	15 years
Customer relationships	5 years

iv. Customer relationships

Upon the acquisition of Classic Collection Holidays Limited customer relationships have been identified as a separately identifiable assets. Classic Collection's revenue is driven by a very high volume of repeat customers due to its bespoke holiday packages and the target market. Repeat customers are from two broad segments - independent travel agents and direct customers. There is a defined margin and attrition profile differential between the two customer groups and as such two separate assets have been identified.

p) 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.

q) 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.

r) 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.

s) *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.

t) *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.

u) *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.

v) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

w) *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.

x) *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.

y) *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.

z) *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.

aa) Non statutory measures

One of the Groups KPI's is adjusted profit before tax. When reviewing profitability, the Directors use an adjusted PBT in order to give a meaningful year-on-year comparison. Whilst we recognise that the measure is an alternative (non-Generally Accepted Accounting Principles ("non-GAAP")) performance measure which is also not defined within IFRS, this measure is important and should be considered alongside the IFRS measures.

Adjusted Profit before tax is calculated by adding back those material items of income and expenditure where because of the nature and expected infrequency of events giving rise them, merit separate presentation to allow shareholders a better understanding of the financial performance in the period.

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.

Critical accounting judgements

Principal vs Agent

Determining whether an entity is acting as a principal or as an agent requires judgement and has a significant effect on the timing and amount (gross or net basis) of revenue recognised by the Group.

Management have carefully considered the agency status of each of its operational segments against the criteria set within IAS 18 and have concluded that both the "Core" and "International" segments are agents and that "Classic" segment is a principal. As an agent revenue is recognised at the point of booking on a net basis. As a principal revenue is recognised on a gross basis at the point when the customer depart for their holiday.

Critical accounting estimates

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 separately identifiable assets, the following valuation approach and assumptions have been used:

Intangible considered	Valuation approach	Key assumptions
Customer relationships - agents	Multi period excess earnings method	2% revenue growth, discount rate of 13.5%, 10% attrition rate
Customer relationships - individuals	Multi period excess earnings method	2% revenue growth, discount rate of 14% (1% premium), 20% attrition rate
Brand	Relief from royalty	13.5% (0.5% premium), 1% royalty rate
Software	Replacement cost	No premium for opportunity costs

The resulting calculation is sensitive to the the assumptions in respect of future cash flows, attrition rates and the royalty rate used. The Directors believe that the assumptions made represent their best estimate of the future cash flows and royalty rate used.

4. Segmental report

As explained in note 2h, the management team considers the reportable segments to be "Core", "B2B" and "International". All segment revenue, operating profit, assets and liabilities are attributable to the Group from its principal activities.

Core and international recognise revenue as an agent on a net basis. Classic, included within the B2B segment recognises revenue as a principal on a gross basis.

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

	2018				2017		
	Core £'m	B2B* £'m	Int'l £'m	Total £'m	Core £'m	Int'l £'m	Total £'m
Income							
Revenue	89.3	13.2	1.6	104.1	81.9	1.7	83.6
Adjusted EBITDA	37.9	1.1	(2.2)	36.8	33.2	(2.0)	31.2
Share based payments	(1.4)	-	-	(1.4)	(0.5)	-	(0.5)
Non underlying costs	(0.9)	-	-	(0.9)	-	-	-
EBITDA	**35.6**	**1.1**	**(2.2)**	**34.5**	**32.7**	**(2.0)**	**30.7**
Depreciation and amortisation	(7.3)	(0.2)	(0.2)	(7.7)	(6.6)	(0.2)	(6.8)
Segment operating profit/(loss) before exceptional costs	28.3	0.9	(2.4)	26.8	26.1	(2.2)	23.9
Exceptional	(0.6)	-	-	(0.6)	(2.7)	-	(2.7)
Group operating profit/(loss)	**27.7**	**0.9**	**(2.4)**	**26.2**	**23.4**	**(2.2)**	**21.2**
Finance costs				(0.3)			(0.2)
Finance income				0.2			0.1
Profit before taxation				**26.1**			**21.1**
Non-current assets							
Goodwill	31.6	8.0	-	**36.9**	31.6	-	**31.6**
Other intangible assets	37.3	11.2	0.1	**48.6**	40.6	0.3	**40.9**
Property, plant and equipment	2.5	2.0	-	**4.5**	1.4	-	**1.4**
Investment property	-	0.8	-	**0.8**	-	-	**-**

** Results are from the acquisition date to 30 September 2018*

Notes to the Consolidated Financial Statements

5. *Business combinations*

Acquisition of Classic Collection Holidays Limited
On 15 August 2018 the Group acquired the entire share capital of Classic Collection Holidays Limited in exchange for cash, shares and contingent consideration. The primary reason for the business combination was to increase market share and gain access to the Classic Collection Group's B2B network

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 £'m
Net assets acquired	
Intangible assets	11.2
Property plant and equipment	2.0
Investment property	0.8
Trade and other receivables	5.0
Cash and cash equivalents	18.2
Trade and other payables	(20.0)
Deferred tax liabilities	(1.9)
Net identifiable assets and liabilities	**15.3**
Consideration paid	
Cash paid	17.2
Contingent consideration	2.7
Deferred working capital	0.8
Shares issued	2.6
Total consideration	**23.3**
Net working capital cash adjustment	(3.3)
Net consideration	**20.0**
Goodwill	**8.0**

Under IFRS 3 Business Combinations, the Classic Collection brand, including the domain name and customer relationships have been identified as assets separate from goodwill with a value of £11.2m. The recognition of these assets has resulted in a deferred tax liability of £1.9m. The goodwill balance represents the value of the workforce, the realisation of the potential increase in market share through gaining access to the existing distribution network of travel agents. 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 it will give the Group a "business to business" channel through which the Group can gain access to the offline short haul beach holidays market. The fair value of the contingent consideration at acquisition amounts to £2.7m which is the agreed payment amount. The contigent consideration will be reduced by any losses suffered or incurred resulting from any material breach of the Directors' service agreements. This is deemed to be remote, and therefore doesn't affect the fair value. The Directors will receive market rate remuneration for the period of the service agreement which is separate from the consideration amount.

Acquisition related costs amounting to £0.6m 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 Classic Collection Holidays Group was £20m plus excess working capital of £3.3m which is equal to the total consideration of £23.3m. Due to the relatively short time between acquisition and 30 September 2018, the intangible assets recognised are deemed to be provisional. Included in the operating profit for the period ended 30 September 2018 is £1.1m attributable to the additional business generated by Classic Collection.

Had the business combination been effected as at 1 October 2017, the revenue for the Group would have been £147.4m and the operating profit for the period would have been £24.8m.

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 £'m
Net assets acquired	
Intangible assets	1.6
Property plant and equipment	0.5
Trade and other receivables	25.8
Cash and cash equivalents	3.2
Trade and other payables	(29.0)
Deferred tax liabilities	(0.3)
Net identifiable assets and liabilities	**1.8**
Consideration paid	
Cash paid	13.0
Contingent consideration	3.0
Total consideration	**16.0**
Net working capital cash adjustment	(4.0)
Net consideration	**12.0**
Goodwill	**10.2**

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 £1.5m. The recognition of the brand has resulted in a deferred tax liability of £0.3m.
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 infrastructure. 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 £3.0m, 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 occurrence of this condition is considered to be remote by management.

Acquisition related costs amounting to £0.7m 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 £12m. Excess working capital was paid upon acquisition as additional consideration. Included in the operating profit for the period ended 30 September 2017 is £0.5m attributable to the additional business generated by Sunshine.co.uk Limited.

Had the business combination been effected as at 1 October 2016, the revenue for the Group would have been £86.2m and the operating profit for the period would have been £22.2m.

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6. Operating profit

a) Operating expenses

Expenses by nature including exceptional items and impairment charges:

	2018 £'m	2017 £'m
Marketing	40.4	40.3
Depreciation	0.5	0.4
Staff costs (including share based payments)	10.9	6.9
IT hosting, licences & support	1.4	1.1
Rent	1.0	0.7
Credit / debit card charges	2.7	2.2
Other	1.7	1.7
Administative expenses before exceptional costs & amortisation of intangible assets	**58.6**	**53.3**
Exceptional costs *(see note 6b)*	0.6	2.7
Amortisation of intangible assets	7.2	6.4
Exceptional costs and amortisation of intangible assets	**7.8**	**9.1**
Administrative expenses	**66.4**	**62.4**

b) Exceptional items

Exceptional costs in the current year relate to £0.6m of costs incurred during the acquisition of Classic Collection Holidays Limited.

Exceptional items in the prior period include £0.7m of costs incurred in relation to the purchase of Sunshine.co.uk Limited and a £2.0m provision following the failure of the Monarch Travel Group on 2nd October 2017. The £2.0m charge is the net of a £5.0m asset relating to the amounts reclaimed from chargeback and a provision of £7.0m relating to our obligations under ATOL regulations.

c) Services provided by the company auditor

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

	2018 £'m	2017 £'m
Audit of the parent company financial statements	0.1	0.1
Amounts receivable by the Company's auditor and its associated in respect of:		
– Audit of financial statements of subsidiaries pursuant to legislation	0.1	-
– Review of interim financial statements	-	-
– Other assurance services	-	-
	0.2	0.1

d) *Adjusted PBT*

Management measures the overall performance of the Group by reference to Adjusted PBT, a non-GAAP measure as it gives a meaningful year on year comparison of the Group's performance:

	2018 £'m	2017 £'m
Profit before taxation	26.1	21.0
Exceptional acquisition costs	0.6	0.7
Non underlying litigation costs	0.4	-
Non underlying property costs	0.5	-
Monarch charge	-	2.0
Amortisation of acquired intangibles (brand, website technology and customer relationships)	4.6	4.3
Share based payments charge*	1.4	0.5
Adjusted PBT	**33.6**	**28.5**

*The first LTIP was granted in 2016. As the scheme reaches maturity (3 year cycle) there will be a material change to the charge each year. Therefore the charges have been added back to the adjusted profit measure in order to better reflect management's view of the underlying performance of the business.

e) *Group operating profit before amortisation and exceptional costs*

Management consider this measure to be relevant in understanding the trading performance of the Group as it excluded amortisation of intangible assets and items that are not expected to recur.

7. Employees and Directors

a) *Payroll costs*

The aggregate payroll costs of these persons was as follows:

	2018 £'m	2017 £'m
Wages and salaries	12.0	10.1
Defined contribution pension cost	0.1	0.1
Social security costs	1.2	1.0
Share-based payment charges	1.4	0.5
	14.7	**11.7**

Staff costs above include £3.8m (2017: £2.6m) employee costs capitalised as part of software development.

b) *Employee numbers*

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

	2018	2017
By reportable segment:		
Core	384	322
International	18	15
B2B	102	-
	504	**337**

Notes to the Consolidated Financial Statements

c) Directors' emoluments

The remuneration of Directors of the group was as follows:

	2018 £'m	2017 £'m
Aggregate emoluments	0.8	0.8
Defined contribution pension	0.1	-
Share-based payment charges	0.7	0.1
	1.6	**0.9**

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:

	2018 £'m	2017 £'m
Aggregate emoluments	0.3	0.3
Share-based payment charges	0.4	0.1
	0.7	**0.4**

d) Key management compensation

Key management comprised the six members of the executive team.

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

	2018 £'m	2017 £'m
Wages and salaries	1.1	1.2
Short-term non-monetary benefits	0.1	0.0
Share-based payment charges	0.9	0.3
	2.1	**1.5**

e) Retirement benefits

Included in pension contributions payable by the Group of £0.1m (2017: £0.1m) is £42,000 (2017: £22,000) of contributions that the Group made to a personal pension scheme in relation to one Executive Director.

8. Finance income and finance costs

a) Finance costs

	2018 £'m	2017 £'m
Rolling credit facility interest	0.3	0.2
Finance costs	**0.3**	**0.2**

b) Finance income

	2018 £'m	2017 £'m
Bank interest receivable	0.2	0.1
Finance income	**0.2**	**0.1**

9. Taxation

	2018 £'m	2017 £'m
Current tax on profit for the year	6.1	5.0
Adjustments in respect of prior years *	(0.4)	(1.1)
Total current tax	**5.7**	**3.9**
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(1.1)	(0.8)
Total deferred tax	**(1.1)**	**(0.8)**
Total tax charge	**4.6**	**3.1**

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 for the year ended 30 September 2017 is in relation to an agreed Advanced Thin Capitalisation Agreement (ATCA) for financial years ended 30 September 2014 and 2015.

	2018 £'m	2017 £'m
Profit on ordinary activities before tax	26.1	21.1
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19% (2017: 19.5%)	5.0	4.2
Effects of:		
Adjustments in respect of prior years	(0.4)	(1.1)
Total taxation charge	**4.6**	**3.1**

The tax charge for the year is based on the effective rate of UK Corporation tax for the period of 19% (2017: 19.5%). A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantially enacted on 26 October 2015. Further reductions 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 Group's future current tax charge accordingly.

The deferred tax liability at 30 September 2018 has been calculated based on these rates.

10. Earnings per share

Basic 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.

Diluted earnings per share is 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 period plus the weighted avaerage number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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 £'m*	*Pence per share*
Year ended 30 September 2018			
Basic EPS	130.5	21.5	16.5p
Diluted EPS	130.7	21.5	16.5p
Adjusted EPS	130.5	27.7	21.2p
Year ended 30 September 2017			
Basic and diluted EPS	130.4	18.0	13.8p
Adjusted EPS	130.4	22.9	17.6p

Adjusted earnings after tax is calculated as follows:

	2018 £'m	*2017 £'m*
Profit for the year after taxation	21.5	18.0
Adjustments (Net of Tax at 19%):		
Exceptional acquisition costs	0.5	0.4
Non underlying Litigation costs	0.3	-
Non underlying property costs	0.4	-
Monarch net charge	-	1.6
Amortisation of acquired intangibles	3.8	3.6
Share based payment charges *	1.2	0.4
ATCA adjustment	-	(1.1)
Adjusted earnings after tax	**27.7**	**22.9**

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

11. Intangible assets

	Brand £'m	Goodwill £'m	Website & development costs £'m	Website technology £'m	Customer relationships £'m	Total £'m
Cost						
At 1 October 2016	30.1	21.5	3.8	22.5	-	77.9
Assets acquired on acquisition	1.4	10.1	0.1	-	-	11.6
Additions	-	-	2.6	-	-	2.6
At 30 September 2017	31.5	31.6	6.5	22.5	-	92.1
Assets acquired on acquisition	4.4	8.0	-	0.3	6.5	19.2
Additions	-	-	3.8	-	-	3.8
Disposals	-	-	(3.8)	-	-	(3.8)
At 30 September 2018	**35.9**	**39.6**	**6.5**	**22.8**	**6.5**	**111.3**
Accumulated amortisation						
At 1 October 2016	6.0	-	0.5	6.8	-	13.3
Charge for the year	2.1	-	2.1	2.2	-	6.4
At 1 October 2017	**8.1**	**-**	**2.6**	**9.0**	**-**	**19.7**
Charge for the year	2.2	-	2.6	2.2	0.2	7.2
Disposals	-	-	(3.7)	-	-	(3.7)
At 30 September 2018	**10.3**	**-**	**1.5**	**11.2**	**0.2**	**23.2**
Net book amount						
At 30 September 2018	**25.6**	**39.6**	**5.0**	**11.6**	**6.3**	**88.1**
At 30 September 2017	**23.5**	**31.6**	**3.9**	**13.5**	**-**	**72.5**

Assets acquired on acquisition

These assets were recognised upon acquisition of Classic Collection Holidays Limited (2017: Sunshine.co.uk Limited). The amounts recognised are at fair value at acquisition date.

CGU	Acquisitions	As at 30 Setptember 2018 £'m	As at 30 Setptember 2017 £'m
Core	On the Beach Travel Limited	21.5	21.5
Core	Sunshine.co.uk Limited	10.1	10.1
B2B	Classic Collection Holidays Limited	8.0	-
		39.6	**31.6**

Notes to the Consolidated Financial Statements

Impairment of goodwill

Goodwill acquired through Sunshine.co.uk has been allocated to the "core" cash generating units it operates from the same internal infrastructure as the core segement. Core and Sunshine are internally reported and managed as one entity. Goodwill acquired through the Classic Collection acquisition has been allocated to the "Classic" cash generating unit.

"Core" CGU

The Group performed its annual impairment test as at 30 September 2018 on the "core" 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 10 percent (2017: 20 percent) over the period, years' four and five are extrapolated at a growth rate of 5 percent (2017: 5 percent); the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent (2017: 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 13.5 percent (2017: 11 percent).

"B2B" CGU

The Group performed its annual impairment test as at 30 September 2018 on the "B2B" 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 five years grow 2 percent over the period, the forecasts are then extrapolated in perpetuity based on an flat growth rate. 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 13.5 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.

The "International" CGU has been internally developed and as such, has no goodwill.

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.

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. 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 £'m	Buildings leasehold £'m	Fixtures, fittings and equipment £'m	Assets under construction £'m	Total £'m
Cost					
At 1 October 2016	-	-	1.3	-	1.3
On Acquisition	0.3	0.3	0.0	-	0.6
Additions	-	-	0.5	-	0.5
At 1 October 2017	0.3	0.3	1.8	-	2.4
On Acquisition	2.0	-	-	-	2.0
Additions	-	-	1.1	1.1	2.2
Disposals	-	-	(1.4)	-	(1.4)
Assets held for sale	(0.3)	(0.3)		-	(0.6)
At 30 September 2018	**2.0**	**-**	**1.5**	**1.1**	**4.6**
Accumulated deprecation					
At 1 October 2016	-	-	0.6	-	0.6
Charge for the year	-	-	0.4	-	0.4
At 1 October 2017	**-**	**-**	**1.0**	**-**	1.0
Charge for the year	-	-	0.5	-	0.5
Disposals	-	-	(1.4)	-	(1.4)
At 30 September 2018	**-**	**-**	**0.1**	**-**	**0.1**
Net book amount					
At 30 September 2018	**2.0**	**-**	**1.4**	**1.1**	**4.5**
At 30 September 2017	**0.3**	**0.3**	**0.8**	**-**	**1.4**

Assets acquired on acquisition

£2.0m of these assets were recognised upon acquisition of Classic Collection Holidays Limited on 15 August 2018. The amounts recognised are at fair value at acquisition date which equates to the net book value of these assets.

£0.6m 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 assets have been subsequently been reclassified as held for sale. The depreciation expense of £0.5m for the year ended 30 September 2018 and the depreciation expense of £0.4m for the year ended 30 September 2017 have been recognised within administrative expenses.

13. Investment property

	Total £'m
Cost	
At 1 October 2017	-
On Acquisition	0.8
At 30 September 2018	**0.8**

Assets acquired on acquisition
Investment property relates to a freehold property acquired as part of the acquisition of Classic Collection Holidays. A portion of the building earns rental income and has been classified as an Investment property. Rental income of £0.1m (2017: £nil) was recorded in the income statement in the current period.

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property annually. All of the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

14. 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 5 Adair Street, Manchester, M1 2NQ.

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	Internet travel agent	100%
On the Beach Bid Co Limited	Holding company	100%
On the Beach Travel Limited	Internet travel agent	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%
Classic Collection Holidays Limited	Tour Operator	100%
Classic Collection Aviation Limited	Transport Broker	100%
Classic Collection Holiday, Travel & Leisure Limited	Dormant	100%
Saxon House Properties Limited	Property Management	100%
Classic Package Holidays Limited	Travel Agent	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.

15. Trade and other receivables

Amounts falling due within one year:	2018 £'m	2017 £'m
Trade receivables – net	58.0	47.4
Other receivables	8.8	8.3
Prepayments	4.3	0.8
	71.1	**56.5**

In the prior year Other receivables includes £5m receivable in respect of a Scheduled Airline Failure Insurance claim following the failure of the Monarch Group on 2 October 2017. The asset was fully recovered in the year.

16. Assets held for sale

	2018 £'m	2017 £'m
Assets held for sale	0.5	-
	0.5	**-**

The Group is actively attempting to sell the two properties acquired through the purchase of Sunshine.co.uk. The Group expects to sell both properties within the next financial year.

17. Cash and cash equivalents

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

	2018 £'m	2017 £'m
Cash at bank and in hand	47.3	33.0
Trust account	38.4	38.6
	85.7	**71.6**

18. Trade, other payables and provisions

	2018 £'m	2017 £'m
Current		
Trade payables	108.1	79.6
Accruals	15.6	6.9
Contingent consideration	2.7	3.0
Provision	-	7.0
	126.4	**96.5**

The £7m provision in the prior year in respect of the Monarch airline failure has been fully utilised in the current year. The provision represented the cost the Group incurred to fulfil its obligations to customers under ATOL regulations to arrange refunds or alternative flights.

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19. Borrowings

Bank Facility

During the year the Group extended its Revolving Credit Facility with Lloyds Bank plc **(the Facility)** to 31 December 2019.

The borrowing limits under the Facility will vary monthly to reflect the seasonal borrowing requirements of the Group, ranging from £2.0m in one month to £30.0m in another month. No early prepayment fees are payable.

The margin contained within 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 Group financial covenants:

(i) that the ratio of total debt to EBITDA in respect of any relevant period shall not exceed 2:1 and
(ii) that the ratio of EBITDA to finance charges in respect of any relevant period shall not be less than 5:1

The Group operated within these covenants during the period.

20. Deferred tax

	Intangible assets £'m	Property, plants and equipment £'m	Fixtures, fittings and equipment £'m	Tax assets/ (liabilities) £'m
2018				
Assets	-	-	0.3	0.3
Liabilities	(7.6)	0.1	-	(7.5)
Total	(7.6)	0.1	0.3	(7.2)
2017				
Assets	-	0.1	-	0.1
Liabilities	(6.5)	-	-	(6.5)
Total	**(6.5)**	**0.1**	-	**(6.4)**

	Intangible assets revaluation	Property, plants and equipment	Share based payments	Total
	£'m	£'m	£'m	£'m
30 September 2016	(7.2)	-	-	(7.2)
Acquired on acquisition	(0.2)	-	-	(0.2)
Recognised in income	0.9	0.1	-	1.0
30 September 2017	(6.5)	0.1	-	(6.4)
Acquired on acquisition	(1.9)	-	-	(1.9)
Recognised in income	0.8	-	0.3	1.1
30 September 2018	**(7.6)**	**0.1**	**0.3**	**(7.2)**

21. Share capital

	2018 £'m	2017 £'m
Allotted, called up and fully paid		
131,042,510 Ordinary shares @ £0.01 each (2017:130,434,763 @ £0.01 each)	1.3	1.3

On 15th August 2018 the Group issued 607,747 shares as part of the acquisition of Classic Collection Holidays. 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.

22. 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.

During the year the Group issued 607,747 shares with a nominal value of £0.01 each to form part of the acquisition of Classic Collection Holidays. The consideration value of the shares issed was £2.6m. The excess above the nominal value of the shares has been credited to the merger reserve.

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

23. 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:

	2018 £'m	2017 £'m
Financial assets		
Deriviative financial assets		
Forward exchange contracts used for hedging	0.1	-
Loans and receivables		
Cash and cash equivalents	85.7	71.6
Trade and other receivables *(note 15)*	66.8	55.7
Total financial assets	**152.6**	**127.3**
Financial liabilities		
Trade and other payables *(note 18)*	(108.1)	(79.6)
Contingent consideration *(note 5)*	(2.7)	(3.0)
Forward exchange contracts used for hedging	-	(0.1)
Total financial liabilities	**(110.8)**	**(82.7)**

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

	FV Level	2018 £'m	2017 £'m
Forward exchange contracts	2	0.1	(0.1)
Contingent consideration	3	-	(3.0)

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

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)

Forward Contract	Level 1 £'m	Level 2 £'m	Level 3 £'m
As at 30 September 2018	-	0.1	-
As at 30 September 2017	-	(0.1)	-
Contingent consideration			
As at 30 September 2018			(2.7)
As at 30 September 2017	-	-	(3.0)

The forward contracts have been fair valued at 30 September 2018 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

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 change 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 is provided with a consolidated view of the risk profile of the Group. All major exposures are identified and mitigating controls identified and implemented. Regular management reporting and assessment of the effectiveness of controls provide a balanced assessment of the key risks and the effectiveness of controls.

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

d) *Interest rate risk*

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

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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, Swedish Krona, Norwegian Krona and Moroccan Dirham). 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:

Euro	**2018 €'m**	**2017 €'m**
Cash	8.0	8.4
Trade payables	(70.1)	(63.3)
Forward exchange contracts	56.6	50.8
Balance sheet exposure	**(5.5)**	**(4.1)**

US Dollar	**2018 $'m**	**2017 $'m**
Cash	0.3	0.2
Trade payables	(1.4)	(1.0)
Forward exchange contracts	1.3	0.7
Balance sheet exposure	**0.2**	**(0.1)**

Swedish Krona	**2018 Kr'm**	**2017 Kr'm**
Cash	0.1	0.1
Trade payables	-	(0.1)
Trade receivables	0.2	0.1
Forward exchange contracts	(0.1)	(0.1)
Balance sheet exposure	**0.3**	**-**

Norwegian Krona	**2018 Kr'm**	**2017 Kr'm**
Cash	0.2	-
Trade receivables	-	-
Forward exchange contracts	(0.1)	-
Balance sheet exposure	**0.1**	**-**

Moroccan Dirham	**2018 MAD'm**	**2017 MAD'm**
Cash	0.1	-
Trade payables	-	-
Forward exchange contracts	(0.1)	-
Balance sheet exposure	**-**	**-**

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:

	2018 £'m	2017 £'m
Euro		
Weakening - 10%	(0.9)	(0.2)
Strengthening - 10%	0.9	0.2
US Dollar		
Weakening -10%	-	-
Strengthening - 10%	-	-
SEK		
Weakening -10%	-	0.1
Strengthening - 10%	-	(0.1)
NOK		
Weakening -10%	-	-
Strengthening - 10%	-	-
DKK		
Weakening -10%	-	-
Strengthening - 10%	-	-
MAD		
Weakening -10%	-	-
Strengthening - 10%	-	-

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:

	Foreign currency	2018 Notional value	Fair value	Foreign currency	2017 Notional value	Fair value
EUR						
30 September						
Less than 3 months	39.4	35.0	(0.1)	36.8	32.4	-
3 to 6 months	7.8	7.0	-	9.8	8.7	(0.1)
6 to 12 months	16.0	14.4	-	4.3	3.8	-
Greater than 12 months	0.3	0.2	-	-	-	-
Total	**63.5**	**(56.6)**	**(0.1)**	**50.9**	**44.9**	**(0.1)**

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USD	2018 Foreign currency	2018 Notional value	2018 Fair value	2017 Foreign currency	2017 Notional value	2017 Fair value
30 September						
Less than 3 months	1.0	0.7	-	0.5	0.4	-
3 to 6 months	0.4	0.3	-	0.2	0.1	-
6 to 12 months	0.3	0.2		-	-	-
Total	**1.7**	**1.2**	**-**	**0.7**	**0.5**	**-**

SEK	2018 Foreign currency	2018 Notional value	2018 Fair value	2017 Foreign currency	2017 Notional value	2017 Fair value
30 September						
Less than 3 months	0.6	0.1	-	2.5	0.2	-
3 to 6 months	0.2	-	-	0.2	-	-
Total	**0.8**	**0.1**	**-**	**2.7**	**0.2**	**-**

NOK	2018 Foreign currency	2018 Notional value	2018 Fair value	2017 Foreign currency	2017 Notional value	2017 Fair value
30 September						
Less than 3 months	0.9	0.1	-	(2)	(0.2)	-
3 to 6 months	0.5	-	-	-	-	
Total	**1.4**	**0.1**	**-**	**(2)**	**(0.2)**	**-**

MAD	2018 Foreign currency	2018 Notional value	2018 Fair value	2017 Foreign currency	2017 Notional value	2017 Fair value
30 September						
Less than 3 months	0.1	0.1	-	-	-	-
Total	**0.1**	**0.1**	**-**	**-**	**-**	**-**

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 £'m	Past due 0-30 days £'m	Past due >30 days £'m	Total £'m
At 30 September 2018	57.6	0.3	0.1	**58.0**
At 30 September 2017	47.3	0.1	-	**47.4**

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

g) *Liquidity risk*

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

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

The following are the contractual maturities of financial liabilities:

Financial liabilities at amortised cost	Carrying amount	Contractual cash flows	Within 1 year
Sept-18	**£'m**	**£'m**	**£'m**
Trade payables	108.1	108.1	108.1
Other payables	15.7	15.7	15.7
Contigent consideration	2.7	2.7	2.7
	126.5	**126.5**	**126.5**
Sept-17			
Trade payables	79.6	79.6	79.6
Other payables	6.9	6.9	6.9
Contingent consideration	3.0	3.0	3.0
	89.5	**89.5**	**89.5**

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 19) and equity of the Group as disclosed in note 22.

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

Notes to the Consolidated Financial Statements

24. Share based payments

The following table illustrates the number of, and movements in, share options granted by the group

	2016 LTIP No of share options (thousands)	2017 LTIP No of share options (thousands)	2018 LTIP No of share options (thousands)	2018 CSOP & RSA	Total No of share options (thousands)
Outstanding at the beginning of the year	536	807	-	-	1,343
Granted during the year	-	-	424	325	749
Forfeited during the year	-	(204)	(81)	(11)	(296)
Outstanding at the year end	536	603	343	314	1,796

2016 LTIP Award

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 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.

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

2017 LTIP Award

On the 26th May 2017, the Group awarded 602,425 nil cost options to key management. On the 31 May 2017, the Group awarded 204,668 nil cost options 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)	4.1	Nil	30.00	3.0	0.07%	0.75%	0.0	2.890
26 May 2017 (EPS)	4.1	Nil	-	3.0	0.07%	0.75%	0.0	4.050
31 May 2017 (TSR)	3.9	Nil	30.00	3.0	0.07%	0.79%	0.0	2.590
31 May 2017 (EPS)	3.9	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.

2018 LTIP Award

On the 20th December 2017, the Group awarded 423,709 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 on 1 October 2017. The vesting 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.

2018 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 (£)
20 December 2017 (TSR)	4.5	Nil	30%	3.0	0.54%	0.62%	0.0	1.880
20 December 2017 (EPS)	4.5	Nil	-	3.0	0.54%	0.62%	0.0	4.420

Notes to the Consolidated Financial Statements

2018 Restricted Share Award (nil-cost option) and CSOP

On 27 October 2017, the Group awarded 185,888 nil cost options to key employees excluding executive directors. The awards will vest on 27 October 2020 subject to continued employment, but with no other performance conditions.

The number of shares subject to the CSOP Awards has been determined by reference to the mid-market price of a share on date of award (£4.27 pence per share). In order to optimize the post-tax value of the LTIP for participants, the Company has granted market value options as defined under UK tax legislation ("CSOP Options") to the participants, over 138,924 Shares. The exercise price of each CSOP Option is £4.27 pence per share. The maximum number of awards that can be issued is 185,888.

	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 (£)
RSA and CSOP	4.27	Nil	N/A	3	0.55%	0.73%	Nil	4.2

The following has been recognised in the income statement during the year:

	2018 £'m	2017 £'m
2016 LTIP	0.1	0.3
2017 LTIP	0.7	0.2
2018 LTIP	0.4	-
RSA and CSOP	0.2	-
Total share scheme charge	1.4	0.5

25. Commitments and contingencies

a) Capital commitments

The company has committed to a further £1.5m costs relating to the new company headquarters.

b) Operating lease commitments

	2018 Land & Buildings £000	2017 Land & Buildings £000
One year	0.5	0.3
Two to Five years	2.4	1.4
Over Five years	2.9	1.0
	5.8	2.7

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.

25. Related party transactions

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

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

Company balance sheet

At ended 30 September 2018

	Note	2018 £'m	2017 £'m
Fixed assets			
Investments	4	132.6	132.6
Current assets			
Debtors	5	73.9	74.0
Cash at bank		-	0.1
		73.9	74.1
Current liabilities			
Creditors: amounts falling due within one year	6	(2.5)	(3.0)
		(2.5)	(3.0)
Net assets		**204.0**	**203.7**
Equity			
Share capital	7	1.3	1.3
Merger reserve		2.6	-
Capital contribution reserve		0.5	0.5
Retained earnings		199.6	201.9
Total equity		**204.0**	**203.7**

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

Paul Meehan
Chief Financial Officer
28 November 2018
On the Beach Group plc. Reg no 09736592

Company statement of changes in equity

At ended 30 September 2018

	Share capital £'m	Merger reserve £'m	Capital contribution £'m	Retained earnings £'m	Total £'m
Balance at 30 September 2016	1.3	-	0.5	205.5	207.3
Share based payment charges	-	-	-	0.5	0.5
Dividends paid during the year	-	-	-	(4.0)	(4.0)
Total comprehensive loss for the year	-	-	-	(0.1)	(0.1)
Balance at 30 September 2017	**1.3**	**-**	**0.5**	**201.9**	**203.7**
Shares issued during the year	-	2.6	-	-	2.6
Share based payment charges	-	-	-	1.2	1.2
Dividends paid during the year	-	-	-	(3.9)	(3.9)
Total comprehensive profit for the year	-	-	-	0.4	0.4
Balance at 30 September 2018	**1.3**	**2.6**	**0.5**	**199.6**	**204.0**

On 15th August 2018 the Group issued 607,747 shares as part of the acquisiton of Classic Collection Holidays. 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.

Notes to the Company financial statements

At ended 30 September 2018

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 £1,000,000.

The financial information presented is at and for the years ended 30 September 2018 and 30 September 2017
As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of On the Beach Group plc. The profit for the year ended 30 September 2018 dealt with in the financial statements of the parent company is £0.4m (2017: loss £0.1m).

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

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

Investment in subsidiaries

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

Related party transactions

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

2. 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 Directors' Remuneration Report on pages 61 to 84.

3. Shared based payments

The Company recognised total expenses of £1.4m (2017: £0.5m) in the year in relation to the Long Term Incentive Plan. Details of this scheme is described in note 24 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 in 2015. There has been no movement in the current year.

Notes to the Company financial statements

At ended 30 September 2018

5. Debtors

Amounts falling due within one year:	2018 £'m	2017 £'m
Amounts owed by group undertakings	73.9	74.0
	73.9	**74.0**

6. Creditors due within one year

Current	2018 £'m	2017 £'m
Amounts owed to group undertakings	-	2.7
Bank overdraft	2.1	-
Trade payables	0.1	-
Accruals	0.3	0.3
	2.5	**3.0**

7. Called-up share capital

	2018 £'m	2017 £'m
Allotted, called up and fully paid		
131,042,510 Ordinary shares @ £0.01 each (2017:130,434,763 @ £0.01 each)	1.3	1.3
	1.3	**1.3**

8. Contingent liabilities and guarantees

The company is a guarantor to a borrowing facility relating to a revolving credit facility provided to the Group. The amount borrowed under this agreement at 30 September 2018 was £nil (2017: £nil).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Glossary of alternative performance measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure
Adjusted Core EBIT	Adjusted Core EBIT is based on Core operating profit before the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the segment. Share based payments: The first annual LTIP was granted in 2016. As the scheme reaches maturity (3 year cycle) there will be a material change to the charge each year. Therefore these have been added back to adjusted profit measures in order to reflect managments view of underlying performance of the business.	See table below
Adjusted Core EBITDA	Adjusted Core EBITDA is based on Core operating profit before depreciation, amortisation and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment.	See table below
International EBITDA	International EBITDA is based on International operating profit before depreciation and amortisation.	See table below
Classic EBITDA	Classic EBITDA is based on Classic operating profit before depreciation and amortisation.	See table below
Adjusted Profit before Tax	Adjusted Profit before Tax is based on Profit before Tax adjusted for amortisation of acquired intangibles, and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group.	See table below

Adjusted Core operating profit (£m)	2018	2017
Core operating profit	**27.7**	**23.4**
Non-underlying costs	1.5	2.7
Share Based Payments	1.4	0.5
Amortisation of acquired intangibles	4.3	4.3
Adjusted Core EBIT	**34.9**	**30.8**

Adjusted Core EBITDA (£m)	2018	2017
Core Operating Profit	**27.7**	**23.4**
Non-underlying costs	1.5	2.7
Share Based Payments	1.4	0.5
Depreciation and amortisation	3.0	2.4
Amortisation of acquired intangibles	4.3	4.3
Adjusted Core EBITDA	**37.9**	**33.2**

International EBITDA (£m)	2018	2017
International Operating Profit	**(2.4)**	**(2.2)**
Depreciation and amortisation	0.2	0.2
International EBITDA	**(2.2)**	**(2.0)**

Classic EBITDA (£m)	2018	2017
Classic Operating Profit	**0.9**	
Depreciation and amortisation	0.2	
Classic EBITDA	**1.1**	

Adjusted Profit before Tax (£m)	2018	2017
Profit before Tax	**26.1**	**21.1**
Amortisation of acquired intangibles	4.6	4.3
Share Based Payments	1.4	0.5
Non-underlying costs	1.5	2.7
Adjusted Profit before Tax	**33.6**	**28.5**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted Profit after Tax	Adjusted Profit after Tax is based on Profit after Tax adjusted for amortisation of acquired intangibles, and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group.	See table below

Adjusted Profit after Tax	2018	2017
Profit for the year	**21.5**	**18.0**
Share based payments (net of tax)	1.2	0.4
Non-underlying costs (net of tax)	1.2	2.2
Amortisation of acquired intangibles	3.8	3.4
Adjustment in respect of ATCA	-	(1.1)
Adjusted Profit after Tax	**27.7**	**22.9**

APM	Definition	Reconciliation to closest GAAP measure
Non-underlying costs	Non-underlying costs are certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. These costs / income are excluded from various performance measures by virtue of their size and in order to better reflect management's view of the performance of the Group.	See table below

Non-underlying costs	2018	2017
One-off property costs	0.5	-
One-off litigation costs	0.4	-
Acquisition costs	0.6	0.7
Monarch failure	-	2.0
Non-underlying costs	**1.5**	**2.7**

APM	Definition	Reconciliation to closest GAAP measure
Operating cash conversion	Operating cash conversion is adjusted EBITDA (see above) divided by operating cash flows excluding cash flows that derive from events of transactions that fall outside the normal activities of the Group. These cash flows are excluded from various performance measures by virtue of their size and in order to better reflect management's view of the performance of the Group.	See table below

Operating cash conversion (£m)	2018	2017
Operating profit	26.2	21.2
Depreciation	0.5	0.4
Amortisation	7.2	6.4
Non-underlying costs	1.5	2.7
Share based payments	1.4	0.5
Adjusted operating profit	**36.8**	31.2
Capitalised development spend	(3.8)	(2.7)
Movement in working capital	(1.9)	(3.3)
Capital expenditure	(2.2)	(0.6)
Adjusted operating cash flow	**28.9**	**24.6**
Operating cash conversion	**79%**	**79%**
Acquired working capital adjustment	2.2	3.5
Assets under construction (New HQ)	1.1	-
Adjusted operating cash	**32.2**	**28.1**
Adjusted operating cash conversion	**90%**	**88%**

APM	Definition	Reconciliation to closest GAAP measure
Core revenue after marketing cost	Core revenue after marketing cost is revenue after "core" online and offline marketing costs.	See table below

Core revenue after marketing costs	2018	2017
Core revenue	89.3	81.9
Core online marketing costs	(33.2)	(33.5)
Core off-line marketing costs	(4.1)	(3.5)
Total core marketing	(37.3)	(37.0)
Core revenue after marketing costs	**52.0**	**44.9**

Glossary of alternative performance measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure
Adjusted EPS	Adjusted EPS is calculated on the weighted average number of Ordinary share in issue, using the adjusted profit after tax.	see table below
Operating profit before amortisation and exceptional costs	Operating profit before amortisation and exceptional costs is based on Group operating profit, adjusting for amortisation of acquired intangibles and the impact of certain costs that derive from events or transactions that fall outside of the normal activities of the Group.	see table below
Core EBITDA as a percentage of revenue	Core EBITDA as a percentage of revenue is based on the adjusted core EBITDA divided by the revenue generated in the core business.	see table below
International revenue after marketing costs	International revenue after marketing costs is based on International revenue after all marketing costs.	see table below

Adjusted EPS	2018	2017
Core operating profit	**27.7**	**22.9**
Basic weighted average number of Ordinary Shares (m)	130.5	130.4
Adjusted EPS (p)	**21.2**	**17.5**

Operating profit before amortisation and exceptional costs (£m)	2018	2017
Operating profit	**26.2**	**21.2**
Exceptional costs	0.6	2.7
Amortisation of intangibles	7.2	6.4
Operating profit before amortisation and exceptional costs (£m)	**34.0**	**30.3**

Core EBITDA as percentage of revenue	2018	2017
Revenue	89.3	81.9
Adjusted core EBITDA	37.9	33.2
Core EBITDA as a percentage of revenue	**42.4%**	**40.5%**

International revenue after marketing costs	2018	2017
Revenue	1.6	1.7
Marketing costs	(3.0)	(3.3)
International revenue after marketing costs	**(1.4)**	**(1.6)**

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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.

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